



## **CONIFEX TIMBER INC.**

NEWS RELEASE: via MARKETWIRE

FOR IMMEDIATE RELEASE

### **Conifex Announces Third Quarter 2012 Results**

October 24, 2012, Vancouver, B.C. - Conifex Timber Inc. ("Conifex" or the "Company") (TSX-V: CFF) today reported a net loss of \$3.7 million or \$0.19 per share for the third quarter of 2012 compared to a net loss of \$2.4 million or \$0.13 per share for the second quarter of 2012, and a net loss of \$2.2 million or \$0.14 per share for the third quarter of 2011.

EBITDA in the third quarter of 2012 was negative \$0.5 million compared to positive \$0.6 million in the previous quarter and the third quarter of 2011. Consolidated EBITDA of negative \$0.5 million was comprised of \$1.0 million positive EBITDA from the lumber segment offset by negative EBITDA of \$0.3 million from the bioenergy segment and \$1.2 million from corporate costs and other items. Costs related to the bioenergy segment, and corporate costs when normalized for the effects of foreign exchange gain or loss, were consistent throughout the comparative periods.

Lumber segment EBITDA was \$1.0 million for the current quarter and the third quarter of 2011 and \$1.7 million for the second quarter of 2012. Inventory valuation adjustments, short-term consulting fees and gains from lumber future derivatives resulted in a net expense of \$0.4 million in the current quarter compared to a net benefit of \$1.5 million in the previous quarter and a net benefit of \$0.5 million in the third quarter of 2011.

Lumber segment revenue totalled \$54.4 million during the third quarter of 2012 compared to \$55.8 million in the previous quarter. A small increase in revenue from lumber shipments despite a 4% decrease in shipment volumes was offset by a decrease in revenue from residual products and from the Company's third party logistics business. Per unit mill net realizations increased by 9% over the previous quarter with one third of the increase attributable to a lower average export tax rate and the balance primarily attributable to the shipment of an improved sales mix. The higher value sales mix was largely attributable to improved grade outturns as a result of the capital upgrade completed during the previous quarter and a return to a more representative sawlog profile at Mackenzie.

Production volumes were approximately 102 million board feet for each of the comparative quarters and represented annualized operating rates of approximately 55%. Production volume and costs during the current and previous quarter were negatively impacted by approximately 5% by the planned maintenance and capital upgrade downtime taken at both of the Company's mills to focus on dust mitigation and other workplace safety initiatives. Unit conversion costs during the third quarter of 2012 increased by 5% over the previous quarter with the increase largely attributable to costs related to higher insurance premiums, ongoing dust mitigation activities and a heightened focus on training and preventative maintenance initiatives related to the recently implemented performance improvement program at Fort St. James. The implementation of the remedial program and the continued progress of the new leadership team at the mill contributed to an increase in sawmill productivity in September of 9% over the year to date average.

The Company also announced it is in well advanced negotiations with a significant financial institution to secure approximately \$75 million in funding for its Mackenzie generation project. One alternative being pursued is to secure approximately \$60 million in long-term senior secured project debt and approximately \$15 million through a sale of a minority equity interest in

the Mackenzie project. However, currently there can be no assurance that the Company will obtain the necessary funding for the project on the foregoing terms, other terms reasonably satisfactory to it or at all.

### **Earnings Release Call**

There will be a conference call held by the Company on Thursday, October 25, 2012 at 8:30 AM (Pacific time) / 11:30 AM (Eastern time) to discuss the third quarter 2012 financial and operating results. To participate in the call, please dial 416-340-8530 or toll free 877-440-9795. The call will be available on instant replay access by dialling 905-694-9451 or 800-408-3053 and entering participant pass code 1851950#.

For further information, please contact:

Yuri Lewis  
Chief Financial Officer  
(778) 331-8687

### **About Conifex Timber Inc.**

Conifex and its subsidiaries' primary business currently includes timber harvesting, reforestation, forest management, and the manufacture, sale and distribution of its products. Conifex's lumber products are sold in the United States, Chinese, Canadian and Japanese markets. Upon the expected completion of its bioenergy facility at Mackenzie, British Columbia, Conifex's business sectors will be expanded to include bioenergy.

Conifex's sawmill complex situated in Fort St. James, British Columbia was purchased in August 2008 and commenced operations on a one-shift basis in March 2009. Conifex's two-mill complex situated in Mackenzie, British Columbia was purchased in June 2010. One mill at Mackenzie started up on a one-shift basis in November 2010. Conifex added a second shift at Fort St. James and Mackenzie in late March 2011 and expects to be operating at approximately 65% of capacity on an annualized basis during the second half of 2012. On a combined basis, Conifex now owns sawmills having an annual lumber production capacity of approximately 745 million board feet on a two-shift basis. The sawmill complexes are supported by renewable forestry licences with an allowable annual cut of approximately 1.6 million cubic metres.

### **Forward-Looking Statements**

Certain statements in this news release may constitute "forward-looking statements", including those related to the Company's negotiations to secure funding for its Mackenzie generation project, a sale of a minority equity interest in the Mackenzie project and our expected operating capacity in the second half of 2012. 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. 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 our ability to successfully negotiate definitive financing terms for the Mackenzie project, our ability to locate a suitable buyer for a minority interest in Mackenzie, and our ability to successfully negotiate definitive transaction documentation with such buyer, the lender or buyer, as the case may be, being satisfied with the results of any due diligence review of Conifex, the receipt of any necessary

regulatory approvals and such additional matters described in the Company's 2011 annual management's discussion and analysis, available on SEDAR at [www.sedar.com](http://www.sedar.com). 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.

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