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# Stakeholder Engagement and Partnerships to support Forest Sector Transformation



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# 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. Forward-looking information involves 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 information including those matters described in the Company's annual information form for the year ended December 31, 2015, available on SEDAR. Although the forward looking information in this presentation is based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with this forward-looking information. This forward-looking information is provided as of the date of this presentation and, subject to applicable securities laws, the Company assumes no obligation to update or revise such information to reflect new events or circumstances.

# Outline of Presentation

- Introduction
- Vision and Strategy
- Bioenergy Segment
- Innovation and Transformation
- Stakeholder Engagement Principles
- Forest Sector BioCleantech Value Proposition
- Role for Government



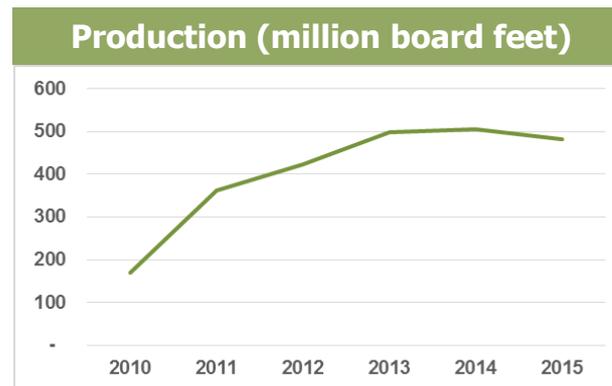
“We plan to continue to invest in our assets to maintain and enhance our competitive position and generate attractive returns.”



# Conifex Timber Inc.

## Conifex Timber Inc. – Overview

General	<ul style="list-style-type: none"><li>Publicly traded forestry and sawmilling company recently completed a power generation project and positioned to pursue a US expansion</li></ul>
Operations	<ul style="list-style-type: none"><li>Current annualized lumber production of 500 million board feet sold in US, China, Japan and Canada</li><li>Fibre basket supports capacity operations in BC</li></ul>
Growth Potential	<ul style="list-style-type: none"><li>Power generation facility reporting revenues and cash flow from May 2015</li><li>Potential for significant increase in lumber production and cash flow from Arkansas</li></ul>
Financial	<ul style="list-style-type: none"><li>21.1 million basic shares outstanding, symbol CFF</li><li>1H 2016 revenue of \$203 million; net income (normalized) of \$2.3 million; EBITDA of \$15.9 million</li></ul>



# Conifex Vision and Strategy

## VISION

Build a premier  
next-generation forest company



## STRATEGY

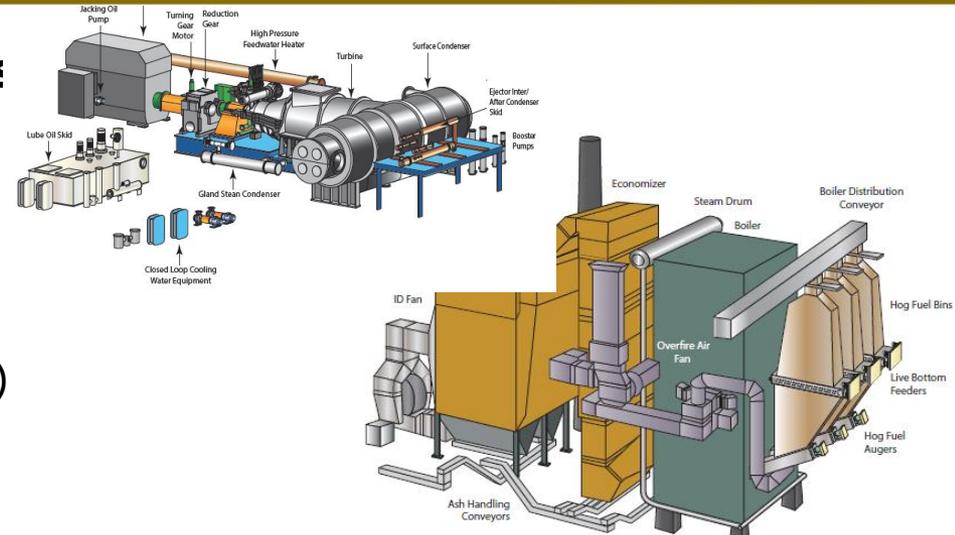
- Leverage our Canadian assets and strong timber base
- US growth for increased shareholder returns and cash flow sustainability
- Develop new revenue streams around our core lumber business



# New Revenue Streams- Bioenergy Segment - Conifex Power

## Integrated with Sawmill Operations and existing Assets

- Rankine Cycle, Simple Cycle Steam
- Biomass Fired BFB Boiler (refurbished)
- Steam Turbine Generator (new)
- State of the art fuel handling facility (new)



## Size and Performance:

- 280,000 Lbs/hr of Steam
- 36MW/hr generation

## Fuel Requirement:

- 172,000 ODT's per annum (20-30 ODT's/hr)
- 9000 Truck loads of hog (wet) and shavings (dry)

## Output

- 230 GWh/yr clean energy (20,000 BC Homes)



# Key Partners on Conifex Power

- EPCM Project Partners
  - Construction management
  - Engineering/Technical
- Construction
- Turbine Supplier
- Boiler Refurbishment
- Financing Syndicate – led by
- EPA/Load Displacement



# Project Benefits

## Public

- ✓ 230 GWh/yr clean energy (20,000 BC Homes)
- ✓ \$103 M investment
- ✓ 24 new jobs in Mackenzie, BC
- ✓ Stability for the community

## Benefits to Conifex

- ✓ a stable and diversified revenue source from C\$ fixed price 20 year contract
- ✓ assured markets for a portion of our sawmill residuals
- ✓ platform for expertise in feedstock handling
  - \$12 M fuel handling facility
  - whole tree trial program
- ✓ enhances long-term competitiveness of our Mackenzie site





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# What's Next for the Forest Sector?

Higher Value Add, More Transformation



LignoForce



UPM BioVerno



ENSYN



Licella



conifex.com

# Innovation Investment Criteria

Acceptable returns and contributions to EBITDA

Integration with our existing operations

Reduce volatility of lumber business cash flows

Higher prices for residuals

Fit with our feedstock availability

Commercial/near commercial scale and validation

Revenue certainty from defined products/markets

Clear government certainty acceptable to lenders and/or investors



# Transformation is Hard

## Key Elements

- Alignment of corporate vision
- Decisions on capital allocation
  - competing projects and duty to shareholders
- High functioning deployment team – internal and external
- Multitude of risks to manage
  - Feedstock
  - Technology
  - Financing
  - Market/Offtakes
  - Policy/Regulation



Stakeholder Engagement is part of managing risk

# Stakeholder Engagement Principles

Be clear on the goal

Identify all stakeholders

Communicate Effectively

Connect Stakeholder Interests to your own Goals

Don't forget about Influencers

Relationships are key

# Identify Stakeholders More Complex in BioCleanTech

Current Core Forest Sector Stakeholders	Examples for Lumber Sector	New or Increased Attention Related to BioCleanTech
Government: Departments and Political Level – Federal & Provincial	Forestry, Environment, Trade	Climate Action, Innovation, Jobs, Science, Energy, Economic Development, Transportation
Partners: Suppliers & Consultants	Tend to be proven technology, known players	Technology Developers, new group of advisors, regulatory and GHG expertise
Research Organizations	FPI, Universities, Gov't Research - existing products	FPI, universities, Gov't Research - new products
Sources of Financing	Canadian banks for debt Public markets or cash flow for equity	Govt grants, Investment Banks, Bonds, Private equity – different criteria
Customers / Offtakers	Lumber Distributors, Retailers	Utilities, Oil&Gas, Chemical Industry – different interests/approaches
Others: Media, Communities, First Nations, NGOs	Some experience	Unpredictable

# Communicate Effectively

Be clear about your goals

Clear Message- Do the Work

Refine for Different Audiences

Connect SH Interests to Your Goals - Listen

Work with Industry Peers

Seek out influencers

Continue educating – timing is everything

# Good Messaging from FPAC

## Part of Canada's Social Fabric

**Global Leader in Sustainable Forest Management**

(2015)

**231**

Dependent Communities

(2011)

Employs **233 k**  
across Canada

(2014)

**1,400**  
Aboriginal firms

(2014)

**Scholarship and  
Business Awards**

(2015)

Employ **9,000**  
Aboriginal people

(2010)

## Climate Change Mitigation Partner

**30 by 30 sector challenge:  
only sector to commit against Paris national target**

**66% GHG reduction**  
in pulp and paper sector

(1990-2015)

**Largest area of certified  
forest in the world**

**Reducing Direct  
Emissions**

**Climate Friendly  
Products**

**Forest  
Sequestration**

Source



## Alberta Bioenergy Producers Group

# Bioenergy is an Alberta-grown solution: Opinion



*LIZ BRENNAN*

[More from Liz Brennan](#)



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# Forest Products Value Proposition

Forestry is Ideally placed to help meet Canada's Climate change, economic growth, and innovation targets

Cornerstone of Canada's economy

- \$21.4 B GDP; 233,000 jobs
- 231 forest dependent communities
- Already a climate change mitigation partner

Great potential partner for biocleantech development

- Access to sustainable feedstock supply
- Established industrial sites and infrastructure
- Access to capital

Challenges

- Facing significant headwinds—SLA; fibre supply (BC)
- Traditional low margin business - short paybacks
- Progress in sector but commercialization still early; bankability a major issue

# Role for Government: A Transformation Partner

Risk mitigation through \$ for innovation/ commercialization –

- first time technologies and early stage commercial (first 5?)

Consistent, predictable, and long term government regulation

- acceptable to lenders and/or investors

Tax measures that put us on a level playing field with fossil energy

- expanded eligibility for Canadian Renewable and Conservation Expenses

Support for technology replication / optimization

Green government procurement

Standards development and harmonization (with other jurisdictions)

Supporting innovative partnerships across sectors





# Scaling Up Bio

Delivering Canada's low carbon, bio-based economy through sustainable innovation

November 14 - 16, 2016, Fairmont Château Laurier, Ottawa, Canada



WELCOME

TO THE SCALING UP CONFERENCE

Scaling Up will focus on the opportunity for Canada to be at the innovative leading edge of the low carbon, bio-based economy.



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A scenic photograph of a lake with a white church with a tall steeple on the right side, under a cloudy sky. The church has a prominent, multi-tiered steeple with a dark roof and a cross on top. The lake is in the foreground, and the background shows a forested shoreline and distant mountains under a sky filled with large, white, fluffy clouds.

**Thank you**

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