



PRODUITS FORESTIERS
GREENFIRST
FOREST PRODUCTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTER AND THREE QUARTERS ENDED
SEPTEMBER 28, 2024

GREENFIRST FOREST PRODUCTS INC.

Dated: November 12, 2024

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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 28, 2024 ("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, 2023 ("Annual 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, 2023 ("Annual MD&A"). This MD&A has been prepared as of November 12, 2024, 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 Accounting Standards ("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.

Forward-Looking Statements

This MD&A has been prepared taking into consideration information available as at November 12, 2024, 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 results 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 14, 2024 available at www.sedarplus.com.

Our Sustainable Business and Strategy

GreenFirst is a forest-first business, dedicated to sustainable forest management. Our business involves the manufacturing, selling, marketing and distributing of lumber products. We believe that responsible forest practices, combined with the long-term carbon-capturing advantage of lumber, provide GreenFirst with significant cyclical and secular advantages in building products. GreenFirst’s long-term vision is to be a green leader in the global forestry industry.

GreenFirst has four sawmills, timber licenses on crown forests in Ontario and non-core land parcels, including in Kenora. Its head office is located in Toronto, which is supported by its offices in North Bay and Timmins.



We aim to maximize value by achieving strong financial results while fostering a culture that emphasizes safe and responsible operations with cost-control awareness. We are conscious that we operate in an industry that is prone to cyclical and price volatility, as demonstrated by recent swings in lumber prices. As a company, we are committed to being prudent and fiscally responsible in order to manage through these cycles and ensure long-term sustainable operations. Our capital allocation is carefully monitored by management and our Board of Directors to ensure that we maintain a strong balance sheet and liquidity

profile. Our goal is to strategically invest in our Ontario operations to enhance productivity, capacity and lower our cost of production. We will also aim to capitalize on growth opportunities with the right financial flexibility.

GreenFirst is committed to maintaining and elevating high standards of sustainability throughout its operations. GreenFirst produces quality lumber products in a safe and responsible manner to protect our employees and the environment, create long-term value for our stakeholders, and contribute positively to our collective future. We believe the Company's renewable building materials, which sequester carbon, are a natural solution in the fight against climate change.

GreenFirst is committed to the "Four Ps" value system ("Px4 Values") which puts in focus Principles, People, our Planet, and Progress. We intend to expand and intensify our sustainability practices throughout all our operations and activities by using our Px4 Values as a backdrop to ensure that we protect, revive and enrich the resources, the products and the communities on which we all depend on and thrive within.

Principles

GreenFirst is guided by business practices that are aligned with principles of good governance, transparency, inclusivity and shared prosperity for our shareholders, employees, customers and communities.

People

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

Planet

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

Progress

GreenFirst prioritizes long-term values that create prosperity while making a positive impact on the environment, benefiting our employees, shareholders, customers 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, while welcoming all people equally.

Recent Business Highlights

Completion of Kap Paper Spin-out

On November 8, 2024 the Company closed the Plan of Arrangement that has resulted in the distribution of the outstanding shares of Kap Corporation to the GreenFirst shareholders on the basis of one common share of Kap Corporation for each ten common shares of GreenFirst held.

The Spin-out of Kap is part of the natural progression of the decentralization and deconsolidation of the paper mill that was originally disclosed by GreenFirst in the Fall of 2023. It will enable the Company to focus on its core business of being a pure-play lumber producer, offering shareholders a stake in any future upside from the development of Kap. Under the new structure, Kap will be able to explore

numerous possibilities that were not feasible under the original GreenFirst ownership structure. As a separate company, Kap will consider independent financing alternatives and partnerships in the future. Kap Paper is the only chip consuming facility in Northeastern Ontario and the Spin-out provides Kap Paper with the potential to pursue new opportunities to support the green economy as part of a broader Northern Ontario forest strategy.

Rights Offering

On October 31, the Company announced a rights offering to raise gross proceeds of up to \$96.9M (the "Rights Offering") by issuing up to 17,722,410 common shares in the capital of the Company (the "GF Shares") at a price of \$5.47 per share representing a 25% discount to the Company's five day VWAP ending on October 30, 2024. The Company has entered into a Standby Purchase Agreement pursuant to which Ravenswood Investments III, L.P. and The Ravenswood Investment Company L.P., two funds managed by Robotti & Company Advisors, LLC (together the "Standby Purchasers"). Under the Standby Purchase Agreement, the Standby Purchasers have agreed to purchase up to an aggregate of 3,656,307 GF Shares not otherwise purchased under the Rights Offering for a commitment of up to \$20,000,000. Proceeds from the Rights Offering will be used to support an off-cycle capital expenditure program that will drive great operational productivity and future earnings.

Appointment of New CFO

On July 17, 2024, the Company announced the appointment of Peter Ferrante as its new Chief Financial Officer. With over 25 years of finance and business experience, Mr. Ferrante has held a variety of senior roles across both publicly listed and private companies, across diverse industries including manufacturing, leasing and retail, overseeing all facets of accounting, financial management, corporate governance and M&A.

Undertaking of 10 to 1 Substantive Consolidation

On October 7, 2024, announced that it is now proceeding concurrently with a substantive consolidation (the "Substantive Consolidation") of its outstanding common shares (the "Common Shares") on the basis of one post-consolidation Common Share for each ten (10) pre-consolidation common shares (the "Consolidation Ratio"). The Substantive Consolidation was completed concurrently with the Share Capital Amendments on October 17, 2024.

Buy-out Group Annuity De-Risking Certain Pension Plans

On August 9, 2024, the Company announced that, through one of its subsidiaries, it has purchased a buy-out group annuity that transfers \$26.5 million of defined benefit pension obligations to a Canadian insurance company. The Company's prudent management of the pension fund allowed for the recognition of a net settlement gain of approximately \$0.8 million during the third quarter ended September 28, 2024.

Production Records Achieved in the First Quarter of 2024

During the first quarter of 2024, 19 new production records were established across the Company's sawmills. The Kapuskasing sawmill achieved its highest-ever Q1 production record and the Chapeau sawmill surpassed both its monthly and multi-week production records, further highlighting the Company's relentless pursuit of innovation and operational efficiency. The production records broken in the first quarter of this year highlight GreenFirst's ability to enhance operations while still driving down costs. With a focus on maximizing productivity while maintaining the highest standards of quality and safety, the Company continues to set new benchmarks for success.

Subsequently, the Company's sawmills achieved 15 new production records in the second quarter of 2024, primarily at its Chapeau sawmill. This exemplifies the continued operational focus through an ever challenging environment faced by the industry.

Overhead and Cost Reduction Initiatives

The Company continues to focus on decreasing cash production costs at its mills, improving its strategic sourcing and reducing selling, general and administrative ("SG&A") and overhead expenses. In April 2024, the Company undertook additional initiatives to reduce SG&A and overhead expenses. These initiatives, in conjunction with those implemented in the second half of 2023, are expected to decrease

SG&A and overhead expenses by approximately \$8 million on an annualized basis. These savings will start to materialize through 2024, with the targeted run rate to be achieved by the second half of this year.

Duties rate drop from 20.23%

The Company became eligible for a reduction in its softwood lumber duty deposit rate from 20.23% to 8.05%, which took effect on August 1, 2023. This was a significant impact on the Company's bottom line and free cash flow profile. During the third quarter ended September 28, 2024 The Company's duty deposit rate increased 14.40%, in line with its industry peers.

Higher payment of Duties

The Company's initial duty deposit rate, totaling 20.23%, remained in effect for almost two years, since the Company's acquisition of its sawmill and paper mill assets on August 28, 2021, until the publication of the US Department of Commerce's Final Determination in the US Federal Register on August 1, 2023. Under the initial duty deposit rate the Company has paid US\$22 million in higher duties compared to its Canadian peers as at September 28, 2024, of which US\$7 million relates to payments made in 2023, US\$10 million of payments in 2022 and US\$5 million of payments in 2021.

Kenora Re-development Plans

The Company completed the move of the idled Kenora sawmill equipment to its operating sawmills in 2023. The Company continues to work on options for the sale of the Kenora Property to interested buyers. The Company is no longer evaluating options to redevelop a new sawmill in the Kenora area.

GreenFirst's Capital Allocation

As of November 12, 2024, the Company has total debt outstanding of \$39.9 million, comprised of \$25.5 million under the revolving portion of the credit facility and \$14.4 million under the equipment financing portion of the credit facility.

During the third quarter and three quarters ended ended September 28, 2024, the Company made net debt repayments of \$4.2 million and net drawdowns of \$2.7 million, respectively, under the revolving portion of the credit facility.

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 potential expansion and to ensure compliance with existing debt agreements. The Company's seasonal harvesting activities require significant capital to build up log inventory during the first quarter. The Company defines capital as the sum of net debt and shareholder's equity.

As at	September 28, 2024
Total debt outstanding ¹	\$ 39,858
Less: cash and cash equivalents	(407)
Net debt	39,451
Shareholders' equity	165,858
Total capital	\$ 205,309

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

In addition to its prudent and solid financial position, the Company possesses valuable core assets and opportunities as follows:

- **Four uniquely positioned operating sawmills** in Ontario with over 510 million board feet of annualized production capacity. With a focus on capital projects and increased productivity, we believe our four mills in Chapleau, Cochrane, Hearst and Kapuskasing have the ability to potentially produce higher annual volumes of lumber in the coming years;

- **Abundant forests** with a dedicated 2.5 million cubic metres of annual allowable fibre supply in Ontario. The general fibre basket is shrinking in Canada and our allowable cut provides us with a competitive advantage in a stable, business-friendly jurisdiction;
- **Non-core parcels of land** with tracts of potential development-friendly property unrelated to our mill sites, including the site for the former Kenora sawmill;
- **Over-funded pension** assets of approximately \$19.2 million (pre - asset ceiling test), which the Company has been able to protect from market volatility and preserve the asset surpluses;
- Our prior **duty rate of 20.23%** reduced on August 1, 2023 to **8.05%** and was increased on August 12, 2024 to **14.40%** and thus is now aligned with our Canadian peers;,
- Available non-capital and capital **tax loss** carryforwards of \$120.7 million and nil, respectively, which will shelter future taxable income; and
- **Long-term relationships** with leading companies in the home improvement and printing segments.

Economic Outlook

The economic outlook for the lumber industry reflects a mix of challenges and opportunities. Overall macroeconomic concerns are starting to stabilize which will positively impact lumber demand and pricing. The North American housing market has started to show signs of stabilization after previous fluctuations. Mortgage rates are lower compared to a year ago and are expected to continue to ease providing relief for some homeowners supporting some demand for new construction, remodeling and renovation projects projected continued support for lumber demand. Lack of available housing inventory, record levels of immigration in North America, aging of homes in the US and demographic driven demand are expected to positively impact lumber markets in the near and long term.

Reduced lumber demand and low inventory maintenance continue to drive supply side pressures in the short-term. However, continued curtailment of lumber production in the Province of British Columbia, Quebec and some other regions of North America could have some positive support in lumber pricing.

Labour markets remain tight, which continues to impact cost and certain disruptions to flow of production in the industry. Inflationary pressures in North America have also raised the cost of many inputs required for our operations. Ongoing challenges with staffing and wood supply could negatively impact Companies in the industry.

Continuous improvement in production and processing techniques are helping to improve efficiency and reduce costs, which could enhance competitiveness in the long term. Access to capital to purchase and install equipment that will drive operations strengthen competitiveness in the long term.

Increasing focus on sustainable practices is shaping the industry. Companies that invest in environmentally friendly practices may gain a competitive edge, particularly as consumers and regulators emphasize sustainability. To this effect, GreenFirst produces quality lumber and paper products in a safe and responsible manner to protect our employees and the environment, create long-term value for our stakeholders, and contribute positively to our collective future. We believe the Company's renewable building materials, which sequester carbon, are a natural solution in the fight against climate change.

Financial Highlights

The following selected financial information is derived from the Company's interim financial statements for the second quarter ended June 29, 2024, third quarter and three quarters ended ended September 28, 2024, September 30, 2023 and the annual financial statements and MD&A for the year ended December 31, 2023:

	September 28	June 29,	September 30,
For the quarter ended	2024	2024 ⁽⁴⁾	2023 ⁽⁴⁾
Net sales from continuing operations⁽³⁾	70,806	69,650	67,993
Operating income (loss) from continuing operations	12,062	(9,650)	6,265
Net income (loss)	8,835	(14,529)	2,657
Net income (loss) from continuing operations	14,822	(9,946)	5,058
Basic income (loss) per share	0.05	(0.08)	0.02
Basic income (loss) per share from continuing operations	0.08	(0.06)	0.03
Diluted income (loss) per share	0.05	(0.08)	0.02
Diluted income (loss) per share from continuing operations	0.08	(0.06)	0.03
Adjusted EBITDA from continuing operations⁽¹⁾⁽²⁾	15,673	(6,075)	9,918

	September 28	September 30,
For the three quarters ended	2024	2023 ⁽⁴⁾
Net sales from continuing operations⁽³⁾	212,903	210,919
Operating income (loss) from continuing operations	5,078	(23,930)
Net loss	(19,045)	(25,431)
Net income (loss) from continuing operations	5,017	(26,045)
Basic loss per share	(0.11)	(0.14)
Basic income (loss) per share from continuing operations	0.03	(0.15)
Diluted loss per share	(0.11)	(0.14)
Diluted income (loss) per share from continuing operations	0.03	(0.15)
Adjusted EBITDA from continuing operations⁽¹⁾⁽²⁾	15,894	(12,415)

	September 28,	December 31,
As at	2024	2023
Total assets	\$ 307,300	\$ 277,944
Total liabilities	141,442	92,706
Total shareholders' equity	165,858	185,238

¹Adjusted 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.

²Non-GAAP Adjusted EBITDA before one-time duties recoveries for the third quarter and three quarters ended September 28, 2024 was negative \$3.5 million and negative \$3.3 million, respectively, compared to positive \$0.7 million and negative \$21.6 million, respectively, for the third quarter and three quarters ended September 30, 2023.

³Includes net sales to external parties only.

⁴Certain prior period amounts have been restated as a result of a change in presentation of the Company's Financial Statements for continuing and discontinued operations under IFRS. Please refer to Note 4 - Assets and Liabilities Held for Distribution and Discontinued Operations, in the Company's Financial Statements for further information.

Non-GAAP Measures

EBITDA and Adjusted EBITDA are used by the Company and its investors as a means of assessing the performance of its 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 impact of valuation changes on the Company's investments, the impact of foreign exchange on the Company's long-term debt, loss on extinguishment of debt, loss on sale of assets and other non-operating losses. 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.

Management has utilized net debt and net debt to invested capital as key indicators to monitor its debt levels and leverage. Net debt is defined as borrowings under the Company's credit facilities and term loans, less cash and cash equivalents. Invested capital is calculated as the sum of net debt and shareholders' equity. These are non-GAAP financial measures and are not intended to replace other measures of financial performance and liquidity reported in accordance with IFRS.

Adjusted EBITDA

For the quarter ended	September 28, 2024	June 29, 2024 ⁽³⁾	September 30, 2023 ⁽³⁾
Net income (loss) from continuing operations	\$ 14,822	\$ (9,946)	\$ 5,058
<i>Adjustments:</i>			
Finance (income) costs, net	(1,924)	1,101	125
Income taxes	(836)	(321)	1,082
Depreciation and amortization	3,611	3,575	3,653
EBITDA	15,673	(5,591)	9,918
Gain on sale of assets	—	(484)	—
Adjusted EBITDA from continuing operations⁽¹⁾⁽²⁾	\$ 15,673	\$ (6,075)	\$ 9,918
		September 28, 2024	September 30, 2023 ⁽³⁾
For the three quarters ended			
Net income (loss) from continuing operations	\$ 5,017	\$ (26,045)	
<i>Adjustments:</i>			
Finance costs, net	233	1,499	
Income taxes	382	902	
Depreciation and amortization	10,816	11,515	
EBITDA	16,448	(12,129)	
Gain on investment	—	(286)	
Gain on sale of assets	(554)	—	
Adjusted EBITDA from continuing operations⁽¹⁾⁽²⁾	\$ 15,894	\$ (12,415)	

¹Adjusted 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.

²Non-GAAP Adjusted EBITDA before one-time duties recoveries for the third quarter and three quarters ended September 28, 2024 was negative \$3.5 million and negative \$3.3 million, respectively, compared to positive \$0.7 million and negative \$21.6 million, respectively, for the third quarter and three quarters ended September 30, 2023.³Certain prior period amounts have been restated as a result of a change in presentation of the Company's Financial Statements for continuing and discontinued operations under IFRS. Please refer to Note 4 - Assets and Liabilities Held for Distribution and Discontinued Operations, in the Company's Financial Statements for further information.

As at September 28, 2024, the Company recorded an inventory valuation reserve related to log and lumber inventory of \$4.2 million, which decreases the carrying value of inventory at period end. This was a decrease from the \$4.3 million recorded as at December 31, 2023, driven primarily by lumber price changes.

Net Debt to Invested Capital

As at	September 28, 2024	June 29, 2024	September 30, 2023
Net debt			
Total debt ¹	\$ 39,858	\$ 41,365	\$ 17,602
Cash and cash equivalents	(407)	(5,198)	(2,447)
Net debt	\$ 39,451	\$ 36,167	\$ 15,155
Invested capital			
Net debt	\$ 39,451	\$ 36,167	\$ 15,155
Shareholders' equity	165,858	154,389	200,489
Invested capital	\$ 205,309	\$ 190,556	\$ 215,644
Net debt to invested capital	19.22 %	18.98 %	7.03 %

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

Results of Operations for the Third Quarter and Three Quarters Ended September 28, 2024

Except for the fourth quarter, the Company operates on a 13-week fiscal quarter. The third quarter of 2024 comprises the results of operations from June 30, 2024 through September 28, 2024. The Company's results for the preceding second quarter of 2023 includes results of operations from March 31, 2024 through June 29, 2024. The results for the third quarter of 2023 include results of operations from July 2, 2023 through September 30, 2023.

For purposes of the following discussion on the results of operations, the Company has excluded results from its discontinued operations (Please see *Note 4 - Assets and Liabilities Held for Distribution and Discontinued Operations in the Company's Financial Statements for further information*).

During the third quarter and three quarters ended September 28, 2024, the Company recorded net income from continuing operations of \$14.8 million and \$5.0 million, respectively (diluted earnings per share from continuing operations of \$0.08 and 0.03) and Adjusted EBITDA from continuing operations of positive \$15.7 million and \$15.9 million, respectively.

In the preceding second quarter of 2024, the Company recorded net loss from continuing operations of \$9.9 million (diluted loss per share from continuing operations of \$0.06) and Adjusted EBITDA from continuing operations of negative \$6.1 million.

In the comparative third quarter and three quarters ended September 30, 2023, the Company recorded net income from continuing operations of \$5.1 million and net loss of \$26.0 million, respectively (diluted earnings per share from continuing operations of \$0.03 and loss per share from continuing operations of 0.15) and Adjusted EBITDA from continuing operations of positive \$9.9 million and negative \$12.4 million, respectively.

Third Quarter of 2024 Highlights

In the third quarter of 2024, based on its continuing operations, the Company reported operating income of \$12.1 million, including a positive contribution (net sales less cost of sales) of \$1.0 million reflecting revenues of \$70.8 million offset by cost of sales of \$69.8 million from the lumber segment. The operating earnings also includes the impact of duties recoveries (of \$15.0 million), selling, general & administrative expense (of \$3.5 million) and other operating loss (of \$0.4 million).

Net sales and shipments

During the third quarter ended September 28, 2024, the Company reported net sales in its Forest Products segment of \$70.8 million compared to \$69.7 million in the second quarter ended June 29, 2024, an increase of approximately 2%. The total volume shipped in the third quarter of 2024 was 105.9 million board feet compared to 102.2 million board feet in the second quarter of 2024. The increase in net sales was due to higher volumes shipped, offset by lower pricing realized for the quarter. The industry continues to face lower demand as housing affordability continues to be significantly impacted by increased mortgage rates. In addition, an oversupply of lumber inventory, despite curtailments in North America, continues to impact pricing. There continues to be low level of field inventory and there were lower takeaways following the first half of the year.

In the comparative third quarter ended September 30, 2023 the Company reported net sales in the Forest Products segment of \$68.0 million, reflecting shipments of 95.7 million board feet. When compared to the third quarter of 2023, the third quarter of 2024 saw higher sales volumes driven by higher production in the quarter offset by lower pricing realized in the current quarter. Demand in both periods were heavily impacted by weak buyer sentiment resulting from sustained interest rate increases, as pricing was lower in the third quarter of 2024 compared to the same period last year.

During the three quarters ended September 28, 2024, the Company reported net sales in its Forest Products segment of \$212.9 million compared to \$210.9 million for the the three quarters ended September 30, 2023. The total volume shipped in the first three quarters of 2024 was 315.3 million board feet compared to 310.6 million board feet in the first three quarters of 2023. The increase in net sales was due to the higher average pricing realized and higher volumes sold during the three quarters ended September 28, 2024 when compared to the same period last year.

The average weekly volume shipped during the third quarter of 2024 was 8.1 million board feet compared to 7.9 million board feet averaged in the second quarter of 2024. Subsequent to Q3 2024 to date, the average weekly volume shipped is approximately 7.8 million board feet. Higher interest rates and inflation has reduced demand for lumber products from the third quarter of 2022 onward. There remains uncertainty on timing and magnitude of interest rate cuts in the US given the rate at which inflation is subsiding. However, the recent cuts by the Bank of Canada and the US Federal Reserve are signalling a reversal in monetary policy. During the third quarter of 2024, US benchmark lumber prices for delivery to the Great Lakes region averaged US\$477/Mfbm for random length 2&better and US\$423/Mfbm for studs, compared to US\$488/Mfbm and US\$438/Mfbm, respectively, during the second quarter of 2024.

US housing starts were reported at 1.36 million units (SAAR) in September 2024, which was flat compared to the 1.36 million seen in September 2023. US benchmark lumber prices for delivery to the Great Lakes region for 2x4 random length 2&better and studs are currently averaging US\$524/Mfbm and US\$443/Mfbm, respectively, for the fourth quarter of 2024 thus far. Demand for lumber remains heavily impacted by higher mortgage rates.

Manufacturing and Production

Cost of sales includes labour, raw materials costs (including log costs), consumables, freight, depreciation, and energy costs.

During the third quarter ended September 28, 2024, the Company reported cost of sales of \$69.8 million compared to \$72.5 million in the second quarter ended June 29, 2024, a decrease of approximately 4%. The decrease in cost of sales in the third quarter was primarily due to lower charges related to inventory net realizable value recorded compared to the second quarter of 2024. In addition, inventory sold during the third quarter comprised of inventory which was primarily produced in the previous quarter at a lower cost. During the third quarter of 2024, lumber production was 94.9 million board feet compared to 112.4 million board feet in the second quarter of 2024. This decrease in production was due to planned curtailments in certain sawmills in the third quarter of 2024. As at September 28, 2024, Company recorded an inventory valuation reserve of \$4.2 million to reflect net realizable value being lower than cost for lumber and logs, which was a decrease from the \$4.3 million recorded as at December 31, 2023.

The comparative third quarter ended September 30, 2023 had cost of sales of \$60.3 million compared to \$69.8 million in the third quarter of 2024. Lumber production in the third quarter of 2023 was 95.9 million board feet. The increase in cost of sales in the third quarter of 2024 was primarily due to significantly higher volumes sold and higher charges related inventory net realizable value recorded in the third quarter of 2024 compared to a recovery in the third quarter of 2023.

During the three quarters ended September 28, 2024, the Company reported cost of sales of \$207.2 million compared to \$212.0 million in the three quarters ended September 30, 2023, a decrease of approximately 2%. This was primarily driven by a significantly lower recovery related to inventory net realizable values recorded in 2024 compared to the prior year. This was partially offset by higher volumes sold and gained efficiencies in the first three quarters of 2024. During the first three quarters of 2024, lumber production was 311.2 million board feet compared to 310.0 million board feet compared to the same period last year.

Selling, General and Administration

The Company's selling, general and administrative ("SG&A") expenses primarily reflect corporate and administrative personnel costs, fees paid to consultants and external service providers, IT and infrastructure costs, public-company costs, and other shared back-office expenses.

SG&A expenses of \$3.5 million in the third quarter of 2024 were lower compared to \$3.9 million in the second quarter ended June 29, 2024. The decrease in SG&A was primarily related to the Company incurring higher third-party fees related to corporate reorganization efforts, including the planned spin-off of Kap in the second quarter of 2024. SG&A expenses remained lower than the previous quarter and is aligned with the Company's initiative to reduce its SG&A.

For the third quarter and three quarters ended September 30, 2023 the Company reported SG&A expenses of \$4.5 million and \$13.0 million, respectively. When compared to the prior period, the third quarter of September 28, 2024 saw a decrease of approximately 21% and 28%, respectively. The three quarters ended of 2024 included recovery of \$1.3 million related to the difference between accrued and actual incentive payout for 2023 and credits related to fringe benefits. Additionally, the three quarters ended in 2023 had a benefit related to the recovery of a previously written-off accounts receivable. Excluding the impact of these benefit between the two periods and the gain on settlement of pension assets, SG&A expenses have reduced considerably for the third quarter and three quarters ended September 28, 2024 due to lower spend on external services and lower salaries and wages.

Other Operating Income (Loss)

Other operating income (loss) mainly includes the impact of foreign exchange on the Company's US dollar-denominated net working capital. As the Company sells a substantial portion of its products to customers in the United States, those sales are denominated in US dollars. Other operating income (loss) also includes non-core items such as loss on sale of assets and other charges generally not incurred in the normal course of business.

For the third quarter and three quarters ended September 28, 2024, the Company reported other operating losses of \$0.4 million and income of \$0.6 million, respectively. This was driven by realized and unrealized foreign exchange gains or losses due to the weakening or strengthen of the Canadian dollar compared to the US dollar. In the comparative period of the third quarter and three quarters ended September 30, 2023, the Company reported income of \$0.8 million and \$0.2 million, respectively.

Duties

The Company's softwood lumber sales to US customers are subject to countervailing and anti-dumping duties as determined by the United States Department of Commerce ("US DOC"). The Company expenses all softwood lumber duties and includes the impact in profit and loss. The Company records duties as an expense at the cash deposit rate until an Administrative Review by the US DOC is finalized and has set a new applicable rate for each period of review. The difference between the cumulative cash deposits paid and cumulative export duty expense recognized for each period of review is recorded on

our balance sheet as export duty deposits receivable or payable. During the third quarter and three quarters ended September 28, 2024 the Company recorded a duties recovery of \$15.0 million and \$8.1 million, respectively related to its continuing operations.

Until the first week of August 2023, the Company was 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 DOC undertake a Changed-Circumstances Review, aiming to recognize that GreenFirst's exports are a continuation of RYAM exports from same lumber mills before the acquisition, when RYAM was paying much lower combined duty rates.

With the publication in the US Federal Register of the US Department of Commerce Final Determination for the Fourth Administrative Review GreenFirst's previous challenge is now void. Going forward, GreenFirst will receive the same duty rates as its Canadian peers.

The initial duty deposit rate, totaling 20.23%, had remained in effect since the Company's acquisition of its sawmill and has resulted in a higher payment in relation to its Canadian peers of US\$22 million. The Company became eligible for the rate applied to all other lumber exporters from August 1, 2023 onward, calculated by the US Department of Commerce to be 8.05%, following the results of the US DOC Administrative Review.

On July 26, 2023, the US Department of Commerce's Final Determination of its Fourth Administrative Review with respect to imports of softwood lumber products from Canada for 2021 assessed a duty rate lower than what the Company was assessed in 2021. This Final Determination was subsequently amended on August 31, 2023. Based on this final rate, calculated to be 8.05%, the Company would stand to benefit from an approximate US\$6.9 million (CAD\$9.2 million) recovery on duties paid in 2021. During the year ended December 31, 2023, the Company recorded this benefit in its statement of earnings (loss). The Company continues to record accrued interest related to this recovery.

On August 12, 2024, the US Department of Commerce's Final Determination of its Fifth Administrative Review with respect to imports of softwood lumber products from Canada for 2022 assessed a duty rate lower than what the Company was assessed in 2022. Based on this final rate, calculated to be 14.40%, the Company would stand to benefit from an approximate US\$14.2 million (CAD\$19.2 million) recovery on duties paid in 2022. During the third quarter and three quarters ended September 28, 2024, the Company recorded this benefit, plus accrued interest of US\$2.3 million and US\$2.3 million respectively (CAD\$3.1 million and CAD\$3.5 million). The Company has recognized this balance as a long-term asset. The timing and final amount of this refund are not known at this time and will depend on decisions yet to be made by any reviewing courts as the US Department of Commerce determinations are subject to appeals.

Duties in the third quarter and three quarters ended September 28, 2024 were lower compared to the same periods in the prior year mainly driven by the drop in average realized lumber prices on US shipments in addition to duties rate reduction to 8.05%, slightly offset by the duties rate increases in August 2024.

The Company will continue to reassess the duties deposit estimate at each quarter-end applying the US DOC's methodology to updated sales and cost data as this becomes available. Quarterly revisions to the duties deposit rate may result in a material adjustment to the condensed consolidated interim statement of loss and comprehensive loss while the Administrative Reviews are taking place. Changes to the US DOC's existing countervailing duties and anti-dumping duties rates during the course of each administrative review may also result in material adjustments to the condensed consolidated interim statement of loss and comprehensive loss.

Non-GAAP Adjusted EBITDA before one-time duties recoveries for the third quarter and three quarters ended September 28, 2024 was negative \$3.5 and negative \$3.3 million, respectively, compared to

positive \$0.7 million and negative \$21.6 million, respectively, for the third quarter and three quarters ended September 30, 2023.

Countervailing and anti-dumping duties and adjustments paid or incurred prior to the RYAM Acquisition were retained by the previous owner.

Net Finance Costs

Net finance costs primarily include interest on the Company's credit facility, including accretion of deferred financing costs. Net finance costs also include bank charges, net interest on the Company's pension assets and liabilities, interest income related to the duties deposits, and accretion expense related to lease liabilities and decommissioning obligations. During the third quarter and three quarters ended September 28, 2024 net finance costs were positive \$1.9 million and negative \$0.2 million, respectively. In the prior period, for the third quarter and three quarters ended September 30, 2023, net finance costs for the Company were negative \$0.1 million and negative \$1.5 million, respectively. This was primarily driven by interest income related to the duties recovery during the third quarter and three quarters ended of \$3.1 million and \$3.5 million, respectively offset by higher bank charges and other fees in the period.

Loss on Sale of Assets

On December 21, 2022, the Company signed a definitive agreement to sell its two Quebec sawmills and related forest operations to Chantiers Chibougamau. The transaction closed on March 14, 2023 for \$94.1 million in gross proceeds, subject to final adjustments.

The following is the calculation of the loss on sale recorded in relation to this transaction during the first quarter ended April 1, 2023:

<i>(in thousands of Canadian dollars)</i>	March 14, 2023
Gross proceeds	94,092
Transaction-related costs	(2,553)
Net proceeds	91,539
Net assets sold	(94,995)
Loss on sale recorded in net earnings from discontinued operations	(3,456)

Deferred Tax Expense

For the third quarter and three quarters ended September 28, 2024, the Company recorded a deferred tax recovery of \$0.8 million and expense of \$0.4 million, respectively, a substantial portion of which was triggered by a difference in the carrying values and tax basis of assets, as a result of the corporate reorganization in the quarter.

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 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Net sales from continuing operations ⁽²⁾	70,806	69,650	72,447	73,763	67,993	78,011	64,915	73,571
Net earnings (loss) from continuing operations ⁽²⁾	14,822	(9,946)	141	(13,393)	5,058	(10,247)	(19,073)	(21,988)
Net (loss) earnings from discontinued operations ⁽²⁾	(5,987)	(4,583)	(13,492)	(8,195)	(2,401)	576	2,439	(21,627)
Basic earnings (loss) per share from continuing operations ⁽²⁾	0.08	(0.06)	—	(0.08)	0.03	(0.06)	(0.11)	(0.12)
Basic earnings (loss) per share from discontinued operations ⁽²⁾	(0.03)	(0.03)	(0.08)	(0.05)	(0.01)	—	0.01	(0.12)
Diluted (loss) earnings per share from continuing operations ⁽²⁾	0.08	(0.06)	—	(0.08)	0.03	(0.06)	(0.11)	(0.12)
Diluted (loss) earnings per share from discontinued operations ⁽²⁾	(0.03)	(0.03)	(0.08)	(0.05)	(0.01)	—	0.01	(0.12)
<i>Operating metrics</i>								
Lumber Sales Volume from continuing operations (MFB) ⁽²⁾	105,904	102,191	107,217	111,877	95,693	116,532	98,413	99,714
Lumber Produced from continuing operations (MFB) ⁽²⁾	94,882	112,375	103,968	101,879	95,942	103,354	110,662	97,195
Lumber - Average Selling Price (C\$/MFB) from continuing operations ⁽¹⁾⁽²⁾⁽³⁾	614	637	644	601	642	596	605	644

¹Average gross price before duties and other deductions.

²Certain prior period amounts have been restated as a result of a change in presentation of the Company's Financial Statements for continuing and discontinued operations under IFRS. Please refer to Note 4 - Assets and Liabilities Held for Distribution and Discontinued Operations, in the Company's Financial Statements for further information.

³Average selling price is not inclusive of sales by-products and logs.

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 28, 2024, the Company had \$0.4 million in cash on hand and \$19.6 million, less \$5.4 million for standby letters of credit, of excess availability under its asset based lending ("ABL"), or revolving, portion of the credit facility. In addition, the Company also had access to \$9.4 million remaining under its equipment financing portion of the credit facility (or, "equipment financing agreement"). The Company had drawn down \$25.7 million under its ABL and \$15.6 million under its equipment financing agreement at September 28, 2024. As of the date of this MD&A, the Company had drawn \$24.7 million and \$15.6 million under its ABL and equipment financing agreement, respectively.

Cash flow for the third quarter and three quarters ended September 28, 2024

During the third quarter and three quarters ended September 28, 2024 the Company decreased its cash balance related to continuing operations by \$2.4 million and \$2.0 million, respectively, and ended the period with a balance of \$0.4 million (December 31, 2022 - \$2.4 million).

Cash Provided by (Used in) Operations

During the three quarters ended September 28, 2024, the Company used cash in operations from continuing operations of \$7.4 million, primarily reflecting losses from operations and net investments in working capital driven by cash use in seasonal harvesting activities offset by cash provided from extending certain accounts payable balances.

For the third quarter of 2024, cash provided by operating activities from continuing operations was \$5.7 million. This primarily reflected cash provided from extending certain accounts payable balances offset by operating losses (net of duties recovery) .

Cash Provided by (Used in) Investing Activities

During the three quarters ended September 28, 2024 the Company used \$4.8 million in cash for investing activities from continuing operations primarily related to the purchase of property, plant and equipment.

The Company continues to face inflationary cost pressures related to its capital expenditures program, impacting the cost and availability of equipment. The Company continues to assess the impact of these macro changes on its capital expenditure plans, including time frame for deployment. The execution of its capital expenditure plans will also depend on realizing sufficient cash flows from operations and cash proceeds from the sale of non-core assets.

Cash Provided by (Used in) Financing Activities

During the three quarters ended September 28, 2024 the Company generated \$10.2 million in cash from financing related activities from continuing operations. This included net drawdowns made under the revolving portion of the credit facility of \$12.7 million and equipment financing agreement of \$15.6 million offset by \$10.0 million in repayments on the credit facility from the proceeds of the Kap Term Loan. This \$10.0 million repayment of the credit facility is to secure the release of Kap Paper's assets as collateral, which were previously utilized under the Company's revolving portion of the credit facility and were subject to a general security agreement under the credit facility. Repayments in the period also included amortizing payments related to the equipment financing agreement.

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.

As at	September 28, 2024
Total debt outstanding ¹	\$ 39,858
Less: cash and cash equivalents	(407)
Net debt	39,451
Shareholders' equity	165,858
Total capital	\$ 205,309

¹Total 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 and through sale of non-core assets 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 test performed quarterly: a maximum annual capital expenditure amount relative to budget, 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 the covenants. The Company was in compliance with its covenants under the Credit Agreement as at September 28, 2024.

As at September 28, 2024, the Company also has approximately \$120.7 million and nil in non-capital and capital loss carryforwards, respectively, available to offset taxable income and capital gains.

Shareholders' Equity

For the third quarter and three quarters ended September 28, 2024, shareholders' equity decreased by \$19.4 million, compared to December 31, 2023, primarily reflecting the net loss realized during the period.

Credit Facility

During the third quarter and three quarters ended September 28, 2024, the Company made a net repayment and drawdown of \$4.2 million and \$2.7 million respectively, on the revolving portion of the credit facility. Additionally, during the three quarters ended September 28, 2024, the Company made an aggregate \$15.6 million draw under the equipment financing portion of the credit facility in the form of a term loan. The Equipment Term Loan has a 60-month term, with monthly amortizing repayments that include both principal and interest. The borrowing is based on select strategic capital expenditure projects and value of existing equipment.

The Company remains subject to a maximum annual capital expenditure amount relative to budget, as these terms are defined in the Credit Agreement. The Company can draw down on the facility based on a prescribed percentage of accounts receivable and its inventory carrying value, less reserves. As at September 28, 2024, the Company is undergoing the renewal process related to the revolving portion of its credit facility which matures on September 23, 2025 and as such has classified the liability as current. As at September 28, 2024, the Company was in compliance with all covenants under the credit facility.

Subsequent to September 28, 2024, the Company amended its maximum borrowing capacity under the revolving portion of the credit facility from \$100.0 million to \$75.0 million. The change did not have an impact on the Company's availability under the credit facility.

During the third quarter and three quarters ended September 28, 2024, \$0.03 million and \$0.1 million respectively (September 30, 2023 - \$0.1 million and \$0.2 million) of deferred financing costs were amortized relating to the credit facility.

At September 28, 2024, there were \$5.4 million (September 30, 2023 - \$5.4 million) of outstanding standby letters of credit issued, which reduces the amounts available to draw under the credit facility. Additionally, as at September 28, 2024, the Company also had \$5.4 million (September 30, 2023 - \$5.4 million) of outstanding standby letters of credit issued backstopped by another third party, thereby not impacting the amounts available to draw under the credit facility. Subsequent to September 28, 2024, a letter of credit with Kap Paper Inc. as the applicant was issued by a financial institution and guaranteed by a 3rd party for which the Company has indemnified the 3rd party.

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 28 are summarized as follows:

	2025	2026	2027	2028	2029 and beyond	Total
Accounts payable	\$ 29,270	\$ —	\$ —	\$ —	\$ —	\$ 29,270
Other liabilities, excl. leases	16,356	—	—	—	5,043	21,399
Lease liabilities	828	726	392	89	—	2,035
Long term debt	28,468	3,227	3,227	3,228	1,930	40,080
Total	\$ 74,922	\$ 3,953	\$ 3,619	\$ 3,317	\$ 6,973	\$ 92,784

Pension Plans and Other Post-Retirement Benefits

As at September 28, 2024, the Company had net assets related to pension plans in asset positions of \$21.6 million (December 31, 2023 - \$23.2 million), and had recorded \$7.7 million (December 31, 2023 - \$8.1 million) of liabilities related to post-retirement obligations and pension plans in liability positions.

During the third quarter and three quarters ended September 28, 2024, the Company recorded a \$2.3 million remeasurement gain and \$1.1 million remeasurement loss respectively, net of tax (September 30, 2023 - loss of \$1.1 million and gain of \$0.3 million) related to its pension plans in other comprehensive loss.

Buy-Out Group Annuity of Certain Pension Plans

On August 9, 2024, the Company purchased a buy-out group annuity that transfers approximately \$26.5 million of defined benefit pension obligations to a Canadian insurance company. The Company recorded a net settlement gain of approximately \$0.8 million during the third quarter and three quarters ended September 28, 2024 .

Under the group annuity transaction, the Canadian insurance company will have the responsibility of paying pension benefits. This includes payments to current pensioners and beneficiaries already receiving payments, as well as former employees who are entitled to a deferred pension that will begin when they retire. The Canadian insurance company will begin administering the pensions covered by the group annuity in November 2024. The group annuity purchase will require no cash funding from the Company.

Off Balance Sheet Arrangements

As of September 28, 2024, the Company had \$5.4 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. Additionally, the Company had a further \$5.4 million of outstanding letters of credit backstopped by another third party, thus not impacting the amounts available under the Company's credit facility.

The Company also had surety bonds totaling \$4.2 million and US\$5.5 million outstanding as of September 28, 2024. 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. The Chairman and a former director of GreenFirst are members of the Boreal board.

There was no change in the investment carrying value during the third quarter and three quarters ended September 28, 2024 (September 30, 2023 - gain of nil and \$0.3 million). 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):

For the third quarter ended	September 28, 2024⁽¹⁾⁽²⁾	September 30, 2023 ⁽¹⁾
Fees incurred for services – officers and companies controlled by officers	337	948

For the three quarters ended	September 28, 2024⁽¹⁾⁽²⁾	September 30, 2023 ⁽¹⁾
Fees incurred for services – officers and companies controlled by officers	1,513	2,881

⁽¹⁾ Includes fees for management services, administrative support, and reimbursement of expenses. These fees were paid to entities controlled by or affiliated with a director of the Company. \$757 of this was recorded as transaction costs as part of "Loss from Sale of Assets" during the first quarter ended April 1, 2023.

⁽²⁾ There are no amounts outstanding outside the normal course of business related to these services as at September 28, 2024 (\$nil outstanding as at September 30, 2023).

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 14, 2024 available at www.sedar.com.

Use of Estimates and Judgments

The preparation of the 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 these Financial Statements. It also requires management to exercise judgment in the process of applying accounting policies. Significant areas requiring estimation and judgment include: assessing the 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; 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

Except for the Company's investment asset, the fair value of all other financial instruments approximates the carrying value due to their short-term nature. Long-term debt is recorded at amortized cost based on the amount at initial recognition, less principal payments, plus cumulative amortization using the effective interest rate method of the difference between initial amount and the maturity amount.

The Company has classified its investment in Boreal as fair value through profit and loss. The Company uses Level 3 inputs to assess the fair value of the investment 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 28, 2024 is \$0.4 million (December 31, 2023 - \$2.4 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 28, 2024, a \$0.2 million (December 31, 2023 - \$0.3 million) allowance for expected credit losses was recorded.

The carrying amount of accounts receivable, excluding value added tax of \$10.1 million represents the maximum credit exposure for its accounts receivables at September 28, 2024 (December 31, 2023 - \$23.3 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 had \$19.6 million, less \$5.4 million for standby letters of credit, of excess availability under the asset-based lending ("ABL") portion of the credit facility and \$9.4 million of equipment financing under the credit facility as at September 28, 2024.

The Company can draw down on the ABL, or revolving, portion based on a prescribed percentage of accounts receivable and its inventory carrying value, less reserves. The facility matures on September 23, 2025. Drawings under the equipment financing portion are either project specific or based on a prescribed percentage of appraised equipment value. The Company had drawn down \$25.7 million on the revolving portion of the credit facility at September 28, 2024 (December 31, 2023 - \$23.0 million on the revolving portion of the credit facility). Additionally, the Company had open letters of credit of \$5.4 million (December 31, 2023 - \$5.4 million) backed by the credit facility, which reduces availability by the same amount. Subsequent to September 28, 2024, a letter of credit with Kap Paper Inc. as the applicant was issued by a financial institution and guaranteed by a 3rd party for which the Company has indemnified the 3rd party. The Company had \$15.6 million drawn against the equipment financing portion of the credit facility at September 28, 2024 (December 31, 2023 - nil).

After record highs in lumber pricing realized in the first half of 2022, the subsequent sharp decline in lumber prices has impacted the Company's profitability and cash flows. The Company expects average lumber prices to increase during the remainder of 2024 and continues to execute on increasing productivity with various improvement plans aimed to positively impact cash flows from operations compared to 2023. In addition, the Company is evaluating options and executing on sale of non-core assets (including land in Kenora for which the Company is working with third parties on the sale of the entire land parcel), and other sources of financing, pending market conditions. Subsequent to September 28, 2024, the Company announced the launch of a rights offering with the potential to raise gross proceeds of up to \$96.9 million, with a minimum backstop of \$20.0 million. There are no assurances the

Company will be successful in generating positive cash flows from operations and/or obtaining additional necessary financing.

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 revolving portion of the credit facility bears a variable rate of CDOR or Canadian Prime Rate plus a premium, currently at 7.45% annualized as of September 28, 2024. The Equipment Term Loan portion of the credit facility bears a fixed rate of 7.70%.

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 \$0.3 million on an annual basis. Similarly, a 100 basis point reduction in the interest rate on the secured term debt loan would increase the net earnings (loss) by approximately \$0.3 million on an annual basis.

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 28, 2024, the portion of the Company's monetary assets and liabilities held in US dollars are as follows:

As at (in thousands of US dollars)	September 28, 2024
Cash and cash equivalents	\$ 52
Accounts receivable	4,403
Accounts payable and other liabilities	(4,381)
Duties deposits, including accrued interest	24,412
Net monetary assets in US Dollars	\$ 24,486

Based on the US dollar statement of financial position exposure at September 28, 2024, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 1%, relative to the rate at September 28, 2024, the net earnings in the statement of earnings (loss) would be approximately \$0.3 million greater. If the Canadian dollar were to strengthen against the US dollar by 1%, relative to the rate at September 28, 2024, the net earnings in the statement of earnings (loss) would be approximately \$0.3 million less.

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 has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external reporting purposes in accordance with IFRS.

Management has evaluated the design and effectiveness of the Company's internal controls over financial reporting as of December 31, 2023 through inquiry, review and testing. Management has used The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework (2013) to evaluate the effectiveness of the Company's internal controls over financial reporting as of December 31, 2023. Based on this evaluation, Management has concluded that as at December 31, 2023, the Company's internal controls and disclosure controls and procedures over financial reporting were effective.

There have been no changes to the design of internal controls over financial reporting that occurred during the third quarter and three quarters September 28, 2024 which 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: 17,724,007 common shares outstanding (post share consolidation); 3,175,262 warrants (post share consolidation) to purchase common shares at prices ranging from \$2.54 to \$31.80 (post share consolidation) with expiry dates ranging from October 22, 2025 to July 30, 2026; 451,647 stock options (post share consolidation) to purchase common shares at prices ranging from \$15.0 to \$19.20 (post share consolidation) with expiry dates ranging from December 15, 2026 to January 2, 2028; 118,364 restricted share units (post share consolidation) with expiry dates ranging from November 14, 2027 to September 16, 2027; and 105,772 deferred share units (post share consolidation) which can be cash or equity-settled with an expiry at the end of the subsequent fiscal year following the director's retirement.