CONIFEX TIMBER INC.

NEWS RELEASE: via MARKETWIRE FOR IMMEDIATE RELEASE

Conifex Announces Record Second Quarter Results

Reports record Adjusted EBITDA and EBITDA

August 10, 2017, Vancouver, B.C. - Conifex Timber Inc. ("Conifex", "we" or "us") (TSX: CFF) today reported results for the second quarter ended June 30, 2017. Adjusted EBITDA* in the second quarter of 2017, which excludes countervailing duty ("CVD") deposits of $4.6 million, was a record $14.8 million, compared to $6.1 million in the first quarter of 2017 and $9.0 million in the second quarter of 2016. Compared to the previous quarter, an improvement in lumber segment adjusted EBITDA of $10.3 million was partially offset by seasonally lower bioenergy segment adjusted EBITDA and foreign exchange translation loss. Compared to the second quarter of 2016, lumber segment adjusted EBITDA improved by $6.7 million and bioenergy segment adjusted EBITDA was lower by $0.6 million.

Selected financial and operating highlights for each of the comparison periods are provided below.

	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
	(millions of dollars except share and per share amounts and as otherwise noted)				
Financial Highlights					
Sales – lumber segment	$ 111.7	$ 93.5	$ 98.7	$ 205.2	$ 190.5
Sales – bioenergy segment	4.7	6.8	5.0	11.6	12.7
	$ 116.4	$ 100.3	$ 103.7	$ 216.8	$ 203.2
Adjusted EBITDA	$ 14.8	$ 6.1	$ 9.0	$ 20.9	$ 15.9
Operating income (loss)	$ 6.4	$ 1.5	$ 5.1	$ 7.9	$ 8.1
Net income (loss)	$ 4.2	$ (1.4)	$ 35.2	$ 2.8	$ 63.7
Net income (loss) per share – basic	$ 0.16	$ (0.06)	$ 1.67	$ 0.12	$ 3.01
Net income (loss) per share – diluted(1)	$ 0.16	$ (0.06)	$ 1.54	$ 0.12	$ 2.78
Shares outstanding – weighted average (millions)	26.3	22.5	21.1	24.4	21.1
Operating Highlights					
Lumber production (MMfbm)	131.6	123.7	134.7	255.2	270.5
Lumber shipments – Conifex produced (MMfbm)	128.5	110.7	138.4	239.2	265.4
Lumber shipments – wholesale (MMfbm)	38.4	41.0	41.0	79.4	81.7
Electricity production (GWh)	51.0	46.3	55.1	97.3	110.0
Average exchange rate – US$/Cdn$(2)	0.744	0.756	0.776	0.750	0.752
Average WSPF 2x4 #2&Btr lumber price (US$)(3)	$ 388	$ 348	$ 311	$ 368	$ 292
Reconciliation of adjusted EBITDA to Net Income (Loss)					
Net income (loss)	$ 4.2	$ (1.4)	$ 35.2	$ 2.8	$ 63.7
Add: Finance costs	$ 1.7	$ 2.6	$ 2.3	$ 4.3	$ 4.8
Amortization	$ 4.3	$ 4.9	$ 3.9	$ 9.2	$ 8.7
EBITDA(4)	$ 10.2	$ 6.1	$ 41.4	$ 16.3	$ 77.2
Less: Gain on sale of asset	$ -	$ -	$ (19.0)	$ -	$ (48.0)
Less: Gain on revaluation	$ -	$ -	$ (19.2)	$ -	$ (19.2)
Add: Impairment of property, plant and equipment	$ -	$ -	$ 5.8	$ -	$ 5.8
Add: Lumber export duty deposits	$ 4.6	$ -	$ -	$ 4.6	$ -
Adjusted EBITDA*	$ 14.8	$ 6.1	$ 9.0	$ 20.9	$ 15.9

Notes:

(1) Diluted net income per share excludes the assumed conversion of convertible notes and/or the exercise of warrants if the effect on net income per share is anti-dilutive.

(2) Source: Bank of Canada, www.bankofcanada.ca.

(3) Source: Random Lengths Publications Inc.

(4) The Company's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization.

*Adjusted EBITDA is calculated to exclude unusual items or items that are not ongoing and do not reflect ongoing operations of the Company. The Company's adjusted EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization, and gains or losses from asset sales, disposals or revaluations, and preliminary lumber export duty deposits. The Company discloses EBITDA and adjusted EBITDA as they are measures used by analysts and by Conifex's management to evaluate the Company's performance. As EBITDA and adjusted EBITDA are non-GAAP measures, it may not be comparable to EBITDA and adjusted EBITDA calculated by others and is not a substitute for net earnings.

Overview

Our revenues totaled $116.4 million in the second quarter of 2017, an improvement of 16% over the prior quarter and 12% over the same quarter last year. Our revenue growth over the previous quarter was mainly attributable to a 19% increase in our lumber segment revenues, partially offset by seasonally lower revenues from electricity sales. Our lumber segment revenues increased by 13% and our bioenergy segment revenues declined by 6% compared to the second quarter of 2016.

Operating income, which includes preliminary CVD deposits of $4.6 million on lumber shipments to the U.S., improved to $6.4 million compared to $1.5 million in the previous quarter and $5.1 million in the same quarter last year. Compared to the prior quarter, an increase in lumber segment operating earnings of $5.3 million was partially offset by a modest decline in bioenergy segment operating earnings. Lumber segment operating earnings increased by $1.7 million and bioenergy segment operating earnings were lower by $0.7 million compared to the second quarter of 2016.

Net income for the second quarter of 2017 was $4.2 million, or $0.16 per diluted share, compared to a net loss of $1.4 million or $0.06 per basic share in the previous quarter and a normalized net income of $2.8 million or $0.13 per diluted share in the second quarter of 2016. Net income for the second quarter of 2016 included a net gain of $32.4 million from the sale and revaluations of certain assets and was $35.2 million or $1.67 per basic and $1.54 per diluted share. Year to date net income was $2.8 million, or $0.12 per diluted share, compared to a normalized net income of $2.3 million or $0.11 per diluted share for the same period last year. Including the unusual items above, net income was $63.7 million, or $3.01 per basic and $2.78 per diluted share for the first six months of 2016.

Lumber Segment

Lumber segment adjusted EBITDA, which excludes CVD deposits, was $15.4 million in the second quarter of 2017 compared to $5.1 million in the previous quarter and $8.7 million in the second quarter of 2016. Lumber segment adjusted EBITDA was $20.5 million for the six months ended June 30, 2017 and $13.2 million for the six months ended June 30, 2016.

Prices for the bell-weather WSPF #2 & Btr product averaged US$388 during the second quarter of 2017, an improvement of 11% over the previous quarter and 25% over the second quarter of 2016.[1] The U.S. dollar averaged US$0.744 for each Canadian dollar during the second quarter of 2017, which represented a depreciation of 2% compared to the previous quarter and 4% compared to the same quarter last year.[2]

Revenue from Conifex produced lumber was $70.8 million in the second quarter of 2017. The 25% increase over the previous quarter was generally attributable to 16% higher shipment volumes and a 7% improvement in unit sales realizations. Lumber shipments, which were somewhat hampered by challenging weather conditions and resulted in some logistical constraints in the prior quarter, returned to more typical levels. The higher sales realizations generally reflected stronger lumber prices coupled with a modestly weaker Canadian currency. The growth in revenue of 11% over the second quarter of 2016 was largely due to a 20% improvement in sales realizations partially offset by a 7% reduction in shipment volumes.

[1] As quoted in Random Lengths Publications Inc.

[2] Source: Bank of Canada, www.bankofcanada.ca

Wholesale lumber revenues were consistent in the first and second quarters of 2017 and increased by 10% over the second quarter of 2016. The growth in revenue was primarily attributable to improved sales realizations due to shipment of a higher value product mix.

Lumber production totalled approximately 132 million board feet during the second quarter of 2017 and represented an annualized operating rate of 100% compared to 94% in the previous quarter and 103% in the same quarter last year.

Unit log costs increased by 2% over the previous quarter and 18% over the same quarter last year. The higher log costs were mainly attributable to higher market based stumpage and purchased log costs.

An improvement of 13% in unit cash conversion costs over the previous quarter was mainly attributable to higher operating rates and lower energy and weather related maintenance costs. An increase in unit cash conversion costs of 4% over the second quarter of 2016 was primarily due to lower operating rates.

Preliminary CVD deposits of $4.6 million on lumber shipments to the U.S. were expensed in the second quarter of 2017.

Including the preliminary CVD deposits expense, the lumber segment recorded operating income of $7.1 million in the second quarter of 2017 compared to $1.8 million in the previous quarter and $5.4 million in the second quarter of 2016. Compared to the previous quarter, current quarter lumber segment operating results benefited from higher lumber prices, increased shipments of Conifex produced lumber, growth in revenue from residuals, improved productivity and lower unit cash conversion costs, which were partially offset by CVD deposits and a modest increase in unit log costs.

Compared to the second quarter of 2016, current quarter operating results benefited from higher lumber prices, a weaker Canadian currency and increased residuals revenue, partially offset by payment of CVD deposits, lower shipment and production volumes, and higher unit log and cash conversion costs. Year-to-date lumber segment operating earnings were $8.9 million, an improvement of $2.3 million including CVD deposits, and $6.9 million excluding CVD deposits, over the same period last year.

Bioenergy Segment

Dispatch Notice

Our Electricity Purchase Agreement ("EPA") with BC Hydro, similar to other electricity purchase agreements, provides BC Hydro with the option to "turn down" electricity purchased from independent power producers during periods of low demand by issuing a "dispatch order" outlining the requested dispatch period. In April 2017, BC Hydro issued a dispatch order with respect to, among others, our power generation plant ("the Mackenzie Plant"), advising of a dispatch period of 122 days, encompassing the months of April, June, July and August. Last year, the Mackenzie Plant, among others, was dispatched for 61 days in the second quarter. During the dispatch period, we only produce electricity to fulfill volume commitments under our Load Displacement Agreement with BC Hydro. We continue to be paid revenues under the EPA based upon a reduced rate and on volumes that are generally reflective of contracted amounts.

Operating Results

The Mackenzie Plant sold 51.0 gigawatt hours of electricity under our EPA in the second quarter of 2017, which represents approximately 94% of targeted operating rates, compared to 85% in the previous quarter and 100% in the second quarter of 2016. Electricity sales and plant operating costs in the first quarter of 2017 were impacted by some unplanned outages and challenging weather conditions earlier in the quarter, which somewhat impacted feedstock quality and deliverability.

Electricity revenues of $4.7 million, generally consistent with the same quarter last year, were $2.1 million lower than the previous quarter mainly due to discounted rates during the dispatch period combined with lower seasonal rates. Cash operating costs improved by $1.1 million over the previous quarter and increased by $0.3 million over the same quarter last year. Amortization expense was lower compared to the previous quarter as idled components are not depreciated during the dispatch period.

Bioenergy segment adjusted EBITDA was $4.6 million for the first six months of 2017 compared to $6.6 million in the first six months of 2016 and reflected adjusted EBITDA margin of 40% compared to 52% in the comparative period last year. Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of sales.

The Mackenzie Plant achieved hourly production of 105% of our operating target over the first twelve months of commercial operations. We expect the improvements that we made during the planned maintenance days in June 2017 will result in operating rates approaching historic levels when production resumes in September 2017. Although the Mackenzie Plant will be dispatched for two months in the third quarter of 2017, we expect an improvement in year-over-year quarterly operating performance as results in the third quarter of 2016 were hampered by maintenance downtime.

Liquidity and Capital Resources

Our net debt to capitalization ratio was 38% at June 30, 2017 and December 31, 2016. Excluding the borrowings for our wholly-owned power subsidiary that are non-recourse to our other operations, our net debt to capitalization ratio was 23% at June 30, 2017 compared to 16% at December 31, 2016.

At June 30, 2017, we had total liquidity of $63.0 million, compared to $22.3 million at December 31, 2016 and $44.3 million at June 30, 2016.

Market Outlook

Through the remainder of 2017, we expect average benchmark lumber prices for Western SPF to be similar to average levels achieved in the first six months of this year. We expect continued uncertainty around the softwood lumber dispute, including the suspension of preliminary CVD in September 2017, and timing related to the final determination of CVD and antidumping duty ("ADD") rates and the potential resolution of the dispute, will contribute to further volatility in U.S. market conditions and pricing. We expect prices on the premium grade and lower grade products shipped to Japan and China, respectively, will be primarily determined by traditional supply and demand factors and will not be materially impacted by duties imposed by the U.S. We expect demand and pricing to continue to remain solid in the Japanese and Chinese markets through the balance of the year. We expect our mill net price realizations from the sale of construction grade lumber to the Canadian market will be somewhat discounted as a result of the duty impositions on U.S. exports. We expect that average log costs through the remaining six months of the year will generally remain consistent with those in the first half of 2017.

El Dorado Mill Capital Project

In January 2017, we commenced the construction phase of our capital project to modernize and re-start our El Dorado Mill (the "Project"). Upon completion, the Project is planned to incorporate significant capital upgrades to the log processing yard and sawmill and planer and add two continuous dry kilns. The Project has been designed to maximize both log recovery and lumber grade yield and quality. Upon completion, the El Dorado Mill is expected to have approximately 180 million board feet of annual lumber capacity on a two-shift basis. We expect to complete the Project by or about the end of the third quarter or early in the fourth quarter of this year.

Management currently estimates that the Project will require capital expenditures of approximately US$50 million, consisting of approximately US$27 million for equipment and materials, US$16 million in subcontract costs and US$7 million for indirect costs, including engineering, construction management, freight and project contingency. At June 30, 2017, approximately 77% of budgeted expenditures had been committed. The Project is currently within management’s budgeted amounts and progressing as scheduled.

We believe our planned expansion into the U.S. South will provide an important source of revenue diversification and reduce cash flow volatility in our lumber segment, particularly in light of punitive trade actions on Canadian softwood lumber recently initiated by the U.S.

Update on Softwood Lumber Dispute

On April 24, 2017, the U.S. Department of Commerce (“USDOC”) announced its preliminary determination on CVD and imposed a preliminary duty rate of 19.88% on a majority of Canadian lumber producers’ lumber shipments into the U.S., including Conifex. During the second quarter of 2017, we recorded an operating expense of $4.6 million related to the CVD deposits. On June 26, 2017, the USDOC announced its preliminary determination on ADD and imposed a preliminary duty rate of 6.87% on our lumber shipments into the U.S. We did not incur any expense related to the ADD deposits in the second quarter of 2017.

The USDOC also made a preliminary determination that “critical circumstances” existed, which resulted in CVD and ADD deposits applying retroactively for the 90 days prior to April 28, 2017 and June 30, 2017, respectively. We have not paid or accrued any retroactive CVD or ADD deposits, which could total US$5.6 million and US$1.6 million, respectively. Management believes, similar to management of other lumber producers, that the critical circumstances finding by the USDOC will not be upheld by either the USDOC or the U.S. International Trade Commission (“USITC”) in their final determinations.

Like other Canadian forest product companies, the Federal Government and Canadian provincial governments, we deny the U.S. allegations and disagree with the preliminary determinations made by the USDOC and USITC, and, collectively continue to aggressively defend the Canadian industry in this trade dispute.

British Columbia Forest Fires

While the severe forest fire season in British Columbia to date has had no material financial impact on our operations, a continuation of the current hot and dry weather in the B.C. Interior could increase the risks of disruption to our fibre procurement efforts, operations and transportation.

Conference Call

We will hold a conference call on Thursday, August 10, 2017 at 8:00 AM Pacific time/ 11:00 AM Eastern time to discuss the second quarter financial and operating results. To participate in the call, please dial 416-340-2216 or toll free 800-273-9672. The call will also be available on instant replay access until August 22, 2017 by dialling 905-694-9451 or 800-408-3053 and entering participant pass code 8859031#.

The Company’s management's discussion and analysis and financial statements for the quarter ended June 30, 2017 will be available under the Company’s profile on SEDAR at www.sedar.com.

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, Chinese, Canadian and Japanese markets. Conifex has expanded its operations to include bioenergy production following the commencement of commercial operations of its power generation facility at Mackenzie, British Columbia.

Conifex and other member companies of the Forest Products Association of Canada, as well as a number of environmental organizations, are partners in the Canadian Boreal Forest Agreement. The group works to identify solutions to conservation issues that meet the goal of balancing equally the three pillars of sustainability linked to human activities: environmental, social and economic.

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 the Company 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 the Company's management. Because forward-looking statements involve known and unknown risks, uncertainties and other factors, actual results, performance or achievements of the Company 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 news release include statements regarding: growth and future prospects of our business; our perceptions of the industry and markets in which we operate and anticipated trends in such markets and in the countries in which we do business; planned capital expenditures and benefits that may accrue to the Company as a result of capital expenditure programs; U.S. benchmark lumber prices; our expectation for market volatility and the impact of duties associated with the softwood lumber dispute with the U.S.; our expectations regarding the effects of the British Columbia forest fires on our business; unit cash conversion costs; the Company's net debt to capitalization ratio; the Company's expectations regarding the operation of the Mackenzie Plant; the Company's expectations regarding improvements in bioenergy segment revenues; and the anticipated benefits, cost, timing and completion dates for projects, including the Project and the recording of any revenues therefrom. Assumptions underlying the Company's expectations regarding forward-looking information contained in this news release include, among others: that the Company 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 power generation project at the Company's Mackenzie facility and that the Company 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 the Company conducts operations; the ability of the Company to obtain financing (if necessary) on acceptable terms or at all, including with respect to the El Dorado sawmill complex; 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; the El Dorado sawmill complex can be completed on our planned budget and time; and that management will effectively execute the Company'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 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 the Company's 2016 annual information form, 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 the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by law.