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CanWel®

Press Release

CANWEL ANNOUNCES $100 MILLION ACQUISITION OF LEADING HAWAIIAN BUILDING PRODUCTS COMPANY AND CONCURRENT $50 MILLION BOUGHT DEAL EQUITY FINANCING

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VANCOUVER, **CANADA** – September 5, 2017 – CanWel Building Materials Group Ltd. ("**CanWel**" or the "**Company**") (TSX:CWX) is pleased to announce that it has entered into a definitive agreement with Colorado-based Grey Mountain Partners whereby CanWel will acquire 100% of the Honsador Building Products group of companies[1] ("**Honsador**") for US$80.0 million (approximately C$100 million) in cash, subject to customary post-closing adjustments (the "**Transaction**").

Founded in 1935, Honsador is a leading distributor of building products and electrical supplies and the largest producer of pressure-treated wood in Hawaii, with 14 facilities across the Big Island, Maui, Oahu and Kauai serving the residential, commercial and military markets. The Transaction will result in Honsador becoming an indirect wholly-owned subsidiary of CanWel and will combine Honsador's operations with CanWel's well-established and growing North American platform.

Transaction Highlights

- **Diversified and Complementary Operations**. The Transaction facilitates further penetration of the U.S. West Coast markets and provides entry into a robust and captive market with high barriers to entry. CanWel immediately obtains a market leadership position with a diversified and loyal customer base.

- **Continued Wood Treatment Expansion**. Post-closing, CanWel would become the largest pressure-treated lumber producer in Hawaii with approximately 150 million board feet of annual capacity, adding to the Company's existing base of pressure-treated plants.

- **Financially Attractive**. The acquisition of Honsador effectively doubles CanWel's sales in the United States[2] while increasing CanWel's pro forma EBITDA[3] by approximately 25%. The Transaction is expected to be positively accretive to CanWel's annual earnings and free cash flow[4] per share by approximately 10-15% (prior to synergies) and lead to further expansion of CanWel's EBITDA margins.

- **Synergy Potential.** Synergies are expected from integration with CanWel's existing California business given the close proximity to shipping ports. Additional operational and margin synergies are expected to be realized over time, including scale and purchasing benefits on pressure-treated inputs, and utilization of CanWel's established purchasing, sales and distribution channels.

- **Skilled Operational Leadership Team**. Honsador includes a committed and strong management team that shares mutual best practices on a well-run platform. Key management will remain in place and bring 50+ years of combined industry experience, further adding to CanWel's bench strength.

"We are very excited with the addition of Honsador to the CanWel family. The Transaction is a great complement to our existing U.S. operations while further advancing our growth strategy and developing a leadership position on the west coast of the U.S." said Amar Doman, Chairman and CEO of CanWel. "We continue our disciplined approach in tracking and executing on accretive growth opportunities, further strengthening our financial performance, and enhancing shareholder value based on a fundamentally sound and sustainable growth plan."

"I am also pleased to announce that The Futura Corporation, CanWel's largest shareholder, will be subscribing for $5.0 million under the Offering, details of which follow below" Mr. Doman added.

Honsador is being acquired on a cash-free and debt-free basis, and includes the assumption of approximately US$26 million of net working capital. The Transaction is being funded through a combination of the Offering (as described below) and CanWel's existing revolving credit facilities, resulting in CanWel maintaining a constant leverage profile. Closing is subject to the satisfaction of customary conditions and is anticipated early in the fourth quarter of 2017.

The Company is also pleased to announce that it has reached agreement to amend its existing $325 million senior credit facility with Wells Fargo Capital Finance Corporation Canada by amending the revolving credit limit to $300 million and the accordion acquisition credit limit to $25 million from $275 million and $50 million respectively, effective concurrent with the closing of the Transaction.

Bought Deal Private Placement

In conjunction with the Transaction, CanWel has entered into an agreement with a syndicate of underwriters led by GMP Securities L.P. (the "**Underwriters**"), pursuant to which the Underwriters have agreed to purchase, on a "bought deal" private placement basis, 8,550,000 subscription receipts (the "**Subscription Receipts**") of CanWel at a price of $5.85 per Subscription Receipt (the "**Offering Price**") for gross proceeds of approximately $50.0 million (the "**Offering**").

CanWel has also granted the Underwriters an option, exercisable up to two business days prior to the Offering closing date, to arrange for the purchase of up to an additional 1,282,500 Subscription Receipts at the Offering Price for additional gross proceeds of up to $7.5 million.

The net proceeds from the Offering will be used to partially finance the Transaction consideration.

Each Subscription Receipt will entitle the holder to receive, without further consideration or action, one common share of CanWel (a "**Common Share**") upon satisfaction of certain escrow release conditions to be included in a subscription receipt agreement, including the satisfaction of all conditions precedent (but for the payment of the purchase price) of the Transaction, provided that the conditions have been satisfied by December 31, 2017. The Offering is expected to close on or about September 26, 2017 and is subject to the completion of formal documentation and certain other conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX. If the proposed Transaction is not completed on or before December 31, 2017 or the proposed Transaction is terminated at an earlier time, holders of Subscription Receipts will receive a cash payment equal to the offering price of the Subscription Receipts and any interest that was earned thereon during the term of the escrow.

CanWel currently pays a quarterly dividend of $0.14 per share and CanWel currently intends to maintain its current dividend policy, implying an annualized dividend yield of 9.6% at the Offering Price. The first dividend that holders of the Common Shares will be entitled to receive, should they continue to hold the Common Shares, is the dividend expected to be paid on or about January 15, 2018 to holders of record on December 29, 2017. For greater certainty, holders of Subscription Receipts will not be entitled to receive any dividends paid on the Common Shares prior to the exercise of the Subscription Receipts or closing of the Transaction.

The Subscription Receipts will be sold in Canada on a private placement basis pursuant to "accredited investor" exemptions under National Instrument 45-106. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Advisors and Counsel

GMP Securities L.P. acted as financial advisor to CanWel and a team of Dorsey & Whitney LLP, Carlsmith Ball LLP and Goodmans LLP acted as its legal advisors.

About CanWel

Founded in 1989, CanWel is headquartered in Vancouver, British Columbia and trades on the Toronto Stock Exchange under the symbol CWX and is Canada's only fully integrated national distributor in the building materials and related products sector. CanWel operates multiple treating plant and planing facilities in Canada and the United States, and operates distribution centres coast-to-coast in all major cities and strategic locations across Canada and near San Francisco and Los Angeles, California. CanWel distributes a wide range of building materials, lumber and renovation products. In addition, through its CanWel Fibre division, CanWel operates a vertically integrated forest products company based in Western Canada, operating from British Columbia to Saskatchewan, also servicing the US Pacific Northwest. CanWel owns approximately 136,000 acres of private timberlands, strategic Crown licenses and tenures, log harvesting and trucking operations, several post and pole peeling facilities and two pressure-treated specialty wood production plants and a specialty saw mill.

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Certain statements in this press release may constitute "forward-looking" statements including statements regarding the Transaction and the Offering (and the anticipated terms and benefits of each), CanWel's senior loan financing arrangements and CanWel's dividend. The following statements are or may constitute forward-looking statements (1) statements proceeded by, followed by, or that included words like "may", "will", "would", "should", "expect", "believe", "plan", "intend", "anticipate", "predict", "remain", "anticipate", "estimate", "potential", "continue", "plan", "could", "might", "project", "targeting", "future" and other similar terminology, and (2) other statements regarding matters that are not historical facts. The matters addressed in these statements are subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the potential inability to satisfy conditions to the Transaction on the expected terms and schedule; the risk that CanWel cannot amend its senior credit facility as currently expected; the potential inability of CanWel to complete the formal documentation and satisfy the other conditions required to complete the Offering on the expected terms and schedule; the risk that the existing and acquired businesses will not be integrated successfully; the risk that cost savings and synergies expected to result from the Transaction may not be fully realized or may take longer to realize than expected; disruption from the Transaction making it more difficult to maintain relationships with customers, employees or suppliers; the effect of general economic conditions, including market demand for CanWel's or Honsador's products, and prices for such products; the availability, cost and other terms of capital; the efficiency and consequences of operations improvement initiatives; the effect of forestry, land use, environmental and other governmental regulations; and the risk of losses from fires, floods and other natural disasters. These and other factors could cause or contribute to actual results differing materially from those contemplated by forward-looking statements. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Forward-looking statements contained in this press release speak only as of the date of this press release. CanWel does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements or information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

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1 The Transaction will be structured as an acquisition of all of the issued and outstanding common shares of Honsador Acquisition Corp., the parent holding company of the Honsador group of companies.

2 Please refer to our Q2 2017 MD&A and Financial Statements for further information. Our Q2 2017 Financial Statements filings are reported under International Financial Reporting Standards ("IFRS").

3 In the discussion, reference is made to EBITDA, which represents earnings from continuing operations before interest, provision for income taxes, depreciation and amortization, goodwill impairment loss and share-based compensation. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS, and therefore the measure as calculated by the Company may not be comparable to similarly-titled measures reported by other companies. EBITDA is presented as we believe it is a useful indicator of a Company's ability to meet debt service and capital expenditure requirements and because we interpret trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net earnings or cash flows as determined in accordance with IFRS. For a reconciliation of EBITDA to the most directly comparable measures calculated in accordance with IFRS refer to "Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)" in our Q2 2017 MD&A filings.

4 Reference is also made to free cash flow of the Company. This is a non-IFRS measure generally used by Canadian companies as an indicator of financial performance. The measure as calculated by the Company might not be comparable to similarly-titled measures reported by other companies. Management believes that this measure provides investors with an indication of the cash available for distribution to shareholders of the Company. We define free cash flow as cash flow from operating activities excluding changes in non-cash working capital, and after interest costs, maintenance of business capital expenditures and funds received from other assets.