



CONIFEX TIMBER INC.

NEWS RELEASE: via MARKETWIRE

FOR IMMEDIATE RELEASE

Conifex Announces Second Quarter 2024 Results

August 13, 2024, Vancouver, B.C. - Conifex Timber Inc. ("Conifex", "we" or "us") (TSX: CFF) today reported results for the second quarter ended June 30, 2024. EBITDA* was negative \$7.1 million for the quarter compared to EBITDA of negative \$0.5 million in the first quarter of 2024 and negative \$8.7 million in the second quarter of 2023. Net loss was \$9.7 million or \$0.24 per share for the quarter versus net loss of \$4.5 million or \$0.11 per share in the previous quarter and negative \$9.2 million or \$0.23 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)

	Q2 2024	Q1 2024	Q2 2023
Revenue			
Lumber – Conifex produced	25.0	29.5	18.8
Lumber – wholesale	0.0	0.0	1.0
By-products and other	2.3	3.0	2.7
Bioenergy	4.5	8.2	4.8
	31.8	40.7	27.2
Operating income (loss)	(9.6)	(7.1)	(11.0)
EBITDA ⁽¹⁾	(7.1)	(0.5)	(8.7)
Net income (loss)	(9.7)	(4.5)	(9.2)
Basic earnings (loss) per share	(0.24)	(0.11)	(0.23)
Diluted earnings per share	(0.22)	-	-
Shares outstanding – weighted average (millions)	40.4	40.4	39.8
Reconciliation of EBITDA to net income (loss)			
Net income (loss)	(9.7)	(4.5)	(9.2)
Add: Finance costs	2.8	1.3	1.3
Amortization	2.5	3.2	2.4
Deferred income tax expense (recovery)	(2.7)	(0.5)	(3.2)
EBITDA ⁽¹⁾	(7.1)	(0.5)	(8.7)

* In this release, reference is made to "EBITDA". EBITDA 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 not a generally accepted earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS, it may not be comparable to EBITDA calculated by other companies. In addition, EBITDA is not a substitute for net earnings or cash flow, as determined in accordance with IFRS, and therefore readers should consider those measures in evaluating our performance.

Selected Operating Information

	Q2 2024	Q1 2024	Q2 2023
Production – WSPF lumber (MMfbm) ⁽²⁾	34.0	44.5	32.5
Shipments – WSPF lumber (MMfbm) ⁽²⁾	38.5	44.5	31.1
Shipments – wholesale lumber (MMfbm) ⁽²⁾	0.0	0.0	1.1
Electricity production (GWh)	38.0	56.0	43.5
Average exchange rate – \$/US\$ ⁽³⁾	0.731	0.741	0.745
Average WSPF 2x4 #2 & Btr lumber price (US\$) ⁽⁴⁾	\$386	\$446	\$363
Average WSPF 2x4 #2 & Btr lumber price (\$) ⁽⁵⁾	\$528	\$601	\$487

(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 Second Quarter 2024 Results

Consolidated Net Earnings

During the second quarter of 2024, we incurred a net loss of \$9.7 million or \$0.24 per share compared to a net loss of \$4.5 million or \$0.11 per share in the previous quarter and net loss of \$9.2 million or \$0.23 per share in the second quarter of 2023.

Lumber Operations

Our lumber production in the second quarter of 2024 totalled approximately 34 million board feet, representing operating rates of approximately 57% of annualized capacity. Second quarter production was negatively impacted by a scheduled two-week curtailment at the end the quarter, as well as intermittent periods of reduced shifting capacity, reflecting the wet May and June months which negatively impacted log deliveries. Lumber production of 44.5 million board feet of lumber in the previous quarter reflected more operating days due to stronger lumber pricing and more robust log inventories to support increased operating capacity. Lumber production in the second quarter of 2023 was 32.5 million board feet or approximately 54% of annualized capacity, primarily due to a 4-week production curtailment combined with lower throughput.

Shipments of Conifex-produced lumber totaled 38.5 million board feet in the second quarter of 2024, representing a decrease of 13% from the 44.5 million board feet shipped in the previous quarter due to less operating days and an increase of 24% from the 31.1 million board feet of lumber shipped in the second quarter of 2023 due to more operating days.

Our wholesale lumber shipments dropped to nil in the first and second quarters of 2024 relative to approximately 1.1 million board feet in the second quarter of 2023, as we did not engage in wholesale lumber sales after the fourth quarter of 2023.

Revenues from lumber products were \$25.0 million in the second quarter of 2024 representing a decrease of 15% from the previous quarter and an increase of 33% from the second quarter of 2023. Compared to the previous quarter, lower shipment volumes due to a reduced operating configuration and lower mill net realizations on lower lumber market prices contributed to the lower revenue. The revenue increase in the current quarter over the same period in the prior year was largely a result of higher shipment volumes and higher mill net realizations.

Cost of goods sold in the second quarter of 2024 decreased by 14% from the previous quarter and increased by 8% from the second quarter of 2023. The decrease in cost of goods sold from the prior quarter was mainly due to decreased shipment volumes, and the increase in cost of goods sold from the second quarter of 2023 from increased shipments. Unit manufacturing costs in the second quarter of 2024

increased in comparison to the previous quarter as a result of a lower mill production to scale costs over and decreased in comparison to the second quarter of 2023 as a result of lower log costs slightly offset by higher conversion costs. We recorded inventory valuation reserves of \$0.7 million in the second quarter of 2024 compared to \$1.1 million in the first quarter of 2024 and \$0.7 million in second quarter of 2023. Inventory valuation reserves decreased in comparison to the previous quarter primarily due to a decrease in total inventory volume.

We expensed countervailing (“CV”) and anti-dumping (“AD”) duty deposits of \$1.1 million in the second quarter of 2024, \$1.4 million in the previous quarter and \$1.0 million in the second quarter of 2023. The duty deposits were based on a combined rate of 8.05%. The export taxes during the second quarter of 2024 were lower than the previous quarter due to a decrease 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 38.0 GWh of electricity under our EPA with BC Hydro in the second quarter of 2024 representing approximately 70% of targeted operating rates. Our Power Plant sold 56.0 in the first quarter of 2024 and 43.5 GWh of electricity in the second quarter of 2023. Production in the second quarter of 2024 was lower than in the first quarter of 2024 because of a three-week extension to the planned annual shutdown relative to the annual shutdown executed in 2023. The extension was a result of found work that was identified during the regular planned outage.

Electricity production contributed revenues of \$4.5 million in the second quarter of 2024, \$8.2 million in the previous quarter and \$4.8 million in the second quarter of 2023. Lower production and seasonally lower rates per MWh in the second quarter of 2024 relative to the first quarter of 2024 resulted in lower revenues.

Selling, General and Administrative Costs

Selling, general and administrative (“SG&A”) costs decreased between the second quarter and first quarter of 2024 and decreased between the second quarter of 2024 and the second quarter of 2023. SG&A costs were \$1.9 million in the second quarter of 2024, \$2.6 million in the previous quarter and \$3.3 million in the second quarter of 2023. The decrease in SG&A costs relative to the previous quarter was largely due to a decrease in outstanding share based compensation, and the decrease in SG&A costs relative to the second quarter of 2023 was due to decrease in outstanding share based compensation and a reduction in overhead costs.

Finance Costs and Accretion

Finance costs and accretion totaled \$2.8 million in the second quarter of 2024, \$1.3 million in the previous quarter and \$1.3 million in the second quarter of 2023. The increase in finance costs quarter over quarter and year over year were primarily due to costs associated with the repayment and retirement of the Wells Fargo Facility.

Other Income

We recognized minimal other income in the second quarter of 2024 and in the comparative quarter of 2023. In the first quarter of 2024, we recognized \$3.0 million in other income for insurance proceeds from the loss of our Osilinka logging camp. Insurance proceeds were received in the second quarter of 2024.

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\$0.731 for each Canadian dollar during the second quarter of 2024, a level which represented a modest weakening 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 nominal foreign exchange

translation gain in the second quarter of 2024, compared to a foreign exchange translation gain of \$0.3 million in the previous quarter and a loss of \$0.3 million in the second quarter of 2023.

Income Tax

We recorded income tax recovery of \$2.7 million in the second quarter of 2024, \$0.5 million in the previous quarter and \$3.2 million in the second quarter of 2023. The increase in recovery in the second quarter of 2024 relative to the first quarter of 2024 is due to an increase in the net loss from the previous quarter, and the decrease in recovery in the second quarter of 2024 relative to the second quarter of 2023 is due to a decrease in the net loss.

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 June 30, 2024, we have recognized deferred income tax assets of \$6.7 million.

Financial Position and Liquidity

Overall debt was \$73.8 million at June 30, 2024 compared to \$61.7 million at March 31, 2024 and \$65.9 million at June 30, 2023. The increase in overall debt between the second and first quarter was driven by the closing of the PenderFund Term Loan in June with total allowable borrowings of \$25 million with \$22.5 million drawn, offset by the repayment of the outstanding amount on the Wells Fargo Facility in the amount of \$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 a substantial portion of our outstanding long term debt. At June 30, 2024, we had \$48.5 million outstanding on our Power Term Loan, while our remaining long term debt consisting of leases, was \$2.2 million.

At June 30, 2024, after repaying the Wells Fargo Facility, we had available liquidity of \$13.4 million comprised of unrestricted cash of \$10.9 million and \$2.5 million available under the PenderFund Term Loan. This is an increase from our available liquidity of \$10.2 million as at March 30, 2024 and a decrease from our available liquidity of \$18.1 million as at June 30, 2023. The change in liquidity in the second quarter of 2024 compared to the second quarter of 2023 is due primarily to the elimination of the Wells Fargo Facility of \$25 million. Having re-commenced operations at our sawmill following a shutdown at the end of June, we anticipate a corresponding increase to our working capital needs for inventory build-up.

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\$36.2 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

As we are well into the third quarter of 2024, we believe that the bottom of lumber prices are behind us with the continued announcements of production curtailments from other lumber producers. We continue to responsibly evaluate our operating configuration in the sawmill to optimize working capital requirements with cashflows. With the length of our supply chain in the waterborne transport, northern region of the Mackenzie TSA we are closely managing our log inventories with the potential strike from our rail transportation providers.

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 are 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. We are expecting our third quarter EBITDA will improve slightly from second quarter, and fourth quarter EBITDA to be much improved over the third quarter.

Conference Call

We have scheduled a conference call on Tuesday, August 13, 2024 at 2:00 PM Pacific time / 5:00 PM Eastern time to discuss the second quarter 2024 financial and operating results. To participate in the call, please dial toll free 1-800-806-5484 and enter the participant passcode 7803003#. The call will also be available on instant replay access until October 4, 2024 by calling 1-800-408-3053 and entering the participant passcode 2888896#.

Our management's discussion and analysis and financial statements for the quarter ended June 30, 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 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; the availability and use of credit facilities or proceeds therefrom; future capital expenditures; expectations regarding our liquidity levels; 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 31, 2024 and our management's discussion and analysis for the year ended December 31, 2023 and the quarter ended March 31, 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.