



ACQUISITION OF BLUE WOLF SAWMILLS



May 2018



CONIFEX

PRESENTATION OUTLINE



Acquisition – purchase of two modern sawmills in the US South



Transaction – purchase price and financing plan



Transformative – a stronger and more profitable business



Q & A



Cautionary Statement Regarding Forward Looking Information

Certain statements in this document 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 document, 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 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 document include statements regarding: satisfaction of the conditions to the completion of the acquisition in a timely manner, if at all, uncertainties related to the realization of the anticipated benefits of the acquisition, expected future production levels] general economic and business conditions, product selling prices, raw material and operating costs and changes in foreign-currency exchange rates. Assumptions underlying Conifex’s expectations regarding forward-looking information contained in this document include, among others: that the conditions to completion of the acquisition will be satisfied, targeted operating levels will be achieved as planned. Conifex will be able to effectively market its products; that the U.S. housing market will continue to improve; that there will be no disruptions affecting the operations of the Mackenzie Power Plant and that Conifex will be able to achieve timely delivery of power therefrom; that softwood lumber will experience sustained demand in the marketplace; the general stability of the economic, political and regulatory environments within the countries where Conifex conducts operations; that interest and foreign exchange rates will not vary materially from current levels; that the equipment at our mills and power generation facility will operate at expected levels; and that management will effectively execute Conifex’s strategy to grow and add value to its 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 the integration of newly acquired operations, potential disruptions to production and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other 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); shipping or logging disruptions; and other risk factors described in Conifex’s 2017 annual information form and other public filings available on SEDAR at www.sedar.com. 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 law.

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Further information is available at www.conifex.com and www.sedar.com



Transaction

- Definitive agreement to purchase two modernized US mills from Blue Wolf Capital Partners, LLC
- Acquisition adds 370 million board feet of Southern Yellow Pine (SYP), a 200% increase in US South capacity
- Conifex's total dimension lumber capacity increases from 720 million to 1.1 billion board feet

Impact

- More than 50% of Conifex's lumber production will come from the high-margin US South
- Producing mills, benefitting from recent upgrades, located in strong fiber baskets



Transaction Highlights

- Lumber capacity increases by 52%, to over 1 billion board feet
- Pro-forma, more than 50% of lumber production will come from the high-margin US south region
- Blue Wolf will own 19.9% of Conifex and nominate two directors to the Board:
 - Mr. Charles Miller
 - Mr. George Judd
- Diversifies revenue and adds management experience
- Immediate EPS accretion

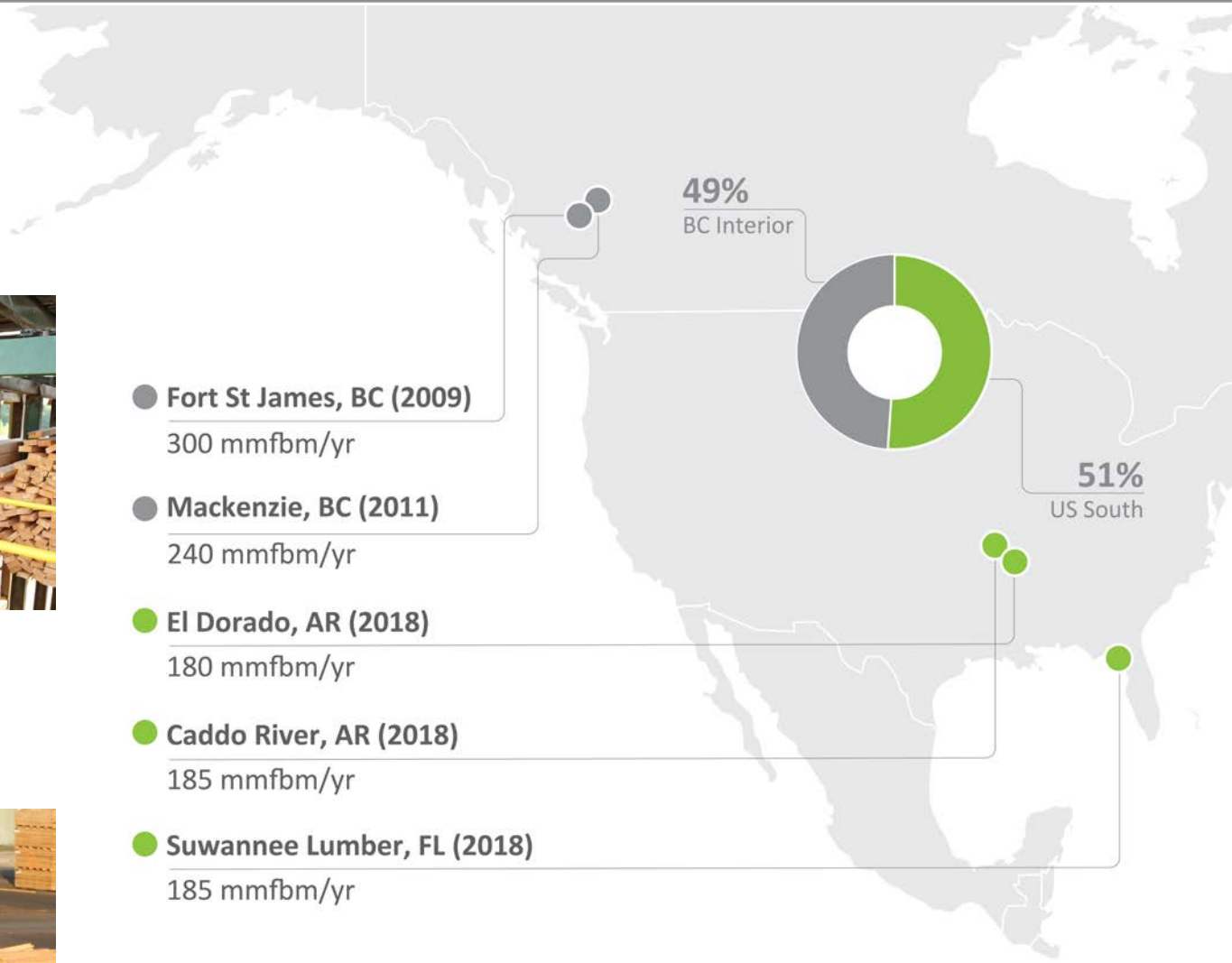
Capacity (mmfbm) – pro forma

Mackenzie, BC	240
Fort St James, BC	300
El Dorado, AR	180
Cross City, FL (Suwannee)	185
Glenwood, AR (Caddo River)	<u>185</u>
	1,090

- Overall lumber production planned to reach approximately 90% capacity utilization in 2019



FIVE NORTH AMERICAN MILLS and 1 BILLION BOARD FEET





Suwannee Lumber Company

Cross City, Florida

- SYP dimension lumber capacity:
 - 185 million board feet
- 60% of mill output is decking, with the balance kiln dried SYP dimension lumber
- Recently completed significant capital upgrades (2013 – 2017):
 - ✓ a new continuous dry kiln
 - ✓ replacement of planer
 - ✓ installed automated lumber scanning and grading technology
 - ✓ upgraded log handling and processing functions

Caddo River Forest Products

Glenwood, Arkansas

- SYP dimension lumber capacity:
 - 185 million board feet
- 80% of mill output is kiln dried SYP dimension lumber, with the balance decking
- Completion of major modernization and upgrade (Q2/17)
- A second continuous dry kiln is under construction and will be complete in June 2018



Operational Integration

The acquisition of the two mills in the US South provides Conifex:

- An opportunity to attract and retain a deeper and more seasoned leadership team in the US South supply region
- A strong business platform, with an opportunity to optimize corporate services and duplicate the effective structure we have in place in the Interior region of BC
- An opportunity to identify and adopt best practices across our manufacturing base in the US South and BC





Source of Funds (US\$, millions)

Share Consideration	\$50
Warrants	\$4
Acquisition term loan	\$108
Revolver	\$16
Supplemental Financing	\$50
Total	\$228

Use of Funds (US\$, millions)

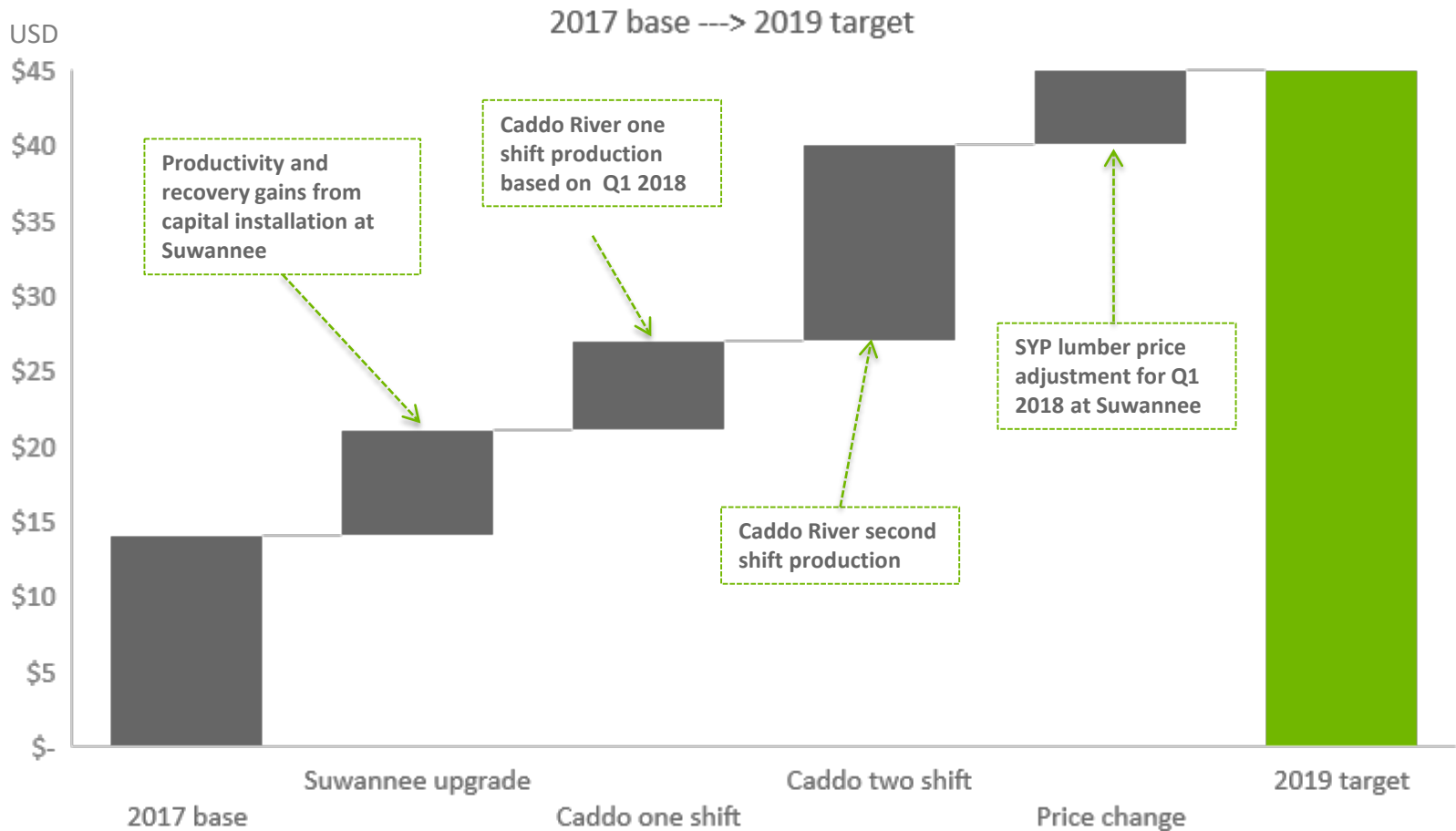
Purchase of Equity	\$204
Purchase of Working Capital	\$16
Total Fees	\$8
Total	\$228

Capital Sources

- Blue Wolf will subscribe for up to US\$50M in Conifex equity, and will own ~19.9% of Conifex. Conifex is also considering supplemental financing to raise approx. US\$50 million through various long term financing alternatives, including equity, debt or convertible instruments to enhance financial flexibility.
- Conifex has received from a US bank, a commitment for a new credit facility in the amount of US\$220 million, with a term of five years to partially finance the acquisition, replace its current facility, and for general working capital.



Illustrative 2019 EBITDA for acquired mills



Note: Does not include synergies



Transaction is compelling for Conifex shareholders

- Current analysts' consensus EBITDA target is approx. C\$70M
- Targeted incremental EBITDA from the modernized acquired mills, along with EBITDA from existing operations will comfortably support incremental debt
- Benefit from ramp up of production at Caddo River mill
- Near term capital spending requirements are modest, supporting robust free cash flow generation
- Cash flows benefit from recent significant capital investment in US mill modernizations, providing material tax shelter
- Affordable acquisition multiple expected to drive EPS and CFPS accretion



Strategic benefits, value creation, and investment rationale

- ✓ Increases our footprint to more than 1 billion board feet of annual lumber capacity
- ✓ Establishes a unique profile for a Canadian-listed public company, with a majority of production and EBITDA sourced from the high-margin US South supply region
- ✓ Adds immediate cash flow, with nominal capital spending requirements, strengthening free cash flow generation
- ✓ Broadens our portfolio of Southern Yellow Pine products, including the introduction of decking
- ✓ Enables Conifex to leverage its existing lumber marketing and logistics services capabilities
- ✓ Accretive to near term earnings and cash flow per share
- ✓ Results in a larger market capitalization and improves trading liquidity

