



CONIFEX TIMBER INC.

NEWS RELEASE: via MARKETWIRE

FOR IMMEDIATE RELEASE

Conifex Announces First Quarter 2015 Results

May 5, 2015, Vancouver, B.C. - Conifex Timber Inc. (“Conifex” or the “Company”) (TSX: CFF) today reported net income of \$1.6 million or \$0.08 per diluted share the quarter ended March 31, 2015, which was equal to the net income for the first quarter ended March 31, 2014, on sales of \$85.3 million and \$67.2 million respectively.

Summarized operating results and statistics for each of the comparison periods are provided below.

	Q1	Q4	Q1
(millions of dollars except share and per share amounts)	2015	2014	2014
Sales	85.3	95.2	67.2
EBITDA (1)	5.7	4.1	5.7
Operating earnings	1.1	0.6	2.8
Net income	1.6	-	1.6
Net income per share - basic and diluted (2)	0.08	-	0.08
Shares outstanding - weighted average (millions)	21.0	20.9	20.8

Statistics

Lumber shipments - Conifex product (MMfbm)	112.8	134.0	95.9
Lumber shipments - Wholesale (MMfbm)	34.8	40.4	24.9
Lumber production (MMfbm)	119.4	116.9	128.3
Average exchange rate - US\$/Cdn\$ (3)	0.806	0.881	0.906
Average WSPF 2x4 #2&Btr lumber price (US\$) (4)	\$ 304	\$ 340	\$ 367
Average WSPF 2x4 #2&Btr lumber price (Cdn\$) (5)	\$ 378	\$ 386	\$ 405

Reconciliation of EBITDA to Net Income

Net income	1.6	-	1.6
Add: Finance costs	1.3	1.4	1.5
Amortization	2.8	2.7	2.6
EBITDA	5.7	4.1	5.7

- (1) EBITDA represents earnings before interest, taxes, depreciation and amortization. The Company discloses EBITDA as it is a measure used by analysts and by Conifex’s management to evaluate the Company’s performance. As EBITDA is a non-GAAP measure, it may not be comparable to EBITDA calculated by others and is not a substitute for net earnings.
- (2) The calculation of diluted net income per share excludes the assumed conversion of convertible notes and/or the assumed exercise of outstanding warrants if the resulting effect on net income per share is anti-dilutive.
- (3) Source: Bank of Canada website www.bankofcanada.ca
- (4) Source: Random Lengths Publications Inc.
- (5) Average WSPF 2x4 #2&Btr lumber price (US\$) divided by average exchange rate

Lumber segment operating income was comparable to the previous quarter as declines in shipments of Conifex produced lumber and wholesale lumber were offset by the benefits of improvements in unit mill net realizations and unit cash conversion costs. Compared to the first quarter of 2014, a decline in lumber segment operating income of \$2.4 million was primarily

attributable to an increase in unit log costs which more than offset the benefits of increased shipment volumes of wholesale and non-wholesale lumber, growth in revenue from residuals, and improvement in unit cash conversion costs.

Corporate costs and other items included foreign exchange translation gains of \$1.9 million in the first quarter of 2015, \$0.8 million in the previous quarter, and \$0.2 million in the first quarter of 2014.

EBITDA was \$5.7 million in the first quarter of 2015 and represented an improvement of \$1.6 million over the fourth quarter of 2014. EBITDA in the first quarter of 2014 was also \$5.7 million. Lumber segment EBITDA of \$4.7 million in the first quarter represented a modest improvement over the previous quarter and a decline of \$2.3 million from the first quarter of 2014.

According to data published by the U.S. Census Bureau, U.S. privately-owned housing starts averaged a seasonally adjusted annualized rate of approximately 968,700 over the first quarter of 2015, which represented a decline of 10% from the fourth quarter of 2014 and an improvement of 5% over the first quarter of 2014. The lumber price for the bellwether WSPF 2x4 #2 & Btr averaged US\$304 during the first quarter of 2015. The decline in the benchmark price of 11% from the previous quarter and 17% from the first quarter of 2014 was somewhat offset by the weaker Canadian currency, which declined by 9% and 11% during those periods, respectively. The Canadian dollar denominated benchmark lumber price averaged \$378 during the first quarter of 2015, a decrease of \$8 per thousand board feet or 2% from the previous quarter and \$27 per thousand board feet or 7% from the first quarter of 2014.

Industry analysts generally attributed the disappointing level of U.S. housing starts during the first quarter of 2015, which fell short of market forecasts, to cold weather which hampered new construction, particularly in the Northeast and the Midwest. The subdued demand in the U.S., reduced shipments to offshore markets, and production at normalized levels contributed to a supply imbalance and thus weaker average WSPF prices.

Shipments of Conifex produced lumber totaled 113 million board feet, a decline of 16% from the previous quarter, but an improvement of 18% over the same quarter last year when weather related railcar shortages and a truckers' strike at the main container port in Vancouver, British Columbia significantly hampered shipments to domestic and offshore markets. Production volumes, which outpaced shipments by 6%, totalled 119 million board feet and reflected a modest increase over the previous quarter and a 7% decline from first quarter of 2014.

The export tax rate on shipments to the U.S. was zero percent during each of the comparative quarters but is expected to average 5% to 7% during the second quarter of 2015 as a result of lower average Random Lengths Framing Lumber Composite Prices.

The lumber segment recorded operating income of \$2.0 million for the first quarter of 2015 compared to \$1.8 million in the fourth quarter of 2014 and \$4.4 million in the first quarter of 2014. Lumber segment EBITDA of \$4.7 million improved marginally over the previous quarter and declined by \$2.3 million compared to the first quarter of 2014.

Lumber segment operating income was comparable to the previous quarter as declines in shipments of Conifex produced lumber and wholesale lumber were offset by the benefits of improvements in unit mill net realizations and unit cash conversion costs. Compared to the first quarter of 2014, the decline of \$2.4 million in operating income was primarily attributable to a 23% increase in unit log costs which more than offset the benefits of increased shipment volumes of wholesale and non-wholesale lumber, growth in revenue from residuals, and a 10% improvement in unit cash conversion costs.

Management expects that North American softwood lumber markets will remain challenging and benchmark prices will remain relatively weak until U.S. housing construction activity gains sufficient momentum to sustain higher demand levels for softwood lumber. Overall shipment levels to the Canadian and Japanese markets are expected to remain relatively constant while shipments to the U.S. and Chinese markets will fluctuate depending on market and pricing dynamics. The reliability of logistics networks are anticipated to remain challenging from time to time, particularly related to vulnerability from third party labour disputes and seasonal rail car availability. Management expects productivity improvements, the realization of benefits from recently installed dust containment systems, lower energy costs and heightened focus on cost management will continue to result in lower unit cash conversion costs, although the savings may be somewhat offset by further log cost inflation.

As previously announced, Conifex Power Limited Partnership (“CP Partnership”), a wholly owned subsidiary of the Company, achieved a significant milestone related to its 36 MW biomass power generation facility at Mackenzie, B.C. by completing a continuous 72 hour run test on April 24, 2015. The successful completion of the run test, which has been confirmed by BC Hydro, was a critical requirement to achieve the commercial operation date in accordance with the Electricity Purchase Agreement (“EPA”) with BC Hydro. CP Partnership expects to commence selling electricity under the EPA to BC Hydro in May 2015.

The Company had unrestricted cash balances of \$10.1 million at March 31, 2015 and December 31, 2014, and \$5.9 million at March 31, 2014. At March 31, 2015, the Company had operating working capital of \$46.5 million invested in its lumber segment operations. Operating working capital levels were approximately 20% higher than typical average amounts for the Company due primarily to the seasonal log build. The Company believes working capital requirements peaked towards the end of the first quarter of 2015 and expects a return to normalized inventory levels over the next several months. Excluding borrowings related to the CP Partnership’s power generation facility, which is largely structured on a non-recourse basis to the lumber segment assets and to the parent company, Conifex Timber Inc., the Company ended the first quarter of 2015 with a net debt to capitalization ratio of 28% compared to 25% at December 31, 2014.

Outlook and Strategy

In the near-term, management intends to remain focused on operating the power generation facility to meet the contracted volumes under the EPA, as well as a number of initiatives to enhance lumber segment operations and cash flow, including continued heightened cost management and productivity improvements from affordable, high-return capital projects.

The Company believes that the recent realignment of management resources, enhanced certainty of longer-term fibre availability in the Mackenzie Timber Supply Area, and commencement of commercial operations of the power generation plant to augment lumber segment cash flows, leave the Company well-positioned to undertake a capital expenditure program designed to further improve lumber segment performance.

Conference Call

There will be a conference call held by the Company on Tuesday, May 5, 2015 at 8:00 AM Pacific time / 11:00 AM Eastern Time to discuss the first quarter financial and operating results. To participate in the call, please dial 416-340-2218 or toll free 866-223-7781. The call will also be available on instant replay access until May 19, 2015 by dialling 905-694-9451 or 800-408-3053 and entering participant pass code 7754146#.

The Company's management's discussion and analysis and financial statements for the three months ended March 31, 2015 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. Upon commencement of commercial operations of its power generation facility at Mackenzie, British Columbia, Conifex's business sectors will be expanded to include bioenergy.

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; benefits that may accrue to the Company as a result of certain capital expenditure programs; U.S. benchmark lumber prices; unit cash conversion costs; the Company's net debt to capitalization ratio; that the Mackenzie mills will incorporate the recently determined harvest levels for the Mackenzie Timber Supply Area; and the anticipated benefits, cost, timing and completion dates for projects, including the power generation 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; 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 CP Partnership will commence selling electricity to BC Hydro under the EPA in May 2015. 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; failure to commence selling electricity to BC Hydro under the EPA in May 2015 or at all; and other risk factors described in the Company's 2014 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.