



CONIFEX TIMBER INC.

NEWS RELEASE: via MARKETWIRE

FOR IMMEDIATE RELEASE

Conifex Announces Third Quarter Results

November 9, 2016, Vancouver, B.C. - Conifex Timber Inc. ("Conifex", "we" or "us") (TSX: CFF) today reported results for the third quarter ended September 30, 2016. Adjusted EBITDA* in the third quarter of 2016 was \$8.5 million, compared to a record \$9.0 million in the second quarter of 2016 and \$1.5 million in the third quarter of 2015. Compared to the previous quarter, an improvement in lumber segment adjusted EBITDA of \$0.3 million and a reduction in corporate and other costs was offset by bioenergy segment adjusted EBITDA that was lower by \$1.3 million. Compared to the third quarter of 2015, lumber segment adjusted EBITDA improved by \$9.4 million while bioenergy adjusted EBITDA was lower by \$0.7 million.

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

	<u>Q3</u> <u>2016</u>	<u>Q2</u> <u>2016</u>	<u>Q3</u> <u>2015</u>	<u>YTD</u> <u>2016</u>	<u>YTD</u> <u>2015</u>
	(millions of dollars except share and per share amounts and as otherwise noted)				
Financial Highlights					
Sales – lumber segment	\$ 99.2	\$ 98.7	\$ 80.0	\$ 289.7	\$ 244.5
Sales – bioenergy segment	<u>4.9</u>	<u>5.0</u>	<u>5.9</u>	<u>17.6</u>	<u>8.5</u>
	<u>\$ 104.1</u>	<u>\$ 103.7</u>	<u>\$ 85.9</u>	<u>\$ 307.3</u>	<u>\$ 253.0</u>
Adjusted EBITDA.....	\$ 8.5	\$ 9.0	\$ 1.5	\$ 24.3	\$ 0.5
Operating income (loss).....	\$ 3.3	\$ 5.1	\$ (4.5)	\$ 11.5	\$ (13.2)
Net income (loss).....	\$ 1.4	\$ 35.2	\$ (5.6)	\$ 65.1	\$ (17.0)
Net income (loss) per share – basic.....	\$ 0.07	\$ 1.67	\$ (0.26)	\$ 3.08	\$ (0.81)
Net income (loss) per share – diluted ⁽¹⁾	\$ 0.07	\$ 1.54	\$ (0.26)	\$ 2.85	\$ (0.81)
Shares outstanding – weighted average (millions)	21.2	21.1	21.1	21.1	21.0
Operating Highlights					
Lumber production (MMfbm).....	136.2	134.7	112.3	406.7	349.8
Lumber shipments – Conifex produced (MMfbm).....	132.3	138.4	107.5	397.6	336.4
Lumber shipments – wholesale (MMfbm).....	39.6	41.0	42.6	121.3	117.0
Electricity production (GWh)	37.6	55.1	46.2	147.6	70.5
Average exchange rate – US\$/Cdn\$ ⁽²⁾	0.766	0.776	0.764	0.756	0.794
Average WSPF 2x4 #2&Btr lumber price (US\$) ⁽³⁾	\$ 321	\$ 310	\$ 271	\$ 301	\$ 283
Reconciliation of adjusted EBITDA to Net Income (Loss)					
Net income (loss).....	\$ 1.4	\$ 35.2	\$ (5.6)	\$ 65.1	\$ (17.0)
Add: Finance costs	\$ 2.3	\$ 2.3	\$ 2.6	\$ 7.1	\$ 5.9
Amortization	<u>\$ 4.8</u>	<u>\$ 3.9</u>	<u>\$ 4.5</u>	<u>\$ 13.5</u>	<u>\$ 11.6</u>
EBITDA ⁽⁴⁾	\$ 8.5	\$ 41.4	\$ 1.5	\$ 85.7	\$ 0.5
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.....	<u>\$ -</u>	<u>\$ 5.8</u>	<u>\$ -</u>	<u>\$ 5.8</u>	<u>\$ -</u>
Adjusted EBITDA*	<u>\$ 8.5</u>	<u>\$ 9.0</u>	<u>\$ 1.5</u>	<u>\$ 24.3</u>	<u>\$ 0.5</u>

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. 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.

Our net income for the third quarter of 2016 was \$1.4 million, or \$0.07 per basic and diluted share, compared to net income of \$35.2 million or \$1.67 per basic share and \$1.54 per diluted share in the previous quarter and a net loss of \$5.6 million or \$0.26 per basic and diluted share in the third quarter of 2015. Net gains from non-operational and non-recurring items totaling \$32.4 million and \$29.0 million, respectively, were included in the net income of the second and first quarters of 2016. Excluding these non-operational and non-operating items, we recorded a profit of \$3.7 million or \$0.19 per diluted share in the nine months ended September 30, 2016 compared to a net loss of \$17.0 million or \$0.81 per share in the first nine months of 2015.

Overview

Revenues of \$104.1 million in the third quarter of 2016 were in line with the previous quarter and improved by 21% over the same quarter last year. The revenue growth over the third quarter of 2015 was attributable to higher lumber prices and shipment volumes and increased revenue from residuals partially offset by lower electricity sales. Year-to-date revenue growth of 18% over the same period last year was largely due to higher lumber prices and shipment volumes, and to a lesser extent, increased revenues from electricity sales which commenced in May 2015.

Third quarter lumber segment operating income of \$5.6 million represented an improvement of 4% over the previous quarter and \$8.8 million over the third quarter of 2015. Bioenergy segment operating earnings were lower by \$2.1 million due to unscheduled maintenance downtime early in the quarter. Year-to-date operating earnings of \$11.5 million reflected year-over-year improvements in lumber segment operating earnings of \$21.5 million and bioenergy segment operating earnings of \$4.1 million.

Adjusted EBITDA was \$8.5 million in the third quarter of 2016 compared to \$9.0 million in the second quarter of 2016 and \$1.5 million in the third quarter of 2015. Compared to the previous quarter, the benefits of improved lumber segment adjusted EBITDA, lower corporate costs and a modest positive variance in foreign currency translation gains were outweighed by bioenergy segment adjusted EBITDA that was lower by \$1.3 million. Compared to the third quarter of 2015, the improvement in adjusted EBITDA of \$7.0 million was largely comprised of an increase in lumber segment adjusted EBITDA of \$9.4 million partially offset by negative variance in foreign exchange translation gains of \$1.5 million and bioenergy segment adjusted EBITDA of \$0.7 million. Adjusted EBITDA was \$24.3 million for the nine month period ended September 30, 2016 compared to adjusted EBITDA of \$0.5 million for the nine month period ended September 30, 2015.

Lumber Segment

Lumber segment adjusted EBITDA was \$9.0 million in the third quarter of 2016 compared to \$8.7 million in the previous quarter and negative adjusted EBITDA of \$0.4 million in the third quarter of 2015.

Prices for the bell-weather WSPF #2 & Btr product generally reflected the steady demand from North American lumber markets and averaged US\$321 during the third quarter of 2016, an improvement of 4% over the previous quarter and 18% over the third quarter of 2015.¹ The U.S. dollar averaged US\$0.766 for each Canadian dollar during the third quarter of 2016, which represented a weakening of 1% from the previous quarter, and was relatively unchanged from the same quarter last year.²

Revenue from Conifex produced lumber was approximately \$64.0 million in the third and second quarters of 2016 as an improvement in unit sales realizations of 4%, reflecting stronger lumber prices, was offset by 4% lower shipment volumes. The growth in revenue of 35% over the third quarter of 2015 was largely due to an increase in shipment volumes of 23% and an improvement in unit sales realizations of 10%.

¹ As quoted in Random Lengths Publications Inc.

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

Wholesale lumber revenues remained consistent at approximately \$26.0 million in each of the comparative quarters.

Lumber production totalled approximately 136 million board feet during the third quarter of 2016, which represented an annualized operating rate of 104%. Production levels in the third quarter were generally consistent with the previous quarter and improved by 21% over the same quarter last year. Hourly productivity improved by about 10% over the third quarter of 2015.

Unit log costs increased by 5% over the previous quarter, mainly due to higher market based stumpage, and remained relatively flat to the same quarter last year. A decline in unit log costs of 7% on a year-to-date basis was largely attributable to a logging season which focused on expanded volumes delivered by waterborne transportation and improvements in our supply chain management systems which resulted in lower unit delivery costs. Unit cash conversion costs were consistent with the previous quarter and improved by 5% over the third quarter of 2015 as productivity gains more than offset generally higher operating costs.

The lumber segment recorded operating income of \$5.6 million in the third quarter of 2016 compared to \$5.4 million in the previous quarter and an operating loss of \$3.2 million in the third quarter of 2015.

Compared to the previous quarter, current quarter lumber segment operating results benefited from higher lumber prices and revenue from residuals which were partially offset by lower shipment volumes and increased unit log costs. Compared to the third quarter of 2015, current quarter operating results benefited primarily from higher lumber shipments and lumber prices, and to a lesser extent, improved operating rates which resulted in lower unit cash conversion costs.

Year-to-date lumber segment operating earnings were \$12.2 million, an improvement of \$21.5 million over the same period last year.

Bioenergy Segment

Our power generation plant at Mackenzie, B.C. (the "Mackenzie Plant") commenced commercial operations in May 2015 and its results are reported in our bioenergy segment.

Like other Electricity Purchase Agreements, the EPA 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. The Mackenzie Plant, among others, was dispatched for 61 days in the second quarter of 2016, during which period we produced electricity only to fulfill volume commitments under the Load Displacement Agreement. We continued to earn revenues based upon a reduced base rate and on volumes that were generally reflective of recent average hourly megawatt production.

The Mackenzie Plant sold approximately 38 gigawatt hours of electricity under the EPA in the third quarter of 2016 compared to 55 gigawatt hours in the previous quarter and 46 gigawatt hours during the third quarter of 2015. The reduced production during the current quarter was mostly attributable to maintenance downtime early in the quarter to effect certain operating improvements. The Mackenzie Plant operated at approximately 70% of targeted rates during the third quarter of 2016.

Revenues from electricity sales were \$4.9 million in the third quarter of 2016 compared to \$5.0 million in the previous quarter and \$5.9 million in the third quarter of 2015. Revenues for the previous quarter were impacted by lower rates earned during the plant dispatch period and the application of a "time of delivery" factor which generally produces the lowest quarterly revenues of the year during the second quarter. Compared to the third quarter of 2015, the lower revenues were attributable to lower operating rates.

Bioenergy segment operating costs were \$5.4 million and segment operating loss was \$0.5 million in the third quarter of 2016 compared to operating costs of \$3.4 million and segment operating earnings of \$1.6 million in the previous quarter, and operating costs of \$5.7 million and operating earnings of \$0.2 million in the third quarter of 2015. Operating costs included depreciation expense of \$1.6 million in the third quarter of 2016 and 2015 and \$0.8 million in the second quarter of 2016. Idled components were not depreciated during the dispatch period in the previous quarter. Cash operating costs improved by 7%

compared to the third quarter of 2015 when higher costs related to the newly commissioned plant were experienced.

Interest on the power project term loan was approximately \$1.3 million for each of the comparative quarters. Adjusted bioenergy segment EBITDA was \$1.1 million in the third quarter of 2016, \$2.4 million in the previous quarter and \$1.8 million in the third quarter of 2015.

The Mackenzie Plant operated at 100% of targeted operating rates in October 2016. In the fourth quarter of 2016, we expect sequential improvement in bioenergy segment revenues due to increased production and higher effective rates earned under the EPA. We expect operating costs to remain relatively flat. There is currently no maintenance downtime scheduled for the fourth quarter of 2016.

Liquidity and Capital Resources

Our net debt to capitalization ratio was 38% as at September 30, 2016 compared to 60% at December 31, 2015. Net debt at September 30, 2016 was \$51.4 million lower than at December 31, 2015 due primarily to the redemption of the payment in kind note of \$30.0 million and proceeds from the timber harvesting cooperation agreement which was completed in April 2016.

Our net debt to capitalization ratio, excluding borrowings for our power subsidiary that are non-recourse to our other operations, was 14% at September 30, 2016 compared to 42% at December 31, 2015.

At September 30, 2016, we had total liquidity of \$43.6 million, compared to \$22.6 million at December 31, 2015 and \$16.3 million at September 30, 2015.

Market Outlook

For the balance of 2016, we expect continued steady demand from North American lumber markets and moderately weaker U.S. dollar benchmark prices compared to the third quarter of 2016. Although offshore demand has strengthened, competition from currency advantaged alternate suppliers remains intense. We expect receipts from lumber shipments to China and Japan to moderately improve from year to date levels. We expect the uncertainty related to the recent expiry of the “standstill period” under the Softwood Lumber Agreement will contribute to increased market volatility.

We expect our fourth quarter 2016 operating results to reflect a sequential increase in delivered log costs as well as reduced operating rates due to the holiday period and planned downtime related to a capital upgrade at our Mackenzie mill.

Strategic Capital Expenditures

We currently expect planned capital expenditure commitments for further optimization of our two B.C. sawmill complexes to aggregate approximately \$10 million, of which we expect to spend approximately \$7 million in 2016 and the balance in early 2017.

Additionally, we are working towards finalizing capital plans to reconstruct and modernize our currently idled sawmill complex in El Dorado, Arkansas. 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. We are nearing completion of the construction schedule and budget and expect to subsequently finalize the financing plan.

Conference Call

There will be a conference call held by the Company on Wednesday, November 9, 2016 at 8:00 AM Pacific time/ 11:00 AM Eastern time to discuss the third quarter financial and operating results. To participate in the call, please dial 416-340-8527 or toll free 800-396-7098. The call will also be available on instant replay access until November 22, 2016 by dialling 905-694-9451 or 800-408-3053 and entering participant pass code 8249050#.

The Company's management's discussion and analysis and financial statements for the quarter ended September 30, 2016 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; 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; 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 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 2015 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.