



**CONIFEX TIMBER INC.**

NEWS RELEASE: via MARKETWIRE

FOR IMMEDIATE RELEASE

**Conifex Announces Fourth Quarter 2013 Results**

February 21, 2014, Vancouver, B.C. - Conifex Timber Inc. (“Conifex” or the “Company”) (TSX-V: CFF) today reported net income of \$1.1 million or \$0.05 per diluted share for the fourth quarter of 2013 compared to a net loss of \$0.1 million or \$0.01 per share for the previous quarter and a net loss of \$3.6 million or \$0.18 per share for the fourth quarter of 2012. The net income for the year ended December 31, 2013 was \$9.5 million or \$0.46 per diluted share compared to a net loss of \$16.2 million or \$0.86 per share for the year ended December 31, 2012.

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

	Q4	Q3	YTD	Q4	YTD
(millions of dollars except share and per share amounts)	2013	2013	2013	2012	2012
Sales	63.7	65.2	259.6	60.0	217.6
EBITDA	4.9	2.8	21.7	(0.3)	(4.0)
Operating earnings (loss)	2.2	0.7	12.8	(2.4)	(12.9)
Net income (loss)	1.1	(0.1)	9.5	(3.6)	(16.2)
Net income (loss) per share - basic and diluted	0.05	(0.01)	0.46	(0.18)	(0.86)
Shares outstanding - weighted average (millions)	20.8	20.8	20.8	19.6	18.9

**Statistics**

Lumber shipments - Conifex product (MMfbm)	118.6	129.3	487.0	110.2	444.2
Lumber shipments - Wholesale (MMfbm)	9.2	17.6	56.3	37.5	94.9
Lumber production (MMfbm)	116.3	123.0	499.4	108.4	424.4
Average exchange rate - US\$/Cdn\$ (1)	0.953	0.963	0.971	1.009	1.001
Average WSPF 2x4 #2&Btr lumber price (US\$) (2)	\$ 370	\$ 328	\$ 355	\$ 335	\$ 300
Average WSPF 2x4 #2&Btr lumber price (Cdn\$) (3)	\$ 388	\$ 341	\$ 366	\$ 332	\$ 299

**Reconciliation of EBITDA to Net Income (Loss)**

Net income (loss)	1.1	(0.1)	9.5	(3.6)	(16.2)
Add: Interest expense and accretion	1.5	0.7	4.0	1.2	3.5
Amortization	2.2	2.3	8.6	1.9	7.6
Non-cash items related to compensation	0.1	-	(0.4)	0.1	0.8
Loss on disposal of assets	-	-	-	-	0.3
EBITDA (4)	4.9	2.8	21.7	(0.3)	(4.0)

(1) Source: Bank of Canada website [www.bankofcanada.ca](http://www.bankofcanada.ca)

(2) Source: Random Lengths Publications Inc.

(3) Average WSPF 2x4 #2&Btr lumber price (US\$) divided by average exchange rate

(4) May not total exactly due to rounding

The variation in consolidated net income, operating earnings or loss, and EBITDA was largely attributable to operating results in the lumber segment as aggregate corporate costs, other items and bioenergy segment expenses remained relatively consistent in each of the comparative

quarters. The lumber segment recorded operating income of \$3.3 million during the fourth quarter of 2013 which represented an improvement of \$1.5 million over the previous quarter and \$4.5 million over the fourth quarter of 2012. Lumber segment EBITDA improved to \$5.5 million compared to \$4 million in the previous quarter and \$0.7 million in the fourth quarter of 2012.

The improvement in lumber segment operating results over the third quarter of 2013 was largely attributable to a 13% increase in sales realization that more than offset a corresponding decline in shipment volumes and an increase in unit cash conversion costs. Compared to the fourth quarter of 2012, an improvement in sales realization reflective of the increase in Canadian equivalent benchmark prices and a modest reduction of unit cash conversion costs more than offset a 6% increase in unit log costs.

The combined effect of an increase in average WSPF 2x4 #2 & Btr prices and a weaker Canadian dollar during the fourth quarter of 2013 resulted in an improvement in Canadian equivalent benchmark prices of 14% over the third quarter of 2013 and 17% over the fourth quarter of 2012. Benchmark prices were confined to a relatively narrow trading range in the fourth quarter of 2013 and the sustained higher levels contributed to a reduction in export tax rates which averaged 2% compared to 5% in the previous quarter and 8% in the fourth quarter of 2012.

Overall lumber revenues were generally consistent in each of the comparative quarters. Lumber shipments totaled 128 million board feet during the fourth quarter of 2013 and represented a decline of 13% compared to the third quarter of 2013 and the fourth quarter of 2012. Unit gross sales realizations and unit mill net realizations increased by 13% over the previous quarter. Unit mill net realizations were relatively flat on shipments to Canada and Japan but increased by 12% on shipments to China and 18% on shipments to the U.S. The Company shipped 80% of its products to the Chinese and U.S. markets during the second half of 2013.

During the fourth quarter of 2013, total production volumes declined by 5% compared to the previous quarter despite a 3% increase in average hourly production. Overall productivity in the fourth quarter was held back due to the integration of a number of capital projects and to a seasonal reduction in operating hours. Production increased by 7% and average hourly production by 5% compared to the fourth quarter of 2012 when the Company operated slightly reduced hours to accommodate a planned curtailment at Fort St James related to a capital upgrade. Unit log costs remained consistent during the fourth and third quarters of 2013 and increased by 6% over the fourth quarter of 2012. An increase in unit cash conversion costs of 13% over the previous quarter was largely attributable to lower production volumes and higher costs related to compensation, employee training, maintenance and contractor services.

During 2013, the Company made considerable progress on operational improvements and completed a number of its key near-term financing objectives. Operating results for 2013 benefited from favourable market conditions and solid demand from each of Conifex's primary markets which fostered a sustained higher lumber price environment compared to 2012. Positive external factors coupled with continued improvements in key performance metrics largely contributed to the generation of \$21.7 million EBITDA. The Company invested \$15.8 million in lumber segment capital projects during the year.

The Company significantly improved liquidity in its lumber segment with the completion of a three-year, \$25 million revolving credit facility to primarily support working capital requirements and the issuance of four-year senior secured notes aggregating \$30 million to primarily underpin future capital projects. The completion of the financing initiatives combined with significant year over year improvement in cash flow from operations allowed for increased direct shipments to offshore markets, optimization of harvesting activities, capital investments in the lumber segment, and continued support of critical path activities related to the power generation project at Mackenzie B.C. until project financing was completed later in the year.

The Company resumed construction of its power generation project in September 2013 upon the commitment of project financing. The financing for an aggregate amount of \$102.7 million was completed by the Company's wholly-owned subsidiary in November 2013. The project is currently on budget and proceeding as scheduled with an expected commercial operation date in the third quarter of 2014. The Company expects the successful completion of the project will contribute to cash flow by providing a consistent source of revenue from the fixed price Electricity Purchase Agreement with BC Hydro and will enhance the long-term competitiveness of the Mackenzie sawmilling site.

The Company ended the year with consolidated net debt of \$44.0 million (December 31, 2012 - \$11.6 million) and net debt to capitalization ratio of 27% (December 31, 2012 - 10%). Excluding borrowings under the project financing, which is largely structured on a non-recourse basis to the lumber segment assets and to the parent company, net debt was \$21.2 million and net debt to capitalization ratio was 15% at December 31, 2013.

### **Outlook and Strategy**

Management anticipates further growth in lumber segment cash flow based upon the expected continuation of solid demand in each of the Company's markets in North America, China and Japan, incremental improvements in productivity and unit cash conversion costs which are expected to offset higher log and labour costs, and contributions from its recently expanded lumber marketing and distribution business.

In addition to continued focus on operational improvements, management intends to complete detailed plans to further upgrade its Fort St. James mill and to optimize the potential of its two manufacturing locations at Mackenzie. Management also expects its longer-term plans for the Mackenzie mills will incorporate the expected harvest levels for the Mackenzie Timber Supply Area which are currently being reviewed by the Ministry of Forests, Lands and Natural Resources Operations.

### **Conference Call**

There will be a conference call held by the Company on Monday, February 24, 2014 at 8:00 AM Pacific time / 11:00 AM ET to discuss the fourth quarter financial and operating results. To participate in the call, please dial 416-340-8530 or toll free 800-766-6630. The call will also be available on instant replay access until March 10, 2014 by dialling 905-694-9451 or 800-408-3053 and entering participant pass code 9370553.

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; 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; that the Mackenzie mills will incorporate the expected harvest levels for the Mackenzie Timber Supply Area; 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 timely 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; 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); and other risk factors described in the Company’s 2013 annual management’s discussion and analysis, available on SEDAR at [www.sedar.com](http://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.

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