



# CORPORATE PRESENTATION



**3rd Quarter, 2021**

**November 9<sup>th</sup>, 2021**



## Cautionary Statement Regarding Forward-Looking Information

Certain statements in this presentation may constitute "forward-looking information" or "forward-looking statements" which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements implied by such forward-looking information. When used in this presentation, such information uses such words as "estimates", "expects", "plans", "anticipates", and other similar terminology. This information reflects the Company's current expectations regarding future developments, including the upgrading and operation of its converting facilities.

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Certain references are made to non-IFRS measures, such as EBITDA and Adjusted EBITDA. Non-IFRS measures do not have a standardized meaning prescribed by IFRS and are therefore not comparable to similar measures presented by other companies.

Further information is available at [www.conifex.com](http://www.conifex.com) and [www.sedar.com](http://www.sedar.com)



# OPERATIONS AND FINANCE IN BRIEF

- A public forestry company operating a sawmill complex and biomass power plant in Mackenzie, BC.
- As at September 30, 2021, we reported:
  - Unrestricted cash balances of \$23.4 million
  - An ABL facility with \$10 million of undrawn availability primarily supported by inventories and receivables
  - A net debt to capitalization ratio of approximately 18%, including limited recourse debt and leases
- Debt Structure:
  - Our net debt is entirely represented by a fixed-rate loan secured by our power generation assets and serviced from cash flow generated over the 14-years term remaining of the Energy Purchase Agreement with BC Hydro



**Sawmill Complex**



**Power Plant**

Our lumber business is debt-free with cash in the bank.



# POWER GENERATION

- Capacity is in excess of 230 gigawatt hours (GWh) of electricity per year, of which 200 GWh is sold under a fixed price contract to BC Hydro and 30 GWh is for internal consumption.
- Electricity purchase agreement (EPA) and a related load displacement agreement (LDA) have been executed with BC Hydro expiring in April 2035.
- Representing a majority of our investment in fixed assets, has historically generated approximately \$14 million in annual EBITDA consuming sawmill and harvest residuals.
- Supported by feedstock delivered from the Mackenzie sawmill complex.



Power generation diversifies and stabilizes EBITDA.



# LUMBER MANUFACTURING

- Operate a two-line sawmill complex equipped to handle large- and small-diameter logs with approximately 240 million board feet of lumber capacity on a two-shift annual basis.
- Our main products are spruce, pine, fir (SPF) dimension lumber ranging in size from 2x4 to 2x10 inches from 6 to 16 feet in length.
- A full range of grade outturns are achieved and marketed to the most suitable customer base. Our main markets, in descending order of importance are, the US, Canada and Japan.
- The vast majority of lumber is shipped by rail from Mackenzie; truck deliveries account for the remainder.



We deal with a broad cross-section of lumber customers, with no single customer accounting for 10% of sales.



## FIBRE, RESIDUALS AND PEOPLE

- Our fiber sourcing includes access to a forest licence in the Mackenzie Timber Supply Area (TSA) with an allowable annual cut (AAC) of 632,500 cubic metres, and a 50% interest in a forest licence with an AAC of 300,000 cubic metres.
- Fibre is the single largest input cost and typically accounts for well over 50% of the cash cost of manufacturing lumber in the BC interior region. Our high degree of fibre self-sufficiency reduces our exposure to uncertainties in the market for purchased fibre.
- Our lumber manufacturing co-products include bark and planer shavings consumed in our power plant; wood chips sold to a pulp mill, and trim waste sold to a nearby secondary lumber manufacturer.
- We have approximately 234 employees in our lumber, corporate and marketing segments and 38 at our power plant for 272 in total.
- Five-year collective agreements are in place with our unionized employees at our sawmill complex and power plant, with expiry on June 30, 2023.

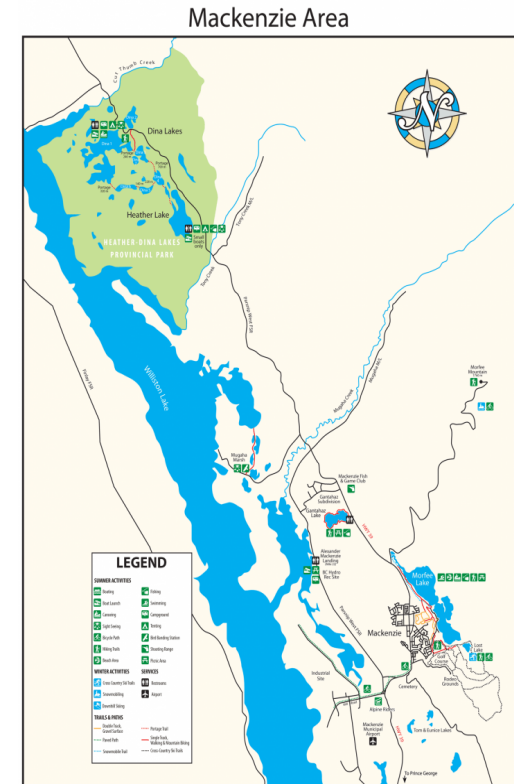


One of the highest degrees of timber self-sufficiency in BC.




# MACKENZIE TIMBER SUPPLY AREA

- Fourth largest TSA in the province, sparsely populated, situated in northeast BC, covering 6.4 million hectares.
- The major tenure holders in the TSA are Canfor, BC Timber Sales, Conifex, and a company 50% owned by Conifex and Dunkley.
- The largest body of water in the interior of BC – The Williston Reservoir – situated in the central portion of the TSA enables us to transport sawlogs to our Mackenzie sawmill complex using a boom and tow system in the summer and fall.
- The dominant factors influencing forest management and harvest activities in the TSA during the past decade have been the mountain pine and spruce beetle outbreaks.
- The pine beetle attack began in 2004, peaked in 2009 and collapsed in 2012.
- In 2014, the AAC in the TSA was uplifted by 50% to 4.5 million cubic metres per year from 3.0 million to facilitate expedited salvage of damaged pine.
- Declining dead pine harvest combined with a spruce beetle outbreak prompted a partition amendment of the AAC in 2019 to re-focus harvest on all dead volume in the short-term while reserving green timber for harvest after the salvage uplift phase comes to an end.





# MACKENZIE TIMBER SUPPLY AREA

- A Timber Supply Review is underway, and a revised AAC determination is expected early in 2022.
  - We anticipate the new AAC will be set at a level that continues to support sawlog harvest levels that exceed local consumption.
  - We also anticipate sawlog quality will improve in 2022. The salvage harvest has run its course, thereby supporting a transition to a greener harvest.
  - We anticipate regional sawlog availability will improve as BCTS works to achieve its objectives to auction 20% of regional sawlog requirements from stands with a similar range of timber types and operating conditions to what non-BCTS forest tenure holders experience.
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- Williston Lake, BC
- We expect to achieve an improved competitiveness ranking at our Mackenzie sawmill complex in 2022:
    - Fewer costs will be incurred processing the high volumes of waste material at salvage logging sites
    - Volume losses due to dead pine breakage occur at time of harvest, during road and water transportation, and when fibre is processed at the sawmill will be reduced
    - Per unit conversion costs at the sawmill will benefit from fewer production disruptions arising from salvage log breakage
    - Lumber grade outturns will improve, and so too will sales price realizations because less low-grade lumber will be produced and sold at discounted prices and more high-grade lumber will be produced and sold at premium prices
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# COMPETITIVENESS CONSIDERATIONS

- Under the *Ministry of Forests and Range Act*, the Minister of Forests, Lands, Natural Resources Operations and Rural Development is obligated to manage, protect, and conserve the forest and range resources of the government having regard to the immediate and long-term economic and social benefits they confer on British Columbia.
- The Minister also has responsibility to encourage a vigorous, efficient and world competitive timber processing industry.
- In anticipation of being able to access higher quality, lower cost sawlogs in 2022 and beyond, Conifex has studied the potential modernization and expansion of our Mackenzie sawmill complex.
- Any projects that may be approved are expected to be funded through a combination of cash balances, potential export duty rebates, and drawdowns of existing credit facilities.
- We are not prepared to consider a final investment decision to modernize and upgrade our sawmill complex until there is concrete evidence that forest sector competitiveness has been restored and aligns with the Minister's obligations in the *Ministry of Forests and Range Act*.

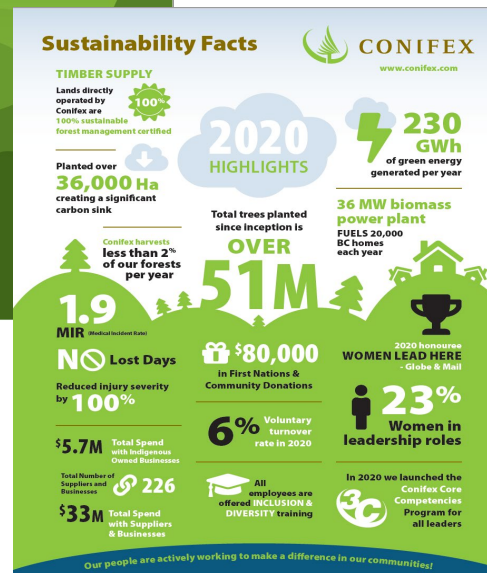


Mackenzie, BC





# ENVIRONMENTAL SOCIAL GOVERNANCE





# SELECT OPERATING AND FINANCIAL INFORMATION

Continuing operations for the comparative periods primarily comprise operating results from our Mackenzie sawmill and power plant, and corporate costs.

<b>Selected Operating and Financial Information<sup>(1)</sup></b>					
<i>In millions of dollars, unless otherwise noted</i>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>YTD 2021</b>	<b>Q3 2020</b>	<b>YTD 2020</b>
Production - WSPF lumber (MMfbm) <sup>(2)</sup>	40.1	49.0	140.1	48.0	88.6
Shipments - WSPF lumber (MMfbm)	34.1	55.5	127.4	39.2	85.3
Shipments - wholesale lumber (MMfbm)	6.0	5.8	12.5	0.7	2.3
Electricity production (GWh)	53.7	50.9	129.6	54.9	160.8
Average exchange rate - US\$/\$( <sup>(3)</sup> )	0.794	0.814	0.799	0.751	0.739
Average WSPF 2x4 #2 & Btr lumber price (US\$) <sup>(4)</sup>	478	1,290	917	768	508
Average WSPF 2x4 #2 & Btr lumber price (\$) <sup>(5)</sup>	602	1,584	1,144	1,023	684
<b>Sales</b>					
Lumber - Conifex Produced	25.9	80.1	145.9	30.7	56.3
Lumber - Wholesale	12.5	9.0	22.1	0.5	1.7
By-Products	2.1	2.7	7.2	0.4	2.3
Bioenergy	7.1	4.7	15.5	6.0	18.7
Total Sales	47.6	96.5	190.7	37.6	79.0
Operating Income (Loss)	(0.7)	33.5	41.4	7.0	(1.2)
EBITDA <sup>(6)</sup>	3.3	37.8	50.7	7.6	2.9

(1) Reflects results of continuing operations.

(2) MMfbm represents million board feet.

(3) Bank of Canada, [www.bankofcanada.ca](http://www.bankofcanada.ca).

(4) Randon Lengths Publications Inc.

(5) Average SPF 2x4 #2 & Btr lumber prices (US\$) divided by average exchange rate.

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



# SELECTED FINANCIAL POSITION INFORMATION

<b>Selected Financial Position Information</b>			
<b>In millions of dollars, unless otherwise noted</b>	<b>Q3 2021</b>	<b>Q4 2020</b>	<b>Q3 2020</b>
Cash	23.4	11.2	6.4
Cash - Restricted	6.6	3.6	3.7
Operating Working Capital <sup>(1)</sup>	35.5	14.7	14.9
Liquidity	33.4	21.2	6.4
Net Current Assets	60.9	25.0	20.6
Total Debt	60.8	63.4	64.8
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Net debt to capitalization	18%	29%	32%
Net debt to capitalization excluding Power Term Loan	(14%)	(3%)	(3%)

(1) Calculated as the aggregate of trade and other receivables, prepaid expenses and deposits and inventories less the aggregate of trade payables, accrued liabilities and other payables, the current portion of reforestation obligations and employee liabilities.



## SUBSTANTIAL ISSUER BID

- Our Board of Directors approved the commencement of a substantial issuer bid for our common shares on November 8, 2021.
- Highlights of the substantial issuer bid:
  - Offer to purchase up to 4,000,000 common shares from shareholders for cancellation
  - Purchase price of \$2.25 per common share
  - The purchase price represents a 28% premium over the closing price on the Toronto Stock Exchange on November 8, 2021
  - The offer will commence on November 12, 2021, and expire on December 20, 2021
  - Payment for the common shares will be funded through available cash on hand
- The substantial issuer bid offer for our common shares represents an equitable and efficient means of returning capital to our shareholders who take up the offer, while proportionately increasing the equity interest of those shareholders who elect not to tender shares.
- Details of the substantial issuer bid, including instructions for tendering common shares, will be included in the formal offer to purchase and issuer bid circular, letter of transmittal, notice of guaranteed delivery and other related documents which will be mailed to shareholders and made available on SEDAR.





- Conifex has been exploring ways to augment our core forest products business through new and complementary revenue streams.
  - Our key objective is to diversify our sources of revenue and thereby enhance societal benefits and economic stability, as well as contribute ancillary benefits to all stakeholders in the Mackenzie TSA.
  - We have held many discussions with our external stakeholders such as the United Steelworkers, Mayor and Council of Mackenzie and our Indigenous Communities, who have demonstrated their support.
  - Mackenzie is a relatively cool climate, availability of affordable and renewal power from BC Hydro and Power Authority and our highly flexible and technical work force are ideally suited for hosting data center or other high-performance computing operations.
  - Before the end of 2021, we intend to commence hosting 3 megawatts of bitcoin mining capacity on a trial basis.
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# CONIFEX LEADERSHIP TEAM



Ken Shields, Chairman  
& CEO



Winny Tang, CFO



Andrew McLellan, VP/GM  
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