



PRODUITS FORESTIERS  
**GREENFIRST**  
FOREST PRODUCTS

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE THIRD QUARTER AND THREE QUARTERS ENDED  
SEPTEMBER 24, 2022

GREENFIRST FOREST PRODUCTS INC.

Dated: NOVEMBER 8, 2022

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## Background

This Management's Discussion and Analysis ("MD&A") provides information on GreenFirst Forest Products Inc. ("GreenFirst", the "Company", "we", "us", "our" or similar terms referring to GreenFirst) and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the third quarter and three quarters ended September 24, 2022 ("Financial Statements"), which have been prepared in accordance and in compliance with International Accounting Standards ("IAS 34"), *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), using the same accounting policies, including estimates and judgments and methods of application as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2021 ("Annual Financial Statements"), except as disclosed in note 3 of the Financial Statements. This MD&A should also be read in conjunction with the Company's Annual Financial Statements and the Annual Management's Discussion and Analysis for the year ended December 31, 2021 ("Annual MD&A"). This MD&A has been prepared as of November 8, 2022, and has been approved by the Company's Board of Directors.

In this MD&A, the Company uses a number of performance measures and indicators to monitor and analyze the financial results that do not have standardized meanings prescribed by IFRS 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. All figures are stated in Canadian dollars, unless otherwise noted, and all references to "USD" or "US\$" are to the United States dollar.

GreenFirst is a forest-first business, focused on sustainable forest management and lumber, paper and food service bag 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 paper mill in Ontario. GreenFirst's long-term vision is to be an environmental leader in the global forestry industry.

## Forward-Looking Statements

This MD&A has been prepared taking into consideration information available as at November 8, 2022, 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 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.

A comprehensive list of forward-looking statements the Company uses can be found in our Annual Information Form dated March 23, 2022 available at [www.sedar.com](http://www.sedar.com).

## Recent Developments and Business Overview

In addition to its sawmills and a paper mill, GreenFirst holds timber licenses on crown forests in Ontario and fibre supply guarantees on public land in Quebec.

The Company continues to work on a potential relocation of its Kenora sawmill. The Company is evaluating a proposal by the Ontario Government to rebuild the sawmill at a different site in Kenora. The Company is also evaluating its options to potentially sell the underlying 114-acre parcel of prime Lake-of-the-woods waterfront property in Kenora, and a four-acre island adjacent to this land. The potential values that may be realized from the monetization of these properties may be materially different than the carrying values at which they are presently recorded.

The Company has commenced the dismantling of sawmill equipment at Kenora and has prepared to move it to our other sawmills.

On February 10, 2022, the Company graduated from the TSX-Venture exchange and began trading on the main TSX exchange under the same stock symbol, GFP.

On March 31, 2022 the Company announced that it had hired Alfred Colas as Chief Financial Officer, and the transition of Michael Liggett (former Chief Financial Officer) to a consulting role.

On April 21, 2022 the Company announced that it had been offered support from the Ontario government for the possible relocation and redevelopment of the idled Kenora sawmill.

On August 3, 2022, the United States Department of Commerce reduced duty rates for Canada to 8.59% with publishing of the Final Determination for the 3<sup>rd</sup> Administrative Review. However, GreenFirst continues to be assessed a rate of 20.23% for the subsequent twelve-month period.

On September 23, 2022, the Company entered into a credit agreement with a tier-1 Canadian bank (the "Credit Agreement") for up to \$140.0 million consisting of a term loan of \$15.0 million and an asset-backed revolving credit facility of up to \$125.0 million (collectively, the "Credit Facility"). This Credit Facility replaced a high yield secured term loan (the "Term Loan" or term loan) (US\$87.3 million outstanding at extinguishment) and a \$65.0 million asset-backed loan facility ("ABL Facility") (undrawn at extinguishment).

On November 7, 2022, the Company announced the sale of its 203,000 acres of private forest land south of Kapuskasing, Ontario, to a third party for cash proceeds of \$49.2 million.

For additional information relating to our products, strategy and highlights and sustainable development and performance, refer to the Business Overview section in the Annual MD&A filed on March 23, 2022.

## Outlook

During the third quarter of 2022, further interest rate rises in response to ongoing inflation continued to soften lumber demand. This was evidenced by a decline in lumber market prices throughout Q3 2022 and leading into Q4 2022. Despite this, throughout Q3 2022 there were short windows of price support and tightening lumber supply, spurred on by the curtailment of lumber production announced by mills in the province of British Columbia.

COVID-19 remains a concern during Q4 2022 and as we approach 2023, although disruptions to trucking and rail logistics, seen during the first half of 2022, are not expected to recur to the same degree in the remaining two months of the year.

The combination of macro supply tightening and the risk of disruptions to lumber supply within North America underlies our expectation of continued volatility in lumber prices. However, with recent interest rate increases announced in Q4 2022, we expect that lumber prices will continue to be under pressure.

Lumber prices have a material impact on the operating earnings of the Company. In the third quarter of 2022, a US \$10/mfbm difference in lumber prices would have impacted the Company's operating earnings by approximately \$1.4 million, assuming everything else remained constant. The Company currently does not have any hedges in place for lumber prices.

Inflationary pressures in North America have increased the cost of many inputs required for our operations. Furthermore, shortages of people, materials and equipment could negatively impact the Company, as well as the industry. Many of these pressures have been linked to the COVID-19 pandemic, which may still be a significant factor in the near term.

## Corporate Responsibility

GreenFirst's corporate identity is aligned with our name and centres around our four values: Principles, People, Planet and Progress. These practices support a positive safety culture, sustainable consumption and production, and beneficial social initiatives, and are summarized as follows:

### Principles

GreenFirst promotes business practices that are aligned with principles of good governance, transparency, inclusivity and shared prosperity for our employees, stakeholders and communities.

### People

Value our employees and stakeholders as our most important assets. Fostering diversity in the workplace with an environment that welcomes all people equally.

### Planet

Strive to become a global leader in sustainability, complying with certified Forest Management practices, recognizing that trees are an integral part of addressing climate change.

### Progress

Prioritizing long-term value and creating prosperity while making a positive impact on the environment, benefiting our employees, stakeholders and local communities from our success.

GreenFirst's **environmental stewardship** is rooted in our sustainable forest management practices which maximize biodiversity and forest health and promote efficient energy consumption, striving to use the whole tree. The green advantages of lumber include the fact it is carbon-negative and is the only renewable building material. Lumber building materials require less energy to produce and transport than

alternatives. By-products from lumber production, such as wood chips, can be used to generate energy with net-zero carbon emissions.

The Company's **social responsibility** centres around our commitment to a safe workplace, promoting diversity and expanding long-standing relationships with indigenous and rural communities.

## Financial Highlights

The following selected financial information is derived from the Company's interim financial statements for the third quarter and three quarters ended September 24, 2022 and September 25, 2021, the interim financial statements for the second quarter and two quarters ended June 25, 2022 and June 30, 2021 and the Company's annual financial statements for the year ended December 31, 2021, respectively:

<b>For the quarter ended</b>	<b>September 24, 2022</b>	<b>June 25, 2022<sup>(1)</sup></b>	<b>September 25, 2021<sup>(1)</sup></b>
<b>Net sales</b>			
Forest products <sup>(2)</sup>	\$ 127,397	\$ 191,828	\$ 22,796
Paper products	26,027	22,736	6,132
<b>Total net sales</b>	<b>153,424</b>	<b>214,564</b>	<b>28,928</b>
<b>Operating (loss) earnings</b>	<b>(12,366)</b>	<b>50,168</b>	<b>(6,046)</b>
<b>Net (loss) earnings for the period</b>	<b>(23,259)</b>	<b>30,650</b>	<b>(13,122)</b>
<b>Basic (loss) earnings per share</b>	<b>(0.13)</b>	<b>0.17</b>	<b>(0.16)</b>
<b>Diluted (loss) earnings per share</b>	<b>(0.13)</b>	<b>0.16</b>	<b>(0.16)</b>
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>(7,907)</b>	<b>54,307</b>	<b>(4,724)</b>

<b>For the three quarters ended</b>	<b>September 24, 2022</b>	<b>September 25, 2021<sup>(1)</sup></b>
<b>Net sales</b>		
Forest products <sup>(2)</sup>	\$ 477,309	\$ 22,796
Paper products	63,447	6,132
<b>Total net sales</b>	<b>540,756</b>	<b>28,928</b>
<b>Operating earnings (loss)</b>	<b>78,500</b>	<b>(7,771)</b>
<b>Net earnings (loss) for the period</b>	<b>42,705</b>	<b>(17,208)</b>
<b>Basic earnings (loss) per share</b>	<b>0.24</b>	<b>(0.40)</b>
<b>Diluted earnings (loss) per share</b>	<b>0.22</b>	<b>(0.40)</b>
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>91,264</b>	<b>(6,691)</b>

<b>As at</b>	<b>September 24, 2022</b>	<b>December 31, 2021<sup>(1)</sup></b>
<b>Total assets</b>	<b>\$ 441,876</b>	<b>\$ 417,394</b>
<b>Total liabilities</b>	<b>175,656</b>	<b>186,778</b>
<b>Total shareholders' equity</b>	<b>266,220</b>	<b>230,616</b>

<sup>1</sup>Certain prior period amounts have been restated as a result of the Company finalizing its purchase price accounting related to the Rayonier Asset Acquisition, as allowed under IFRS. Please refer to Note 4 - Acquisition of Sawmills and Paper Mill, in the Company's Financial Statements for further information.

<sup>2</sup>Includes net sales to external parties only.

<sup>3</sup>Adjusted EBITDA is a Non-GAAP measure and does not have standardized meaning under GAAP or IFRS. As a result, it may not be comparable to information presented by other companies. For an explanation and reconciliation of Adjusted EBITDA to related comparable financial information presented in the Financial Statements prepared in accordance with IFRS, refer to the *Non-GAAP Measures* section in this MD&A.

## Non-GAAP Measures

EBITDA and Adjusted EBITDA are used by the Company and its investors as a means of assessing the performance of the core operations in comparison to prior periods. EBITDA and Adjusted EBITDA are non-GAAP measures and are not intended to replace net earnings (loss), or other measures of financial performance and liquidity reported in accordance with IFRS.

References to EBITDA in this document are measures of earnings (loss) before interest and finance costs, income taxes, depreciation and amortization, while references to Adjusted EBITDA reflect EBITDA plus other non-operating costs such as acquisition and transaction-related costs, impact of valuation changes on the Company's investments, the impact of foreign exchange on the Company's long-term debt and loss on extinguishment of debt. Management believes that certain lenders, investors, and analysts use EBITDA and Adjusted EBITDA as a common valuation measurement and to measure the Company's ability to service debt and meet other payment obligations, and as a common valuation measurement.

### Adjusted EBITDA

For the quarter ended	September 24, 2022	June 25, 2022 <sup>(1)</sup>	September 25, 2021 <sup>(1)</sup>
<b>Net earnings (loss) for the period</b>	<b>(23,259)</b>	30,650	(13,122)
<i>Adjustments:</i>			
Finance costs, net	3,993	4,034	1,480
Income taxes	(14,918)	12,041	—
Depreciation and amortization	4,459	4,139	1,302
<b>EBITDA</b>	<b>(29,725)</b>	50,864	(10,340)
Foreign exchange on long-term debt	5,311	4,086	10
Loss on extinguishment of debt	11,187	—	—
Gain on investment	—	(643)	—
Acquisition and transaction related costs	—	—	5,606
Other non-operating losses	5,320	—	—
<b>Adjusted EBITDA</b>	<b>(7,907)</b>	54,307	(4,724)

For the three quarters ended	September 24, 2022	September 25, 2021 <sup>(1)</sup>
<b>Net earnings (loss) for the period</b>	<b>42,705</b>	(17,208)
<i>Adjustments:</i>		
Finance costs, net	11,648	1,658
Income taxes	387	—
Depreciation and amortization	12,764	1,302
<b>EBITDA</b>	<b>67,504</b>	(14,248)
Foreign exchange on long-term debt	7,896	(111)
Loss on extinguishment of debt	11,187	—
Gain on investment	(643)	—
Acquisition and transaction related costs	—	7,668
Other non-operating losses	5,320	—
<b>Adjusted EBITDA</b>	<b>91,264</b>	(6,691)

<sup>1</sup>Certain prior period amounts have been restated as a result of the Company finalizing its purchase price accounting related to the Rayonier Asset Acquisition, as allowed under IFRS. Please refer to Note 4 - Acquisition of Sawmills and Paper Mill, in the Company's Financial Statements for further information.

## Results of Operations for the quarter ended September 24, 2022

The third quarter of 2022 marked the Company's one-year anniversary of operating the forest products business acquired during Q3 2021. Except for the fourth quarter, the Company operates on a 13-week fiscal quarter and the third quarter of 2022 comprises the results of operations from June 26, 2022 through September 24, 2022, and reports balances as at September 24, 2022. The Company's results for the preceding second quarter of 2022 includes results of operations from March 26, 2022 through June 25, 2022, and the results for the first quarter of 2022 include results of operations from January 1, 2022 through March 25, 2022. Each of the three quarters represents an approximate 13-week fiscal quarter.

During the third quarter and three quarters ended September 24, 2022, the Company recorded net loss of \$23.3 million and net earnings of \$42.7 million, respectively (diluted loss per share of \$0.13 and diluted earnings per share of \$0.22, respectively). During the third quarter and three quarters ended September 24, 2022, the Company recorded Adjusted EBITDA loss of \$7.9 million and Adjusted EBITDA of \$91.3 million, respectively. In the preceding second quarter of 2022, the Company recorded net earnings of \$30.7 million (diluted earnings per share of \$0.16) and Adjusted EBITDA of \$54.3 million. In the comparative third quarter and three quarters ended September 25, 2021, which were pre-operational up until August 28, 2021, the Company recorded a net loss of \$13.1 million and \$17.2 million, respectively.

### Net sales and shipments

During the third quarter and three quarters ended September 24, 2022 the Company reported net sales of \$153.4 million and \$540.8 million, respectively. Net sales included lumber, paper products, and chip and other by-product sales. During the third quarter and three quarters ended September 24, 2022 net sales for the Forest Products or lumber segment were \$127.4 million and \$477.3 million, respectively, reflecting 145.8 MMfbm and 403.2 MMfbm in lumber shipments during the respective periods. The average weekly volume shipped during the third quarter was 11.2 MMfbm compared to 10.9 MMfbm averaged in the second quarter. During Q4 2022, through October 31, the average weekly volume shipped is approximately 9.8 MMfbm. After experiencing pandemic-related logistics disruptions and harsh winter weather in the first quarter of 2022, shipments in the second and third quarters of 2022 were notably improved, with fewer logistics challenges. Rapidly increasing interest rates and inflation headwinds reduced demand for lumber products from the second quarter onward, and remain a concern impacting US housing starts and homebuilders' confidence. During the third quarter of 2022, US benchmark lumber prices for delivery to the Great Lakes region averaged US\$693/Mfbm for random length 2&better and US\$637/Mfbm for studs, as compared to US\$1,004/Mfbm and US\$1,001/Mfbm, respectively, during the second quarter of 2022.

During the third quarter and three quarters ended September 24, 2022 net sales for the Paper segment were \$26.0 million and \$63.4 million, respectively, reflecting shipments of 28,554 metric tonnes (MT) and 73,574 MT during the respective periods. The Company's paper revenues began to rise in the second quarter of 2022 from the increased orders placed during early 2022 that reflect higher demand. The subsequent increase in the third quarter is primarily attributed to higher production from the restart of the Company's second paper machine. The Company saw further pricing increases of US\$50 per MT during the third quarter of 2022, bringing the total price increases to US\$150 per MT in 2022 thus far. As noted, the Company restarted its second paper machine in Q2 2022, which further contributed to higher volumes in Q3 2022. Startup costs related to the second paper machine were approximately \$2.9 million for the three quarters ended September 24, 2022. The second paper machine is expected to reach full production capacity in Q4 2022.

US housing starts were reported at 1.439 million units (SAAR) in September 2022, a decrease of 8% from August 2022 and 7% below September 2021 levels. Field inventories are currently low and this could provide some strength in Q4 for lumber prices as lumber buyers start to rebuild field inventories. 2x4 random length 2&better is forecasted to average US\$589 for the fourth quarter of 2022. With fair weather and railway issues subsided since the first quarter of 2022, lumber shipments are not expected to encounter major logistics challenges and are forecasted to be in line with production levels.

The Company was pre-operational in the third quarter and three quarters ended September 25, 2021, up until August 28, 2021, as such the respective periods had only one month of operations of the Company as a forest and paper products company.

### ***Manufacturing and Production***

During the third quarter and three quarters ended September 24, 2022 the Company reported cost of sales of \$150.9 million and \$397.3 million, respectively. Cost of sales includes labour, raw materials costs (including log costs), consumables, freight, depreciation, and energy costs. During the third quarter and three quarters ended September 24, 2022 cost of sales related to Forest Products or lumber were \$116.3 million and \$319.8 million, respectively, and cost of sales related to Paper Products were \$34.6 million and \$77.5 million, respectively.

During the third quarter and three quarters ended September 24, 2022 lumber production was 130.4 MMfbm and 414.1 MMfbm, and paper production was 29,292 MT and 78,198 MT during the respective periods. Lumber production was lower in Q3 2022 compared to Q2 2022 due to planned maintenance shutdowns at certain sawmills. During the third quarter of 2022, paper production was positively impacted by the restarting of the second paper machine, which was restarted partway through the second quarter.

During the preceding second quarter of 2022, the Company reported cost of sales of \$137.5 million, including Forest Products cost of sales of \$112.9 million and Paper Products costs of sales of \$24.6 million.

The Company was pre-operational in the third quarter and three quarters ended September 25, 2021, up until August 28, 2021, and only reported cost of sales reflecting one month of operations as a forest and paper products company.

Upon closing the acquisition of the sawmills and paper mill, as required 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 assigned at the date of acquisition was determined by the selling price of the item less costs to complete the manufacturing process and costs to sell (primarily freight and duties) and a provision for profit margin for these processes. For some inventory, primarily finished goods and work in process acquisition accounting, the fair value assigned includes a substantial portion of the profit margins that would otherwise have been recorded in future periods by the business if the acquisition had not occurred. Recognition of the Company's opening inventory at fair value resulted in inventory values different than what would have been recorded at cost in accordance with the Company's accounting policy. At September 24, 2022, no acquisition-date inventory valued at fair value remained to be recognized in cost of sales for future quarters (December 31, 2021, \$0.8 million).

Entering Q4 2022, production at the sawmills is expected to be slightly higher than Q3 2022 levels due to improved efficiencies. Energy commodity prices and freight costs are expected to remain above normal, although at lower levels than experienced in Q3 2022.

### ***Selling, General and Administration***

During the third quarter and three quarters ended September 24, 2022 the Company reported selling, general and administration expenses of \$5.9 million and \$18.9 million respectively and \$1.8 million and \$3.5 million during the third quarter and three quarters ended September 25, 2021, respectively, which were non-operating quarters until August 28, 2021, reflecting one month of operations as a forest and paper products company.

Expenses for the third quarter and three quarters ended September 24, 2022 primarily reflect personnel costs, costs incurred relating to the idled Kenora sawmill and costs related to those corporate personnel hired earlier in the year to transfer head office functions from Rayonier to GreenFirst. Personnel were hired for human resources, IT, procurement, logistics, treasury and accounting which allowed the Company to terminate all transitional services from Rayonier by May 2022.

Selling, general and administration expenses in the third quarter of 2022 decreased by \$1.0 million quarter over quarter, primarily due to lower spend on information technology set-up related activities and lower costs related to transitional services that the Company incurred in the first half of fiscal 2022.

Many of our new hires are located at our new office in North Bay, Ontario, which the Company opened during the fourth quarter of 2021. The North Bay office can accommodate up to 35 full time employees in IT, accounting and human resources and is strategically located close to our operating sites.

### **Duties**

The Company's softwood lumber sales to US customers are subject to countervailing and anti-dumping duties as determined by the US Department of Commerce. During the third quarter and three quarters ended September 24, 2022 duties expensed was \$13.0 million and \$51.7 million, respectively. The Company is initially subject to countervailing duties of 14.19% plus anti-dumping duties of 6.04%. The Company has challenged these levels by requesting that the US Department of Commerce undertake a Changed-Circumstances Review. The US Department of Commerce has so far denied the Company's request for a review. The Company is appealing this decision. The initial rate, totaling over 20.23%, remained in effect following the results of the US Department of Commerce Administrative Review, announced on August 3, 2022, which reduced duties generally applied to all other lumber exporters. Duties expense in the third quarter of 2022 decreased compared to the second quarter of 2022 mainly correlated with lower realized lumber prices during the third quarter of 2022.

Adjusted EBITDA before duties expensed for the third quarter and three quarters ended September 24, 2022 was \$5.1 million and \$142.9 million, respectively.

Adjusted EBITDA before duties expensed for the third quarter and three quarters ended September 25, 2021 was a loss of \$2.9 million and Adjusted EBITDA of \$4.9 million, respectively as the Company had only completed its first month of operations post-acquisition.

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

### **Net Finance Costs**

Net finance costs primarily include interest on the Company's credit facilities, including accretion of deferred financing costs. Net finance costs also include bank charges, interest on the Company's pension assets and liabilities and accretion expense related to lease liabilities and decommissioning obligations. During the third quarter and three quarters ended September 24, 2022 net finance costs were \$4.0 million and \$11.6 million, respectively.

During the third quarter and three quarters ended September 25, 2021, the Company incurred \$1.5 million and \$1.7 million, respectively, due to interest on the Company's now extinguished Term Loan, including accretion of deferred financing costs and accretion on its then-outstanding convertible debentures.

### **Transaction Costs**

In 2021, the Company had \$9.9 million of transaction related expenses, primarily reflecting expenses for setting up and transferring cloud-based IT systems. The Company did not incur any such expenses for 2022.

### **Other Non-operating Losses**

As part of the purchase price consideration for the Rayonier Asset Acquisition, the Company had recorded a \$5.3 million receivable related to estimated final inventory adjustments at closing (See *Note 4 - Acquisition of Sawmills and Paper Mill in the Company's Financial Statements*), which reflected the estimate of the amount subject to the arbitration process as at September 24, 2022. On November 4, 2022, the arbitrator provided a final and binding written determination, as a result of which the Company revised the carrying value of this receivable to \$nil. The Company has accounted for this transaction as an adjusting subsequent event by recording a loss of \$5.3 million for the third quarter and three quarters ended September 24, 2022, under "Other non-operating loss" in the Financial Statements.

## Selected Financial Information – Quarterly Highlights

The following table presents selected financial information related to the Company's eight most recent completed fiscal quarters (in thousands of Canadian dollars, except per share amounts and certain operating metrics):

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
<b>Net sales</b>	<b>153,424</b>	214,564	172,768	161,551	28,928	—	—	—
<b>Net (loss) earnings<sup>(1)</sup></b>	<b>(23,259)</b>	30,650	35,314	9,046	(13,122)	(2,532)	(4,086)	(1,527)
<b>Basic (loss) earnings per share<sup>(1)</sup></b>	<b>(0.13)</b>	0.17	0.20	0.05	(0.16)	(0.10)	0.17	(0.07)
<b>Diluted (loss) earnings per share<sup>(1)</sup></b>	<b>(0.13)</b>	0.16	0.19	0.05	(0.16)	(0.10)	0.17	(0.07)

### *Operating metrics*

<b>Lumber Sales Volume (MFB)</b>	<b>145,812</b>	142,757	114,658	173,358	29,860	N/A	N/A	N/A
<b>Lumber Produced (MFB)</b>	<b>130,417</b>	149,315	134,421	149,154	47,468	N/A	N/A	N/A
<b>Lumber - Average Selling Price (C\$/MFB)<sup>2</sup></b>	<b>780</b>	1,255	1,325	740	595	N/A	N/A	N/A

<sup>1</sup>Certain prior period amounts have been restated as a result of the Company finalizing its purchase price accounting related to the Rayonier Asset Acquisition, as allowed under IFRS. Please refer to Note 4 - Acquisition of Sawmills and Paper Mill, in the Company's Financial Statements for further information.

<sup>2</sup>Average gross price before duties and other deductions

The Company's quarterly highlights include full quarters of production and sales in Q3 2022, Q2 2022, Q1 2022 and Q4 2021. Results in Q3 2021 include approximately one month of production and sales based on the acquisition of the Rayonier Assets which closed on August 28, 2021. On a sustained basis, the Company's quarterly financial trends are impacted by typical industry-wide seasonality, levels of lumber production, log costs, market prices for lumber, the USD/CAD foreign currency exchange rate and business-development transactions.

Logging operations are seasonal due to several factors including weather and ground conditions that vary from winter freezing to spring snow melt.

## Capital Resources and Liquidity

### *Liquidity*

At September 24, 2022, the Company had total liquidity of \$52.5 million comprising \$29.9 million in cash on hand and \$35.3 million, less \$12.7 million for standby letters of credit, available under its Credit Facility. The Company has drawn down \$84.0 million under the Credit Facility at September 24, 2022, and as of the date of this MD&A.

### *Cash flow for the third quarter and three quarters ended September 24, 2022*

During the third quarter and three quarters ended September 24, 2022 the Company decreased its cash balance by \$44.3 million and \$6.3 million, respectively, to \$29.9 million (December 31, 2021 - \$36.2 million).

### *Cash Provided by Operations*

During the third quarter and three quarters ended September 24, 2022, the Company generated cash from operations of \$6.7 million and \$65.8 million respectively, reflecting the contribution of operations during the quarter, partly offset by net investments in and net drawings from working capital.

Non-cash working capital changes for the third quarter ended September 24, 2022, include a \$12.2 million cash source from changes in inventory as the Company continued to realize a draw-down of its

inventory from seasonally high raw materials levels built up during the first quarter of 2022. The Company also realized a \$13.2 million cash source from increases in accounts payable, accrued liabilities and other items, partially offset by a \$1.6 million use of cash for the build up of accounts receivable, reflecting normal variations in trade balances of the operations.

Non-cash working capital changes for the three quarters ended September 24, 2022, include a \$21.6 million cash use for increased inventory as a result of seasonal harvesting, primarily during Q1 2022. The Company also used \$13.6 million in cash for the build up of accounts receivable, reflecting normal variations in trade balances of the operations, which was offset by a \$20.1 million cash source from increases in accounts payable, accrued liabilities and other items.

### **Cash Used in Investing Activities**

During the third quarter and three quarters ended September 24, 2022 the Company used \$10.9 million and \$18.6 million, respectively, for investing activities, reflecting the purchase of property, plant and equipment. The Company has disclosed its intention to spend \$60.0 million on strategic capital expenditures at its operations from 2022-2024 inclusive, in order to increase production while lowering unit operating costs. COVID-19, inflationary cost pressures and on-going supply disruptions have impacted the cost of operations and equipment, along with the timing for these expenditures. The Company continues to assess the impact of these macro changes on its initial strategic capital expenditure plan and expects the actual expenditures and time frame for deployment to be greater than initial estimates. The execution of this plan will depend on realizing sufficient cash flows from operations and cash proceeds from the sale of non-core assets.

### **Cash Used in Financing Activities**

During the third quarter and three quarters ended September 24, 2022 the Company used \$40.1 million and \$53.5 million, respectively, for financing activities. In Q3 2022, the Company extinguished its US\$100.0 million (CAD\$126.1 million at initial closing) Term Loan and ABL Facility. The balance outstanding at the time of extinguishment was US\$87.3 million (CAD\$118.7 million). Concurrently, the Company entered into a credit agreement for a \$140.0 million Credit Facility and has drawn down \$84.0 million against it. Additionally, the Company made payments of \$0.3 million and \$1.0 million related to its lease obligations during the third quarter and three quarters ended September 24, 2022, respectively.

### **Capital Resources**

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

<b>As at</b>	<b>September 24, 2022</b>
Total debt outstanding <sup>1</sup>	\$ 83,358
Less: cash and cash equivalents	(29,896)
Net debt	53,462
Shareholders' equity	266,220
<b>Total capital</b>	<b>\$ 319,682</b>

<sup>1</sup>Total debt outstanding consists of the carrying amounts of the Company's credit facilities.

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

The Company's Credit Facility contains restrictive covenants that limit the Company's ability to undertake certain actions without the lender's consent, and it also includes the following financial covenant tests performed quarterly: a minimum fixed-charge coverage ratio and a maximum annual capital expenditure amount relative to budget, all as defined in the Credit Agreement. The Company monitors its performance

monthly as well as its future performance expectations, adjusting as required, so it remains in compliance with these covenants. The Company was in compliance with its covenants under the Credit Agreement as at September 24, 2022.

### **Shareholders' Equity**

For the three quarters ended September 24, 2022, shareholders' equity increased by \$35.6 million, compared to December 31, 2021, primarily reflecting net earnings realized during the period.

### **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 for which Senvest Management, LLC acted 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 was granted nomination rights in respect of one independent director so long as it holds 5% of the issued and outstanding common shares. They were also 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 issued under the Company's legacy rolling stock option plan were exercised on June 24, 2021, at their respective exercise prices for total proceeds of \$1.4 million to the Company. Additionally, on July 2, 2021, 3,205,334 warrants were exercised for proceeds of \$1.9 million.

### **Conversion of Convertible Notes**

The initial recognition of the convertible notes was accounted for as a compound financial instrument. The proceeds were allocated between the liability and equity components based on their relative fair values. The fair value of the liability was determined using a discounted 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.

### **Credit Facility**

On September 23, 2022, the Company extinguished its US\$100.0 million (CAD\$126.1 million at initial closing) senior secured term credit facility (the "Term Loan" or term debt) which had a term of four years. The balance outstanding at the time of extinguishment was US\$87.3 million (CAD\$118.7 million). In addition, the Company extinguished its \$65.0 million asset backed revolving loan (the "ABL") which had a term of three years. Concurrently, the Company entered into a credit agreement with a Tier 1 Canadian Bank (the "Credit Agreement") for up to \$140.0 million comprising a term loan of \$15.0 million (24-month term, with a 1-year extension available) and a revolving facility of up to \$125.0 million (36-month term, with a 1-year extension available) (collectively, the "Credit Facility"). The Company is required to make quarterly repayments of principal of \$1.6 million on the term loan portion of the Credit Facility, with the balance of the principal due upon its maturity.

The Company is subject to certain financial covenants under the Credit Facility, including a minimum fixed charge coverage ratio and a maximum annual capital expenditure amount relative to budget, as these terms are defined in the Credit Agreement. The Credit Agreement requires the Company to meet a

minimum fixed charge coverage ratio of 1.1:1. The fixed charge coverage ratio is calculated on a trailing twelve-month basis. The Company monitors these ratios and is required to report them to the lender.

As at September 24, 2022, the Company was in compliance with all covenants under the new Credit Facility.

In connection with the extinguishment of the Term Loan and the ABL facility, the Company recognized a loss of \$11.2 million, which primarily relates to the write-off of \$7.7 million and \$1.0 million of remaining capitalized fees related to the Term Loan and ABL facility, respectively. In addition, there was a \$2.5 million prepayment premium related to the early extinguishment of the Term Loan. The Company capitalized a total of \$0.6 million of deferred financing costs related to the new Credit Facility.

During the third quarter and three quarters ended September 24, 2022, \$0.7 million and \$2.3 million (September 25, 2021 - \$0.3 million and \$0.3 million), respectively, of deferred financing costs were amortized relating to the Term Loan. During the third quarter and three quarters ended September 24, 2022, \$0.1 million and \$0.4 million, respectively, of deferred financing costs were amortized relating to the ABL (September 25, 2021 - \$0.1 million and \$0.1 million). As noted, the balance of these capitalized financing costs were written off upon the extinguishment of the Term Loan and ABL facility.

At September 24, 2022, there were \$12.7 million (December 31, 2021 - \$13.7 million) of outstanding standby letters of credit issued, which reduces the amounts available to draw under the Credit Facility. The Company is in the process of transitioning its outstanding letters of credit from the previous lender to the new Credit Facility. The Company is seeking necessary approvals from the respective beneficiaries of the letters of credit, with a current backstop provided to the old lender from the new lender as at September 24, 2022.

### Contractual Obligations

The estimated cash payments (undiscounted) due in respect of contractual and legal obligations including debt principal payments and capital commitments for the one-year periods ending September 24 are summarized as follows:

	2023	2024	2025	2026	2027 and beyond	Total
Accounts payable	\$ 47,120	\$ —	\$ —	\$ —	\$ —	\$ 47,120
Other liabilities, excl. leases	21,127	1,580	1,580	1,580	5,043	30,910
Lease liabilities	1,120	622	263	173	355	2,533
Long term debt	5,625	9,375	69,000	—	—	84,000
<b>Total</b>	<b>\$ 74,992</b>	<b>\$ 11,577</b>	<b>\$ 70,843</b>	<b>\$ 1,753</b>	<b>\$ 5,398</b>	<b>\$ 164,563</b>

Under the Company's Credit Facility, additional principal repayments will be required of up to 50% of excess working capital (as defined in the Credit Agreement) annually.

### Pension Plans and Other Post-Retirement Benefits

#### Defined Benefit Plans

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

Defined-benefit pension and other post-retirement 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 estimation of post-retirement benefit obligations involves the use of judgment for matters such as discount rate, return on assets, salary increases, health care cost trends, mortality rates, longevity and service lives of employees. These estimates are determined by management with the assistance of independent actuaries.

During the third quarter and three quarters ended September 24, 2022, the Company recorded a \$6.3 million and \$8.0 million net loss, respectively, (September 25, 2021 - \$0.8 million and \$0.9 million) in other comprehensive income related to valuation adjustments on the Company's pension plans.

#### **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 member's remuneration for the pay period.

#### **Off Balance Sheet Arrangements**

As of September 24, 2022, the Company had \$12.7 million of outstanding letters of credit that are backed by a reserve against the revolving portion of the Company's Credit Facility, reducing maximum availability for borrowing.

The Company also had surety bonds totalling \$3.9 million and US \$5.5 million outstanding as of September 24, 2022. These bonds are in support of the Company's obligations to the Ontario Ministry of the Environment for access to certain waste disposal sites, The Quebec Bureau de Mise en Marche Des Bois ("BMMB") in relation to timber cutting rights and the US Department of Commerce for countervailing and anti-dumping duties.

#### **Related Party Transactions**

##### **Investment in Boreal Carbon Corporation**

On November 30, 2021, the Company purchased 1,428,571 common shares in Boreal Carbon Corporation ("Boreal") for \$0.5 million. Boreal is an entity focused on acquiring and managing forestry projects in North America to generate carbon credits. Boreal's Chairman and Vice-Chairman are the Chairman and CEO of GreenFirst, respectively.

During the third quarter and three quarters ended September 24, 2022 the Company recorded a gain on investment of \$nil and \$0.6 million respectively (September 25, 2021 - \$nil and \$nil). The increase in the investment carrying value as at September 24, 2022 to \$1.1 million (December 31, 2021 - \$0.5 million) was due to a fair value adjustment supported by a revaluation of Boreal's common share price based on the pricing in an equity financing by Boreal during the quarter. This investment is accounted for at fair value with changes in fair value recorded in earnings (loss).

##### **Management Services Agreements**

Certain directors of the Company, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies. Some of these companies transacted with the Company during the periods noted below. Following are the aggregate values of such transactions (amounts are in thousands of dollars):

<b>For the quarter ended</b>	<b>September 24, 2022</b>	September 25, 2021
Fees incurred for services – officers and companies controlled by officers <sup>(1)(2)(3)</sup>	<b>110</b>	256

<b>For the three quarters ended</b>	<b>September 24, 2022</b>	September 25, 2021
Fees incurred for services – officers and companies controlled by officers <sup>(1)(2)(3)</sup>	<b>170</b>	<b>577</b>

<sup>(1)</sup> Includes fees for management services, administrative support, and reimbursement of office expenses. Additionally, certain companies controlled by one of the Company's directors provided finance, information technology and human resource services..

<sup>(2)</sup> Includes fees paid to an entity controlled by the Company's former CEO, Larry Gene Swets Jr., who was engaged as a contractor pursuant to a management service agreement effective January 31, 2019, which was subsequently terminated effective August 28, 2021. Also includes fees paid to an entity controlled by the Company's CFO pursuant to a consulting contract.

<sup>(3)</sup> There were no amounts outstanding related to these services as at September 24, 2022 and December 31, 2021, other than those based on the Company's normal course of business payment terms..

## 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 Annual Information Form dated March 23, 2022 available at [www.sedar.com](http://www.sedar.com).

## Use of Estimates and Judgments

The preparation of the Company's Financial Statements in conformity with IFRS 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 and disclosures at the date of the Financial Statements.

The preparation of the Financial Statements requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. It also requires management to exercise judgment in the process of applying accounting policies. Significant areas requiring estimation and judgment include: assessing the fair value and net realizable value of inventory based on estimated selling prices, costs of completion, applicable duties, transportation costs and disposal costs; estimated useful lives of property, plant and equipment; recoverability of long-lived assets; fair value of the consideration paid and of the acquired assets and liabilities assumed on acquisitions; decommissioning 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

The fair value of the Company's financial instruments approximates the carrying value due to their short-term nature. Long term debt fair value approximates its carrying value due to the short period between initial recognition and period end. The Company uses Level 3 inputs to assess the fair value of the investment in Boreal at the reporting date as there is no public information available regarding the value of Boreal's common shares.

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 as at September 24, 2022 is \$29.9 million (December 31, 2021 - \$36.2 million). The Company holds these deposits with a Canadian Schedule 1 financial institution.

The Company's exposure to credit risk with respect to accounts receivable 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 any known specific customer issues.

The Company regularly reviews the collectability of its accounts receivable and establishes an allowance for expected credit losses based on its best estimate of expected credit losses. At September 24, 2022, a \$0.2 million (December 31, 2021 - \$0.2 million) allowance for expected credit losses was recorded.

The carrying amount of accounts receivable, excluding value added tax of \$38.2 million represents the maximum credit exposure for its accounts receivables at September 24, 2022 (December 31, 2021 - \$32.7 million).

### **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 \$35.3 million under the revolving portion of the Credit Facility as at September 24, 2022. The Company can draw down on the facility based on a prescribed percentage of accounts receivable and its inventory carrying value, less reserves. The facility matures on September 23, 2025. The Company had drawn down \$69.0 million on the revolving portion of the Credit Facility and \$15.0 million on the term loan portion of the Credit Facility at September 24, 2022 (December 31, 2021 – \$115.2 million outstanding under the now-extinguished Term Loan). Additionally, the Company had stand-by letters of credit of \$12.7 million (December 31, 2021 - \$13.7 million), which reduces availability by the same amount.

Under the Credit Facility, additional principal repayments will be required of up to 50% of excess working capital (as defined in the Credit Agreement) annually.

The Company also expects to raise capital from the sale of non-core land assets, including the sale announced on November 7, 2022 of the 203,000 acres of private forest land south of Kapuskasing, which is expected to close for \$49.2 million on November 9, 2022.

### **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 currently does not 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 borrowings under its Credit Facility which creates interest rate risk exposure for the Company. The term loan portion of the Credit Facility bears variable interest based on the CDOR or Canadian Prime Rate plus a premium, currently at 7.31% annualized at September 24, 2022. The revolving portion of the Credit Facility bears a variable rate of CDOR or Canadian Prime Rate plus a premium, currently at 6.44% annualized at September 24, 2022.

A 100 basis point increase in the interest rate on the secured term debt loan would decrease the net earnings in the statement of profit and loss by approximately \$0.1 million. Similarly, a 100 basis point reduction in the interest rate on the secured term debt loan would increase the net earnings in the statement of earnings (loss) by approximately \$0.1 million.

### Currency Risk

The Company is exposed to foreign exchange risk on revenues and expenditures denominated in foreign currencies, principally US dollars. The Company's US dollar denominated sales accounts for a significant volume of its sales. Except for duties, the majority of the Company's expenditures are in Canadian dollars.

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

As at September 24, 2022, the portion of the Company's monetary assets and liabilities held in US dollars are as follows:

<b>As at (in thousands of US dollars)</b>	<b>September 24, 2022</b>
Cash and cash equivalents	\$ 2,620
Accounts receivable	13,638
Accounts payable and other liabilities	(5,272)
<b>Net monetary assets in US Dollars</b>	<b>\$ 10,986</b>

Based on the US dollar statement of financial position exposure at September 24, 2022, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 1%, relative to the rate at September 24, 2022, the net earnings in the statement of earnings (loss) would be approximately \$0.1 million less. If the Canadian dollar were to strengthen against the US dollar by 1%, relative to the rate at September 24, 2022, the net earnings in the statement of earnings (loss) would be approximately \$0.1 million greater.

### Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are responsible for the establishment and maintenance of internal controls over financial reporting including disclosure controls and procedures.

The Company began trading on the TSX on February 10, 2022, having previously been listed on the TSX Venture exchange. The Company is in the process of reviewing and enhancing its internal control environment, including the Company's disclosure controls and procedures and internal controls over financial reporting ("ICFR"), in accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. There have been no changes to the design of internal controls over financial reporting that occurred during the third quarter and three quarters ended September 24, 2022 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

### **Share Data**

As of the date of this MD&A the Company has: 177,572,272 common shares outstanding; 31,752,618 warrants to purchase common shares at prices ranging from \$0.25 to \$3.18 with expiry dates ranging from October 22, 2025 to July 30, 2026; and 4,915,941 stock options to purchase common shares at prices ranging from \$1.80 to \$1.92 with expiry dates ranging from December 15, 2026 to May 24, 2027.