PRODUITS FORESTIERS
GREENFIRST
FOREST PRODUCTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Q3 2021

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 25, 2021

GREENFIRST FOREST PRODUCTS INC.
(Formerly Itasca Capital Ltd.)

Dated: November 24, 2021

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Background

This Management Discussion and Analysis ("MD&A") provides information on GreenFirst Forest Products Inc. (the "Company", "GreenFirst", "we" "our" or similar terms referring to GreenFirst) as at November 24, 2021. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 25, 2021, and with the Company's audited consolidated financial statements as at and for the year ended December 31, 2020, and annual MD&A for the year ended December 31, 2020. In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyse the financial results that do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar performance measures and indicators used by other issuers. Please refer to the "Non-GAAP Measures" section of this MD&A for details.

GreenFirst is a forest-first business, focused on sustainable forest management and lumber production. We believe that responsible forest practices, coupled with the long term green advantage of lumber, provide GreenFirst with significant cyclical and secular advantages in building products. GreenFirst has seven sawmills in Ontario and Quebec and one newsprint mill in Ontario. GreenFirst's long term vision is to be an environmental leader in the global forestry industry.

Except as otherwise disclosed, all dollar figures included in the unaudited condensed consolidated interim financial statements and in the following MD&A are quoted in thousands of Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

This MD&A has been prepared taking into consideration information available to November 24, 2021, and contains forward-looking information that involves risks and uncertainties. All statements, other than statements of historical facts should be considered forward-looking statements. Such forward-looking statements are based on management's exercise of business judgment as well as assumptions made by and information currently available to management. When used in this MD&A, the words "may"," will", "anticipate, "believe, "estimate", "expect" and "intend" and words of similar import, are intended to identify and any forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements. These statements reflect management's current view of future events and are subject to certain risks and uncertainties as contained herein, and in the Company's other filings with Canadian securities regulatory authorities. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company's actual result could differ materially from those anticipated in these forward-looking statements. Management undertakes no obligation to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that these expectations are based on reasonable assumptions, the Company can give no assurance that those expectations will materialize.

Business Overview

GreenFirst began operating as a forest products business on August 28, 2021, with the acquisition of sawmill and newsprint assets from certain Canadian subsidiaries of Rayonier Advanced Materials Inc. ("Rayonier"). The acquisition positioned GreenFirst as one of the leading Canadian lumber producers in eastern Canada, at an attractive acquisition price. Prior to the completion of the acquisition, GreenFirst purchased an idle sawmill and related assets in Kenora, Ontario on October 6, 2020. GreenFirst currently owns 7 sawmills and 1 newsprint mill located in Ontario and Quebec.

Strategy

GreenFirst's business strategy is to build a leading global forest products company based on strong sustainability initiatives, low production costs, operational excellence, accretive acquisitions, and rational capital allocation. We believe this strategy will lead to enhanced value for our stakeholders.

We focus on optimizing the operations of our assets to reduce cash production costs and increase production volume through improved yields. We first look to optimize operations with little or no capital outlay and then as cash flow from operations provides, we plan to make select capital investments that generate cost savings with short pay-back periods.

GreenFirst holds long term forest licenses on public lands in Ontario; in Quebec, GreenFirst has tenure through wood supply guarantees. As part of the transaction GreenFirst also acquired significant timber lands. Forest Management Plans approved by provincial agencies are in place to ensure we harvest and renew our forests consistent with sustainable forest management practices. We use sophisticated wood supply analysis to ensure our mills are supplied with quality, certified fibre at reasonable cost.

All forests we manage are FSC® (Forest Stewardship Council®) (FSC® – C167905) certified, which is amongst the most stringent in the industry. Independent, third party verification provides assurance to customers that our products originate from well-managed forests. On October 16, 2021, GreenFirst announced it was the recipient of a 2021 FSC® Leadership Award, recognizing uncommon excellence that advances responsible forest management and forest conservation.

We believe healthy forests are an important facet to addressing climate change. Growing trees and healthy forests help sequester carbon emissions. GreenFirst is committed to obtaining a greater understanding of the science around carbon capture and helping the Global need in addressing climate change. As part of this commitment, GreenFirst intends to make, subject to regulatory approval a $500,000 investment in Boreal Carbon Corporation. Boreal Carbon is set up to acquire and manage forestry projects in North America to generate carbon credits. For more information on Boreal Carbon go to www.borealcarbon.com.

In the future, we expect a large part of our growth to come from accretive acquisitions that we believe can benefit from our operational expertise. A key criterion in evaluating any target acquisition will be long term access to a secure timber supply to support and grow operations as well as long term customer relationships for chips and other by-products.

Kenora Sawmill

On October 6, 2020, the Company acquired an idled sawmill and related assets located in Kenora, Ontario from the court-appointed receiver of a resource-based vendor. The cash consideration for the purchased assets was $11.5 million plus capitalized costs and is comprised of a sawmill, related equipment, and land of approximately 114 acres plus a 4-acre island. The Kenora sawmill is a stud mill and has capacity to produce 150 MMfbm annually when operating on two shifts. The sawmill remains idle as GreenFirst continues to have discussions with the Ontario provincial government.

Name Change to GreenFirst

To more accurately reflect the nature of the Company's evolved strategy to pursue pure-play lumber investments, on January 11, 2021, the Company announced a change of name from "Itasca Capital Ltd" to "GreenFirst Forest Products Inc." pursuant to an amendment to its notice of articles. Effective at the opening of trading on January 13, 2021, the Common Shares began trading on the TSX-V under the new name and under the trading symbol "GFP".

Acquisition of Sawmills and Newsprint Mill

On April 12, 2021, the Company announced the acquisition (the "Rayonier Asset Acquisition") of four sawmills and a newsprint mill in Ontario, and two sawmills in Quebec from certain Canadian subsidiaries of Rayonier. Upon closing, for the purposes of the TSX-V, the Company ceased to be an investment issuer and instead became an industry issuer focused on pure-play forestry and lumber.

On August 28, 2021, the Rayonier Asset Acquisition closed and GreenFirst began operating as a forest products business. The sawmills produce random length lumber (approximately 50% of production) and studs (approximately 50% of production), as well as chips, shavings, and bark as by-products. Historically, the sawmills have shipped approximately 65% of their production to US customers with the remaining production shipped to domestic customers. The newsprint mill production capacity is 205,000 metric tonnes.

As a result of the Rayonier Asset Acquisition, logging rights for 2.7 million cubic metres of annual cut associated with the Ontario sawmills (via Sustainable Forest Licenses) and 0.7 million cubic metres associated with the Quebec mills (via Quebec Wood Supply Guarantees) were transferred to GreenFirst from the provincial governments.

GreenFirst entered into a 20-year chip supply agreement with the vendor, and this, in addition to our newsprint mill chip requirements, means 90% of the chips produced annually by the sawmills are committed over the long term.

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill recognized is measured by the excess fair value of the consideration over the fair value of the identifiable net assets on the acquisition date. The determination of the fair value of the assets acquired and liabilities assumed requires management to use estimates that contain uncertainty, uncertainty and judgements. The Company has engaged a valuations expert to assist in the assessment of the fair values of property, plant and equipment, and intangible assets. This work is expected to be complete by the end of the year. Transaction costs in connection with the business combination are expensed as incurred.

The Rayonier Asset Acquisition was completed for an aggregate consideration of $301.8 million consisting of $245.1 million in cash, $54.2 million in common shares and net indebtedness and estimated final adjustment balances of $2.6 million, which includes a $7.9 million credit note issued to the vendor.

The common share consideration resulted in the issuance of 28,684,433 Common Shares of the Company with a fair value of $1.89 per Common Share. The credit note consideration is non-interest bearing, is payable in five equal annual installments on the anniversary of the closing and has been discounted to its net present value. The Company intends to set-off the principal amount of the credit note against amounts owing by the vendor to the Company under a chip purchase agreement. Rayonier Asset Acquisition costs of $5.6 million were expensed as transaction costs on the statements of profit or loss.

The Company has determined that the transaction represents a business combination under IFRS 3 Business Combinations ("IFRS 3"), with the Company identified as the acquirer and accordingly the transaction has been accounted for using the acquisition method of accounting in accordance with IFRS 3.

The Company has measured and recorded the identifiable assets acquired and the liabilities assumed at management's estimates of their acquisition-date fair values. The preliminary estimated fair values of assets acquired and liabilities assumed are based on the information available as of the acquisition date, which the Company believes provides a reasonable basis for estimating the fair values. However, given the timing of the Rayonier Asset Acquisition, the Company and its external valuation experts are still assessing acquisition date fair value adjustments, including fair values of property, plant and equipment, leases estimated final purchase price adjustments related to inventory and other items.

The Company's preliminary estimate of fair values is as follows (in $'000's):

Purchase price consideration	
Cash	$245,062
Common Shares of the Company	54,214
Indebtedness and estimated final adjustment balances	2,563
Total Consideration	$301,839

Preliminary fair value of net assets acquired:	August 28, 2021
Inventory	$98,935
Property, plant and equipment	173,433
Pension plans in asset positions	30,186
Timber licenses	11,814
Other assets	9,088
Other liabilities	(5,598)
Post retirement pension obligations	(11,365)
Other non-current liabilities	(4,654)
Total fair value	$301,839

The preliminary estimates of the fair values of net identifiable assets acquired and liabilities assumed reasonably approximate the fair value of the consideration, and therefore it has been determined that there is no goodwill. The revenues from the acquired business included in the consolidated financial statements of the Company since the Rayonier Asset Acquisition on August 28, 2021, were $28.9 million and the proforma unaudited revenue of the Company if the Rayonier Asset Acquisition had occurred on January 1, 2021, was $472.2 million. Net loss from the acquired business since Rayonier Asset Acquisition was $5.1 million. The Company does not have access to all of the records necessary to determine the earnings from the business had the Rayonier Asset Acquisition occurred on January 1, 2021.

Recent Financing Transactions

In connection with entering into the purchase agreement and to satisfy part of the cash portion of the purchase price, the Company closed a Rights Offering (the "Rights Offering") in escrow on July 30, 2021, for gross proceeds of $167.5 million. On August 30, 2021, the Company closed USD $100 million senior secured term credit facility with a New York-based investment fund, Blue Torch, to fund the balance of the purchase and to provide initial operating liquidity.

Also, on August 28, 2021, the Company closed a senior secured asset-based revolving credit facility with a borrowing limit of $65 million through a syndicate led by the Royal Bank of Canada. The asset-based revolving credit facility was not used to finance the payment of any of the Purchase Price due on closing but is intended for ongoing operations and working capital funding after closing.

Rights Offering

On July 9, 2021, GreenFirst initiated a Rights Offering, issuing three rights for each common share outstanding to shareholders of record at that time. Each right was exercisable with the additional payment of $1.50 to receive one subscription receipt. On July 30, 2021, the Rights Offering was fully subscribed and on closing, GreenFirst issued 111,665,880 subscription receipts (the "Subscription Receipts") for gross proceeds of $167.5 million.

On August 28, 2021, each Subscription Receipt was automatically exchanged, without payment of additional consideration or further action by the holders thereof, for one common share in the capital of the Company.

In consideration for providing a backstop commitment in connection with the Rights Offering, on July 30, 2021, Senvest Management, LLC (together with its affiliates and funds of which Senvest Management, LLC acts as investment manager) was issued 15,692,500 warrants to acquire Common Shares for a period of five years and at an exercise price of $3.18. Senvest was also granted customary nomination rights in respect of one independent director for so long as it holds at least 5% of the issued and outstanding Common Shares. In addition, Senvest were granted registration rights for so long as it holds at least 15% of the issued and outstanding Common Shares.

Senior Secured Term Credit Facility

On August 30, 2021, the Company closed a USD $100 million senior secured term credit facility with a term of four years. The facility bears interest at a fixed interest rate until a referenced variable rate (based on LIBOR, Federal Funds Rate, or US Prime Rate) exceeds certain thresholds, at which time the interest rate becomes variable. The Company is required to make quarterly payments of principal of USD $1.25 million plus interest and the balance of the principal is due upon maturity. Additional principal repayments will be required of up to 75% of annual excess cash flow (as defined in the credit agreement) annually.

The facility is secured by a first priority security interest in all assets of the Company, except for inventory, accounts receivable, cash, deposit accounts and securities accounts for which they have second priority.

Asset Backed Revolving Loan

On August 28, 2021, the Company closed a $65 million asset-backed, revolving loan with a term of three years. The facility bears a variable interest rate (based on LIBOR, Bankers Acceptances, or Royal Bank of Canada prime rate) plus the applicable premium. The facility is secured by first priority security interests in inventory, accounts receivable, cash, deposit accounts and securities accounts. As of September 25, no drawings had been made on this facility.

Outlook for Lumber Prices

Looking forward, we expect North American lumber prices to continue to be volatile over the short-term but expect prices to remain above historical trends. The repair and remodelling demand began to pick up in September after dropping off in August. We expect the demand from the residential and construction sector to remain strong. Lumber prices have a material impact on the earnings of the Company and a US $10/Mfbm difference in lumber prices would have impacted the Company's operating earnings by approximately $0.4 million in the period, which included one month of operations following the Rayonier Asset Acquisition and revenues on 30 MMfbm of shipments (assuming all other factors are constant). The Company currently does not have any hedges in place for lumber prices.

Selected Financial Information

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements for the three and nine-months ended September 25, 2021.

Significant financial statement items are as follow:

	Three months ended		Nine months ended	
	September 25, 2021	**September 30, 2020**	**September 25, 2021**	**September 30, 2020**
	$	$	$	$
Net sales	**$28,928**	$-	**$28,928**	$-
Expenses				
Manufacturing and production	**(31,082)**	-	**(31,082)**	
Selling, general and administrative	**(1,772)**	(776)	**(3,476)**	(1,168)
Duties	**(1,790)**	-	**(1,790)**	
Other operating expenses, net	**(694)**	(28)	**(715)**	20
Operating loss [1]	**(6,410)**	(804)	**(8,135)**	(1,148)
Transaction costs	**(5,606)**	-	**(7,668)**	-
Interest expenses	**(1,480)**	-	**(1,658)**	-
Other income (expense)	**10**	450	**(111)**	426
Net loss for the period	**(13,486)**	(354)	**(17,572)**	(722)
Other comprehensive (loss) income	**(784)**	(287)	**(899)**	305
Total comprehensive loss for the period	**($14,270)**	($641)	**($18,471)**	($417)
Basic and diluted loss per share	**($0.16)**	($0.02)	**($0.41)**	($0.03)

Adjusted EBITDA[1]	
Net loss for the period	**($13,486)**
Add back	
Interest expenses	1,480
Depreciation and amortization	1,666
EBITDA[1]	**(10,340)**
Transaction costs	5,606
Adjusted EBITDA[1]	**($4,736)**

1 These Non-GAAP Measures do not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. (See section on Non-GAAP Measures)

Results of Operations – Three Months Ended September 25, 2021

For the three months ended September 25, 2021, the Company operated its newly acquired assets for four weeks and this is reflected in the consolidated statement of profit or loss and other comprehensive income.

Under IFRS 3, identifiable assets for the most part are recognized at their fair values, and this is the case for measurement of inventory recognized upon acquisition. The fair value of inventory is determined by the selling price of the item less costs to complete the manufacturing process and costs to sell (primarily freight and duties) and includes any profit at the acquisition date. Recognition of the Company's opening inventory at fair value is expected to result in inventory values different than would have been recorded in accordance with the Company's accounting policy. Inventory valued at fair value will be recognized in manufacturing and production costs recognized in future periods.

The short period of operations, together with the opening inventory recognized at fair value, means results for this period are of limited value in extrapolating future quarterly and annual results.

Net Sales and Shipments

The Company reported net sales of $28.9 million for the first 4 weeks of operation of its newly acquired assets. Net sales included lumber, newsprint, chip and other by-product sales. Net sales for the for the Forest Products segment were $22.8 million reflecting 30 MMfbm in lumber shipments during the period. As at September 25, 2021, 14 MMfbm of shipments were in transit and did not satisfy revenue recognition criteria and therefore remained recorded in inventories. These shipments will be recognized in the fourth quarter. Also, shipments in the period were impacted by the lower volume of orders placed in August, prior to the Rayonier Asset Acquisition. Industry order files were lower in August due to buyers deferring purchases as price volatility created uncertainty for customers. Order files improved in September with higher shipments volumes in the first part of the fourth quarter. Benchmark lumber prices for delivery to Great Lakes averaged $554/Mfbm for random length 2&better and $441/Mfbm for studs for September as compared to $523/Mfbm and $399/Mfbm in August.

The Newsprint segment had net sales of $6.1 million reflecting shipments of 8,519 MT for the 4-week period ended September 25, 2021.

Manufacturing and Production

The Company reported manufacturing and production costs of $31.1 million for the 4 weeks of operation of its newly acquired assets. Manufacturing and production costs includes labour, raw materials costs (including log costs), freight, depreciation, and energy costs.

Lumber production for the first four weeks of operations was 47 MMfbm and newsprint production was 8,089 MT. Lumber production for the current four-week period was consistent with the historical trend. Production for the 4-weeks exceeded shipments, increasing inventory levels for the period. The Company temporarily curtailed production in October to reduce inventory levels to more normalized levels.

Selling, General and Administration

The Company reported selling, general and administration expenses of $1.8 million for the three months ended September 25, 2021. Pre-acquisition, expenses include personnel costs and costs related to the idled Kenora sawmill. Post-acquisition, costs also include the cost of the transitional services agreement with Rayonier. Under the transitional services agreement, Rayonier provides human resource, finance, information technology, logistics and procurement services. Increase over the corresponding period of the prior year was primarily due to expenses related to the idled Kenora sawmill and professional fees incurred by the Company to support its acquisition activities.

Duties

The Company's softwood lumber sales to US customer are subject to countervailing and anti-dumping duties as determined by the US Department of Commerce. Duties expensed for the first 4 weeks of operations were $1.8 million. The Company is initially subject to 14.19% countervailing duties and 6.04% anti-dumping duties which it is challenging via a Changed Circumstances Review. The initial rate will remain in effect for the Company until either a successful outcome of the Changed Circumstances Review anticipated in 2022 or the results of the US Department of Commerce Administrative Review in mid 2023.

If the Company is successful in its Changed Circumstances Review, it will then be subject to the "all others" duty rates in effect at the time. The countervailing duty would be reduced to 6.71% and the anti-dumping duty to 1.66% for export shipments to the US covering the period post-acquisition to near the end of November 2021. Recoveries related to this challenge have not been recognized in the consolidated statement of profit and loss and comprehensive income.

At the end of November 2021, US Department of Commerce will revise the "all others" duty rates based on its review of 2019 softwood lumber imports from Canada. In May 2021, the US Department of Commerce preliminarily determined that countervailing rates will be reduced to 6.27% and anti-dumping rates will be increased to 12.05%.

Pre-acquisition countervailing and anti-dumping duties and adjustments were retained by the vendor.

Interest Expense
Reflects 4-weeks of interest on the Company's secured term loan including accretion of deferred financing costs.

Transaction Costs
Transaction expenses of $5.6 million for the three months and $7.7 million for the nine-months ended September 25, 2021, relate to professional fees associated with the Rayonier Asset Acquisition and non-capitalized financing related expenses.

Capital Resources and Liquidity

Liquidity
At September 25, 2021, the Company had total liquidity of $64.8 million comprised of $33.8 million cash on hand and $31 million, net of $8,491 open letters of credit, available under its $65 million revolving Asset Based Lending ("ABL") facility. The ABL facility was undrawn at quarter end except for open letters of credit of $8.5 million (CAD equivalent) which reduced availability. The amount available to the Company under the ABL at quarter end was lower than what is expected in future periods because the Company had no accounts receivable transferred upon closing the Rayonier Asset Acquisition. Accounts receivable balances will contribute significantly to the amount available under the revolving ABL in the future.

Cashflow for the Nine Months Ended September 25, 2021
For the nine months ended September 25, 2021, the Company increased its cash balance by $28.5 million to $33.8 million.

Cash Used in Operations
The Company used $5.3 million cash in operations for the nine-month period ended September 25, 2021. This reflects 4 weeks of operations of the newly acquired assets, cash used primarily for supporting the Rayonier Asset Acquisition related activities and maintaining the idled Kenora sawmill.

Non-cash working capital changes for the year to date reflect changes as a result of the Rayonier Asset Acquisition. The Company did not purchase accounts receivable nor assume the trade payables of the vendor. The increase in the accounts receivable balance reflects the operations for the 4 weeks ended September 25, 2021. The Company did purchase inventory as part of the Rayonier Asset Acquisition and during the four weeks ended September 25, 2021, inventory increased by $5.7 million reflecting production in excess of shipments. Accounts payable and accrued liabilities increased over the period because: the Company deferred payments for Rayonier Asset Acquisition-related expenses until after the Rayonier Asset Acquisition closed; increase balances due to operating of the sawmills and newsprint mill for 4-week period; and liabilities assumed as part of the Rayonier Asset Acquisition.

Cash Used in Investing Activities
Cash used in investing activities of $245.8 million primarily reflects the cash component of the Rayonier Asset Acquisition consideration paid to Rayonier.

Cash From Financing Activities
Cash from financing activities primarily reflects the net proceeds from the Rights Offering of $163.8 million and the net proceeds from secured term debt financing of $112.5 million. The Company also received $3.4 million from the exercise of stock options and warrants during the period.

Capital Resources

The Company's objectives when managing capital are to maintain a strong financial position and to continuously improve its cost structure to maintain liquidity throughout commodity price cycles and to support access to additional capital for expansion. The Company defines capital as the sum of net debt and shareholder's equity.

	September 25, 2021
Total debt outstanding[1]	$115,487
Less cash and cash equivalents	(33,778)
Net debt	81,709
Shareholders' equity	218,900
Total capital	**$300,609**

[1] Total debt outstanding consists of the carrying amounts of the Company's credit facilities.

The Company manages its capital through detailed operating and capital expenditure budgeting combined with frequent forecasting. The Company's strategic capital expenditure decisions are predicated on adequate cash flow from operations to support those expenditures.

The Company's senior secured term credit facility contains restrictive covenants that limit the Company's ability to undertake certain actions without the lenders consent, it also includes the following financial covenant tests performed quarterly: a maximum leverage ratio; a minimum fixed charge coverage ratio and a minimum liquidity requirement, all as defined in the term loan agreement. The Company monitors its performance monthly as well as its future performance expectations, adjusting as required in relation to these covenants. The Company was fully in compliance with its secured term loan debt covenants as of September 25, 2021.

Shareholders' Equity

For the nine-month period ended September 25, 2021, shareholders' equity increased by $206.7 million due to share issuances of $225.5 million offset by a comprehensive loss for the period of $18.5 million and a $0.3 million reclassification on the conversion of debentures. Share issuances relate to the rights offering financing, exercise of warrants and options and conversion of convertible notes.

Rights Offering

On July 9, 2021, GreenFirst initiated a Rights Offering, issuing three rights for each common share outstanding to shareholders of record at that time, with each right plus $1.50 exercisable into a subscription receipt. On July 30, 2021, the Rights Offering closed resulting in the issuance of 111,665,880 subscription receipts (the "Subscription Receipts") for gross proceeds of $167.5 million.

On August 28, 2021, each Subscription Receipt was automatically exchanged, without payment of additional consideration or further action by the holders thereof, for one common share in the capital of the Company (a "Common Share").

In consideration for providing a backstop commitment in connection with the Rights Offering, on July 30, 2021, Senvest Management, LLC (together with its affiliates and funds of which Senvest Management, LLC acts as investment manager, the "Standby Purchaser") was issued 15,692,500 warrants to acquire Common Shares for a period of five years and at an exercise price of $3.18, and has been granted nomination rights in respect of one independent director so long as it holds 5% of the issued and outstanding common shares. They have also been granted registration rights whereby the Standby Purchaser can require the Company to file a prospectus to qualify the Common Shares for trading, for so long as it holds at least 15% of the issued and outstanding Common Shares.

Exercise of Options and Warrants

All of the outstanding stock options were exercised on June 24, 2021 at their respective exercise prices for total proceeds of $1.4 million. On July 2, 2021, 3,205,333 warrants were exercised for proceeds of $1.9 million.

Conversion of Convertible Notes

The initial recognition of the transaction was accounted for as a compound financial instrument. The proceeds were allocated between the liability and equity component based on their relative fair values. The fair value of the liability was determined using a discount cash flow model and a discount rate of 4%. The residual value was allocated to the equity component. On June 24, 2021, the debentures were converted into Units at a price of $0.50 per Unit and the majority of accrued interest was paid. As a result, the carrying value of the Convertible Debenture of $4.0 million was derecognized and the issuance of Units was recognized in shareholders' equity.

Senior Secured Term Credit Facility

On August 30, 2021, the Company closed a USD $100 million (CAD $126.1 million at closing) senior secured term credit facility (the "Term Loan") with a term of four years. The facility bears interest at a fixed interest rate of 10% until a referenced variable rate (based on LIBOR, Federal Funds Rate, or US Prime Rate) exceeds certain thresholds, at which time the interest rate becomes variable. The threshold rate for a LIBOR rate loan, above which the interest rate becomes variable is 2% and for loans based on the Federal Fund Rate or US Prime Rate the threshold rate is 3%. As at September 25, 2021, the variable rates were below the thresholds rates. The Company is required to make quarterly payments of principal of USD $1.25 million plus interest and the balance of the principal is due upon maturity. Additional principal repayments will be required of up to 75% of excess cash flow (as defined in the credit agreement) annually. In addition, there are mandatory payment provisions, plus the applicable premium, upon the occurrence of certain events including proceeds from the sale of assets and proceeds from equity and debt financing. The facility is secured by a first priority security interest in all assets of the Company, except for inventory, accounts receivable, cash, deposit accounts and securities accounts for which they have second priority.

The Term Loan includes two financial maintenance covenants that must be measured quarterly and that are based on a trailing 12-months period of operating results for the acquired assets; a maximum leverage ratio and a minimum fixed charge coverage ratio. In addition, the Company is also required to maintain a minimum liquidity of USD$10 million with cash and availability under the ABL included in the minimum liquidity calculation.

The Term Loan agreement also contains various customary affirmative covenants and restrictive covenants that limit the Company's ability to undertake certain transactions without the consent of the lender including: creating liens; incurring indebtedness; making investments and acquisitions; engaging in mergers and other fundamental changes; making dispositions; making certain payments, including dividends and distributions and consummating transactions with affiliates. Additionally, the facility contains customary events of default (subject, in certain cases, to customary grace or cure periods), including, without limitation, payment defaults, breach of covenant defaults, bankruptcy defaults, judgment defaults, defaults under certain other indebtedness and changes in control. As of September 25, 2021, the Company was in compliance with all covenants under this facility.

Contractual Obligations

Pension Plans and Other Post-Retirement Benefits

Defined Benefit Plans

The Company has defined benefit pension and other postretirement plans covering certain union and non-union employees in Canada, that were assumed as part of the Rayonier Asset Acquisition. Benefits under the pension plan are based on years of service and salary levels. The defined benefit pension plans are closed to new participants, new participants are enrolled in the Company's defined contribution plan.

Defined benefit pension and other postretirement plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change.

The following tables set forth the changes in the accrued benefit obligation and plan assets and reconciles the funded status and the amounts recognized in the consolidated balance sheets for the defined benefit pension and postretirement plans as of September 25, 2021: Non-pension, post retirement plans are unfunded and the Company's contributions are made as required.

Accrued benefit obligation	**Pension**	**Postretirement**
Benefit obligation as of August 28, 2021	**$(81,856)**	**$(5,775)**
Current service cost	(203)	(4)
Interest expense	(167)	(14)
Plan participant contributions	(1)	-
Remeasurements:		
Change in membership experience	5	-
Changes in financial assumptions	199	-
Benefits paid	149	
Benefit obligation as of September 25, 2021	**$(81,874)**	**$(5,793)**

Plan assets	**Pension**	**Postretirement**
Fair value of plan as of August 28, 2021	**$106,452**	**$-**
Interest income	247	-
Remeasurements -actuarial gain (loss on assets)	(1,098)	-
Employer contributions	(24)	
Plan participants' contributions	1	-
Costs met from plan	(3)	-
Benefits paid	(149)	
Fair value of plan as of September 25, 2021	**$105,426**	**$-**
Net defined benefit asset (liability) as of September 25, 2021	**$23,552**	**($5,793)**

The next regulatory required actuarial valuation date for the defined benefit plans is December 31, 2022, and given the net asset position of the defined benefit plan, the Company is currently not required to make any contributions under the plan.

Recognized on statement of financial position	**Pension**	**Postretirement**	**Total**
Non-current assets	**$29,154**	**$-**	**$29,154**
Non-current liabilities	$(5,602)	(5,793)	(11,395)
Net asset (liability) as of September 25, 2021	**$23,552**	**($5,793)**	**$17,759**

Recognized in other comprehensive income	**Pension**	**Postretirement**
Remeasurement	**$894**	**$-**
Less asset ceiling	-	-
Other comprehensive income as of September 25, 2021	**$894**	**$-**

Components of net periodic benefit cost	**Pension**	**Postretirement**
Service cost	$203	$4
Administrative costs paid from plan	3	-
Interest expense	167	14
Interest income	(247)	-
Fair value of plan as of September 25, 2021	**$126**	**$18**

Service cost is included in cost of sales or selling, general and administrative expenses in the statements of income, as appropriate. Interest expense expected return on plan assets, amortization of prior service cost, amortization of losses and amortization of negative plan amendment are included in non-operating income on the consolidated statement of income.

The estimation of post-retirement benefit obligations involves a high degree of judgment for matters such as discount rate, employee service periods, compensation escalation rates, expected retirement ages of employees, mortality rates, expected health-care costs and other variable factors. These estimates are determined by independent actuaries. The significant weighted average actuarial assumptions used to determine our balance sheet date post-retirement assets and liabilities and our post-retirement benefit plan expenses are as follows:

Pension and other postretirement benefit assumptions	**Pension**	**Postretirement**
Benefit obligations:		
Discount rate	2.94% to 3.06%	2.90%
Future compensation rate increases	2.50%	-
Net periodic benefit cost assumptions:		
Discount rate	2.52% to 2.65%	2.90%
Compensation rate increases	2.50%	-

Health-care benefit costs, shown under other retirement benefit plans, are funded on a pay-as-you-go basis. The actuarial assumptions for extended health-care costs are estimated to increase 6.5% in year one, grading down by 0.25% per year thereafter.

The impact of a change in certain assumptions used in the estimates of pension and postretirement benefits are as follows:

Sensitivity to a 1% change in certain assumptions	**Pension obligations**	**Postretirement obligations**
Discount rate increase	($10,613)	($615)
Discount rate decrease	$13.196	$768
Healthcare cost trend rate increase	n/a	$33
Healthcare cost trend rate decrease	n/a	($30)

Weighted average duration of defined benefit obligations	**Years**
Pension	15.2
Post retirement	13.8

Pension plan asset category allocation	
Cash and cash equivalents	1%
Canadian equity	2%
Foreign equity	8%
Bonds	88%
Real estate	1%
Fair value of plan assets as of September 25, 2021	**100%**

The next regulatory prescribed actuarial valuation date for the defined benefit plans is December 31, 2022. Contributions to the defined benefit pension plans in 2022 based on the most recent actuarial reports are expected to amount to $804.

Defined Contribution Plan

New participants in the Company's pension plans are enrolled in the defined contribution plans. Under the defined contribution plans, the Company is required to make contributions to the plan equal to 5% of the members remuneration for the pay period.

Related Party Transactions

Management Services Agreements

The Company's former Chief Executive Officer was engaged as a contractor pursuant to a management service agreement effective January 31, 2019. The initial term was for one year and was automatically renewed for six-month terms unless terminated by the Company. Mr. Swets was paid US $50.0 thousand at the beginning of each renewal period, plus the Company also paid US $1.7 thousand per month for administrative support and US $2.5 thousand per month as reimbursement of office expenses.

Pursuant to a management services agreement effective March 1, 2019, Mr. Hassan Baqar was engaged as a contractor to provide services to 1347 Investors LLC. Under the terms of the agreement, Mr. Baqar was paid US $2.1 thousand per month plus reimbursement for reasonable out-of-pocket expenses. These services were no longer utilized post the Rayonier Asset Acquisition.

A company controlled by one of the Company's directors provides management services pursuant to a management service agreement effective January 31, 2019. Pursuant to the agreement, the Company paid on a monthly basis; (i) a fee of US$10.4 thousand, (ii) US$0.8 thousand for administrative support, and (iii) US$1 thousand as reimbursement of office expense. These services were no longer utilized post the Rayonier Asset Acquisition.

The Company's Chief Financial Officer is engaged as a contractor pursuant to a consulting contract effective December 14, 2020. Under the terms of the consulting contract, the Chief Financial Officer is paid a fee of $20 thousand per month until terminated, which can be done by either party with 60 days' notice.

A company controlled by a director provided finance, information technology and human resource services leading up to and post the Rayonier Asset Acquisition. The amount paid for these services were a flow through of costs with no mark-up.

The following is a summary of the amount of expense recognized in the financial statements for the above transactions:

	Nine Months Ended September 25, 2021	**Nine Months Ended September 30, 2020**
	$	$
Fees and stock options expense incurred for directors	69	47
Fees incurred for services – officers and companies controlled by officers	508	358
Total	**577**	**405**

Risks and Uncertainties

There are certain risks inherent in an investment in securities and activities of the Company, which investors should carefully consider before investing in the Company. A comprehensive list of risks and uncertainties to which the Company is exposed can be found in our final prospectus dated July 2, 2021 available at www.sedar.com.

Critical Estimates

The preparation of condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses at the date of these condensed consolidated interim financial statements.

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. It also requires management to exercise judgment in the process of applying accounting policies. Significant areas requiring estimates include, inventory valuation, estimated useful life of property plant and equipment, recoverability of long-lived assets, fair value of the consideration and of the acquired assets and liabilities assumed on acquisitions (which are being measured on provisional basis), asset retirement obligations and employee future benefits. Actual amounts could differ materially from these and other estimates, the impact of which would be recorded in future periods.

Financial Instruments and Risk Management

All financial assets and liabilities are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

The Company's financial instruments expose the Company to credit, liquidity, and market risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash deposits and receivables from customers.

The Company's maximum exposure to credit risk attributable to cash deposits is $33.8 million (December 31, 2020 - $5.3 million). The Company holds these deposits with Schedule 1 financial institution.

The Company's exposure to credit risk is dependent upon individual characteristics of each customer. Each new customer is assessed for creditworthiness before payment and delivery terms and conditions are offered, with such review encompassing any external ratings, and bank and other references. Purchase limits are established for each customer and are regularly reviewed. The Company does not require specific credit guarantees for its customers and mitigates the risk of potential losses through the active monitoring of its receivables, considering past experience with its customer base, current economic conditions, and specific customer issues.

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts. A $0.2 million reserve in respect of doubtful accounts was recorded as at September 25, 2021.

The carrying amount of accounts receivable $35.6 million represents the maximum credit exposure for its accounts receivables at September 25, 2021.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity to fulfill its obligations when due and monitors cash flow requirements daily and projections weekly. In addition to the Company's cash and cash equivalent balances, it has access to a $65 million Revolving Asset Backed Loan facility with a syndicate of highly rated Canadian banks. The Company can drawdown on the facility based on a prescribed percentage of accounts receivable and its inventory carrying value, less reserves. The facility matures on August 28, 2024. The facility was undrawn at quarter end except for open letters of credit of $8,491 which reduces availability by the same amount.

As at September 25, 2021:

Cash	$33,778
Availability under the revolving $65 million ABL facility	39,523
Less: Letters of credit	(8,491)
Total Liquidity	**$64,810**

Market Risk

The Company is exposed to market risk primarily through changes in commodity prices, the US dollar to Canadian dollar exchange rate and interest rates.

Commodity Prices

The Company's products are commodities that are widely available from other producers; because these products have few distinguishing qualities from producer to producer, competition is based primarily on price, which is determined by supply relative to demand. The Company attempts to minimize the economic impact of these changes through continuously looking for cost reductions in its operations and employing flexible manufacturing schedules that can increase or decrease in response to supply and demand fluctuations. The Company does not currently hedge its exposure to commodity prices.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has a secured Term Loan and a revolving ABL facility which creates interest rate risk exposure for the Company. The Term Loan bears interest at a fixed interest rate until a referenced variable rate (based on LIBOR, Federal Funds Rate, or US Prime Rate) exceeds a certain threshold, at which time the interest rate becomes variable. The threshold rate for a LIBOR rate loan, above which the interest rate becomes variable is 2% and for loans based on the Federal Fund Rate or US Prime Rate the threshold rate is 3%. As at September 25, 2021, the variable threshold rates were below the threshold.

A 100 basis point increase in the interest rate on the secured term debt loan would increase the net loss in the statement of profit and loss by approximately $125 thousand. Similarly, A 100 basis point decrease in the interest rate on the secured term debt loan would decrease the net loss in the statement of profit and loss by approximately $125 thousand.

No amounts were drawn on the revolving ABL facility as of September 25, 2021.

Currency Risk

The Company is exposed to foreign exchange risk on revenues and expenditures denominated in US dollars. The Company's US dollar denominated sales accounts for a significant volume of its sales. Except for duties and Term Loan interest and principal payments, a significant volume of its expenditures are in Canadian dollars.

The Company is exposed to currency risk on US dollar cash and cash equivalents, accounts receivable, accounts payable and long term debt balances.

As of September 25, 2021, the Company's monetary assets and liabilities denominated in US dollars are as follows:

	US Dollar thousands
Cash	$ 10,114
Accounts receivable	3,943
Accounts payable	(4,956)
Other liabilities	(871)
Long term debt	(100,000)
Net monetary liabilities	**($91,770)**

Based on the US$ statement of financial position exposure at September 25, 2021, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 1%, relative to the rate at September 25, 2021, the net loss in the statement of profit or loss would be approximately $1.2 million greater. If the Canadian dollar were to strengthen against the US dollar by 1%, relative to the rate at September 25, 2021, the net loss in the statement of profit or loss would be approximately $1.2 million less.

Non-GAAP Measures

The Company assesses and measures operating results and financial position based on various performance measures such as "operating loss" and "Adjusted EBITDA". These measures are commonly used by the Company and its investors as a means of assessing the performance of the core operations in comparison to prior periods. They are presented by the Company on a consistent basis from period to period, thereby allowing for consistent comparability of its operating performance. They are not intended to replace net income (loss), or other measures of financial performance and liquidity reported in accordance with GAAP.

References to operating loss in this MD&A are: net sales less operating expenses, and this value represents the underlying performance of the operating business segments. References to EBITDA in this document are: earnings (loss) before interest and finance costs, income taxes, depreciation and amortization, while references to Adjusted EBITDA are: EBITDA plus other non-operating costs such as transaction expenses. Management believes that certain lenders, investors, and analysts use EBITDA and Adjusted EBITDA to measure the Company's ability to service debt and meet other payment obligations, and as a common valuation measurement.

Share Data Information

As of the date of this MD&A the Company has 177,572,272 common shares outstanding and 31,752,618 warrants to purchase shares at prices ranging from $0.25 to $3.18 with expiry dates ranging from October 22, 2025, to July 30, 2026.