



PRODUITS FORESTIERS
GREENFIRST
FOREST PRODUCTS

GREENFIRST FOREST PRODUCTS INC.

Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars unless otherwise stated)

For the First Quarter Ended April 1, 2023
(Unaudited)

GREENFIRST FOREST PRODUCTS INC.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(In thousands of Canadian Dollars)

As at	Note(s)	April 1, 2023	December 31, 2022
Assets			
<i>Current assets</i>			
Cash and cash equivalents	\$	24,881	\$ 25,353
Trade and other receivables		44,223	40,732
Inventory	7	104,690	78,294
Prepaid expenses and other current assets		1,622	1,289
Assets held for sale	4	—	79,034
		175,416	224,702
<i>Non-current assets</i>			
Property, plant and equipment		117,226	116,058
Timber licences		11,346	11,420
Right of use assets		2,257	2,569
Investment	11, 12	1,429	1,143
Pension plans in asset positions		18,021	15,410
Deferred tax asset		—	202
Total assets	\$	325,695	\$ 371,504
Liabilities			
<i>Current liabilities</i>			
Accounts payable	\$	39,814	\$ 51,952
Other current liabilities		27,312	22,567
Long-term debt, current	8	—	7,500
Liabilities associated with assets held for sale	4	—	4,016
Income tax payable		619	—
		67,745	86,035
<i>Non-current liabilities</i>			
Long-term debt	8	34,492	45,934
Post-retirement obligations		7,500	7,595
Lease liabilities, long-term		1,466	1,521
Other long-term liabilities		5,550	5,957
Total liabilities		116,753	147,042
Shareholders' equity			
Share capital	9	254,728	254,728
Equity reserves		11,174	10,572
Accumulated other comprehensive loss		(2,911)	(5,206)
Accumulated deficit		(54,049)	(35,632)
Total shareholders' equity		208,942	224,462
Total liabilities and shareholders' equity	\$	325,695	\$ 371,504

Approved and authorized by the Board of Directors on May 15, 2023:

"Paul Rivett"	"William G. Harvey"
Interim CEO & Director	Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

GREENFIRST FOREST PRODUCTS INC.

Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Earnings (Loss) (Unaudited)

(In thousands of Canadian Dollars, except per share amounts)

For the first quarter ended	Note(s)	April 1, 2023	March 26, 2022 ⁽¹⁾⁽²⁾
Net sales	14	\$ 99,117	\$ 119,717
Cost of sales		(106,856)	(74,314)
Duties		(6,628)	(12,055)
Selling, general and administrative expenses	5	(5,170)	(5,874)
Other operating income (expense)		27	(799)
Operating (loss) earnings		(19,510)	26,675
Finance costs, net	6	(896)	(3,619)
Gain on revaluation of investment	11	286	—
Foreign exchange on long-term debt	8	—	1,501
Net (loss) earnings, before income taxes		(20,120)	24,557
Current tax expense		(619)	(9,809)
Deferred tax recovery		539	6,545
Net (loss) earnings from continuing operations		(20,200)	21,293
Net earnings from discontinued operations	4	1,783	14,021
Net (loss) earnings		\$ (18,417)	\$ 35,314
<i>Other comprehensive earnings (loss)</i>			
<i>Items that will not be reclassified to earnings in future periods:</i>			
Defined benefit pension plans adjustments, net of tax expense of \$741 from continuing operations (2022 - net of tax recovery of \$16)		2,101	(44)
Defined benefit pension plans adjustments, net of tax expense of \$85 from discontinued operations (2022 - net of tax expense of \$40)		194	111
Comprehensive (loss) earnings		\$ (16,122)	\$ 35,381
Basic (loss) earnings per share	9	(0.10)	0.20
Basic (loss) earnings per share from continuing operations	9	(0.11)	0.12
Basic earnings per share from discontinued operations	9	0.01	0.08
Diluted (loss) earnings per share	9	(0.10)	0.18
Diluted (loss) earnings per share from continuing operations	9	(0.11)	0.11
Diluted earnings per share from discontinued operations	9	0.01	0.07

⁽¹⁾ Certain prior period amounts have been restated as a result of a change in presentation for continuing and discontinued operations under IFRS. Please refer to Note 4 - *Discontinued Operations*.

⁽²⁾ 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 December 31, 2022 Annual Financial Statements for further information.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

GREENFIRST FOREST PRODUCTS INC.

Condensed Consolidated Interim Statements of Cash Flow (Unaudited)

(In thousands of Canadian Dollars)

For the first quarter ended	Note(s)	April 1, 2023	March 26, 2022 ⁽¹⁾⁽²⁾
Cash (used in) provided by:			
Operating activities:			
Net (loss) earnings	\$	(18,417)	\$ 35,314
<i>Adjustments for:</i>			
Depreciation and amortization		4,344	4,166
Income taxes		(6)	3,264
Foreign exchange gain		(6)	(705)
Stock option expense	10	602	308
Finance costs, net	6	897	3,621
Gain on revaluation of investment	11	(286)	—
Loss on sale of assets	4	3,456	—
Inventory net realizable value adjustments		(11,420)	—
Bad debt expense		838	—
<i>Changes in non-cash working capital and other:</i>			
Trade receivables and other receivables		(4,397)	(7,357)
Inventory		(37,195)	(60,844)
Accounts payable, accrued liabilities and other		(3,999)	26,066
Interest paid	8	(1,826)	—
Total cash (used in) provided by operating activities		(67,415)	3,833
Cash provided by (used in) investing activities:			
Purchase of property, plant and equipment		(5,375)	(643)
Net proceeds from sale of assets	4	94,092	—
Transactions costs related to the sale of assets	4	(2,553)	—
Total cash provided by (used in) investing activities		86,164	(643)
Cash used in financing activities:			
Borrowings under Credit Facility	8	35,000	—
Repayment of Credit Facility	8	(54,000)	—
Repayment of lease obligations		(221)	(305)
Total cash used in financing activities		(19,221)	(305)
(Decrease) increase in cash		(472)	2,885
Cash, beginning of the year		25,353	36,173
Cash, end of the year	\$	24,881	\$ 39,058
Interest paid	\$	(1,826)	\$ —
Cash taxes paid		—	—

⁽¹⁾ Please refer to Note 4 - Discontinued Operations for details related to the cash flow from discontinued operations.

⁽²⁾ 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 December 31, 2022 Annual Financial Statements for further information.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

GREENFIRST FOREST PRODUCTS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)

(In thousands of Canadian Dollars)

	Share Capital	Equity Reserves	Accumulated Other Comprehensive (Loss) Earnings	Retained Earnings (Accumulated Deficit)	Total
Balance, January 1, 2023	\$ 254,728	\$ 10,572	\$ (5,206)	\$ (35,632)	\$ 224,462
Net loss	—	—	—	(18,417)	(18,417)
Other comprehensive earnings, net of tax	—	—	2,295	—	2,295
Equity-based payments	—	602	—	—	602
Balance, April 1, 2023	\$ 254,728	\$ 11,174	\$ (2,911)	\$ (54,049)	\$ 208,942

	Share Capital	Equity Reserves	Accumulated Other Comprehensive (Loss) Earnings	Retained Earnings (Accumulated Deficit) ⁽¹⁾	Total
Balance, January 1, 2022	\$ 254,728	\$ 9,577	\$ 1,033	\$ (34,722)	\$ 230,616
Net loss	—	—	—	35,314	35,314
Other comprehensive earnings, net of tax	—	—	67	—	67
Equity-based payments	—	308	—	—	308
Balance, March 26, 2022	\$ 254,728	\$ 9,885	\$ 1,100	\$ 592	\$ 266,305

⁽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 December 31, 2022 Annual Financial Statements for further information.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

(In thousands of Canadian dollars unless otherwise stated)

1. NATURE OF OPERATIONS

GreenFirst Forest Products Inc. ("GreenFirst", or the "Company") operates as a forest products business consisting of four operating sawmills and one paper mill located in Ontario.

The Company operates in two business segments, Forest Products and Paper Products. Through its Forest Products segment, the Company manufactures and markets a wide range of spruce-pine-fir ("SPF") lumber products for use in residential and commercial construction with by-products from production sold to pulp-producers and the Company's Paper Products segment. The Paper Products segment manufactures and markets paper grade products used to print newspapers, advertising materials, food service bags and other publications.

The Company's head office and registered records office is Suite 1000 – 401 The West Mall, Toronto, Ontario, M9C 5J5. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "GFP".

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements ("Financial Statements") are 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, 2022 ("Annual Financial Statements"), except as disclosed in note 3. These Financial Statements should be read in conjunction with the Company's Annual Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These Financial Statements were approved by the Company's Board of Directors ("Board") on May 15, 2023.

Basis of Measurement

These Financial Statements have been prepared under the historical cost basis, except where otherwise stated in the applicable accounting policies.

Basis of Consolidation

These Financial Statements include the accounts of the Company and the subsidiaries over which the Company exercises control. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in these Financial Statements from when control commences until the date on which control ceases. The financial statements of the subsidiaries are prepared for the same reporting period and apply the same accounting policies as the Company. All transactions between consolidated entities are eliminated in the consolidation of these Financial Statements. Set out below is a list of significant subsidiaries of the Company:

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

(In thousands of Canadian dollars unless otherwise stated)

Subsidiary	Jurisdiction	Direct or Indirect Ownership	Date of control and consolidation
1347 Investors LLC ⁽¹⁾	Delaware, USA	100%	November 19, 2019
2776034 Ontario Inc.	Ontario, Canada	100%	September 8, 2020
GreenFirst Forest Products (QC) Inc. ⁽²⁾	Quebec, Canada	100%	March 16, 2021

⁽¹⁾ Effective March 25, 2022, 1347 Investors LLC began the process of dissolution, with the assets and liabilities assumed by GreenFirst Forest Products Inc.

⁽²⁾ Formerly 9437-6001 Quebec Inc.

Use of Estimates and Judgments

The preparation of these 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.

Functional and Presentation Currency

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

Reclassification

Certain amounts in prior periods have been reclassified to conform with the presentation for the current year.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Changes in Accounting Policies Adopted

Amendments to IAS 1, Presentation of Financial Statements

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to clarify the definition of 'material' in the context of applying IFRS. The amendments require an entity to disclose their material accounting policies information rather than their significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company does not expect any changes to the disclosure of its accounting policies from the adoption of these amendments.

In January 2020, the IAS issued amendments to IAS 1, *Presentation of Financial Statements*, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. The amendments specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least 12 months, provided that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability. The amendments also clarify when a liability is considered settled. The amendments are effective for annual periods beginning on or after January 1, 2023, and are to be applied retrospectively upon adoption. The adoption of these amendments did not have a material financial impact on the Company.

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

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Amendments to IAS 12, *Income Taxes*

On May 7, 2021, the IASB issued amendments to IAS 12, *Income Taxes* ("IAS 12") – *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*. The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of these amendments did not have a material financial impact on the Company.

4. DISCONTINUED OPERATIONS

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 \$94.1 million in gross proceeds, subject to final adjustments. The comparative consolidated statement of comprehensive income (loss) and other relevant notes have been restated to separately show the discontinued operations from the Company's continuing operations.

For the first quarter ended	April 1, 2023	March 26, 2022
Net sales	\$ 26,800	\$ 53,050
Cost of sales	(19,724)	(34,538)
Duties	(1,915)	(4,339)
Selling, general and administrative expenses	(7)	(150)
Operating earnings	5,154	14,023
Finance costs, net	(1)	(2)
Loss on disposal of assets	(3,456)	—
Net (loss) earnings from discontinued operations, before income taxes	1,697	14,021
Deferred tax recovery	86	—
Net earnings from discontinued operations	\$ 1,783	\$ 14,021
<i>Other comprehensive earnings</i>		
<i>Items that will not be reclassified to earnings in future periods:</i>		
Defined benefit pension plans adjustments, net of tax expense of \$85 from discontinued operations (2022 - net of tax expense of \$40)	194	111
Comprehensive earnings from discontinued operations	\$ 1,977	\$ 14,132

For the first quarter ended	April 1, 2023	March 26, 2022
Total cash (used in) provided by operating activities	\$ (14,188)	\$ 2,469
Total cash used in investing activities	\$ (2,794)	\$ (37)

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

(In thousands of Canadian dollars unless otherwise stated)

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

	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)

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the first quarter ended	April 1, 2023	March 26, 2022 ⁽¹⁾
Salaries and benefits	\$ 2,862	\$ 2,998
Third party fees and other services	993	1,349
Administration, office and facility costs	1,315	1,527
Total selling, general and administrative expenses	\$ 5,170	\$ 5,874

⁽¹⁾ Certain prior period amounts have been restated as a result of a change in presentation for continuing and discontinued operations under IFRS. Please refer to Note 4 - *Discontinued Operations*.

6. FINANCE COSTS, NET

For the first quarter ended	April 1, 2023	March 26, 2022 ⁽¹⁾
Interest on Credit Facility	\$ 976	\$ —
Interest on Term Debt	—	2,881
Accretion of Term Debt financing costs (Note 9)	—	699
Amortization of Credit Facility capitalized fees (Note 9)	58	—
Amortization of capitalized ABL fees (Note 9)	—	130
Accretion expense for lease liabilities	24	31
Accretion expense related to Rayonier Credit Note	99	99
Interest income	(109)	(19)
Net interest income on pension plans and post-retirement obligations	(105)	(226)
Bank charges and other	(47)	24
Finance costs, net	\$ 896	\$ 3,619

⁽¹⁾ Certain prior period amounts have been restated as a result of a change in presentation for continuing and discontinued operations under IFRS. Please refer to Note 4 - *Discontinued Operations*.

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

(In thousands of Canadian dollars unless otherwise stated)

7. INVENTORY

As at		April 1, 2023		December 31, 2022
Finished goods	\$	34,429	\$	27,759
Work-in-process		14,194		14,450
Raw materials		52,257		30,645
Manufacturing and maintenance supplies		3,810		5,440
Total inventory	\$	104,690	\$	78,294

As at April 1, 2023, the Company recorded an inventory valuation write-down of \$12.2 million (December 31, 2022 - \$11.4) to reflect net realizable value being lower than cost.

8. LONG-TERM DEBT

The Company's outstanding debt is as follows:

As at		April 1, 2023		December 31, 2022
Credit Facility	\$	35,000	\$	84,000
Deferred financing charges on Credit Facility		(642)		(642)
Amortization of deferred financing charges for Credit Facility		134		76
Repayment of Credit Facility		—		(30,000)
Carrying value of Credit Facility		34,492		53,434
Less: current portion		—		(7,500)
Long-term debt	\$	34,492	\$	45,934

The Company's Credit Facility for the first quarter ended April 1, 2023 is as follows:

Continuity of Credit Facility

Balance, January 1, 2023	\$	53,434
Drawdowns on Credit Facility		35,000
Amortization of deferred financing charges for Credit Facility		58
Repayment of Credit Facility		(54,000)
Carrying value of Credit Facility, April 1, 2023	\$	34,492
Less: current portion		—
Long-term debt	\$	34,492

Contractual minimum principal repayments related to the Credit Facility are due as follows:

Less than 1 year	\$	—
1 - 3 years		35,000
Thereafter		—
Total	\$	35,000

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

(In thousands of Canadian dollars unless otherwise stated)

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) with 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") with 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").

During the first quarter ended April 1, 2023, the Company made net repayments of \$19.0 million on the outstanding balance under the Credit Facility, which included the extinguishment of the term loan portion. As a result of this, the Company is no longer subject to the minimum fixed charge coverage ratio financial covenant under the Credit Facility. 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 April 1, 2023, the Company was in compliance with all covenants under the Credit Facility.

During the first quarter ended April 1, 2023, \$0.1 million (March 26, 2022 - \$0.8 million related to the now extinguished Term Loan and ABL) of deferred financing costs were amortized relating to the Credit Facility.

At April 1, 2023, there were \$5.4 million (March 26, 2022 - \$13.7 million) of outstanding standby letters of credit issued, which reduces the amounts available to draw under the Credit Facility. Additionally, as at April 1, 2023, the Company also had \$5.4 million (March 26, 2022 - nil) of outstanding standby letters of credit issued backstopped by another third party, thereby not impacting the amounts available to draw under the Credit Facility.

9. SHAREHOLDERS' EQUITY

Share Capital

Authorized

- Unlimited number of common voting shares with no par value.
- 100,000,000 preferred shares with no par value, none of which are outstanding for the reporting periods presented.

Issued and outstanding

Changes to common shares and share capital issued and outstanding are as follows:

	Number of Common Shares	Amount
Balance, December 31, 2022	177,572,272	\$ 254,728
Balance, April 1, 2023	177,572,272	\$ 254,728

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

(In thousands of Canadian dollars unless otherwise stated)

Warrants

Changes in outstanding common share purchase warrants were as follows:

	Number of Warrants		Weighted Average Exercise Price ⁽¹⁾		Carrying Amount in reserves
Balance December 31, 2022	31,752,618	\$	1.70	\$	9,132
Balance, April 1, 2023	31,752,618	\$	1.70	\$	9,132

⁽¹⁾ In dollars per common share.

Earnings (Loss) Per Share

	April 1, 2023	March 26, 2022 ⁽¹⁾
For the first quarter ended		
Net (loss) earnings	\$ (18,417)	\$ 35,314
Basic weighted average number of common shares outstanding	177,572,272	177,572,272
Basic (loss) earnings per share	\$ (0.10)	\$ 0.20
Basic (loss) earnings per share from continuing operations	\$ (0.11)	\$ 0.12
Basic earnings per share from discontinued operations	\$ 0.01	\$ 0.08

	April 1, 2023	March 26, 2022 ⁽¹⁾
For the first quarter ended		
Net (loss) earnings	\$ (18,417)	\$ 35,314
Basic weighted average number of common shares outstanding	177,572,272	177,572,272
Dilutive effect of exercisable warrants outstanding	—	14,106,877
Diluted weighted average number of common shares outstanding	177,572,272	191,679,149
Diluted (loss) earnings per share	\$ (0.10)	\$ 0.18
Diluted (loss) earnings per share from continuing operations	\$ (0.11)	\$ 0.11
Diluted earnings (loss) per share from discontinued operations	\$ 0.01	\$ 0.07

⁽¹⁾ Certain prior period amounts have been restated as a result of a change in presentation for continuing and discontinued operations under IFRS. Please refer to Note 4 - *Discontinued Operations*.

The 15,692,500 warrants issued to the Standby Purchaser on July 30, 2021, to acquire Common Shares for a period of five years at an exercise price of \$3.18 were non-dilutive for the first quarter ended April 1, 2023. For the first quarter ended April 1, 2023, 7,313,580 stock options, granted by the Company were either not vested or not in-the-money and therefore non-exercisable (See *Note 10 – Equity-Based Compensation*).

There were no shareholder dividends declared during the first quarter ended April 1, 2023 and March 26, 2022.

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the first quarter ended April 1, 2023

(In thousands of Canadian dollars unless otherwise stated)

10. EQUITY-BASED COMPENSATION

Omnibus Equity Incentive Plan

In 2021, the Company established the 2021 Omnibus Equity Incentive Plan ("Omnibus Plan") for directors, officers, employees and contractors. Under the Omnibus Plan, the Company may grant stock options, Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Deferred Share Units ("DSUs") and Dividend-Equivalent Rights. The maximum number of common shares which can be reserved for issuance under the Plan is 10% of the prevailing issued and outstanding shares of the Company.

Stock Options

During the first quarter ended April 1, 2023 the Company granted 1,174,250 stock options under the Omnibus Plan (March 26, 2022 - nil). During the first quarter ended April 1, 2023 the Company forfeited 258,333 stock options due to terminations under the Omnibus Plan (March 26, 2022 - nil). As at April 1, 2023, 7,378,580 stock options to directors, officers, employees and contractors were outstanding (March 26, 2022 - 4,766,858), of which 2,550,780 stock options were vested and exercisable (March 26, 2022 - 302,000).

	Number of Options	Weighted Average Exercise Price ⁽¹⁾	Years Before Expiration ⁽¹⁾
Outstanding, December 31, 2022	6,462,663	\$ 1.71	4.31
Granted	1,000,000	1.75	0.76
Granted	174,250	1.53	4.76
Expired	(258,333)	1.80	3.71
Outstanding, April 1, 2023	7,378,580	\$ 1.71	3.51

⁽¹⁾ In dollars per option.

The Company recorded an expense related to the stock options granted under the Omnibus Plan for the first quarter ended April 1, 2023 of \$0.6 million (March 26, 2022 - \$0.3 million).

The fair value of the stock options granted during the first quarter ended April 1, 2023 was determined using the Black-Scholes model with the following inputs:

	Inputs
Expected life	1-3 years
Term	3-5 years
Exercise price	\$ 1.53-1.75
Volatility	53%
Underlying price of common share on the grant date	\$ 1.53
Risk free rate	3.75-4.06%

Performance Share Units

During the first quarter ended April 1, 2023, the Company did not grant any Performance Share Units ("PSUs") under the Omnibus Plan (March 26, 2022 - nil). As at April 1, 2023 the Company had nil PSUs outstanding (March 26, 2022 - 277,000). PSUs have a performance-based criteria based on various metrics. The PSUs are cash-settled instruments and are accounted for as a financial liability. During the first quarter ended April 1, 2023, the Company recorded an expense of \$nil (March 26, 2022 - expense of \$40) as all outstanding PSUs were cancelled.

GREENFIRST FOREST PRODUCTS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(In thousands of Canadian dollars unless otherwise stated)

Deferred Share Units

During the first quarter ended April 1, 2023, the Company granted 100,187 DSUs, respectively (March 26, 2022 - 100,187). As at April 1, 2023, the Company had 562,382 DSUs outstanding (March 26, 2022 - 100,187). During the first quarter ended April 1, 2023, the Company recorded an expense of \$0.04 million (March 26, 2022 - \$0.2 million) related to the DSUs granted under the Omnibus Plan. As at April 1, 2023, the liability related to DSUs is \$0.7 million (March 26, 2022 - \$0.2 million).

11. 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 director of GreenFirst are members of the Boreal board. See Note 12 – Financial Instruments and Risk Management.

During the first quarter ended April 1, 2023 the Company recorded a gain on investment of \$0.3 million (March 26, 2022 - \$nil). The increase in the investment carrying value as at April 1, 2023 to \$1.4 million (March 26, 2022 - \$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. 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 first quarters ended April 1, 2023 and March 26, 2022. Following are the aggregate values of such transactions:

For the first quarter ended	April 1, 2023⁽¹⁾⁽³⁾	March 26, 2022⁽²⁾
Fees incurred for services – officers and companies controlled by officers	906	60

⁽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".

⁽²⁾ Includes fees paid to an entity controlled by the Company's former CFO pursuant to a consulting contract.

⁽³⁾ There is \$0.3 million outstanding related to these services as at April 1, 2023 (\$nil outstanding as at December 31, 2021), representing normal course of business payment terms.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at April 1, 2023, the Company's financial instruments categorization and values are as follows:

	Category	Carrying and fair value
Cash and cash equivalents	Amortized cost \$	24,881
Trade and other receivables, excluding value added tax	Amortized cost	36,896
Accounts payable and other current liabilities, excluding lease liabilities	Amortized cost	67,126
Long-term debt	Amortized cost	34,492
Lease liabilities	Amortized cost	2,388
Investment	Fair value	1,429

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Except for the Company's investment, 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.

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 April 1, 2023 is \$24.9 million (December 31, 2022 - \$25.4 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 April 1, 2023, a \$2.3 million (December 31, 2022 - \$1.5 million) allowance for expected credit losses was recorded.

The carrying amount of accounts receivable, excluding value added tax of \$36.9 million represents the maximum credit exposure for its accounts receivables at April 1, 2023 (December 31, 2022 - \$34.1 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 \$62.6 million, less \$5.4 million for standby letters of credit, of excess availability under the revolving portion of the Credit Facility as at April 1, 2023. 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 \$35.0 million on the revolving portion of the Credit Facility at April 1, 2023 (December 31, 2022 - \$39.0 million on the revolving portion of the Credit Facility and \$15.0 million on the term loan portion). Additionally, the Company had open letters of credit of \$5.4 million (December 31, 2022 - \$13.9 million) backed by the Credit Facility, which reduces availability by the same amount.

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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 Primate Rate plus a premium, currently at 6.78% annualized at April 1, 2023.

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 April 1, 2023, the portion of the Company's monetary assets and liabilities held in US dollars are as follows:

As at (in thousands of US dollars)		April 1, 2023
Cash and cash equivalents	\$	2,334
Accounts receivable		13,487
Accounts payable and other liabilities		(3,489)
Net monetary assets in US Dollars	\$	12,332

Based on the US dollar statement of financial position exposure at April 1, 2023, with other variables unchanged, if the Canadian dollar were to weaken against the US dollar by 1%, relative to the rate at April 1, 2023, the net earnings in the statement of earnings (loss) would be approximately \$0.2 million greater. If the Canadian dollar were to strengthen against the US dollar by 1%, relative to the rate at April 1, 2023, the net earnings in the statement of earnings (loss) would be approximately \$0.2 million less.

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13. CAPITAL MANAGEMENT

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

As at	April 1, 2023
Total debt outstanding ¹	\$ 34,492
Less: cash and cash equivalents	(24,881)
Net debt	9,611
Shareholders' equity	208,942
Total capital	\$ 218,553

¹Total debt outstanding consists of the carrying amounts of the Company's borrowings under the Credit Facility.

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 April 1, 2023.

14. SEGMENT AND GEOGRAPHICAL INFORMATION

The Company operates in two business segments, Forest Products and Paper Products, based on factors that include similarities in products, production processes and economic characteristics. Through its Forest Products segment, the Company manufactures and markets a wide range of forest products for use in residential and commercial construction, including SPF lumber, wood chips and by-products. The Paper Products segment manufactures and markets paper-grade products used to print newspapers, advertising materials, food service bags and other related paper products. Corporate activities consist primarily of senior management, accounting, information systems, human resources, treasury, tax and legal administrative functions that provide support services to the operating business segments. The Company does not allocate the cost of maintaining these support functions to its operating units. Transactions between segments are at market prices and on standard business terms.

For the first quarter ended April 1, 2023, there was one customer that represented 10% or more of total net sales for the Company (March 26, 2022 - none).

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Statement of earnings (loss) from continuing operations for the first quarter ended April 1, 2023

	Forest Products	Paper Products	Corporate	Total
Net sales	\$ 61,272	\$ 37,845	\$ —	\$ 99,117
Operating (loss) earnings	\$ (15,249)	\$ 1,309	\$ (5,570)	\$ (19,510)
Finance costs, net	\$ 17	\$ (23)	\$ 902	\$ 896
Depreciation and amortization	3,793	414	137	4,344
Capital expenditures	\$ 4,689	\$ 401	\$ —	\$ 5,090

Statement of earnings (loss) from continuing operations for the first quarter ended March 26, 2022⁽¹⁾

	Forest Products	Paper Products	Corporate	Total
Net sales	\$ 105,033	\$ 14,684	\$ —	\$ 119,717
Operating earnings (loss)	\$ 37,127	\$ (3,875)	\$ (6,577)	\$ 26,675
Finance costs, net	\$ 22	\$ 1	\$ 3,596	\$ 3,619
Depreciation and amortization	2,090	671	143	2,904
Capital expenditures	\$ 606	\$ —	\$ —	\$ 606

Statement of financial position as at April 1, 2023

	Forest Products	Paper Products	Corporate	Total
Total assets	\$ 196,491	\$ 68,307	\$ 60,897	\$ 325,695
Total liabilities	\$ 49,996	\$ 20,399	\$ 46,358	\$ 116,753

Statement of financial position as at December 31, 2022

	Forest Products	Paper Products	Corporate	Total
Total assets	\$ 228,056	\$ 92,394	\$ 51,054	\$ 371,504
Total liabilities	\$ 57,878	\$ 21,657	\$ 67,507	\$ 147,042

Geographical net sales from continuing operations for the first quarter ended April 1, 2023

	Forest Products	Paper Products	Total
Canada	\$ 15,400	\$ 11,985	\$ 27,385
United States	45,872	25,860	71,732
Total net sales	\$ 61,272	\$ 37,845	\$ 99,117

Geographical net sales from continuing operations for the first quarter ended March 26, 2022⁽¹⁾

	Forest Products	Paper Products	Total
Canada	\$ 24,266	\$ 2,358	\$ 26,624
United States	80,767	12,326	93,093
Total net sales	\$ 105,033	\$ 14,684	\$ 119,717

⁽¹⁾ Certain prior period amounts have been restated as a result of a change in presentation for continuing and discontinued operations under IFRS. Please refer to Note 4 - *Assets held for Sale and Discontinued Operations*.