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What will it take to accelerate Forest Sector Partnerships for a Low-Carbon Bio-Based Economy?

Scaling Up Conference

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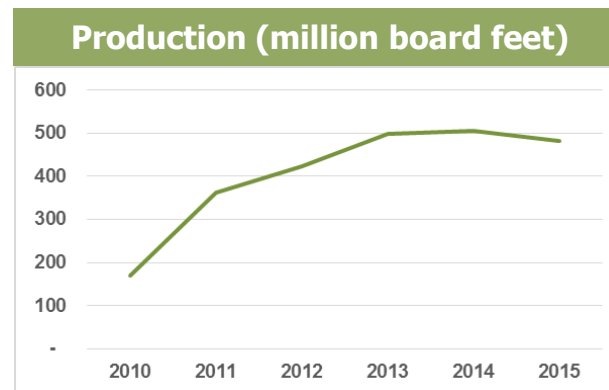
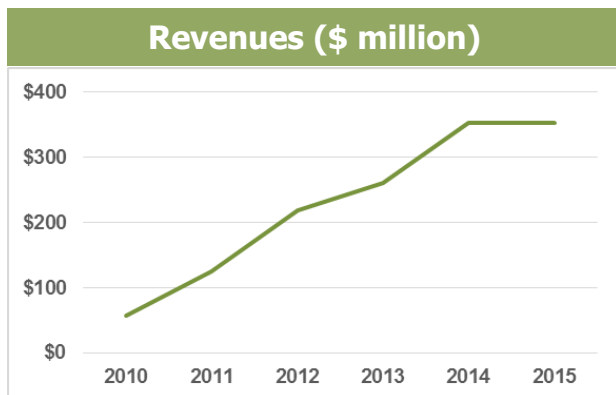
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Conifex Timber Inc.

Conifex Timber Inc. – Overview

General	<ul style="list-style-type: none">Publicly traded forestry and sawmilling company recently completed a power generation project and positioned to pursue US expansion
Operations	<ul style="list-style-type: none">Current annualized lumber production of 500 million board feet sold in US, China, Japan and CanadaFibre basket supports capacity operations in BC
Growth Potential	<ul style="list-style-type: none">Power generation facility reporting revenues and cash flow from May 2015Potential for significant increase in lumber production and cash flow from Arkansas
Financial	<ul style="list-style-type: none">21.1 million basic shares outstanding, symbol CFFTTM revenue of \$408 million; net income (normalized) of \$3.4 million; adjusted EBITDA of \$31.6 million



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



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:

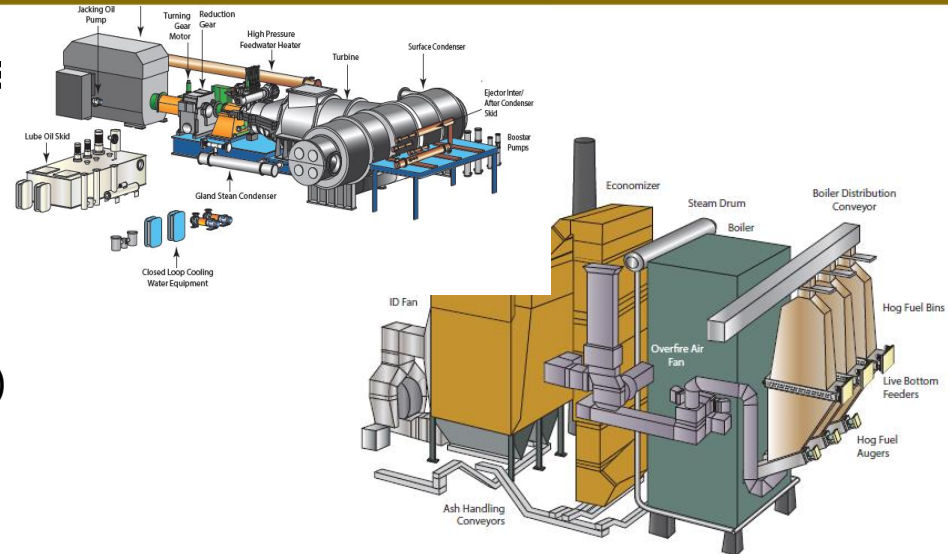
- 280,000 Lbs/hr of Steam
- 36MW/hr generation

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)



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

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
- ✓ enhanced long-term competitiveness of Mackenzie site





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What's Next for the Forest Sector?

Higher Value Add, More Transformation



UPM BioVerno



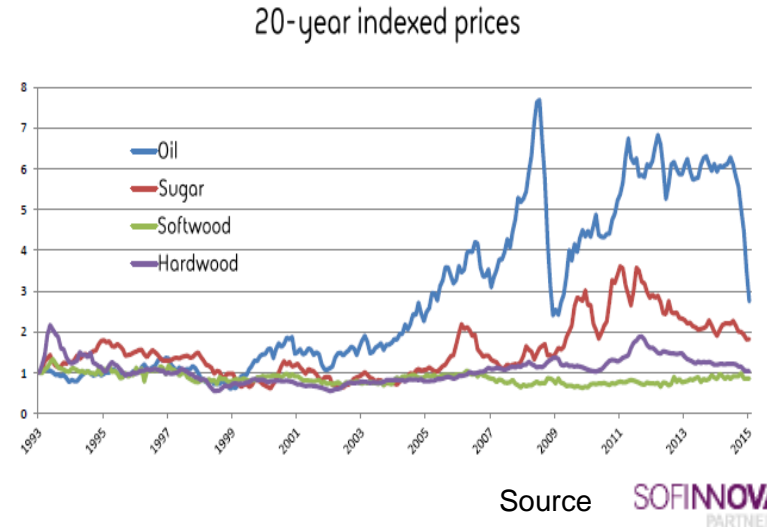
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Where Do Forest Products Fit in Bioproducts World?

- Feedstock is a major cost component
 - typically 40-60% of total project costs
 - fuel supply crucial to financing
- Preference for wood over food derived feedstocks
 - lowest price volatility
 - generally lower prices than ag
 - \$US 50-60 average available yr round
 - relatively easy to transport and store
 - avoids food vs fuel concerns



Feedstock control/knowledge is forest products core competency - may also bring project development, operational, technical, and financial skills

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
- Progress in sector but commercialization still early
- financing is a major issue

Transformation is Hard

Key Elements

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



Innovation Investment Criteria

- Acceptable returns and contributions to EBITDA
- Integration with existing operations
- Reduce volatility of lumber business cash flows
- Greater and higher price stability for residuals
- Fit with feedstock availability – type, volume
- Commercial/near commercial scale and validation
- Revenue certainty from defined products/markets
- Government policy certainty acceptable to lenders and/or investors



Many Stakeholders in the Bioeconomy

Current Core Forest Sector Stakeholders	Examples for Lumber Sector	New or Increased Attention Related to BioCleanTech
Government: 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

What Will it Take to Scale-up ?

Government

- Coordination between departments federally and provincially
- Consistent, predictable, long term government regulation - acceptable to lenders
- Risk mitigation \$ support for commercialization and replication
- Level tax playing field with fossil-expanded eligibility for Cdn. Rnwbl. Cons. Exp.
- Green government procurement
- Policy/Standards development and harmonization with other jurisdictions
- Encouraging and supporting innovative partnerships across sectors

Forest Sector

- Enhancing competitiveness in our core business
- Educating government, industries, and public and private financing markets
- Enhanced cooperation within and across sectors
- Continued commitment to being a climate change leader

Other Stakeholders

Offtakers, Markets,
Research, Media,
NGOs, etc.

- View forest products sector as a partner not just a feedstock or capital supplier
- Offtakers/markets need to be invested – easier in some sectors than others
- Analysis and assessment of best opportunities; more mission critical research
- Enhanced stakeholder engagement with media, dialogue with NGOs