CONIFEX

CONIFEX TIMBER INC.

NEWS RELEASE: via MARKETWIRE FOR IMMEDIATE RELEASE

Conifex Announces Fourth Quarter 2014 Results

February 25, 2015, Vancouver, B.C. - Conifex Timber Inc. ("Conifex" or the "Company") (TSX: CFF) today reported net income of $nil on sales of $95.2 million for the fourth quarter of 2014 compared to net income of $1.1 million or $0.05 per diluted share for the third quarter of 2014 and the fourth quarter of 2013. The Company recorded net income of $4.6 million or $0.22 per diluted share on revenues of $352.9 million for the year ended December 31, 2014 compared to net income of $9.5 million or $0.46 per share on revenues of $259.6 million in the prior year.

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

(millions of dollars except share and per share amounts)	Q4 2014	Q3 2014	YTD 2014	Q4 2013	YTD 2013
Sales	95.2	90.9	352.9	63.7	259.6
EBITDA (1)	4.1	5.3	21.3	4.7	22.1
Operating earnings	0.6	1.5	9.3	2.2	12.8
Net income	-	1.1	4.6	1.1	9.5
Net income per share - basic and diluted	-	0.05	0.22	0.05	0.46
Shares outstanding - weighted average (millions)	20.9	20.9	20.9	20.8	20.8
Statistics					
Lumber shipments - Conifex product (MMfbm)	134.0	130.4	506.7	118.6	487.0
Lumber shipments - Wholesale (MMfbm)	40.4	41.9	150.9	9.2	56.3
Lumber production (MMfbm)	116.9	125.6	505.8	116.3	499.4
Average exchange rate - US$/Cdn$ (2)	0.881	0.918	0.905	0.953	0.971
Average WSPF 2x4 #2&Btr lumber price (US$) (3)	$ 340	$ 356	$ 350	$ 370	$ 355
Average WSPF 2x4 #2&Btr lumber price (Cdn$) (4)	$ 386	$ 388	$ 386	$ 388	$ 366
Reconciliation of EBITDA to Net Income					
Net income	-	1.1	4.6	1.1	9.5
Add: Finance costs	1.4	1.4	5.9	1.4	4.0
Amortization	2.7	2.8	10.8	2.2	8.6
EBITDA	4.1	5.3	21.3	4.7	22.1

(1) The Company's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization. EBITDA for quarterly and annual periods presented has been restated to: (i) exclude deductions for non-cash charges related to employee compensation for 2013; and (ii) include financing costs, calculated to include accretion expense in addition to interest expense, for Q3 2014 and prior periods. 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) Source: Bank of Canada website www.bankofcanada.ca
(3) Source: Random Lengths Publications Inc.
(4) Average WSPF 2x4 #2&Btr lumber price (US$) divided by average exchange rate.

The variation in net income, operating earnings, and EBITDA was largely attributable to operating results in the lumber segment as moderately higher corporate costs during the fourth and third quarters of 2014 compared to the fourth quarter of 2013 were largely offset by increased foreign exchange translation gains. The lumber segment recorded operating income of $1.8 million during the fourth quarter of 2014 compared to $2.9 million in the previous quarter and $3.3 million in the fourth quarter of 2013. Lumber segment EBITDA totaled $4.5 million compared to $5.8 million in the previous quarter and $5.6 million in the fourth quarter of 2013.

The decline in segment operating results over the third quarter of 2014 was largely attributable to a 7% decrease in production volumes, a 7% increase in unit cash conversion costs and a 11% increase in unit log costs which were partially offset by a 3% increase in shipments of Conifex produced lumber and 4% increase in unit mill net realizations. Compared to the fourth quarter of 2013, a 29% increase in unit log costs and 4% increase in unit cash conversion costs more than offset the benefits of a 13% increase in shipments of non-wholesale lumber, 6% increase in unit mill net realizations and 28% increase in by-products revenue.

Average Canadian dollar-denominated WSPF 2x4 #2 & Btr ("WSPF") prices were relatively flat at approximately $388 during each of the comparative quarters as the effect of sequential declines in U.S. dollar-denominated benchmark lumber prices was largely neutralized by corresponding weakness in the Canadian currency. Benchmark prices were confined to relatively narrow trading ranges during each of the quarters and the Random Lengths Framing Lumber Composite Prices were sustained at levels high enough to maintain an export tax rate of zero percent during the second half of 2014. The export tax rate averaged 2% during the fourth quarter of 2013.

Fourth quarter 2014 shipments of Conifex produced lumber outpaced production by 15% due to seasonally lower production volumes and to stronger than typical shipment levels. An increase in revenues from Conifex produced lumber of 7% over the previous quarter was attributable almost equally to higher unit gross sales realizations and shipment volumes. The growth in revenues from non-wholesale lumber of 22% over the fourth quarter of 2013 was largely due to higher shipment volumes of 13% and improvements in unit gross sales realizations of 8%. Wholesale lumber revenues and shipments were comparatively flat over the last two quarters of 2014 but increased significantly over the fourth quarter of 2013 due primarily to the acquisition of Lignum Forest Products LLP in February 2014.

Production volumes of approximately 117 million board feet during the fourth quarter of 2014 were similar to the same quarter last year and represented a typical seasonal decline of 7% from the previous quarter. During the fourth quarters of 2014 and 2013, production was held back due to seasonal reductions in operating hours and modest declines in hourly productivity.

Management expects average Canadian dollar-denominated benchmark lumber prices in 2015 will be similar to 2014 levels with further depreciation of the Canadian dollar (from year end rates) offsetting lower average U.S. dollar-denominated WSPF prices. Our outlook on average price levels is primarily based on expectations for reasonable growth in demand from North American markets tempered by near-term softening from the Chinese market. We expect overall shipment patterns to resemble those of 2014 with potential for a modest increase in shipments to Japan. We anticipate reliability of logistics networks will remain challenging from time to time, particularly related to vulnerability from third party labour disputes and seasonal railcar availability. We expect productivity improvements, the realization of benefits from recently installed dust containment systems, lower energy costs and heightened focus on cost management will reduce unit cash conversion costs, although the savings will not likely be sufficient to offset further log cost inflation.

The Company ended the year with consolidated net debt of $113.9 million (December 31, 2013 - $44.0 million) and net debt to capitalization ratio of 48% (December 31, 2013 – 27%). Excluding borrowings under the project financing, which is structured on a largely non-recourse basis to the lumber segment assets and to the parent company, net debt was $41.5 million and net debt to capitalization ratio was 25% at December 31, 2014, compared to $21.2 million and 15%, respectively, at December 31, 2013.

The selected financial information presented herein is qualified in its entirety by, and should be read in conjunction with, the Company's audited consolidated financial statements as at and for the three and twelve month periods ended December 31, 2014 and the related notes thereto and Management's Discussion and Analysis, which are available on SEDAR.

Outlook and Strategy

In the near-term, management intends to remain focused on the commissioning and start-up of its Mackenzie power generation facility as well as a number of initiatives to enhance lumber segment operations and cash flow, including heightened cost management and productivity improvements from affordable, high-return capital projects. The Company expects commissioning of the power generation facility's various systems to be substantially completed towards the end of the first quarter of 2015, with commercial operations to commence thereafter, assuming conducive weather conditions.

The Company believes that the recent realignment of management resources, reinforced certainty of longer-term fibre availability in the Mackenzie Timber Supply Area, enhanced marketing and distribution network, and anticipated commencement of commercial operations of the power generation facility to augment lumber segment cash flows, leaves the Company well-positioned to undertake a capital expenditure program designed to improve lumber segment performance. Management intends to further study and prioritize a number of options, including simplification and modernization of the Fort St. James sawmill complex and determination of the optimal long-term configuration for the Mackenzie operations given the recent uplift of allowable annual cut and the potential for additional synergies with the power generation facility.

Conference Call

Conifex will hold a conference call on Thursday, February 26, 2015 at 8:00 AM Pacific time / 11:00 AM Eastern time to discuss the fourth quarter 2014 financial and operating results. To participate in the call, please dial 416-340-2216 or toll free 866-225-0198. The call will also be available on instant replay access until March 12, 2015 by dialling 905-694-9451 or 800-408-3053 and entering pass code 9410350#.

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 completion 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, including production volumes and profit margins; 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; foreign exchange rates; year over year unit mill nets; unit cash conversion costs; the Company's net debt to capitalization ratio; that the Company will establish a long-term plan for the operating and idled Mackenzie mills; and the anticipated benefits, cost, timing and completion dates for projects, including the power generation project at the Company's Mackenzie facility. 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 further delays and disruptions affecting the completion of the power generation project at the Company's Mackenzie facility and that the Company will be able to commence delivery of power therefrom; that softwood lumber will experience improved and sustained demand in the marketplace at favourable prices; that the Company will be able to dynamically respond to shifts in demand among its major markets; 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 management will effectively execute the Company's strategy to grow and add value to its business; that the Company will establish long-term plan for the idled and operating Mackenzie mills that will incorporate the revised harvest levels for the Mackenzie Timber Supply Area; and that our mills and equipment will operate at expected levels. 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 2013 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.