

Conifex Timber Inc.



CONIFEX

November 2011 Update

Cautionary Statement Regarding Forward-Looking Information Transaction

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. 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
- Review of Recent Results
- Near-term Outlook
- Purchase of Welco's Lumber Marketing and Distribution Business
- Short-term Financing
- Coping with Weak Lumber Markets
- Adding Long-term Value to Conifex

Formation of Conifex

- **Since inception in 2008, we have used the proceeds from our equity issues**
 - To purchase three sawmills and associated harvest rights,
 - Re-start two mills on a one-shift basis, initially, moving to two-shifts in Q2 2011,
 - To upgrade our Fort St. James mill with \$30 million in capital expenditures, and
 - To exploit financially rewarding opportunities in the bioenergy sector.
- **We segmented the fibre base and assets we purchased into a**
 - Focused, cost competitive, value-added lumber segment shipping the majority of product to the Asian residential construction and commercial / industrial markets, and the remainder to the North American residential construction market, and
 - Significant and leading edge bioenergy segment with a sustainable and profitable future.

Our objective is to build Canada's premier forest company.

Corporate Highlights

- **Acquisitions Completed and Two-Shift Operations Achieved**

- We now have 300 million board feet of two-shift lumber capacity at Fort St. James and 445 million from two sawmills at Mackenzie.
- The tenures supporting these mills total 1.57 million cubic metres of sawlogs annually, and there is good access to purchased fibre in our operating areas.
- We currently operate two of our three sawmill complexes on a two-shift basis with annualized production of 530 million board feet of lumber.
- We just completed a \$30 million modernization and upgrade at Fort St. James, and are about to embark upon a cogeneration project at Mackenzie with an estimated cost of approximately \$60 million.

- **Financing Completed and Balance Sheet is Strong**

- In June 2010, we secured \$89 million in gross proceeds at a share offering price of \$8.25.
- Chinese steel company – Hebei Wenfeng Industrial Group – and Conifex directors own approximately 40% of Conifex.

Conifex was established three years ago as a high-performing company to pursue opportunities in the BC forestry, sawmilling and bio-energy sectors.



Results in Brief

	2011				2010		
	Q1	Q2	Q3	9 Months	Q2	Q3	9 Months
Benchmark Price (C\$)	293	232	241	255	271	230	260
Shipments	62.5	81.5	115.4	259.4	34.2	44.4	116.1
Production	63.6	102.4	101.6	267.6	41.3	39.3	120.1
Revenues (\$)	21.2	26.9	38.2	86.3	12.6	14.4	39.1
EBITDA (\$)	(1.2)	(0.8)	0.6	(1.6)	(0.9)	(1.8)	(3.5)
Export (%)	44%	83%	72%	68%	41%	49%	41%

- Major capital expenditure program at Fort St. James was completed on budget in March 2011.
- Mackenzie Site II sawmill commenced one-shift operations in November 2011.
- Second shifts were added to both locations in late March 2011. Operating rate of 55% during Q2 and Q3 2011 and 48% YTD 2011 compared to 21% YTD 2010.
- Year over year EBITDA improvement of \$1.9 million despite lower average lumber prices.

Financial Position in Brief

	As at	
	June 30, 2011 (\$millions)	September 30, 2011 (\$millions)
Cash	7.8	8.9
Other Current Assets	33.3	35.3
Total Current Assets	41.1	44.2
Current Liabilities	11.6	16.0
Net Working Capital	29.5	28.2
Long-term Assets	80.4	80.0
Non-interest bearing long-term liabilities	7.3	7.8
Long-term Debt	12.5	12.4
Shareholders' Equity	90.2	88.1

- In November 2011, we entered into a financing agreement pursuant to which we will issue total promissory notes of \$12 million and 325,000 share purchase warrants. The notes bear average interest rate of approximately 11% and expire December 31, 2012.
- In November, 2009, we arranged \$10.0 million of convertible note financing. The notes are convertible at \$8.00, have a five year term, and carry an interest rate of 2.5% for the first three years to be settled in common shares, and 10.5% payable in cash for the following two years. \$5.3 million of the amount of convertible notes is recorded as long-term debt, and \$5.2 million has been recorded as shareholders' equity classified as "Conversion option on convertible notes".
- In August, 2009, we secured a loan facility of \$8.5 million under the Community Adjustment Fund ("CAF") loan program. The loan is at a fixed interest rate of 3.75% and is repayable over five years commencing June 1, 2011. The loan facility was fully drawn by September 30, 2011 and repayments have been made as scheduled since June 2011.

Near-term Outlook

Lumber market prospects for 2012 will be shaped by

- Timing and magnitude of production curtailments
 - Average Q4 2011 lumber prices will be lower than Q3 2011
 - Lumber prices are expected to improve during 1H 2012 even if demand remains flat due to supply contractions from additional downtime taken at higher cost mills
- Timing of rebound in shipments to China
 - China remains a very promising market due to its size, rate of economic growth and long-term structural deficit in softwood fibre
 - Demand from China, most notably for lower grade products, has moderated due to oversupply from BC during 1H 2011 resulting in wider and more traditional price spreads between #2 & Btr and lower grade products
 - We expect our mills net to be higher than those of the typical Interior BC lumber producer because we produce a higher portion of #2 & Btr and premium grades

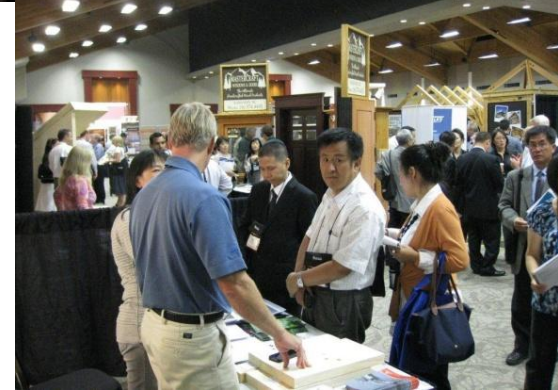
Summary of Q4 Outlook

- Somewhat higher corporate costs as we undertake a number of initiatives to develop longer term opportunities
- Our goal to achieve Q4 breakeven EBITDA will be difficult to attain due to higher corporate costs coupled with the impact of lower lumber prices

Welco Acquisition Summary

Summary of definitive agreement:

- We are purchasing the commodity lumber distribution business of Welco and the transportation and logistics business of Navcor, which are the parts of their businesses that handled the marketing and delivery of Conifex lumber for the past three years.
- To acquire these businesses, we will pay
 - \$1.6 million for the business we are purchasing
 - Commissions for three years on an earn-out shared commission basis, payable only on incremental revenue from sales of third party lumber products
 - Total acquisition cost to internalize marketing and logistics functions is estimated at \$2.3 to \$2.5 million. Payback via reduced future marketing expense is approximately three years.
 - The transaction is expected to close December 31, 2011.



Internalizing these functions allows us to “own” customers in key markets, develop customized sales programs, and lower marketing expense.

Short – Term Financing

- **The short-term credit facility with a one-year term we have secured is our optimal solution at this time because:**
 - It provides immediate liquidity on flexible terms
 - It allows us to continue to pursue critical path activities on our cogeneration project and prepare our project for financing initiatives while we await BCUC approval
 - It provides us with adequate time to seek out and secure the best possible terms and conditions on our permanent credit facilities
- We agreed to a higher borrowing rate in the short term (with early payment flexibility) to gain time to negotiate more attractive terms on permanent financings we expect will be available to us when uncertainties surrounding our Mackenzie cogeneration project have been removed.
- **Terms of senior secured financing agreement:**
 - We will issue promissory notes in aggregate principal amount of \$12 million
 - The promissory notes expire on December 31, 2012 and bear interest rates of 10% for the first six months and 12% for the remaining term
 - We may redeem the notes in whole or in part upon 15 days notice at par without penalty or additional costs other than accrued interest
 - We will issue at time of funding share purchase warrants entitling holders to purchase up to an aggregate of 325,000 common shares of the unissued capital stock of the Company at a price of \$9.50 per share until December 31, 2014

Coping with Weak Lumber Markets

In the short -term

- We do not plan to take any material downtime
- We expect costs will continue to improve as our recently implemented two-shift operating formats at both mills become more established. We do not plan to accelerate capital spending.
- We plan to move more of our production to Japan
 - Japan is our most lucrative market given the superior prices paid for premium products
 - Our products intersect with recent market trends favoring kiln-dried lumber over green lumber and deliveries by container over deliveries by break bulk
 - Wood frame construction now accounts for 55% of all housing starts in Japan and the 2x4 component has been steadily increasing
 - Lumber demand should increase over the next five years from rebuilding activities required as a result of the recent natural disasters
 - Potential for increased use of wood in commercial and industrial applications



Adding Long-term Value to Conifex

- **We intend to capture more revenue from our fibre basket and wood residuals**
 - By constructing a \$60 million electric power cogeneration facility at Mackenzie with target EBITDA of nearly \$1 million per month beginning in Spring 2013
 - By re-starting a presently idled sawmill at Mackenzie and increasing lumber production by almost 40% from current potential of 530 million board feet per annum
 - By exploring opportunities to use surplus sawmill and harvest residuals under our control and direction in the bioenergy, biofuel, and bio-product areas



The cogeneration facility is the best way we know to generate more cash from our residual fibre, add stability to results, and improve the value of our company.

Conifex Power Inc.



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