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FOR IMMEDIATE RELEASE

Conifex Announces Second Quarter 2020 Results

August 12, 2020, Vancouver, B.C. - Conifex Timber Inc. (“Conifex”, “we” or “us”) (TSX: CFF) today reported results for the second quarter ended June 30, 2020. Adjusted EBITDA* from continuing operations was negative \$1.1 million for the quarter, which reflected the curtailment of the Mackenzie sawmill for most of the period, offset partially by steady and positive results from bioenergy operations.

“Even though the economic disruptions caused by the unprecedented global pandemic resulted in our core sawmill business being curtailed for 12 weeks in the quarter, we are pleased that our quarter end cash balance of \$11.5 million was only \$0.6 million lower than at the beginning of the quarter,” said Ken Shields, CEO. “With the recent surge in lumber prices and our July 6, 2020 sawmill re-start, we expect to achieve profitable operations during the closing six months of 2020.”

Selected Financial Highlights

Continuing operations for the comparative periods discussed in this news release primarily comprise operating results from our Mackenzie sawmill and power plant, our previously owned sawmill in Fort St. James, British Columbia, which was largely curtailed in May 2019 and sold in November 2019, and corporate costs and other unallocated items.

Operating and financial results in the second quarter of 2020 were materially impacted by the curtailment of our Mackenzie sawmill for most of the quarter, extending from April 6 to July 6, 2020.

Selected Financial Information⁽¹⁾

(unaudited, in millions of dollars, except share, exchange rate, pricing and electricity information)	Q2 2020	Q1 2020	YTD 2020	Q2 2019	YTD 2019
Sales					
Lumber – Conifex produced	4.7	20.9	25.6	29.4	72.0
Lumber – wholesale	1.2	-	1.2	3.6	15.3
By-products	0.2	1.7	1.9	2.7	6.9
Bioenergy	4.7	8.0	12.7	4.4	12.6
	10.8	30.6	41.4	40.1	106.8
Operating income (loss)	(1.4)	(6.8)	(8.2)	(11.7)	(20.2)
Adjusted EBITDA from continuing operations	(1.1)	0.5	(0.6)	(9.1)	(13.2)
Net income (loss) from continuing operations	(2.7)	(8.2)	(10.9)	(1.1)	(8.6)
Net income (loss) from discontinued operations	(0.3)	0.5	0.2	(7.9)	(12.4)
Net income (loss)⁽²⁾	(3.0)	(7.7)	(10.7)	(9.0)	(21.0)
Basic and diluted earnings (loss) per share					
Continuing operations	(0.05)	(0.18)	(0.23)	(0.02)	(0.18)
Discontinued operations	(0.01)	0.01	-	(0.17)	(0.27)
Total basic and diluted earnings (loss) per share	(0.06)	(0.17)	(0.23)	(0.19)	(0.45)
Shares outstanding – weighted average (millions)	46.9	46.9	46.9	46.6	46.6

Operating highlights

Production – WSPF lumber (MMfbm) ⁽¹⁾	2.4	38.2	40.6	47.6	121.1
Shipments – WSPF lumber (MMfbm) ⁽¹⁾	8.5	37.6	46.1	60.4	139.1
Shipments – wholesale lumber (MMfbm) ⁽¹⁾	1.6	-	1.6	5.4	22.0
Electricity production (GWh)	51.2	54.8	106.0	47.2	102.8
Average exchange rate – US\$/	0.722	0.744	0.733	0.748	0.750
Average WSPF 2x4 #2 & Btr lumber price (US\$)	357	399	378	333	353
Average WSPF 2x4 #2 & Btr lumber price (\$)	494	536	515	445	471

Reconciliation of Adjusted EBITDA to net income (loss)

Net income (loss) from continuing operations	(2.7)	(8.2)	(10.9)	(1.1)	(8.6)
Add: Finance costs	1.2	3.5	4.7	7.4	13.4
Amortization	1.1	2.9	4.0	2.5	6.6
Deferred income tax recovery	(0.8)	(1.7)	(2.5)	(0.9)	(3.0)
EBITDA from continuing operations ⁽³⁾	(1.2)	(3.5)	(4.7)	7.9	8.4
Add: Foreign exchange loss (gain) on long-term debt	-	2.1	2.1	(4.4)	(8.9)
Restructuring costs	0.1	1.9	2.0	-	-
Gain on sale of assets	-	-	-	(12.6)	(12.7)
Adjusted EBITDA from continuing operations*	(1.1)	0.5	(0.6)	(9.1)	(13.2)

(1) Reflects results of continuing operations, except where otherwise noted.

(2) May not total due to rounding.

(3) Conifex's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization.

* Conifex's adjusted EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization, foreign exchange translation gains or losses on long-term debt, restructuring costs, proceeds from insurance claims and gains or losses on sale of assets.

Consolidated Net Earnings

During the second quarter of 2020, we incurred a net loss from continuing operations of \$2.7 million, or \$0.05 per share, compared to a net loss from continuing operations of \$8.2 million or \$0.18 per share in the previous quarter and \$1.1 million or \$0.02 per share in the second quarter of 2019.

Continuing Operations

Our revenues totaled \$10.8 million in the second quarter of 2020, a decrease of 65% from the prior quarter and a decrease of 73% from the second quarter of 2019. The lower revenues were primarily attributable to the curtailment of our Mackenzie sawmill operations for most of the second quarter of 2020. Revenues from the second quarter of 2019 also included sales from our previously owned Fort St. James sawmill which we sold in November 2019.

We recorded operating losses of \$1.4 million in the second quarter of 2020, \$6.8 million in the previous quarter and \$11.7 million in the second quarter of 2019. Operating results included countervailing ("CV") and anti-dumping ("AD") duties expense of \$0.2 million in the second quarter of 2020, \$2.0 million in the first quarter of 2020 and \$2.5 million in the second quarter of 2019. Due to the significant reduction in revenues during the second quarter, we accessed the Canadian Emergency Wage Subsidy ("CEWS") established by the federal government which resulted in approximately \$2.0 million of employee wage cost subsidies during the second quarter of 2020.

Selling, general and administrative ("SG&A") costs of \$1.9 million in the second quarter of 2020 reflected an increase of 7% from the prior quarter and a decrease of 48% from the second quarter of last year. We significantly reduced SG&A costs by reducing management personnel and overhead costs to better align our corporate support functions with our operating footprint. We incurred restructuring costs of \$0.1 million

and \$1.9 million in the second quarter of 2020 and the first quarter of 2020, respectively, in relation to these cost reduction initiatives.

Net income from continuing operations included a foreign exchange loss on long-term debt of \$nil in the second quarter of 2020 compared to foreign exchange loss on long-term debt of \$2.1 million in the previous quarter and a gain of \$4.4 million in the second quarter of 2019. Finance costs were \$1.2 million in the second quarter of 2020, \$3.5 million in the previous quarter and \$7.4 million in the second quarter of 2019.

Adjusted EBITDA was negative \$1.1 million in the second quarter of 2020, positive \$0.5 million in the previous quarter and negative \$9.1 million in the second quarter of 2019. Adjusted EBITDA in the second quarter of 2020 reflected the curtailment of the Mackenzie sawmill for most of the period, offset partially by steady and positive results from bioenergy operations.

Lumber Operations

Lumber markets were significantly impacted by the COVID-19 pandemic towards the end of the first quarter and into the second quarter of 2020. Reflecting the impacts from the pandemic, US housing starts, on a seasonally adjusted annual rate basis, dropped to 934,000 in April before recovering to 974,000 and 1,186,000 in May and June, respectively. The second quarter of 2020 averaged 1,044,000 US housing starts, down 30% from the previous quarter. Partially offsetting the lower US housing starts was an uptick in lumber demand from repair and remodeling activity in the quarter. With improving demand, and lumber supply disruptions caused by COVID-19 response measures, the benchmark Western SPF lumber price recovered through the quarter, improving from an average of US\$317 in April 2020 to US\$392 in June 2020.

The US dollar averaged US\$0.722 for each Canadian dollar during the second quarter of 2020, a level which represented a weakening of the Canadian dollar over the previous quarter and the second quarter of last year. Canadian dollar-denominated benchmark Western SPF prices, which averaged \$494 in the second quarter of 2020, decreased by 8% or \$42 from the previous quarter and decreased 1% or \$3 from the second quarter of 2019.

Our lumber operating results in the second quarter of 2020 were materially impacted by the curtailment of our Mackenzie sawmill for most of the quarter. Lumber was produced during the first week of April, followed by a curtailment which was extended to July 6, 2020. Our Mackenzie sawmill produced 2.4 million board feet during this single-shift operating week. In the previous quarter, lumber production from our Mackenzie sawmill was 38.2 million board feet, representing an annualized operating rate of 64%. In the second quarter of 2019, lumber production included volume from our previously owned sawmill in Fort St. James, British Columbia.

Shipments of Conifex produced lumber totaled 8.5 million board feet in the second quarter of 2020. Shipments of lumber declined by 77% from the previous quarter and by 86% from the second quarter of 2019 as a result of reduced production volumes, offset partially by shipments of finished inventory from the previous quarter. Our wholesale lumber program shipped 1.6 million board feet in the second quarter of 2020.

Revenues from lumber products were \$5.9 million in the second quarter of 2020 and represented a decrease of 72% from the previous quarter and a decrease of 80% from the second quarter of 2019. Decreased revenues were primarily the result of the curtailment of our Mackenzie sawmill and results from the second quarter of 2019 also included sales from our previously owned Fort St. James sawmill which we sold in November 2019.

Overall operating costs in the second quarter of 2020 were significantly lower than in previous quarters as a result of the curtailment of our Mackenzie sawmill. Cost of goods sold included fibre and manufacturing costs attributed to lumber shipments early in the second quarter and fixed costs incurred during the curtailment. Due to the significant reduction in revenues during the second quarter, we accessed the CEWS established by the federal government which resulted in approximately \$2.0 million of employee wage cost subsidies during the second quarter of 2020.

We recorded a positive inventory valuation adjustment of \$0.4 million in the second quarter of 2020 compared to a negative \$0.7 million adjustment in the previous quarter and \$0.4 million in the second quarter of 2019.

We expensed CV and AD duty deposits of \$0.2 million in the second quarter of 2020, \$2.0 million in the previous quarter and \$2.5 million in the second quarter of 2019. The duty deposits were based on a combined rate of 20.23%. The results of the US Department of Commerce's second administrative review for 2019 are not expected to be finalized until 2021.

Lumber derivative instruments generated a loss of \$0.7 in the second quarter of 2020, reflecting the mark-to-market loss on futures contracts placed for downside price protection purposes on a small percentage of our estimated second-half production. We recorded \$nil in the prior quarter and a loss of \$0.2 million in the second quarter of 2019 on our lumber derivatives.

Bioenergy Operations

Our Mackenzie power plant sold 51.2 gigawatt hours of electricity under our Electricity Purchase Agreement ("EPA") with BC Hydro and Power Authority ("BC Hydro") in the second quarter of 2020, representing approximately 93% of targeted operating rates.

The effective power rate is highest during the first and fourth quarters of each year. Electricity production contributed revenues of \$4.7 million in the second quarter of 2020, a decrease of 41% from the previous quarter and an increase of 7% over the comparable quarter of 2019. In comparison to the second quarter of 2019, revenues were higher in the current quarter due to an 8% increase in electricity production in the period.

Our EPA with BC Hydro, similar to other electricity purchase agreements, provides BC Hydro with the option to "turn down" electricity purchased from us during periods of low demand by issuing a "dispatch order". BC Hydro issued a dispatch order advising of a dispatch period of approximately 117 days, from April 24 to August 19, 2020. In 2019, our power plant was dispatched for 114 days, commencing in early May to August 31, 2019. We continue to be paid revenues under the EPA based upon a reduced rate and on volumes that are generally reflective of contracted amounts. During any dispatch period, we continue to produce electricity to fulfill volume commitments under our Load Displacement Agreement with BC Hydro.

Selling, General and Administrative Costs

SG&A costs were \$1.9 million in the second quarter of 2020, \$1.7 million in the previous quarter and \$3.4 million in the second quarter of 2019. We significantly reduced SG&A costs in comparison to prior year periods by reducing management personnel and overhead costs to better align our corporate support functions with our operating footprint in 2020. We incurred restructuring costs of \$0.1 million and \$1.9 million in the second and first quarters of 2020, respectively, in relation to such initiatives.

Financial Position and Liquidity

Overall debt was \$65.7 million at June 30, 2020 compared to \$257.2 million at December 31, 2019. The net reduction of \$191.5 million in debt comprised repayment in full of our previous senior secured credit facility of \$189.4 million, lease repayments of \$0.8 million and payments on our Conifex term loan supporting our bioenergy operations (the "Power Term Loan") of \$1.3 million. Our Power Term Loan, which is largely non-recourse to our lumber operations, represents substantially all of our long-term debt. At June 30, 2020, we had \$62.0 million outstanding on our Power Term Loan, while our remaining long-term debt, consisting of leases, was \$3.7 million.

At June 30, 2020, we had total liquidity of \$11.5 million, compared to \$5.2 million at December 31, 2019 and \$4.3 million at June 30, 2019. Liquidity at June 30, 2020 was comprised of unrestricted cash of \$11.5 million.

Outlook

Following the recommencement of our lumber operations on July 6, 2020, we expect that our Mackenzie sawmill will achieve annualized operating rates approaching 90% at improved conversion costs in the second half of the year. We anticipate that we will also benefit from lower log costs from the reset of stumpage calculations in July, resulting in lower unit lumber costs. We expect our Mackenzie power plant to continue to provide a steady diversified source of cash flow in the second half of the year. We expect to see the continued benefit of sustained efforts to reduce SG&A costs as we align our resources with our smaller and more geographically focused operations.

Conference Call

We have scheduled a conference call on Wednesday, August 12, 2020 at 7:00 AM Pacific time/10:00 AM Eastern time to discuss the second quarter financial and operating results. To participate in the call, please dial 416-406-0743 or toll free 1-800-898-3989. The call will also be available on instant replay access until September 12, 2020 by dialling 905-694-9451 or 1-800-408-3053 and entering participant pass code 4160562#.

Management's discussion and analysis and financial statements for the quarter ended June 30, 2020 are available under the Company's profile on SEDAR at www.sedar.com.

For further information, please contact:

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About Conifex Timber Inc.

Conifex and its subsidiaries' primary business currently includes timber harvesting, reforestation, forest management, sawmilling logs into lumber and wood chips, and value added lumber finishing and distribution. Conifex's lumber products are sold in the United States, Chinese, Canadian and Japanese markets. Conifex also produces bioenergy at its power generation facility at Mackenzie, BC.

Forward-Looking Statements

Certain statements in this news release may constitute "forward-looking statements". Forward-looking statements are statements that address or discuss activities, events or developments that Conifex expects or anticipates may occur in the future. When used in this news release, words such as "estimates", "expects", "plans", "anticipates", "projects", "will", "believes", "intends" "should", "could", "may" and other similar terminology are intended to identify such forward-looking statements. Forward-looking statements reflect the current expectations and beliefs of Conifex's management. Because forward-looking statements involve known and unknown risks, uncertainties and other factors, actual results, performance or achievements of Conifex or the industry may be materially different from those implied by such forward-looking statements. Examples of such forward-looking information that may be contained in this news release include statements regarding: growth and future prospects of our business, including the impact of COVID-19 thereon; our planned operating format and expected operating rates; our perceptions of the industry and markets in which we operate and anticipated trends in such markets and in the countries in which we do business; planned capital expenditures and benefits that may accrue to Conifex as a result of capital expenditure programs; U.S. benchmark lumber prices; Conifex's expectations regarding the operation of the Mackenzie power plant; and our expectations for U.S. dollar benchmark prices. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements may include, but are not limited to, our future debt levels; that we will complete our projects in the expected timeframes and as budgeted; that we will effectively market our products; that capital expenditure levels will be consistent with those estimated by our management that the US housing market will improve; that there will be no unforeseen disruptions affecting the operation of our power generation plant and that we will be able to continue to deliver power therefrom; our ability to obtain financing on acceptable terms, or at all; that interest and foreign exchange rates will not vary materially from current levels; the general health of the capital markets and the lumber industry; and the general stability of the economic environments within the countries in which we operate or do business. Forward-looking statements involve significant uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, without limitation: those relating to potential disruptions to production

and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other factors; labour relations; failure to meet regulatory requirements; changes in the market; potential downturns in economic conditions; fluctuations in the price and supply of required materials, including log costs; fluctuations in the market price for products sold; foreign exchange fluctuations; trade restrictions or import duties imposed by foreign governments; availability of financing (as necessary); shipping or logging disruptions; and other risk factors described in Conifex's 2019 annual information form and management's discussion and analysis for the quarter ended June 30, 2020, each of which is available on SEDAR at www.sedar.com. These risks, as well as others, could cause actual results and events to vary significantly. Accordingly, readers should exercise caution in relying upon forward-looking statements and Conifex undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by law.