



# CORPORATE PRESENTATION



**1st Quarter, 2022**

**May 10, 2022**



## Cautionary Statement Regarding Forward-Looking Information

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



- A public forestry company operating a sawmill complex and biomass power plant in Mackenzie, BC.
- As at March 31, 2022, we reported:
  - Unrestricted cash balances of \$14.8 million
  - An ABL facility with \$8.5 million of undrawn availability primarily supported by inventories and receivables
  - A net debt to capitalization ratio of approximately 23%, 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 13-years term remaining of the Energy Purchase Agreement with BC Hydro



**Sawmill Complex**



**Power Plant**



# 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.

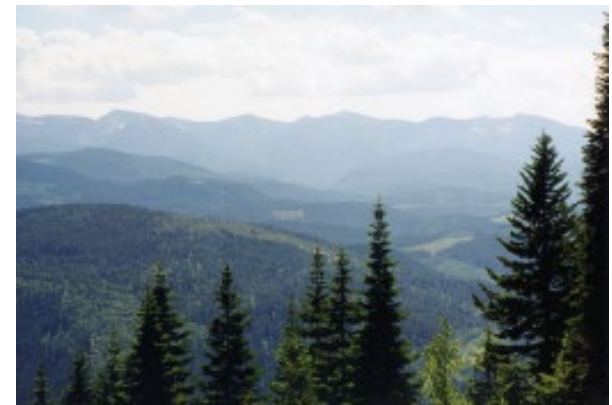


We deal with a broad cross-section of lumber customers.



## 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 40 at our power plant for 274 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. Canfor has recently announced its intention to sell its tenure to two local First Nations.
- 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.



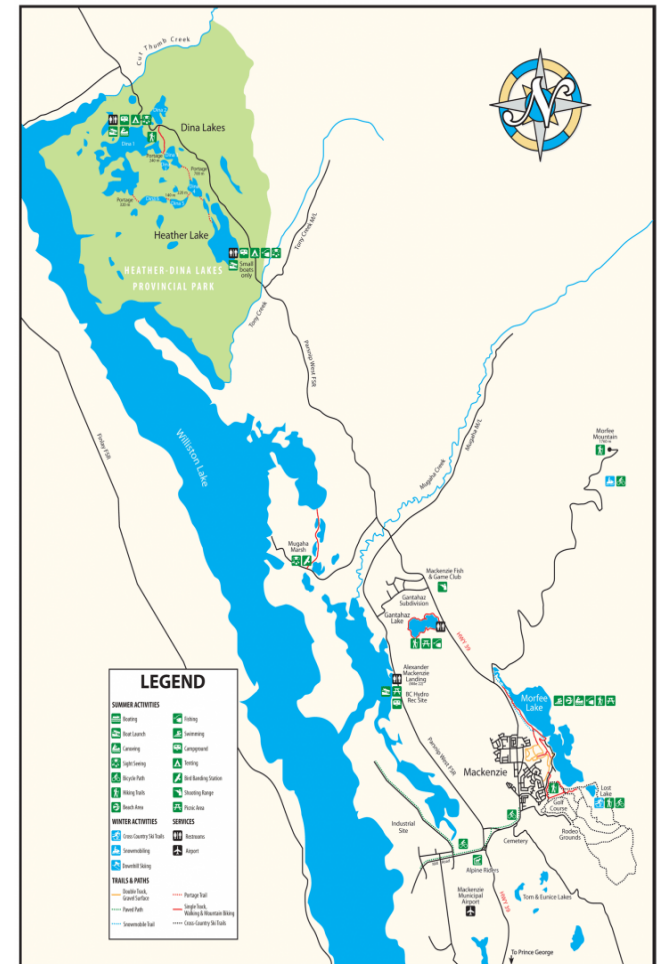
Williston Reservoir, BC



# MACKENZIE TIMBER SUPPLY AREA

- A Timber Supply Review is underway, and the Chief Forester expects to release a new AAC determination late in 2022.
- We anticipate that the new AAC determination will continue to support sawlog harvest levels that greatly exceed local sawlog consumption.
- Most of the dead pine inventory in the TSA has lost commercial value and is no longer suitable for lumber production.
- Conifex will access a “greener” log diet in 2022 which will result in improved lumber recovery, lower cash conversion costs, and increases in lumber grade outturns and selling price realizations.
- In anticipation of these developments, Conifex has studies underway covering:
  - The potential modernization and expansion of its Mackenzie Sawmill complex
  - The diameter-classes and other characteristics of the sawlog supply expected to be accessed in the future
  - The potential for building and operating a new log merchandising facility
- Conifex expects any projects that may be approved will be funded through a combination of cash balances, potential export duty rebates, and drawdowns of existing credit facilities.

Mackenzie Area







## ALIGNMENT WITH STAKEHOLDER OBJECTIVES

- The federal government has prioritized climate action and Indigenous peoples reconciliation. The province of BC has similar priorities. Conifex is doing its part to help governments achieve their objectives.
- Since our inception as a public company, we have abided by our publicly disclosed long-term strategy “to build Canada's premier, next generation forestry company that is a world leader in responsibly maximizing fibre value.”
- Our near-term business strategy seeks to capitalize on our existing forestry assets, located in an abundant fibre supply region, to build margin-focused lumber and bioenergy businesses to compete successfully with the best the forest sector has to offer and pursue strategic opportunities to develop new revenue streams around our core business.

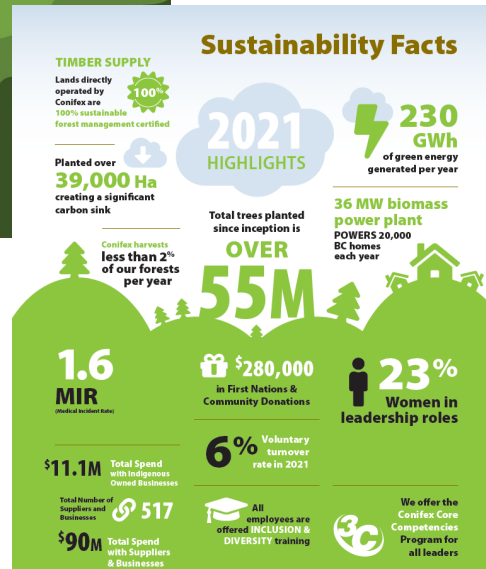


Mackenzie, BC

Our corporate strategy remains entirely consistent with the governments’ climate mitigation, Indigenous peoples reconciliation and economic recovery objectives.



# 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>			
<b>In millions of dollars, unless otherwise noted</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q1 2021</b>
Production - WSPF lumber (MMfbm) <sup>(2)</sup>	47.1	44.0	51.0
Shipments - WSPF lumber (MMfbm)	42.5	44.7	37.8
Shipments - wholesale lumber (MMfbm)	4.9	6.1	0.7
Electricity production (GWh)	53.9	54.9	25.0
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Average exchange rate - US\$/\$( <sup>(3)</sup> )	0.790	0.794	0.790
Average WSPF 2x4 #2 & Btr lumber price (US\$) <sup>(4)</sup>	1,288	739	982
Average WSPF 2x4 #2 & Btr lumber price (\$) <sup>(5)</sup>	1,631	931	1,244
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<b>Sales</b>			
Lumber - Conifex Produced	52.6	34.5	39.9
Lumber - Wholesale	8.4	14.7	0.6
By-Products and others	2.8	2.7	2.4
Bioenergy	8.0	8.0	3.7
Total Sales	71.8	59.9	46.6
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Operating Income (Loss)	17.1	(3.0)	8.7
EBITDA <sup>(6)</sup>	20.1	1.0	9.7

(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

## Selected Financial Position Information

In millions of dollars, unless otherwise noted

	Q1 2022	Q4 2021	Q1 2021
Cash	14.8	6.4	6.4
Cash - Restricted	6.6	6.5	5.6
Operating Working Capital <sup>(1)</sup>	54.3	39.1	23.1
Liquidity	23.3	16.4	16.4
Net Current Assets	64.6	47.4	30.7
Total Debt	64.4	59.4	61.9
Net debt to capitalization	23%	26%	29%
Net debt to capitalization excluding Power Term Loan	(2%)	(1%)	(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.



# HIGH PERFORMANCE COMPUTING

- Our location in a relatively cool climate, availability of affordable and surplus renewal power from BC Hydro and Power Authority and our knowledgeable and engaged power generation work force are ideally suited to develop a business hosting data center or other high-performance computing operations.
- We commenced hosting an initial 1.5 megawatts of capacity on a trial basis in December 2021 and an additional 1.5 megawatts of capacity in March 2022. We have gained valuable experience and the results from the trial have been encouraging.
- We are continuing to develop plans to host additional data center operation capacity at our Mackenzie site and expect initial capital outlays to be relatively modest as we have an opportunity to redeploy legacy power infrastructure at our site.





- Outlook for Power Generation
  - We anticipate power production will be maintained at targeted rates.
- Outlook for Lumber
  - We anticipate an active summer logging program and increased sawlog availability will support higher production and shipments.
  - Production operating rate is targeted to be in excess of 90% for the remainder of 2022.
  - Shipments are expected to exceed production as rail car availability improves in the second quarter of 2022.
  - We anticipate lumber prices to remain at elevated levels through 2022.
- Revenue and EBITDA Diversification Opportunities
  - Results from the high-performance computing hosting trial to be evaluated throughout the second quarter of 2022.
  - We continue to work on plans for additional hosting capacity at our Mackenzie site.



We anticipate achieving strong EBITDA for 2022.

# CONIFEX LEADERSHIP TEAM

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& CEO



Winny Tang, CFO



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For further information, please contact:

## **Investor Relations**

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