



CONIFEX TIMBER INC.

NEWS RELEASE: via MARKETWIRE

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Conifex Announces First Quarter 2024 Results

May 9, 2024, Vancouver, B.C. - Conifex Timber Inc. (“Conifex”, “we” or “us”) (TSX: CFF) today reported results for the first quarter ended March 31, 2024. EBITDA* was negative \$0.5 million for the quarter compared to EBITDA of negative \$3.5 million in the fourth quarter of 2023 and negative \$6.9 million in the first quarter of 2023. The first quarter results were favourably impacted by \$3.0 million insurance settlement for the loss of the Osilinka Logging Camp. Net loss was \$4.5 million or \$0.11 per share for the quarter versus net loss of \$5.3 million or \$0.14 per share in the previous quarter and net loss of \$8.1 million or \$0.20 per share for the year-earlier quarter.

Selected Financial Highlights

The following table summarizes our selected financial information for the comparative periods. The financial information reflects results of operations from our Mackenzie sawmill and power plant.

Selected Financial Information

(unaudited, in millions of dollars, except share and exchange rate information)

	Q1 2024	Q4 2023	Q1 2023
Revenue			
Lumber – Conifex produced	29.5	23.9	26.0
Lumber – wholesale	0.0	0.9	1.0
By-products and other	3.0	2.7	8.4
Bioenergy	8.2	7.7	4.5
	40.7	35.2	39.9
Operating income (loss)	(7.1)	(6.6)	(11.5)
EBITDA ⁽¹⁾	(0.5)	(3.5)	(6.9)
Net income (loss)	(4.5)	(5.3)	(8.1)
Basic and diluted earnings (loss) per share	(0.11)	(0.14)	(0.20)
Cash dividends paid per share	-	-	-
Shares outstanding – weighted average (millions)	40.4	40.4	39.8
Reconciliation of EBITDA to net income (loss)			
Net income (loss)	(4.5)	(5.3)	(8.1)
Add: Finance costs	1.3	1.3	1.2
Amortization	3.2	3.0	2.5
Deferred income tax expense (recovery)	(0.5)	(2.5)	(2.5)
EBITDA ⁽¹⁾	(0.5)	(3.5)	(6.9)

* Conifex’s EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization. We disclose EBITDA as it is a measure used by analysts and by our management to evaluate our performance. As EBITDA is a non-GAAP measure that does not have any standardized meaning prescribed by International Financial Reporting Standards (“IFRS”), it may not be comparable to EBITDA calculated by others and is not a substitute for net earnings or cash flows, as determined in accordance with IFRS, and therefore readers should consider those measures in evaluating our performance.

Selected Operating Information

	Q1 2024	Q4 2023	Q1 2023
Production – WSPF lumber (MMfbm) ⁽²⁾	44.5	33.2	41.2
Shipments – WSPF lumber (MMfbm) ⁽²⁾	44.5	39.1	40.6
Shipments – wholesale lumber (MMfbm) ⁽²⁾	0.0	1.1	1.0
Electricity production (GWh)	56.0	43.5	34.6
Average exchange rate – \$/US ⁽³⁾	0.741	0.734	0.740
Average WSPF 2x4 #2 & Btr lumber price (US\$) ⁽⁴⁾	\$446	\$402	\$384
Average WSPF 2x4 #2 & Btr lumber price(\$) ⁽⁵⁾	\$601	\$547	\$519

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

(2) MMfbm represents million board feet.

(3) Bank of Canada, www.bankofcanada.ca.

(4) Random Lengths Publications Inc.

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

Summary of First Quarter 2024 Results

Consolidated Net Earnings

During the first quarter of 2024, we incurred a net loss of \$4.5 million or \$0.11 per share compared to a net loss of \$5.3 million or \$0.14 per share in the previous quarter and net loss of \$8.1 million or \$0.20 per share in the first quarter of 2023.

Lumber Operations

North American lumber market prices saw a recovery in the first quarter of 2024 and rose relative to the fourth and first quarters of 2023. Canadian dollar-denominated benchmark Western Spruce/Pine/Fir (“WSPF”) prices, which averaged \$601 in the first quarter of 2024, increased by 10% or \$54 from the previous quarter and increased by 16% or \$82 from the first quarter of 2023. The market price increase in the first quarter of 2024 was positively impacted by continued reports of a more resilient US housing market from anticipated rate cuts and moderation of European supply to the North American Market. Despite that, US housing starts on a seasonally adjusted annual basis averaged 1,415,000 in the first quarter of 2024, down 2% from the fourth quarter of 2023 and up 11% from the first quarter of 2023

Our lumber production in the first quarter of 2024 totalled approximately 44.5 million board feet, representing operating rates of approximately 74% of annualized capacity. Lumber production of 33.2 million board feet of lumber in the previous quarter reflected production curtailments due to an overall reduced demand for lumber amid challenging economic conditions. Lumber production in the first quarter of 2023 was 41.2 million board feet or approximately 69% of annualized capacity, primarily due to a 1-week production curtailment combined with lower throughput.

Shipments of Conifex-produced lumber totaled 44.5 million board feet in the first quarter of 2024, representing an increase of 14% from the 39.1 million board feet shipped in the previous quarter and an increase of 10% from the 40.6 million board feet of lumber shipped in the first quarter of 2023. Shipments of Conifex-produced lumber in the first quarter of 2024 were greater than those in the referenced previous quarters as a result of more operational days due to no scheduled market related curtailments.

Our wholesale lumber shipments dropped to nil for the first quarter of 2024 relative to approximately 1 million board feet in the fourth and first quarters of 2023.

Revenues from lumber products were \$29.5 million in the first quarter of 2024 representing an increase of 18% from the previous quarter and an increase of 8% from the first quarter of 2023. Compared to the previous quarter, higher shipment volumes and mill net realizations on higher lumber market prices contributed to the higher revenue. The revenue increase in the current quarter over the same period in the

prior year was largely a result of similar factors, higher shipment volumes and higher mill net realizations from higher lumber market prices.

Cost of goods sold in the first quarter of 2024 increased by 15% from the previous quarter and decreased by 7% from the first quarter of 2023. The increase in cost of goods sold from the prior quarter was mainly due to increased shipment volumes in the current quarter. The cost of goods sold in the first quarter of 2023 was higher than the current quarter as a result of higher unit costs, primarily around logs. Unit manufacturing costs in the first quarter of 2024 decreased in comparison to the previous reference quarters as a result of a significantly lower consumed log cost. We recorded inventory valuation reserves of \$1.1 million in the first quarter of 2024, respectively, compared to \$1.3 million in the fourth quarter of 2023 and \$2.3 million in first quarter of 2023. Inventory valuation reserves decreased in comparison to the previous quarter due to an increase in projected lumber sales value and decrease in inventory carrying values.

We expensed countervailing (“CV”) and anti-dumping (“AD”) duty deposits of \$1.4 million in the first quarter of 2024, \$1.1 million in the previous quarter and \$1.2 in the first quarter of 2023. The duty deposits were based on a combined rate of 8.05%. The export taxes during the first quarter of 2024 were higher than the previous quarters due to an increase in overall shipped volume and lumber prices, while the proportion of volume shipped into the US remained relatively unchanged.

Bioenergy Operations

Our Power Plant sold 56.0 GWh of electricity under our EPA with BC Hydro in the first quarter of 2024 representing approximately 102% of targeted operating rates. Our Power Plant sold 43.5 and 34.6 GWh of electricity in the fourth quarter and first quarter of 2023, respectively. Production in the first quarter of 2024 was higher than the fourth quarter of 2023 due to an increased number of operating days in the first quarter of 2024 as well as higher generation rates, and higher than the first quarter of 2023 due to the temporary shutdown into mid January for turbine repairs that occurred in 2022.

Electricity production contributed revenues of \$8.2 million in the first quarter of 2024, \$7.7 million in the previous quarter and \$4.5 million in the first quarter of 2023.

Selling, General and Administrative Costs

Selling, general and administrative (“SG&A”) costs increased between the current quarter and previous quarter and decreased from the current quarter and prior year comparative period. SG&A costs were \$2.6 million in the first quarter of 2024, \$0.6 million in the previous quarter and \$3.2 million in the first quarter of 2023. The reduction in SG&A costs in the previous quarter was largely due to the revaluation of long-term incentive awards. The reduction in SG&A costs relative to the previous year comparative is a result of a reduction in corporate overhead.

Finance Costs and Accretion

Finance costs and accretion totaled \$1.3 million in the first quarter of 2024, \$1.3 million in the previous quarter and \$1.2 million in the first quarter of 2023. Finance costs and accretion relate primarily to our term loan supporting our bioenergy operations (the “Power Term Loan”) as well as the drawn portion of our Revolving Credit Facility.

Other Income

We recognized \$3.0 million in other income in the first quarter of 2024 to reflect insurance proceeds from the fire that destroyed our Osilinka logging camp. Insurance proceeds were received in the second quarter of 2024. In the fourth quarter of 2023 we recognized minimal other income while in the first quarter of 2023 we recognized \$2.2 million for the final tranche of funds received related to the insurance claim on the Power Plant turbine failure from 2022.

Foreign Exchange Translation Gain or Loss

The foreign exchange translation gain or loss recorded for each period on our statement of net income results from the revaluation of US dollar-denominated cash and working capital balances to reflect the change in the value of the Canadian dollar relative to the value of the US dollar. US dollar-denominated monetary assets and liabilities are translated using the period end rate.

The US dollar averaged US\$0.741 for each Canadian dollar during the first quarter of 2024, a level which represented a modest strengthening of the Canadian dollar over the previous quarter .

The foreign exchange translation impacts arising from the variability in exchange rates at each measurement period on cash and working capital balances resulted in a foreign exchange translation gain of \$0.3 million in the first quarter of 2024, compared to a foreign exchange translation loss of \$0.3 million in the previous quarter and a loss of nil in the first quarter of 2023.

Income Tax

We recorded income tax recovery of \$0.5 million in the first quarter of 2024, and income tax recovery of \$2.5 million in the previous quarter and income tax recovery of \$2.5 million in the first quarter of 2023. The decrease in the recovery is due on increase in net income from the previous quarter.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities on our balance sheet and the amounts used for income tax purposes. As at March 31, 2024, we have recognized deferred income tax assets of \$3.5 million.

Financial Position and Liquidity

Overall debt was \$61.8 million at March 31, 2024 compared to \$63.8 million at December 31, 2023 and \$67.4 million at March 31, 2023. The decrease in overall debt between the first quarter of 2024 and the fourth quarter of 2023 was mainly driven by a repayment of approximately \$0.9 million against our secured revolving credit facility with Wells Fargo (the "Revolving Credit Facility"), combined by principal and interest payments against the Power Term Loan in the first quarter of 2024. The decrease in overall debt at March 31, 2024 relative to March 31, 2023 was due to a decrease in the amount drawn against our Revolving Credit Facility of \$12.5 million down to \$10.6 million, combined with payments against our Power Term Loan and monthly lease payments. Our Power Term Loan, which is largely non-recourse to our lumber operations, represents substantially all of our outstanding long-term debt. At March 31, 2024, we had \$49.0 million outstanding on our Power Term Loan, while our remaining long-term debt, consisting of leases, was \$1.9 million.

At March 31, 2024, after completion of the Amendment, we had available liquidity of \$10.2 million comprised of unrestricted cash of \$4.2 million and \$6 million available under the Revolving Credit Facility, subject to the terms of the Revolving Credit Facility.

Like other Canadian lumber producers, we were required to begin depositing cash on account of softwood lumber duties imposed by the US government in April 2017. Cumulative duties of US\$35.4 million paid by us, net of sales of the right to certain refunds, since the inception of the trade dispute remain held in trust by the US pending administrative reviews and the conclusion of all appeals of US decisions. We expect future cash flows will continue to be adversely impacted by the CV and AD duty deposits to the extent additional costs on US destined shipments are not mitigated by higher lumber prices.

Outlook

Through the second quarter of 2024, we expect lumber prices to soften relative to the first quarter of 2024, before returning to a modestly higher range for the remainder of the year. We expect our lumber production and shipments in the remaining quarters of 2024 to be modestly higher than in the first quarter, subject to the impact of any market related re-configuration of operating schedules. Seasonally lower power prices are expected to be recorded in our power business over the next two quarters as we work through the runoff and summer periods before rising again in the winter season.

Looking ahead to the back half of 2024 and into 2025, we agree with analysts' estimates calling for benchmark lumber prices to continue to improve. We expect an improved supply/demand balance in favour of lumber producers. The demand side is anticipated to benefit from some moderation in interest rates, a key driver of residential construction activity and lumber prices. The supply side is expected to continue to

reflect supply contractions in the interior region of B.C. In the northern interior region of B.C., where we operate, trailing 12-month lumber production has retreated by one-third, from 4.5 billion board feet early in 2021 to 3.0 billion board feet currently.

At our Mackenzie Mill, we anticipate capturing benefits from our ongoing transition to a green log diet. In May 2023, the Chief Forester ruled that the remaining dead pine stands in the Mackenzie TSA have lost their commercial value as sawlogs. Transitioning to a greener log diet has a direct correlation with improved sawmill performance, higher grade outturns, and stronger selling price realizations. We also expect to continue to benefit from lower stumpage charges through the remainder of 2024 relative to the 2023 fiscal year. Besides moving our Mackenzie Mill to a lower ranking on the lumber industry cost curve, these fibre supply related factors position us to improve EBITDA in 2024 even if lumber prices, exchange rates, and duty impositions average out at 2023 levels.

Our Power Plant is forecasted to generate a steady and diversified source of cash flow through 2024 and continue to reach or exceed 90% uptime.

We continue to prioritize funding quick payback sawmill upgrades and continue exploring the potential development of our high-performance computing business.

Conference Call

We have scheduled a conference call on Thursday, May 9, 2024 at 2:00 PM Pacific time / 5:00 PM Eastern time to discuss the first quarter 2024 financial and operating results. To participate in the call, please dial toll free 1-800-806-5484 and enter the participant passcode 6684594#. The call will also be available on instant replay access until June 30, 2024 by calling 1-800-408-3053 and entering the participant passcode 4811883#.

Our management's discussion and analysis and financial statements for the quarter ended March 31, 2024 are available under our profile on SEDAR+.

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, Canadian and Japanese markets. Conifex also produces bioenergy at its power generation facility at Mackenzie, B.C.

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: the availability and use of credit facilities or proceeds therefrom; our level of liquidity and our ability to service our debt; the realization of expected benefits of completed, current and any contemplated capital projects and the expected timing and budgets for such projects, including the build-out of any high-performance computing or data center operations; the growth and future prospects of our business; our expectations regarding our results of operations and performance; our planned operating format and expected operating rates; our perception of the industries or markets in which we operate and

anticipated trends in such markets and in the countries in which we do business; fluctuations in stumpage rates; our ability to supply our manufacturing operations with wood fibre and our expected cost of wood fibre; our expectation for market volatility associated with, among other things, the softwood lumber dispute with the US; potential negative impacts of duties or other protective measures on our products, such as antidumping duties or countervailing duties on softwood lumber; continued positive relations with Indigenous groups; the development of a longer-term capital plan and the expected benefits therefrom; demand and prices for our products; our ability to develop new revenue streams; our expectations about discussions with United Steelworkers concerning renewal of the collective labour agreement; the outcome of any actual or potential litigation; future capital expenditures; and our expectations for US 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; our ability to obtain and maintain required governmental and community approvals; the impact of changing government regulations and shifting political climates; that the US housing market will continue to improve; that transportation services by third party providers will continue uninterrupted; our ability to ship our products in a timely manner; that there will be no additional unforeseen disruptions affecting the operation of our Mackenzie power 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 similar 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); and other risk factors detailed in our 2023 annual information form dated March 28, 2024 and our management's discussion and analysis for the year ended December 31, 2023 dated March 27, 2024 available on SEDAR+ at www.sedarplus.com and other filings with the Canadian securities regulatory authorities. 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 applicable securities laws.