PRODUITS FORESTIERS
GREENFIRST
FOREST PRODUCTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022

GREENFIRST FOREST PRODUCTS INC.

Dated: March 14, 2023

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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 consolidated financial statements and notes thereto for the year ended December 31, 2022 ("Financial Statements"), which have been prepared in accordance and in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A has been prepared as of March 14, 2023, 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.

Forward-Looking Statements

This MD&A has been prepared taking into consideration information available as at March 14, 2023, 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 14, 2023 available at www.sedar.com.

Our Sustainable Business and Strategy

GreenFirst is a forest-first business, focused on sustainable forest management. Our business involves the manufacturing, selling, marketing and distributing of lumber and paper products. 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's long-term vision is to be an environmental leader in the global forestry industry.

The Company has chosen to focus its operations in the province of Ontario. Its Quebec sawmills and related forest operations were sold on March 14, 2023 for approximately $94.0 million, subject to final adjustments (See *Sale of Quebec Sawmills and Related Operations*). Going forward, GreenFirst has four operating sawmills, one paper mill, timber licenses on crown forests in Ontario and land parcels in Kenora. Its head office is in Toronto, which is supported by its office in North Bay.

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 cyclicality 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 sustainable operations in the communities where we operate. 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 believe that a strong balance sheet also provides the financial flexibility to capitalize on growth opportunities.

GreenFirst is committed to maintaining and elevating high standards of sustainability throughout its operations. 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.

GreenFirst is founded and its activities are built on our value system ("Px4 Values") which puts our Principles, our People, our Planet, and our Progress clearly focused in everything we do as a company. 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. Action plans continue to be developed for each of our Px4 Values, moving us towards a comprehensive ESG plan.

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, while welcoming all people equally.

Recent Business Highlights

Sale of Private Forest Land for $48.7 million

On November 9, 2022, GreenFirst sold 203,000 acres of private forest land south of Kapuskasing, Ontario for net cash consideration totaling $48.7 million. After the sale, our total managed forests dropped nominally from 9.2 million to 9.1 million hectares. Potential future harvest volumes from this property are at the discretion of the buyer.

Strategic Sale of Quebec Sawmills and Related Operations for $94 million

On December 21, 2022, the Company signed a definitive agreement to sell its two Quebec sawmills and related forest operations to Chantiers Chibougamau Ltée ("Chantiers Chibougamau"). The transaction closed on March 14, 2023 for approximately $94.0 million, subject to final adjustments, including $43.0 million for specific working capital items, after receiving regulatory approvals and meeting all customary closing conditions. This move focuses the Company's strategic vision on the province of Ontario, where it aims to increase productivity at its four operating sawmills.

Kenora Re-development Plans

On October 6, 2020, the Company purchased an idled sawmill and surrounding 114-acre parcel of prime Lake-of-the-woods waterfront property in Kenora, Ontario, and a four-acre island adjacent to this land (collectively, "Kenora Property"). This purchase was made out of bankruptcy for $11.5 million. Prior to the bankruptcy, over $25.0 million in upgrades had been done by the previous owner, for sawmill expansion and modernization. The Company is currently in the process of decommissioning the Kenora sawmill and is moving some of the sawmill equipment to its Ontario sawmills. The fair value of the equipment being redeployed to other GreenFirst mills is estimated to exceed $25.0 million. This strategy has helped the Company's strategic capital expenditure plans in the four operating Ontario sawmills, especially given long lead times for new equipment purchases.

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 decision to relocate also involves access to sufficient fibre supply.

The Company is also evaluating its options to potentially redevelop and sell the Kenora Property. We have been in prolonged discussions with various levels of government and private partners for the redevelopment of the Kenora Property, which includes potential healthcare, multi-family residential and commercial opportunities. To extract the most value from the potential sale of all or part of the Kenora Property, the Company has engaged a planning and design firm to prepare a master plan for developing the land and rezoning for non-industrial use. The values that may be realized from the monetization of the Kenora Property may be materially different than their respective current carrying values.

We believe that there will be meaningful progress on this development in 2023.

Refinanced Debt for Increased Financial Flexibility

On September 23, 2022, the Company entered into a credit agreement with a Tier 1 Canadian Bank for up to $140.0 million comprising a term loan of $15.0 million and a revolving facility of up to $125.0 million (the "Credit Facility").

The following table compares the Company's new Credit Facility to its previous term loan:

Feature	New Credit Facility	Extinguished Term Loan
Interest rate	8.15% on term loan portion; 6.44% on revolver	12.77% (based on Dec 2023 LIBOR)
Original term	2+1 years on term loan portion (September 23, 2025); 3+1 years on revolver (September 23, 2026)	4 years (Maturity date: Aug 30, 2025)
Total amount accessible	$15.0 million under term loan; $125.0 million under revolver	US$100.0 million
Covenants	Less restrictive	Restrictive
Denomination	CAD	USD
Estimated savings	Approximately $4.0 million annually	N/A

Refund of Duties

The Company's softwood lumber sales to US customers are subject to duties imposed by the US Department of Commerce currently totaling 20.23%, which is considerably higher than the duty rates charged to its Canadian competitors. The Company expects that it will be eligible for the rate applied to all other lumber exporters from August 2023 onward, preliminarily calculated by the US Department of Commerce to be 8.24%. This will result in the Company paying a lower duties rate compared to its current rate assessed by the US Department of Commerce. This will represent cash savings to the Company, benefiting the Company's EBITDA and earnings from the date on which the change takes effect by the differential between the new rate vs. the current assessed rate.

On January 24, 2023, the US Department of Commerce announced the preliminary results of its fourth administrative reviews with respect to imports of softwood lumber products from Canada for 2021. Although the results will not take effect until the final determination, the Company believes that it would stand to benefit from an approximate $9.0 million recovery of duties paid in 2021, plus interest, based on preliminary results of the fourth administrative reviews.

To date, the Company has recorded duties expense of $77.2 million.

Overhead and Cost Reduction Initiatives

With the sale of the Quebec sawmills, we are simplifying our organizational footprint in order to ensure we achieve a more streamlined, cost-effective operating platform. The Company is currently targeting significant cost reductions which will be implemented by the end of the second quarter of 2023.

Tax Loss Utilization Strategy

As at December 31, 2022, the Company has approximately $128.4 million and $14.3 million in non-capital and capital loss carryforwards, respectively, available to offset taxable income and capital gains.

Managing of Pension Surplus

During 2022, when interest rates began rising, GFP was proactive and revised the allocation of the majority of its pension investments which sheltered the pension assets from some of the volatility and preserved asset surpluses, while rising discount rates resulted in actuarial value of pension liabilities to drop.

GreenFirst's Track Record of Delivering

The Company purchased the idled Kenora sawmill for $11.5 million on October 6, 2020 and has plans to earn a return on its initial investment through the monetization of the Kenora Property, completion of moving its equipment to the Company's operating sawmills and potentially relocating the sawmill to an alternate site in the Kenora region, dependent on potential fibre supply.

The Company purchased the Canadian assets of Rayonier Advanced Materials ("RYAM") for approximately $296.1 million on August 28, 2021 ("RYAM Acquisition"). After initially onboarding and transitioning the inherited employees and mills from RYAM, the Company assembled its HR, Finance, Sourcing and IT functions in North Bay and Toronto. Management was pleased that the integration went smoothly and was seamless for its customers and the financial reporting at its mills. Management then set a course to optimize the business and unearth value from the existing assets.

The Company continues to systematically work on improving the efficiency and production of its Ontario mills. The Company believes getting smaller through asset dispositions in the short-term will allow for more sustainable and profitable growth in the future. With a prudent focus on capital projects and increased productivity, we believe our four sawmills in Chapleau, Cochrane, Hearst and Kapuskasing have the ability to potentially produce significantly higher levels of lumber in the coming years. Our recent efforts to improve operational efficiency have begun to yield positive results, and several cost-effective improvements to our manufacturing processes have reduced waste and improved productivity without sacrificing product quality.

The RYAM purchase was primarily financed by equity and a term loan of US$100.0 million. The sale of the Private Forest Lands for $48.7 million and the Quebec sawmills for an approximate $94.0 million, subject to final adjustments, is part of our strategic plan to optimize the business and ensure a clear focus on capital allocation and return on invested capital. Over the course of 2023, we will evaluate the highest and best use for funds from the sale of the Quebec assets.

As of March 14, 2023, the Company has total debt outstanding of $87.1 million. The new Credit Facility also provides the Company with increased financial flexibility.

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 prudent focus on capital projects and increased productivity, we believe our four mills in Chapleau, Cochrane, Hearst and Kapuskasing have the ability to potentially produce more lumber in the coming years;

- **Abundant forests** with a dedicated 2.6 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;

- **Redevelopment of the Kenora Property** for healthcare, multi-family residential and commercial opportunities;

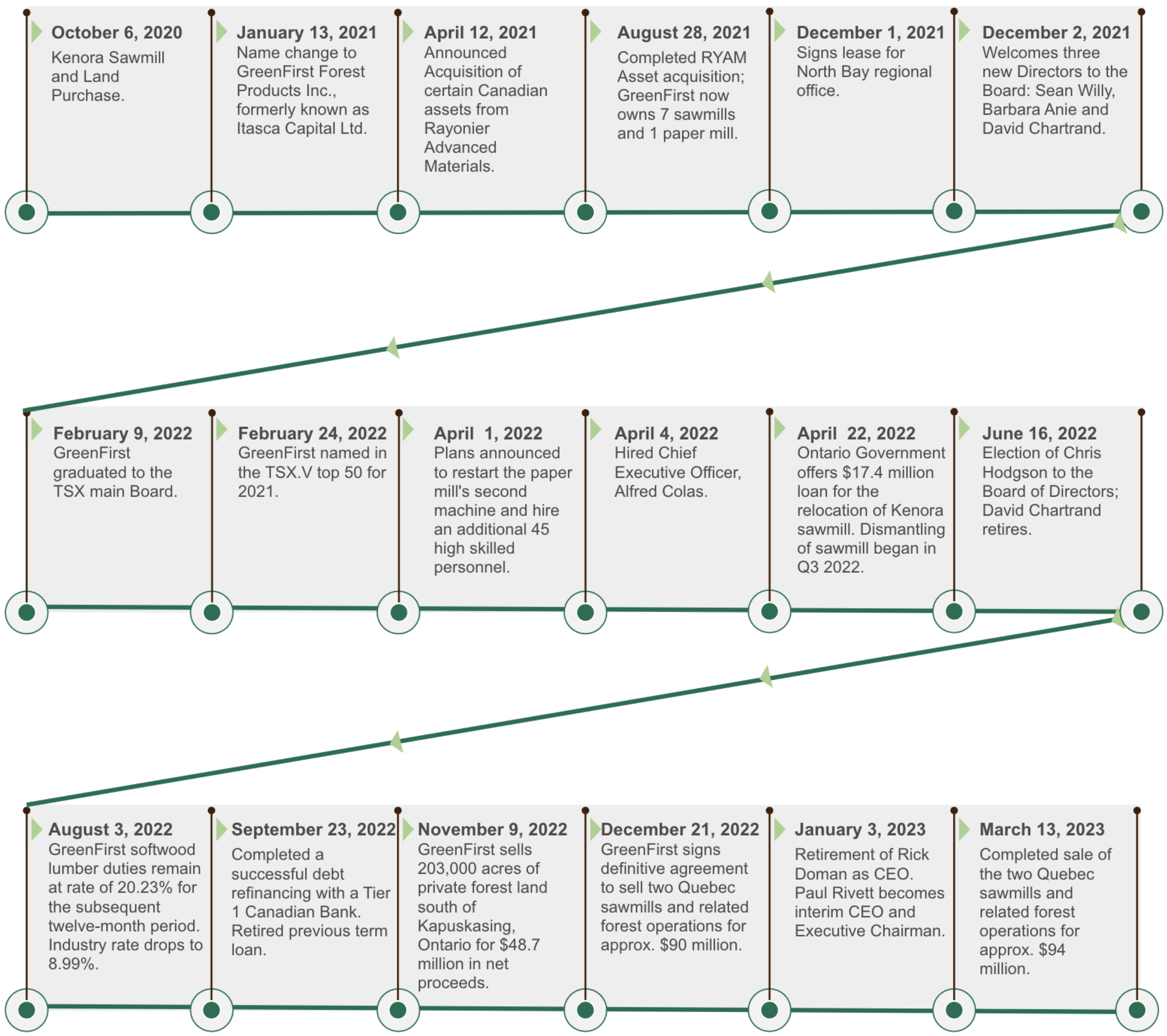
- **Over-funded pension** assets of approximately $21.9 million, which the Company was able to protect from some of the market volatility and preserve asset surpluses during 2022;

- Our current **duty rate of 20.23%** is set to be reduced in August 2023;

- Available non-capital and capital **tax loss** carryforwards of $128.4 million and $14.3 million, respectively, which will shelter future taxable income;

- **Long-term relationships** with leading companies in the home improvement and printing segments.

Company Timeline and Milestones



Economic Outlook

2022 was marked by a strong start for lumber prices that were subsequently reduced by rising interest rates in response to ongoing inflation, which softened lumber demand by mid year. This led to a decline in lumber market prices throughout the second half of 2022, with those levels being maintained in the first quarter of 2023 thus far. Further monetary tightening and interest rate rises would continue to put downward pressure on lumber market prices, which are expected to remain volatile over the near term.

Partially offsetting the negative impact is the tightening lumber supply, spurred on by the curtailment of lumber production announced by mills in the province of British Columbia and in other regions of North America.

The Company continues to experience challenges with an ongoing tight labour market, with some residual impacts of COVID-19 in early 2023. This continues to cause disruptions in the flow of production at the Company's mills. From a logistics standpoint, disruptions in trucking and rail logistics have only been limited since the second quarter of 2022.

Inflationary pressures in North America have raised the cost of many inputs required for our operations. Ongoing shortages of people, materials or equipment could negatively impact the Company, as well as the industry. Many of these pressures arose due to the COVID-19 pandemic, and they continue to be a significant factor affecting our business.

Financial Highlights

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

For the quarter ended	**December 31, 2022**(2)	September 24, 2022(1)(2)	December 31, 2021(1)(2)
Net sales from continuing operations			
Forest products(4)	**$ 69,628**	$ 85,444	$ 95,509
Paper products	**30,564**	26,027	18,570
Total net sales from continuing operations	**100,192**	111,471	114,079
Operating (loss) earnings from continuing operations	**(33,747)**	(5,371)	11,380
Net (loss) earnings	**(43,615)**	(23,259)	9,046
Net (loss) earning from continuing operations	**(25,876)**	(16,257)	6,108
Basic (loss) earnings per share	**(0.25)**	(0.13)	0.05
Basic (loss) earnings per share from continuing operations	**(0.15)**	(0.09)	0.03
Diluted (loss) earnings per share	**(0.25)**	(0.13)	0.05
Diluted (loss) earnings per share from continuing operations	**(0.15)**	(0.09)	0.03
Adjusted EBITDA from continuing operations(3)	**$ (27,385)**	$ (2,044)	$ 12,877

For the year ended	**December 31, 2022**(2)	December 31, 2021(1)(2)
Net sales from continuing operations		
Forest products(4)	**$ 398,098**	$ 108,612
Paper products	**94,011**	24,703
Total net sales from continuing operations	**492,109**	133,315
Operating earnings (loss) from continuing operations	**23,778**	4,674
Net loss	**(910)**	(8,162)
Net loss from continuing operations	**(4,132)**	(10,023)
Basic loss per share	**0.00**	(0.10)
Basic loss per share from continuing operations	**(0.02)**	(0.13)
Diluted earnings (loss) per share	**0.00**	(0.10)
Diluted loss per share from continuing operations	**(0.02)**	(0.13)
Adjusted EBITDA from continuing operations(3)	**$ 39,384**	$ 9,177

As at		December 31, 2022		December 31, 2021[1]
Total assets	**$**	**371,504**	$	417,394
Total liabilities		**147,042**		186,778
Total shareholders' equity	**$**	**224,462**	$	230,616

[1]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.
[2]Certain 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 for assets held for sale under IFRS. Please refer to Note 5 - Assets held for Sale, in the Company's Financial Statements for further information.
[3]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.
[4]Includes net sales to external parties only.

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 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, loss on extinguishment of debt, gain 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.

Adjusted EBITDA

For the quarter ended		December 31, 2022[2]	September 24, 2022[1][2]	December 31, 2021[1][2]
Net (loss) earnings from continuing operations	**$**	**(25,876)** $	(16,257) $	6,108
Adjustments:				
Finance costs, net		**1,162**	3,986	4,527
Income taxes		**(1,030)**	(14,918)	(2,031)
Depreciation and amortization		**6,362**	3,327	2,201
EBITDA		**(19,382)**	(23,862)	10,805
Foreign exchange on long-term debt		**—**	5,311	(18)
Loss on extinguishment of debt		**—**	11,187	—
Other non-operating losses		**—**	5,320	—
Gain on sale of assets		**(8,003)**	—	—
Acquisition and transaction related costs		**—**	—	2,090
Adjusted EBITDA from continuing operations[3]	**$**	**(27,385)** $	(2,044) $	12,877

For the year ended		**December 31, 2022**	December 31, 2021[1]
Net loss from continuing operations	**$**	**(4,132)** $	(10,023)
Adjustments:			
Finance costs, net		**12,796**	6,173
Income taxes		**(643)**	(2,031)
Depreciation and amortization		**15,606**	4,503
EBITDA		**23,627**	(1,378)
Foreign exchange on long-term debt		**7,896**	678
Loss on extinguishment of debt		**11,187**	—
Gain on investment		**(643)**	—
Other non-operating losses		**5,320**	—
Gain on sale of assets		**(8,003)**	—
Acquisition and transaction related costs		**—**	9,877
Adjusted EBITDA from continuing operations[3]		**39,384**	9,177

[1]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.
[2]Certain 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 for assets held for sale under IFRS. Please refer to Note 5 - Assets held for Sale, in the Company's Financial Statements for further information.

For the fourth quarter and year ended December 31, 2022, the Company recorded inventory valuation write-downs from continuing operations related to log and lumber inventory of $8.4 million and $10.0 million, respectively. This was primarily due to the sharp decline in lumber prices seen during the period. For the third quarter of 2022, inventory write-downs from continuing operations were $1.6 million. For the fourth quarter and year ended December 31, 2021, the write-downs from continuing operations recorded were $nil for both periods respectively.

Results of Operations for the Quarter and Year Ended December 31, 2022

2022 marked the Company's first full year operating its forest products business acquired on August 28, 2021. Except for the fourth quarter, the Company operates on a 13-week fiscal quarter and the fourth quarter of 2022 comprises the results of operations from September 25, 2022 through December 31, 2022, and reports balances as at December 31, 2022. The Company's results for the preceding third quarter of 2022 includes results of operations from June 26, 2022 through September 24, 2022. The results for the fourth quarter of 2021 include results of operations from September 26, 2021 through December 31, 2021.

For purposes of the following discussion on the results of operations, the Company has excluded results from its discontinued operations *(Please see Strategic Sale of Quebec Sawmills and Related Operations and Note 4 - Acquisition of Sawmills and Paper Mill, in the Company's Financial Statements for further information).*

During the fourth quarter and year ended December 31, 2022, the Company recorded a net loss from continuing operations of $25.9 million and $4.1 million, respectively (diluted loss per share from continuing operations of $0.15 and $0.02, respectively). During the fourth quarter and year ended December 31, 2022, the Company recorded Adjusted EBITDA from continuing operations of negative $27.4 million and Adjusted EBITDA of positive $39.4 million, respectively.

In the preceding third quarter of 2022, the Company recorded net loss from continuing operations of $16.3 million (diluted loss per share from continuing operations of $0.09) and Adjusted EBITDA from continuing operations of negative $2.0 million.

In the comparative fourth quarter and year ended December 31, 2021, where the year was pre-operational up until August 28, 2021, the Company recorded net earnings from continuing operations of $6.1 million and a net loss from continuing operations of $10.0 million, respectively. For the fourth quarter and year ended December 31, 2021, the Company recorded Adjusted EBITDA from continuing operations of $12.9 million and $9.2 million, respectively.

Overview of fiscal 2022

The first half of fiscal 2022 saw strong results in the lumber segment primarily due to higher lumber prices seen in the first and second quarter of $1,258/mfb and $1,277/mfb, respectively. The strong results were despite several logistics challenges experienced in the first quarter, which subsequently began to abate in the second quarter. As a result of these challenges, shipments in the first quarter were only 80.2 million board feet, but picked up to 104.7 million board feet in the second quarter. During the third quarter of 2022, the Company's results reflected the negative impact on lumber prices driven by a slowdown in housing starts and construction resulting from the monetary tightening and interest rate increases. There was also a drop in demand due to negative market sentiment, which impacted volume shipped in the third and fourth quarters down to 96.5 million and 99.7 million board feet, respectively, from the high seen in the second quarter.

The paper segment saw gradual price increases during the first three quarters of 2022, coupled with incremental production from the second quarter onward as the Company restarted its second paper machine. Despite the strong demand, the paper segment was impacted by higher costs driven by start-up related activities for the second paper machine and labour shortages which impacted production.

Fourth quarter of 2022 Highlights

In the fourth quarter of 2022, based on its continuing operations, the Company reported an operating loss of $33.7 million, including a negative contribution (net sales *less* cost of sales) of $19.4 million reflecting revenues of $100.2 million more than offset by cost of sales of $119.6 million. The negative contribution includes a $15.9 million impact from the lumber segment and a $3.5 million impact from the paper segment. The negative contribution also includes the impact (of $8.9 million) of write-downs of lumber and paper inventory to net realizable values, based on the fall in associated market prices through the quarter. The operating loss also includes the impact of duties expenses (of $7.8 million), selling, general & administrative expense (of $5.9 million) and other operating losses (of $0.6 million).

Net sales and shipments

Forest Products

During the fourth quarter ended December 31, 2022, the Company reported net sales in its Forest Products segment of $69.6 million compared to $85.4 million in the third quarter ended September 24, 2022, a decrease of approximately 19%. The total volume shipped in the fourth quarter was 99.7 million board feet compared to 96.5 million board feet in the third quarter of 2022. The decline in net sales was primarily driven by lower lumber prices experienced in the fourth quarter of 2022, which declined in response to lower demand due to adverse market conditions. The underlying economic factor driving these market conditions is the monetary tightening and sustained interest rate increases seen in recent quarters.

The fourth quarter ended December 31, 2021, reported net sales in the Forest Products segment of $95.5 million, reflecting shipments of 120.9 million board feet. When compared to the fourth quarter of 2021, the current quarter saw a decline of approximately 27%. This was primarily driven by substantially lower lumber prices in the current period coupled with lower demand driven by the increase in interest rates over the course of 2022.

During the year ended December 31, 2022, the Company reported net sales in its Forest Products segment of $398.1 million compared to $108.6 million in the year ended December 31, 2021, an increase of approximate 267%. The total volume shipped in the year ended December 31, 2022 was 381.1 million board feet compared to 138.9 million board feet in the prior year. The increase reflects the fact that the

Company was pre-operational in the prior year up until the RYAM Acquisition on August 28, 2021. However, there were partial offsets in the current year driven by lower pricing and tempered demand for lumber products due to sustained increases in interest rates in 2022.

The average weekly volume shipped during the fourth quarter of 2022 was 7.7 million board feet compared to 8.0 million board feet averaged in the third quarter of 2022. During Q1 2023, for the first two months, the average weekly volume shipped is approximately 7.7 million board feet. After experiencing pandemic-related logistics disruptions and harsh winter weather in the first quarter of 2022, shipments notably improved through the remainder of the year, with significantly fewer logistics challenges faced by the Company since that time. Higher interest rates and inflation reduced demand for lumber products from the third quarter of 2022 onward, and remain a concern as evidenced by lower US housing-starts and homebuilders' confidence, although there has been indication of homebuilders' confidence improving. During the fourth quarter of 2022, US benchmark lumber prices for delivery to the Great Lakes region averaged US$520/Mfbm for random length 2&better and US$410/Mfbm for studs, compared to US$693/Mfbm and US$637/Mfbm, respectively, during the third quarter of 2022.

US housing starts were reported at 1.382 million units (SAAR) in December 2022, a decrease of 1% from November 2022 and 22% below December 2021 levels. Despite low lumber prices, the Company saw market support as a result of mill curtailments in Western Canada. With field inventories being currently low and housing projects being deferred into the second quarter of 2023, there could be some positive support to lumber prices going forward. 2x4 random length 2&better is currently averaging US$484/Mfbm for the first quarter of 2023 thus far. With fair weather and railway issues subsided since the first quarter of 2022, lumber shipments are forecasted to be in line with production levels for the first quarter of 2023, pending market conditions.

Paper Products

During the fourth quarter ended December 31, 2022, the Company reported net sales in its Paper Products segment of $30.6 million compared to $26.0 million in the third quarter ended September 24, 2022, an increase of approximately 17%. The total volume shipped in the fourth quarter was 32,239 metric tonnes (MT) compared to 28,554 MT in the third quarter of 2022. Higher sales were primarily driven by higher production in the fourth quarter of 2022, as the second paper machine increased productivity during the quarter and due to an additional week in the Company's fourth quarter calendar as compared to the third quarter of 2022.

The fourth quarter ended December 31, 2021 had net sales in the Paper Products segment of $18.6 million, reflecting shipments of 25,039 MT. When compared to the fourth quarter of 2021, the current quarter saw an increase of approximately 65% in sales. This was primarily driven by the increased production from the restart of the second paper machine during the second half of 2022 and due to higher pricing.

During the year ended December 31, 2022, the Company reported net sales in its Paper Products segment of $94.0 million compared to $24.7 million in the year ended December 31, 2021, an increase of approximately 281%. The total volume shipped in the year ended December 31, 2022 was 106,813 MT compared to 33,558 MT in the prior year. The increase reflects the fact that the Company was pre-operational in the prior year until the RYAM Acquisition on August 28, 2021. In addition, the Company saw increased production in the current year due to the restart of the second paper machine in the second quarter of 2022 and due to higher pricing for its paper products. The Company saw total price increases of US$150 per MT in 2022, which along with higher demand drove higher paper revenues.

Manufacturing and Production

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

Forest Products

During the fourth quarter ended December 31, 2022, the Company reported cost of sales related to Forest Products of $85.5 million compared to $71.2 million in the third quarter ended September 24, 2022, an increase of approximately 20%. During the fourth quarter of 2022, lumber production was 104.3 million board feet compared to 94.1 million board feet in the third quarter of 2022. This increased production was primarily driven by better equipment reliability in the current period. The increase was partially offset by labour shortage issues and due to harsh winter conditions impacting the number of shifts. During the fourth quarter of 2022, the Company recorded a $6.8 million higher write-down of inventory to its net realizable value, which impacted the increase in cost of sales compared to the prior quarter.

The fourth quarter ended December 31, 2021 had cost of sales related to Forest Products of $66.7 million, where lumber production was 110.4 million board feet. When compared to the fourth quarter of 2021, the current quarter saw an increase in cost of sales of approximately 28%. The decrease in board feet produced was due to downtime in the current period related to the implementation of strategic capital in the Company's mills. The current period also saw certain equipment reliability issues and labour shortages which slowed the rate of production compared to the prior period. During the fourth quarter of 2022, the Company recorded write-downs of inventory to its net realizable value, which further contributed to a $8.4 million increase in cost of sales compared to the fourth quarter in 2021. Additionally, the Company faced higher input costs during the current quarter when compared to the prior period.

During the year ended December 31, 2022, the Company reported cost of sales related to Forest Products of $291.7 million compared to $80.1 million in the year ended December 31, 2021, an increase of 264%. During the year ended December 31, 2022, lumber production was 386.7 million board feet compared to 140.9 million board feet in prior year. The increase in production reflects the fact that the Company was pre-operational in the prior year until the RYAM Acquisition on August 28, 2021. Partially offsetting this increase were the impacts of increased downtime in the current year related to the implementation of strategic capital expenditures, equipment-reliability issues and labour shortages. Inventory write-downs to their net realizable value were $10.0 million higher, which along with higher input costs also impacted the current year cost of sales figures when compared to the prior year.

Paper Products

During the fourth quarter ended December 31, 2022, the Company reported cost of sales related to Paper Products of $34.0 million compared to $34.6 million in the third quarter ended September 24, 2022, a decrease of approximately 2%. During the fourth quarter of 2022, paper production was 35,619 MT compared to 29,292 MT in the third quarter of 2022. Higher paper production was primarily due to the startup of the Company's second paper machine, which increased productive capacity during the current quarter, combined with the impact of having one additional week in the Company's fourth-quarter calendar as compared to the third quarter. These increases in volume were partially offset by ongoing challenges with labour shortages, which affected production in the fourth quarter of 2022. The Company reported lower start-up costs related to its second paper machine in the fourth quarter of 2022, favourably impacting cost of sales when compared to the prior quarter.

For the fourth quarter ended December 31, 2021, cost of sales related to Paper Products was $22.7 million, relating to paper production of 25,767 MT in the quarter. When compared to the fourth quarter of 2021, the fourth quarter of 2022 saw an increase in cost of sales by approximately 50%. This was driven by the Company's restart of its second paper machine during the second quarter of 2022.

During the year ended December 31, 2022, the Company reported cost of sales related to Paper Products of $111.5 million compared to $29.8 million in the year ended December 31, 2021, an increase of 275%. During the year ended December 31, 2022, paper production was 113,817 MT compared to 37,381 MT in prior year. The increase is related to the fact that the Company was pre-operational in the prior year until the RYAM Acquisition on August 28, 2021. Cost of sales in 2022 were also higher due to the restart of the Company's second paper machine including associated startup costs in 2022.

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 the 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 December 31, 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).

As noted, the Company restarted its second paper machine in the second quarter of 2022, which further contributed to higher production volumes in 2022. Startup costs related to the second paper machine were approximately $2.9 million for the year ended December 31, 2022. The second paper machine is expected to continue its increase in production in Q1 2023.

Entering Q1 2023, production at the sawmills is expected to be slightly higher than Q4 2022 levels due to improved efficiencies. Energy commodity prices and freight costs are expected to remain above normal, although at lower levels than the peaks seen in mid-2022.

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. The Company hired corporate personnel in late 2021 and early 2022 to transfer head office functions from Rayonier to GreenFirst. Personnel were hired for human resources, IT, procurement, logistics, treasury and accounting which enabled the Company to terminate all transitional services from Rayonier by May 2022.

During the fourth quarter and year ended December 31, 2022 the Company reported SG&A expenses of $5.9 million and $24.3 million, respectively, compared to $4.8 million and $8.2 million, respectively, during the fourth quarter and year ended ended December 31, 2021,

Comparing to the preceding third quarter, SG&A expenses of $5.9 million reported for the fourth quarter ended December 31, 2022 was 3% higher than the $5.7 million of SG&A expenses reported for the third quarter ended September 24, 2022. This modest increase mainly reflects higher business-development activities and expenses.

The fourth quarter ended December 31, 2021, had SG&A expense of $4.8 million. When compared to the fourth quarter of 2021, the current quarter saw an increase of approximately 23%. This increase primarily reflects additional salaried staff hired by the Company during 2022 and increased corporate-development activities. This was partially offset by lower set-up related costs and costs related to transitional support services that the Company incurred in the comparative period.

For the year ended December 31, 2022, the Company reported SG&A expenses of $24.3 million compared to $8.2 million in the year ended December 31, 2021, an increase of 196%. The increase is related to the fact that the Company was pre-operational in the prior year up until the RYAM Acquisition on August 28, 2021. There were also increases due to personnel related and corporate development costs in the current year.

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.

Other Operating Income (Loss)

Other operating income 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 Sales, those sales are denominated in US dollars.

For the fourth quarter and year ended December 31, 2022, the Company reported other operating loss of $0.6 million and other operating gain of $5.0 million, respectively. In the fourth quarter of 2022, the loss was driven by a 1% strengthening of the foreign exchange rate of the Canadian dollar compared to the US dollar. For the year ended December 31, 2022, the gain was driven by a 7% weakening in the Canadian dollar compared to the US dollar. In the comparative periods of the fourth quarter and year ended December 31, 2021, the Company reported gains of $0.9 million and $0.2 million, respectively, driven by a weakening of the Canadian dollar in each of the respective periods.

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. The Company expenses all softwood lumber duties and includes the impact in cost of sales. During the fourth quarter and year ended December 31, 2022 the Company expensed duties of $7.8 million and $45.9 million, respectively, related to its continuing operations. 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, 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. To date, the US Department of Commerce has denied the Company's request for a review. The Company is appealing this decision. In November 2022, the US Court sided with the Company and remanded the matter to the US Department of Commerce. In February 2022, the US Department of Commerce filed its remand redetermination with the Court of International Trade, where it continued to refuse to initiate a review for the Company. The Company is considering its next course of action related to this appeal.

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 fourth quarter of 2022 decreased compared to the third quarter of 2022 mainly driven by the drop in realized lumber prices during the fourth quarter of 2022.

The Company expects that it will be eligible for the rate applied to all other lumber exporters from August 2023 onward, preliminarily calculated by the US Department of Commerce to be 8.24%.

On January 24, 2023, the US Department of Commerce announced the preliminary results of its fourth administrative reviews with respect to imports of softwood lumber products from Canada for 2021. Although the results do not take effect until the final determination, there are indications that the final rate will be lower than what the Company was assessed in 2021. Based on this estimated final rate, preliminarily calculated to be 8.24%, the Company would stand to benefit from an approximate $9.0 million recovery on duties paid, plus interest. However, the timing of this is not known.

Adjusted EBITDA before duties expensed for the fourth quarter and year ended December 31, 2022 was negative $19.6 million and positive $85.2 million, respectively.

Adjusted EBITDA before duties expensed for the fourth quarter and year ended December 31, 2021 was $22.3 million and $19.9 million, respectively, as the Company had only completed its fourth month of operations since acquisition.

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 facilities, including accretion of deferred financing costs. Net finance costs also include bank charges, net interest on the Company's pension assets and liabilities and accretion expense related to lease liabilities and decommissioning obligations. During the fourth quarter and year ended December 31, 2022 net finance costs were $1.2 million and $12.8 million, respectively. Interest costs for the year ended December 31, 2022, include interest paid on the extinguished term loan (See *Capital Resources and Liquidity*) up until September 23, 2022, with subsequent interest expense related to the new Credit Facility.

In the prior year, for the fourth quarter and year ended December 31, 2021, net finance costs for the Company were $4.5 million and $6.2 million, respectively, primarily related 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 the conclusion of the measurement period for the acquisition. 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. This impact was recorded in the third quarter of 2022 as an adjusting subsequent event. For the fourth quarter and year ended December 31, 2022, the Company recorded a loss of $nil and $5.3 million, respectively, under "Other non-operating loss" in the Financial Statements.

Gain on Disposal of Assets

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 net cash proceeds of $48.7 million. During the fourth quarter and year ended December 31, 2022, the Company recorded a gain from the sale of its private forest lands of $8.0 million. This represents the excess of proceeds over the associated book value comprising land and other assets of $35.5 million and biological assets of $5.2 million.

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):

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net sales from continuing operations[3]	**100,192**	111,471	160,729	119,717	114,079	19,236	—	—
Net (loss) earnings from continuing operations[1][3]	**(25,876)**	(16,257)	16,708	21,293	6,108	(12,045)	(2,532)	(1,554)
Net (loss) earnings from discontinued operations[1][3]	**(17,739)**	(7,002)	13,942	14,021	2,938	(1,077)	—	—
Basic (loss) earnings per share from continuing operations[1][3]	**(0.15)**	(0.09)	0.09	0.12	0.03	(0.15)	(0.10)	(0.07)
Basic (loss) earnings per share from discontinued operations[1][3]	**(0.10)**	(0.04)	0.08	0.08	0.02	(0.01)	0.00	0.00
Diluted (loss) earnings per share from continuing operations[1][3]	**(0.15)**	(0.09)	0.09	0.11	0.03	(0.15)	(0.10)	(0.07)
Diluted (loss) earnings per share from discontinued operations[1][3]	**(0.10)**	(0.04)	0.07	0.07	0.02	(0.01)	0.00	0.00
Operating metrics								
Lumber Sales Volume from continuing operations (MFB)[3]	**99,714**	96,536	104,704	80,151	120,926	17,942	N/A	N/A
Lumber Produced from continuing operations (MFB)[3]	**104,274**	94,071	103,494	89,311	110,366	21,548	N/A	N/A
Lumber - Average Selling Price (C$/MFB) from continuing operations[2][3]	**644**	800	1,277	1,258	745	605	N/A	N/A

1. 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.
2. Average gross price before duties and other deductions.
3. Certain 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 for assets held for sale under IFRS. Please refer to Note 5 - Assets held for Sale, in the Company's Financial Statements for further information.

The Company's quarterly highlights include full quarters of production and sales in in 2022 and Q4 2021. Results in Q3 2021 include approximately one month of production and sales based on the RYAM Acquisition 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 December 31, 2022, the Company had total liquidity of $72.3 million comprising $25.4 million in cash on hand and $60.8 million, less $13.9 million for standby letters of credit, available under its Credit Facility. The Company has drawn down $54.0 million under the Credit Facility at December 31, 2022, and $87.1 million as of the date of this MD&A.

Cash flow for the year ended December 31, 2022

During the year ended December 31, 2022 the Company decreased its cash balance by $10.8 million and ended the year at a balance of $25.4 million (December 31, 2021 - $36.2 million).

Cash Provided by Operations

During the year ended December 31, 2022, the Company generated cash from operations of $57.9 million, reflecting the contribution of lumber operations during the year, partly offset by interest paid and net investments in working capital.

Non-cash working capital changes for the year ended December 31, 2022 include a $27.6 million cash use for increased inventory. The Company also used $5.9 million in cash for the build up of accounts receivable, reflecting normal variations in trade balances relating to operations. This was offset by a $31.9 million cash source from increases in accounts payable, accrued liabilities and other items.

Cash Used in Investing Activities

During the year ended December 31, 2022 the Company generated $15.1 million from investing activities, reflecting $48.7 million in proceeds from the sale of assets related to the Company's private timberlands partly offset by $33.6 million used for the purchase of property, plant and equipment. The Company had 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. The timing of these expenditures has been impacted by the disruptions seen in 2022 including COVID-19 and inflationary cost pressures. These factors have also increased the cost and availability of equipment. 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 and later 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 year ended December 31, 2022 the Company used $83.7 million for net repayment of financing activities. In third quarter of 2022, the Company extinguished its US$100.0 million (CAD$126.1 million at initial closing) term loan and asset-backed loan facility. The balance outstanding at the time of extinguishment was US$87.3 million (CAD$118.7 million). This resulted in total repayments for the year of $133.1 million, plus a prepayment penalty of $2.5 million. Concurrently, the Company entered into a credit agreement for a $140.0 million Credit Facility and had drawn down $84.0 million, net of deferred financing fees of $0.6 million during the year ended December 31, 2022. In the fourth quarter of 2022 the Company made a repayment of $30.0 million against the revolving portion of its Credit Facility. Additionally, the Company made payments of $1.5 million related to its lease obligations during the year ended December 31, 2022.

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 24, 2022**
Total debt outstanding[1]	$	53,434
Less: cash and cash equivalents		(25,353)
Net debt		28,081
Shareholders' equity		224,462
Total capital	**$**	**252,543**

[1] 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 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 tests performed quarterly: a minimum fixed-charge coverage ratio (only while the term loan portion of the Credit Facility is outstanding) 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 December 31, 2022.

As at December 31, 2022, the Company also has approximately $128.4 million and $14.3 million in non-capital and capital loss carryforwards, respectively, available to offset taxable income and capital gains.

Shareholders' Equity

For the year ended December 31, 2022, shareholders' equity decreased by $6.2 million, compared to December 31, 2021, primarily reflecting net earnings realized during the year.

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 $140.0 million consisting of 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 $1.9 million on the term loan portion of the Credit Facility, with the balance of the principal due upon its maturity. Subsequent to the initial draw from the Company's Credit Facility, the Company made a voluntary repayment of $30.0 million during the fourth quarter of 2022.

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 (only while the term loan portion of the Credit Facility is outstanding). 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. 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 December 31, 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 fourth quarter and year ended December 31, 2022, $nil and $2.7 million (December 31, 2021 - $0.8 million and $1.1 million), respectively, of deferred financing costs were amortized relating to the extinguished Term Loan and ABL facility. As noted, the balance of these capitalized financing costs were written off upon the extinguishment of the Term Loan and ABL facility. During the fourth quarter and year ended December 31, 2022, $0.1 million of deferred financing costs were amortized relating to the new Credit Facility (December 31, 2021 - $nil).

At December 31, 2022, there were $13.9 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. as at December 31, 2022, the Company was also in the process of transitioning certain of its outstanding letters of credit from the previous lender to the new Credit Facility. Subsequent to the period end, the Company received necessary approvals from the respective beneficiaries of the letters of credit to complete the transition.

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	$ 51,952	$ —	$ —	$ —	$ —	$ 51,952
Other liabilities, excl. leases	23,732	1,580	1,580	1,580	5,043	33,515
Lease liabilities	1,245	693	410	232	296	2,876
Long term debt	7,500	7,500	39,000	—	—	54,000
Total	**$ 84,429**	**$ 9,773**	**$ 40,990**	**$ 1,812**	**$ 5,339**	**$ 142,343**

Under the Company's Credit Facility, additional principal repayments will be required of up to 50% of excess working capital (as defined in the respective 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 pension plans are based on years of service and compensation levels. The defined benefit pension plans are closed to new participants. New participants are enrolled in the Company's defined contribution plan.

Defined benefit pension and other 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.

Non-pension, post-retirement plans are unfunded and the Company's contributions are made as required.

As at December 31, 2022, the Company had net assets related to pension plans in asset positions of $15.4 million (December 31, 2021 - $29.8 million), and had recorded $7.6 million (December 31, 2021 - $10.0 million) of liabilities related to post-retirement obligations and pension plans in liability positions.

During the year ended December 31, 2022, the Company recorded a $6.3 million remeasurement loss, net of tax, (December 31, 2021 - net gain of $1.1 million) related to its pension plans and post-retirement obligations in other comprehensive loss.

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. The significant weighted average actuarial assumptions used to determine our statement of financial position date post-retirement assets and liabilities and our post-retirement benefit plan expenses can be found in *Note 14 - Pension and Other Post-Retirement Benefits* in the Financial Statements.

Following is the sensitivity analysis regarding the Company's assumptions for its pension and post-retirement obligations.

Sensitivity to a 1% change in certain assumptions for 2022		**Pension Obligations**		**Post-retirement Obligations**
Discount rate increase	$	**(6,965)**	$	**(385)**
Discount rate decrease		**8,491**		**466**
Health-care cost trend rate increase		**n/a**		**27**
Health-care cost trend rate decrease		**n/a**		**(25)**

Following is a breakdown of the pension plan asset category allocation:

Pension plan asset category allocation	**2022**	2021
Canadian equity	**3 %**	2 %
Foreign equity	**8 %**	6 %
Bonds	**89 %**	91 %
Real estate	**0 %**	1 %
	100 %	100 %

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 of $464 (December 31, 2021 - $158).

Off Balance Sheet Arrangements

As of December 31, 2022, the Company had $13.9 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 totaling $4.2 million and US$5.5 million outstanding as of December 31, 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

Key management personnel compensation

The Company's key management personnel is comprised of its Board of Directors and members of the senior leadership team. The Company's key management personnel compensation comprised of the following:

For the year ended	**December 31, 2022**	December 31, 2021
Salaries, benefits and fees	**1,625**	511
Equity-based payments(1)	**1,364**	44
Total	**2,989**	555

(1) Please refer to Note 18 – Equity-based Compensation in the Financial Statements for further information on such benefits.

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 director of GreenFirst are members of the Boreal board.

During the fourth quarter and year ended December 31, 2022 the Company recorded a gain on investment of $nil and $0.6 million respectively (December 31, 2021 - $nil and $nil). The increase in the investment carrying value as at December 31, 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):

For the year ended	**December 31, 2022**	December 31, 2021
Fees incurred for services – officers and companies controlled by officers [(1)(2)(3)]	**859**	650

(1) Includes fees for management services, administrative support, and reimbursement of expenses. These fees were paid to entities controlled or affiliated with the Company's interim CEO and Director, Paul Rivett.

(2) 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 former CFO pursuant to a consulting contract.

(3) There is $0.2 million outstanding related to these services as at December 31, 2022 ($nil outstanding as at December 31, 2021), representing 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 14, 2023 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 the 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; 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 December 31, 2022 is $25.4 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 December 31, 2022, a $1.5 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 $34.1 million represents the maximum credit exposure for its accounts receivables at December 31, 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 $46.9 million under the revolving portion of the Credit Facility as at December 31, 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 $39.0 million on the revolving portion of the Credit Facility and $15.0 million on the term loan portion of the Credit Facility at December 31, 2022 (December 31, 2021 – $115.2 million outstanding under the now-extinguished Term Loan, net deferred financing costs). Additionally, the Company had stand-by letters of credit of $13.9 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.

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 net cash proceeds of $48.7 million.

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 8.15%

annualized at December 31, 2022. The revolving portion of the Credit Facility bears a variable rate of CDOR or Canadian Primate Rate plus a premium, currently at 6.44% annualized at December 31, 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 (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 December 31, 2022, 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 24, 2022**
Cash and cash equivalents	$	1,469
Accounts receivable		10,873
Accounts payable and other liabilities		(3,454)
Net monetary assets in US Dollars	**$**	**8,888**

Based on the US dollar statement of financial position exposure at December 31, 2022, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 1%, relative to the rate at December 31, 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 December 31, 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 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 effective as at December 31, 2022.

The Company began trading on the TSX on February 10, 2022, having previously been listed on the TSX Venture exchange.

Management has evaluated the design and effectiveness of the Company's internal controls over financial reporting as of December 31, 2022 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, 2022. Based on this evaluation, Management has concluded that as at December 31, 2022, 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 year ended December 31, 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 7,636,913 stock options to purchase common shares at prices ranging from $1.50 to $1.92 with expiry dates ranging from January 2, 2024 to January 2, 2028.