



CONIFEX TIMBER INC.

Conifex Announces Agreement with Blue Wolf Capital Partners Resulting in Major Expansion in the Southeastern United States

Agreement to Acquire Suwannee Sawmill in Florida and Caddo River Sawmill in Arkansas with a Combined Dimension Lumber Capacity of 370 Million Board Feet

Post-Acquisition, Conifex to have 550 Million Board Feet of Dimension Lumber Capacity in the U.S. Southeast

- **Consideration of US\$200 million plus net working capital and 3.5 million common share purchase warrants of Conifex**
- **Triples Conifex's U.S. Southeast operating platform**
- **Acquiring efficient mills benefitting from recent upgrades and modernization**
- **Caddo River mill restarted in May 2017 and plans to double production in 2H 2018 compared to 1H 2018**
- **Strategic geographic location to serve a growing customer base supported by high-quality and abundant fibre supply**
- **Acquired mills complement Conifex's El Dorado, Arkansas sawmill**
- **Immediate cash flow generation and earnings accretion**

May 15, 2018, Vancouver, B.C. - Conifex Timber Inc. ("Conifex", the "Company", "we", "our" or "us") (TSX: CFF) announced today that it has reached an agreement with BW SLC Holdings, LLC ("BW SLC"), an affiliate of Blue Wolf Capital Partners LLC ("Blue Wolf") and the minority shareholders of Caddo River Forest Products, LLC (together with BW SLC, the "Vendors") to purchase all of the outstanding membership interests of Suwannee Lumber Holding Company, LLC, Suwannee Timber Management, LLC and Caddo River Forest Products, LLC (collectively, the "BW Group").

The BW Group owns the Suwannee sawmill in Cross City, Florida (the "Suwannee Mill") and the Caddo River sawmill in Glenwood, Arkansas (the "Caddo River Mill"), which both primarily produce Southern Yellow Pine ("SYP") softwood lumber and specialty products like decking. The Suwannee Mill and Caddo River Mill each have an annual dimension lumber capacity of approximately 185 million board feet on a two-shift basis.

As a result of this transaction, Conifex's annual lumber production capacity will increase by approximately 50% to 1.1 billion board feet while its dimension lumber platform in the Southern U.S. will increase by 200% to approximately 550 million board feet, representing approximately 50% of the Company's total pro forma lumber capacity.

Further, the acquired mills add premium priced SYP decking products to our current product mix, along with long established customer relationships in Florida and the Southern and Eastern U.S.

Both the Suwannee Mill and Caddo River Mill have had significant modernization projects completed in recent years. Most recently, a US\$12 million modernization and optimization

project was completed at the Suwannee Mill in 2017 and approximately US\$14 million of capital expenditures were completed at the Caddo River Mill in connection with its re-start in May 2017.

In the first quarter of 2018 and for the full year in 2017, the BW Group generated Adjusted EBITDA of US\$5.5 million and US\$14.0 million, respectively, on sales of US\$32.6 million and US\$101.1 million, respectively.

Conifex estimates that integrating the acquired mills with its existing operations will generate over US\$5 million in synergies through procurement opportunities, cost benefits, customer service rationalization, and providing business support services to an expanded number of mill locations. Conifex believes these annual run-rate benefits will be achieved within 12 months of closing the transaction.

Ken Shields, Conifex's President and CEO, stated:

- "This is a highly strategic and transformative transaction for Conifex. It brings together two successful growth oriented companies to create a leading SYP lumber producer.
- The Suwannee and Caddo River mills significantly increase our presence in the U.S. South, which we have identified as an important strategic area with proximity to high-quality and abundant fibre supply in addition to some of North America's fastest growing population centres and housing markets.
- The Suwannee and Caddo River mills' culture and operations provide an ideal fit to increase our profitability and provide a launching pad to scale our business and compete with the best sawmills in North America.
- We are also well positioned to realize upon the ramp up in production at the Caddo River mill and our El Dorado mill during the balance of 2018 and next year.
- The transaction positions us to capitalize on the continued recovery in the U.S. and, along with our current operations create a platform for growth and enhance returns for our stakeholders."

Mr. Shields concluded: "We look forward to welcoming all Suwannee and Caddo River employees to the Conifex family."

Charles P. Miller, a partner of Blue Wolf who will join the board of Conifex, said: "After many years of investing in the sawmill industry in the Southeastern US, we are excited to join forces with the Conifex team, whose values and commitment to their employees, communities, and customers parallel our own. As a result of this transaction we will continue to be significant investors in Conifex and we firmly believe that the scale of our combined companies will make all of the mills in the system stronger, more competitive, and better able to continue a culture of investment, expansion, and continuous improvement."

Transaction Overview

Conifex's consideration for its acquisition of the BW Group consists of:

- US\$150.0 million plus the net working capital of the BW Group at closing in cash;
- the value of US\$50.0 million through the issuance of common shares of Conifex (the "Common Shares") with an issue price of \$6.50 per share (being the 20-day volume weighted average trading price), provided, however, that to the extent that such Common Shares issued to the Vendors would exceed 19.9% of the issued and

outstanding Common Shares (the "Share Cap"), the excess amount shall be satisfied in cash; and

- 3.5 million warrants ("Warrants") to purchase Common Shares for a period of five years after closing of the acquisition, at an exercise price of \$8.78 per share.

If any of the foregoing Warrants cannot be exercised at the end of the five-year term due to the Share Cap restriction, then the term of such number of Warrants will be extended for an additional one-year.

In addition, Conifex and BW SLC have entered into customary governance provisions including standstill and nomination arrangements and a non-competition agreement.

As part of the transaction, Charles P. Miller and George R. Judd shall be appointed to Conifex's Board of Directors on the closing of the transaction.

Mr. Miller is a partner at Blue Wolf and Mr. Judd is a Strategic Advisor to Blue Wolf and a member of BW SLC's board. Previously, Mr. Judd served as the Chief Executive Officer of PrimeSource Building Products, Inc., one of the largest purveyors of fasteners and distributors of building materials. He also served as the Chief Executive Officer of Snappy Air Distribution Products, Inc. and as President & Chief Executive Officer of BlueLinx Corporation, a large distributor of building products.

The completion of the transaction is subject to the satisfaction of customary closing conditions, including regulatory consents and approvals and financing. In connection therewith, Conifex has received from a U.S. bank a commitment for a new credit facility in the amount of US\$220 million with a term of five years to partially finance the acquisition, replace its current facility and for general working capital. Conifex is also reviewing other supplemental funding for the acquisition.

Pursuant to the requirements of the Toronto Stock Exchange, the issuance of shares and warrants are subject to Conifex obtaining shareholder approval, and Conifex will convene an annual and special meeting of shareholders to, among other things, consider and approve the transaction.

The transaction is expected to be closed at or around the end of the second quarter of 2018.

Conference Call

There will be a conference call on Wednesday, May 16, 2018 at 7:00 AM (Pacific Time) / 10:00 AM (Eastern Time) for the purpose of reviewing the acquisition. A presentation will be posted to the website for review during the conference call. To participate in the call, please dial one of the following numbers:

Toll-Free Access: 800-273-9672
Access: 416-340-2216

The call will also be available on instant replay access until June 12, 2018. For Instant Replay Access, please dial one of the following numbers and enter Participant Pass Code 8706936#.

Toll-Free Access: 800-408-3053
Access: 905-694-9451

For further information, please contact:
Yuri Lewis, Chief Financial Officer at (778) 331-8687

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.

About Blue Wolf Capital Partners

Blue Wolf Capital Partners LLC is a private equity firm that specializes in control investments in middle market companies. Leading by experience, and with a commitment to excellence, Blue Wolf transforms companies strategically, operationally and collaboratively. Blue Wolf manages challenging situations and complex relationships between business, customers, employees, unions, and regulators to build value for stakeholders. For additional information, please visit www.bluewolfcapital.com.

Non-IFRS Measures

This press release refers to financial measures that are not recognized under International Financial Reporting Standards ("IFRS"). A non-IFRS financial measure is a numerical indicator of a company's performance, financial position or cash flow that excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts that are included or excluded in most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning under IFRS and therefore are unlikely to be comparable to similar measures presented by the other companies having the same or similar business.

Conifex believes these measures are useful supplemental information. The non-IFRS measure referred to by Conifex in this press release is "Adjusted EBITDA" of the BW Group which means earnings before interest expense, income taxes, depreciation and depletion and non-recurring costs.

	Three Months Ended March 31, 2018	Year Ended December 31, 2017
	(USD in millions)	
Operating income ⁽¹⁾	\$ 3.4	\$ 6.8
Interest expense.....	\$ 1.6	\$ 5.1
Non-recurring costs ⁽²⁾	\$ 0.5	\$ 2.1
Adjusted EBITDA	\$ 5.5	\$ 14.0

Notes:

- (1) Adjusted EBITDA reconciled to operating income as there are corporate, finance and other reconciling items associated with and allocated by the current owner.
- (2) Non-recurring costs are comprised of owner-related expenses that will not be incurred following the acquisition, including relating to management fees paid to and costs associated with the current owner.

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 Conifex 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 Conifex's management. Because forward-looking statements involve known and unknown risks, uncertainties and other factors, actual results, performance or achievements of Conifex 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: satisfaction of the conditions to the completion of the BW Group acquisition in a timely manner, if at all, uncertainties related to the realization of the anticipated benefits of the acquisition, general economic and business conditions, product selling prices, raw material and operating costs and changes in foreign-currency exchange rates. Assumptions underlying Conifex's expectations regarding forward-looking information contained in this news release include, among others: that Conifex 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 Mackenzie Power Plant and that Conifex 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 Conifex conducts operations; 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 management will effectively execute Conifex'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 Conifex's 2017 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 Conifex undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by law.