CanWel Building Materials Group Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

March 31, 2018
(in thousands of Canadian dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102 “Continuous Disclosure Obligations”, Part 4, Subsection 4.3(3a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited Interim Condensed Consolidated Financial Statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor, Ernst & Young LLP, has not performed a review of these Interim Condensed Consolidated Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

May 8, 2018

CanWel®

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	As at March 31, 2018 $	As at December 31, 2017 $
Assets			
Current assets			
Cash		**-**	6,744
Trade and other receivables	5	**176,872**	104,505
Income taxes receivable		**2,493**	2,605
Inventories	6	**275,986**	221,495
Prepaid expenses and deposits		**8,053**	7,387
		463,404	342,736
Non-current assets			
Property, plant and equipment	7	**95,122**	93,586
Timber	8	**63,540**	64,249
Deferred income tax assets		**3,893**	4,429
Intangible assets	9	**49,846**	50,195
Goodwill	10	**166,665**	164,807
Other assets		**4,175**	3,496
		383,241	380,762
Total assets		**846,645**	723,498
Liabilities			
Current liabilities			
Bank indebtedness		**15,945**	9,755
Trade and other payables		**91,141**	83,620
Performance bond obligations	11	**12,825**	14,101
Dividends payable	19	**10,877**	10,872
Current portion of non-current liabilities	12-16	**12,115**	11,438
		142,903	129,786
Non-current liabilities			
Loan facilities	12	**300,228**	193,022
Leasehold inducements		**1,123**	1,202
Promissory notes	13	**802**	802
Finance lease liabilities	14	**3,865**	2,524
Equipment term loan and equipment line	15	**10,495**	11,099
Reforestation and environmental	16	**2,143**	1,057
Earn-out commitment	17	**1,481**	1,448
Deferred income tax liabilities		**18,725**	18,615
Retirement benefit obligations		**3,634**	3,708
		342,496	233,477
Total liabilities		**485,399**	363,263
Equity			
Common shares	19	**498,849**	498,639
Contributed surplus		**10,769**	10,769
Foreign currency translation		**5,092**	(49)
Deficit		**(153,464)**	(149,124)
		361,246	360,235
Total liabilities and equity		**846,645**	723,498
Commitments and contingencies	24		

INTERIM CONDENSED CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE EARNINGS (UNAUDITED)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except per share amounts)	Notes	Three months ended March 31, 2018 $	2017 $
Revenue	28,29	**294,968**	222,846
Cost of sales	20	**249,296**	195,522
Gross margin from operations		**45,672**	27,324
Expenses			
Distribution, selling and administration	21	**30,098**	19,151
Depreciation of property, plant and equipment	7	**2,691**	3,113
Amortization of intangible assets	9	**1,649**	744
		34,438	23,008
Operating earnings		**11,234**	4,316
Finance costs	22	**(2,427)**	(1,899)
Earnings before income taxes		**8,807**	2,417
Provision for (recovery of) income taxes			
Current income tax		**1,889**	839
Deferred income tax		**425**	(90)
		2,314	749
Net earnings		**6,493**	1,668
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations (1)		**5,141**	(623)
Net actuarial gain (loss) from pension and other benefit plans (2)		**44**	(2)
		5,185	(625)
Comprehensive earnings		**11,678**	1,043
Net earnings per share			
Basic and diluted		0.08	0.03
Weighted average number of shares			
Basic and diluted		**77,681,996**	61,173,431

1. Item may be reclassified to earnings in subsequent periods.
2. Item will not be reclassified to earnings.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except share amounts)	Common shares #	Common shares $	Contributed surplus $	Foreign currency translation $	Deficit $	Total $
As at December 31, 2017	77,659,655	498,639	10,769	(49)	(149,124)	360,235
Shares issued pursuant to:						
Employee Common Share Purchase Plan	34,080	210	-	-	-	210
Dividends		-	-	-	(10,877)	(10,877)
Comprehensive earnings for the period		-	-	5,141	6,537	11,678
As at March 31, 2018	**77,693,735**	**498,849**	**10,769**	**5,092**	**(153,464)**	**361,246**
As at December 31, 2016	61,152,898	405,048	10,769	4,335	(141,431)	278,721
Shares issued pursuant to:						
Employee Common Share Purchase Plan	31,321	158	-	-	-	158
Dividends		-	-	-	(8,566)	(8,566)
Comprehensive earnings for the period		-	-	(623)	1,666	1,043
As at March 31, 2017	**61,184,219**	**405,206**	**10,769**	**3,712**	**(148,331)**	**271,356**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	Three months ended March 31, 2018 $	2017 $
Operating activities			
Net earnings for the period		**6,493**	1,668
Items not affecting cash			
Depreciation of property, plant and equipment	7	**2,691**	3,113
Provision for income taxes		**2,314**	749
Amortization of:			
Intangible assets	9	**1,649**	744
Leasehold inducements		**(79)**	(66)
Fair value adjustments	8	**(6)**	(363)
Gain on other assets		**(184)**	(329)
Other		**96**	(110)
Income taxes paid		**(1,759)**	(2,054)
Interest paid on loan facilities, bank indebtedness and other	22	**(1,980)**	(1,523)
Payment of reforestation and environmental	16	**(27)**	(12)
Net payments on bonding obligations	11	**(1,552)**	-
Finance costs	22	**2,427**	1,899
		10,083	3,716
Changes in non-cash working capital	27	**(116,764)**	(61,751)
Net cash flows used in operating activities		**(106,681)**	(58,035)
Financing activities			
Shares issued	19	**210**	158
Repayment of non-revolving term loan	12	**(667)**	(667)
Payment of finance lease liabilities		**(326)**	(194)
Net repayment of equipment term loan and line, including interest		**(226)**	(989)
Dividends paid	19	**(10,872)**	(8,561)
Financing costs on borrowings		**(95)**	(34)
Increase in revolving loan facility		**107,257**	75,340
Net cash flows provided by financing activities		**95,281**	65,053
Investing activities			
Purchase of property, plant and equipment	7	**(1,911)**	(1,498)
Proceeds from disposition of property, plant and equipment		**28**	200
Net cash flows used in investing activities		**(1,883)**	(1,298)
Net (increase) decrease in bank indebtedness		**(13,283)**	5,720
Foreign exchange difference		**349**	37
Bank indebtedness - Beginning of period		**(3,011)**	(6,277)
Bank indebtedness - End of period		**(15,945)**	(520)

1. NATURE OF OPERATIONS

CanWel Building Materials Group Ltd. (the "Company") was incorporated in 2009 under the Business Corporations Act (British Columbia). On May 11, 2010, the Company was continued under the laws of Canada pursuant to section 187 of the Canada Business Corporations Act with its current name. The Company has limited liability, with its shares publicly listed on the Toronto Stock Exchange ("TSX"). The Company's head office is located at Suite 1100 – 1055 West Georgia Street, Vancouver, BC. The Company's Canadian operations commenced in 1989.

The Company operates through its wholly owned subsidiaries as a distributor of building materials and home renovation products and as a provider of wood pressure treating services in Canada nationally and regionally in the Western United States and Hawaii. Additionally, the Company has operations in timber ownership and management of private timberlands and Crown forest licenses, full service logging and trucking, and post peeling and pressure treating in British Columbia and Saskatchewan for the North American agricultural market.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), on a basis consistent with the accounting policies disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2017 (except for as described in Note 3).

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on May 8, 2018 by the Board of Directors of the Company.

b) Basis of presentation

These unaudited Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. The notes presented in these unaudited Interim Condensed Consolidated Financial Statements include in general only significant changes and transactions occurring since the Company's last year-end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Annual Consolidated Financial Statements, including the notes thereto, for the year ended December 31, 2017.

c) Functional and presentation currency

These unaudited Interim Condensed Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2017 have been consistently applied to all periods in the preparation of these unaudited Interim Condensed Consolidated Financial Statements unless otherwise stated below.

Changes in accounting standards

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15").

a) IFRS 9 – Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 did not have an impact on these unaudited Interim Condensed Consolidated Financial Statements.

b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue* and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively and has presented comparatives for the comparative period of 2017. The new standard did not result in any change to the timing of revenue recognition for the Company for previously reported periods and did not have a significant impact on the financial results of the Company but did, however, result in more extensive disclosures on the Company's revenue transactions (Note 28).

The Company applied the following practical expedients upon adoption of the new revenue standard: IFRS 15 (4) Evaluation of contracts as a portfolio and IFRS 15 (94) Costs of obtaining a contract. The application of these practical expedients did not have a material impact on the financial results of the Company.

The Company enters into numerous contracts (purchase orders) each year with a limited number of large customers for the purchase of building materials products. Every purchase contract represents a separate performance obligation, all having similar characteristics, such as credit terms, timing of revenue recognition and volume discounts and other price adjustments or rebates that may apply. In adopting IFRS 15, the Company has elected to utilize the practical expedients in IFRS 15 (4).

The Company incurs costs related to the obtaining of certain contracts that would not have been incurred if the contract had not been obtained. Upon adoption of IFRS 15, the Company has applied the practical expedient in IFRS 15 (94) and recognizes these costs as expenses when incurred, as the contract asset that would otherwise be recognized have amortization periods of one year or less.

Significant accounting policies amended

As a result of the application of IFRS 15, the Company has amended its accounting policy for Revenue recognition, from that disclosed in the Company's audited Annual Consolidated Financial Statements as follows:

The Company recognizes revenue from the sale of building products from its network of distribution centers across Canada nationally and regionally in the Western United States and Hawaii, as well as, from the sale of timber products harvested in British Columbia and Saskatchewan as products in the sales category. The Company owns wood treatment and processing facilities that produce specialty products for sale through its distribution network that also generate revenue through the provision of these services to external customers. Provision of services from the Company's facilities to external customers are presented as services in the sales category.

Revenue from the sale of products and services is recognized, net of discounts and customer rebates, at the point in time the transfer of control of the related products has taken place (based on shipping or delivery terms as specified in the sales contract), and collectability is reasonably assured.

Areas of significant judgement and estimation related to point in time revenue recognition include the estimation of the expected value of consideration to be received from customers, who may be subsequently impacted by volume discounts, manufacturer rebates and other incentives offered. The Company applies judgement in using weight scale readings and the application of conversion factors to determine the volume of forestry products sold. We have also applied judgements in identifying performance obligations and determining the costs associated with the acquisition of contracts, which are recognized as they occur, unless the contract has a performance obligation that extends beyond one year.

4. BUSINESS ACQUISITIONS

Honsador Acquisition

On October 2, 2017, the Company completed the acquisition of all issued and outstanding shares of Honsador Acquisition Corp., the parent company of Honsador Building Products group of companies ("Honsador") (the "Honsador Acquisition"), a leading distributor of building products and electrical supplies, and the largest producer of pressure-treated wood in Hawaii. The Honsador Acquisition is expected to expand the Company's presence in the United States building distribution and treating markets, and provide an incumbent position in the State of Hawaii.

Total purchase consideration comprised of US$81,315, including certain post-closing adjustments. The foreign exchange rate used to translate cash purchase consideration and fair value of assets acquired and liabilities assumed was based on the exchange rate published by the Bank of Canada as at the date of the Honsador Acquisition.

Details of the fair value of the aggregate consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of the above noted acquisition were as follows (in thousands of Canadian dollars):

	October 2, 2017 (Provisional)[1] $
Fair value of purchase consideration	
Cash	101,685
Fair value of assets acquired and liabilities assumed	
Non-cash working capital	47,185
Property, plant and equipment	3,785
Intangible assets (customer lists and brand)	35,014
Other assets	1,544
Bank indebtedness	(1,306)
Leasehold inducements	(1,733)
Performance bonds	(12,409)
Finance lease liabilities	(311)
Deferred income tax liabilities	(10,236)
Total identifiable net assets at fair value	61,533
Goodwill arising on acquisition	40,152
Consideration	101,685

(1) The provisional purchase price allocation determined at the Honsador Acquisition date is preliminary and subject to change up to a period of one year from October 2, 2017, upon finalization of fair value determinations.

The values of assets acquired and liabilities assumed are based on preliminary fair values, which are subject to change, including possible erosion, which may be material, upon finalization of a complete valuation.

The goodwill recognized was primarily attributed to the expected synergies arising from the Honsador Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is not expected to be deductible for U.S. income tax purposes.

From the date of the Honsador Acquisition, the acquired business contributed $83,353 of revenue and $3,223 of net earnings. If the Honsador Acquisition had taken place at the beginning of 2017, unaudited consolidated revenue for the three months ended March 31, 2017 would have been $269,000 and unaudited net earnings of the Company would have been $2,350.

5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise primarily from sales of building materials to customers. These are broken down as follows:

	March 31, 2018 $	December 31, 2017 $
Trade receivables	**171,670**	96,553
Allowance for doubtful accounts	**(973)**	(896)
Net trade receivables	**170,697**	95,657
Other receivables	**6,175**	8,848
Total trade and other receivables	**176,872**	104,505

The aging analysis of trade and other receivables is as follows:

	March 31, 2018 $	December 31, 2017 $
Neither past due nor impaired	**162,699**	89,802
Past due but not impaired:		
Less than 1 month	**8,106**	8,336
1 to 3 months	**4,433**	4,171
3 to 6 months	**1,634**	2,196
Total trade and other receivables	**176,872**	104,505

Activity in the Company's provision for doubtful accounts is as follows:

	$
Balance at December 31, 2017	896
Accruals during the period	66
Accounts written off	(9)
Foreign exchange difference	20
Balance at March 31, 2018	**973**

The Company holds no collateral for any receivable amounts outstanding as at March 31, 2018.

6. INVENTORIES

	March 31, 2018 $	December 31, 2017 $
Inventories held for resale	**220,022**	173,680
Inventories held for processing	**55,964**	47,815
	275,986	221,495

7. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings, leasehold improvements and roads $	Machinery, automotive and other equipment $	Computer equipment and systems development $	Equipment under finance leases $	Total $
Cost						
Cost at December 31, 2017	35,644	16,235	71,159	4,684	4,536	132,258
Additions	-	471	1,429	11	2,101	4,012
Disposals	-	-	(78)	-	-	(78)
Foreign exchange difference	-	18	221	4	113	356
Cost at March 31, 2018	**35,644**	**16,724**	**72,731**	**4,699**	**6,750**	**136,548**
Accumulated depreciation						
Accumulated depreciation at December 31, 2017	-	3,252	31,731	2,627	1,062	38,672
Depreciation	-	183	2,153	216	139	2,691
Disposals	-	-	(15)	-	-	(15)
Foreign exchange difference	-	2	44	1	31	78
Accumulated depreciation at March 31, 2018	**-**	**3,437**	**33,913**	**2,844**	**1,232**	**41,426**
Net book value at December 31, 2017	35,644	12,983	39,428	2,057	3,474	93,586
Net book value at March 31, 2018	**35,644**	**13,287**	**38,818**	**1,855**	**5,518**	**95,122**

8. TIMBER

	$
Balance at December 31, 2017	64,249
Reforestation provision on harvested land	156
Harvested timber transferred to inventory in the period	(871)
Change in fair value resulting from growth and pricing	6
Balance at March 31, 2018	**63,540**

The Company's private timberlands comprised an area of approximately 53,525 hectares ("ha") of land as at March 31, 2018 and 40,405 ha of the land was unharvested with standing timber consisting of mixed-species softwood forests.

During the three month period ended March 31, 2018, the Company harvested approximately 73,632 cubic metres ("m^3") from its private timberlands (2017 - 106,210 m^3).

Measurement of fair values

The table above reconciles the opening balances to the closing balances for Level 3 fair values (as defined in Note 26). The fair value measurement for the Company's standing timber, as disclosed above, has been categorized as Level 3 fair value, and was based on the inputs to the valuation technique discussed below.

Valuation Technique	Discounted cash flow analysis: The valuation model considers the present value of the net cash flows expected to be generated by the private timberlands over a period of 20 years with a reversion in year 21. The expected net cash flows are discounted using a risk-adjusted discount rate.
Significant Unobservable Inputs in future periods	Estimated log prices of $75[(1)] per m^3 (weighted average sawlog and pulpwood prices) Estimated total costs, including harvest costs, of $49[(1)] per m^3 Estimated harvest annual volume of 173,913 - 450,000 m^3 (20-year average 263,659 m^3 (2017 - 271,732 m^3)) Risk-adjusted discount rate of 8.50%
Inter-relationship between key unobservable inputs and fair value measurement	The estimated fair value would increase (decrease) if: - the estimated log prices per m^3 were higher (lower); - the estimated stewardship and harvest costs per m^3 were lower (higher); - the estimated harvest volumes were higher (lower); and - the risk-adjusted discount rate were lower (higher).

(1) In whole dollars, not thousands

9. INTANGIBLE ASSETS

	Core business $	US operations $	Value-added services $	Total $
Cost				
Cost at December 31, 2017	10,000	52,419	1,633	64,052
Foreign exchange difference	-	2,423	-	2,423
Cost at March 31, 2018	**10,000**	**54,842**	**1,633**	**66,475**
Accumulated amortization				
Accumulated amortization at December 31, 2017	7,917	5,206	734	13,857
Amortization	250	1,358	41	1,649
Foreign exchange difference	-	1,123	-	1,123
Accumulated amortization at March 31, 2018	**8,167**	**7,687**	**775**	**16,629**
Net intangible assets at December 31, 2017	2,083	47,213	899	50,195
Net intangible assets at March 31, 2018	**1,833**	**47,155**	**858**	**49,846**

Intangible assets at March 31, 2018 relate to the Distribution business segment, as described in Note 29.

10. GOODWILL

	Core business $	US operations $	Value-added services $	Total $
Balance at December 31, 2017	62,624	67,107	35,076	164,807
Foreign exchange difference	-	1,858	-	1,858
Balance at March 31, 2018	**62,624**	**68,965**	**35,076**	**166,665**

Goodwill at March 31, 2018 relates to the Distribution business segment, as described in Note 29.

11. PERFORMANCE BOND OBLIGATIONS

As a result of the Honsador Acquisition (Note 4), the Company assumed certain performance bond obligations. Proceeds received by the Company in excess of funds disbursed with respect to its performance bonds are outlined below.

	As at March 31, 2018 $	As at December 31, 2017 $
Funds received on bonding obligations	**90,770**	79,329
Payments made on bonding obligations	**(78,363)**	(65,637)
Receipts in excess of payments	**12,407**	13,692
Provision for loss on bonds	**418**	409
	12,825	14,101

Activity in the Company's performance bond obligations was as follows:

	$
Balance at December 31, 2017	14,101
Net payments on bonding obligations during the period	(1,552)
Change in provision for loss on bonds	(2)
Foreign exchange difference	278
Balance at March 31, 2018	**12,825**

Total gross bonding contracts on all outstanding projects at March 31, 2018 were $145,281 (December 31, 2017 - $137,124).

The Company manages risk associated with exposure to loss on these performance bonds through rigorous underwriting practices which include reviewing construction estimates, evaluating contractors' experience and financial condition, managing bond proceeds assigned to the Company, and obtaining security or personal guarantees from contracted parties for certain performance bonds.

12. LOAN FACILITIES

Revolving loan facility

	March 31, 2018 $	December 31, 2017 $
Revolving loan facility	**269,896**	162,168
Financing costs, net of amortization	**(2,554)**	(2,700)
	267,342	159,468

The terms and conditions of the revolving loan facility are consistent with those disclosed in Note 17 to the 2017 audited Annual Consolidated Financial Statements.

Non-revolving term loan

	March 31, 2018 $	December 31, 2017 $
Non-revolving term loan	**36,000**	36,667
Financing costs, net of amortization	**(447)**	(446)
Less: current portion	**(2,667)**	(2,667)
	32,886	33,554

The terms and conditions of the non-revolving term loan are consistent with those disclosed in Note 17 to the 2017 audited Annual Consolidated Financial Statements.

13. PROMISSORY NOTES

	March 31, 2018 $	December 31, 2017 $
Promissory notes	**3,503**	3,503
Accrued interest	**985**	979
Less: current portion	**(3,686)**	(3,680)
	802	802

The terms and conditions of the promissory notes are consistent with those disclosed in Note 18 to the 2017 audited Annual Consolidated Financial Statements.

14. FINANCE LEASE LIABILITIES

	March 31, 2018 $	December 31, 2017 $
Finance lease liabilities	**5,401**	3,559
Less: current portion	**(1,536)**	(1,035)
	3,865	2,524

The Company leases certain transportation equipment, which has been classified as finance leases. Future minimum lease payments with respect to these leases are disclosed in Note 24.

15. EQUIPMENT TERM LOAN AND EQUIPMENT LINE

	March 31, 2018 $	December 31, 2017 $
Equipment term loan	**10,414**	12,117
Equipment line	**3,201**	2,461
Other loans	**117**	120
Financing costs, net of amortization	**(156)**	(167)
Less: current portion	**(3,081)**	(3,432)
	10,495	11,099

The terms and conditions of the equipment term loan and equipment line are consistent with those disclosed in Note 20 to the 2017 audited Annual Consolidated Financial Statements.

16. REFORESTATION AND ENVIRONMENTAL

	$
Balance at December 31, 2017(1)	1,681
Additions	1,478
Paid during the period	(27)
Reforestation provision on harvested land	156
Balance at March 31, 2018	3,288
Less: current portion	(1,145)
	2,143

(1) At December 31, 2017, $624 was included in current portion of non-current liabilities.

17. EARN-OUT COMMITMENT

Subject to certain minimum obligations, the Company has a liability to pay additional amounts ("Earn-out") from proceeds of sale of certain specified lands to third parties for a period of seven years beginning September 15, 2014. The total net remaining undiscounted minimum amount payable with respect to the Earn-out is $2,065 (December 31, 2017 - $2,065), with an additional 25% of the gross proceeds on any amounts above a certain price per hectare sold. The total discounted amount payable with respect to the Earn-out is $1,481 (December 31, 2017 - $1,448).

18. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company's pension and post-retirement benefit plans in the first quarter was $396 (2017 - $412). Further information about these plans is disclosed in Note 23 to the 2017 audited Annual Consolidated Financial Statements.

19. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of common and preferred shares with no par value.

2017 Private Placement

On October 2, 2017, and concurrent with the Honsador Acquisition (Note 4), the Company completed a private placement of 9,832,500 subscription receipts at a price of $5.85 each, resulting in gross proceeds of $57,520 (the "2017 Private Placement"), including subscription receipts to certain insiders for proceeds of $5,618. The 2017 Private Placement is pursuant to a bought deal underwritten by a syndicate of underwriters led by GMP Securities L.P., and included National Bank Financial Inc., Canaccord Genuity Corp., Raymond James Ltd., Cormark Securities Inc. and Haywood Securities Inc.

Cash proceeds raised from the 2017 Private Placement, net of issuance costs, were used to partially finance the Honsador Acquisition. Upon the closing of the Honsador Acquisition, the subscription receipts issued were converted into a total of 9,832,500 common shares.

2017 Public offering

On April 18, 2017, the Company completed a public offering of 6,598,470 common shares, by way of prospectus, at a price of $6.10 each, resulting in gross proceeds of $40,251 (the "2017 Public Offering"). The 2017 Public Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by GMP Securities L.P., and included National Bank Financial Inc., Canaccord Genuity Corp., Haywood Securities Inc., Raymond James Ltd., and Cormark Securities Inc.

Cash proceeds raised from the 2017 Public Offering, net of issuance costs, were used for reducing the Company's existing revolving loan facility, which was re-drawn during the fourth quarter of 2017 to partially fund the Honsador Acquisition, and for general corporate purposes.

Employee Common Share Purchase Plan ("ECSPP")

For the quarter ended March 31, 2018, the Company issued 34,080 (2017 - 31,321) common shares from treasury for gross proceeds of $210 (2017 - $158), pursuant to the ECSPP.

Dividend

On March 15, 2018, the Company declared a dividend of $0.14 per share, totaling $10,877 to shareholders of record on March 29, 2018, which was paid on April 13, 2018.

On December 15, 2017, the Company declared a dividend of $0.14 per share, totaling $10,872 to shareholders of record on December 29, 2017, which was paid on January 15, 2018.

20. COST OF SALES

Cost of sales includes the following costs:

	Three months ended March 31, 2018 $	2017 $
Purchased and treated building materials	**233,665**	181,289
Salaries and benefits	**7,371**	6,781
Logging, trucking and timber	**6,542**	5,508
Peeled and treated posts	**919**	1,491
Inventory provisions	**459**	292
Other	**340**	161
	249,296	195,522

21. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	Three months ended March 31, 2018 $	2017 $
Salaries and benefits	**16,859**	10,679
Building rent and occupancy costs	**7,933**	5,041
Office and miscellaneous	**2,523**	1,310
Travel, promotion and entertainment	**1,897**	1,376
Professional and management fees	**886**	745
	30,098	19,151

22. FINANCE COSTS

Finance costs for the Company are broken down as follows:

	Three months ended March 31, 2018 $	2017 $
Loan facilities	**1,949**	1,439
Equipment term loan and equipment line	**115**	121
Bank indebtedness and other	**31**	84
Net cash interest	**2,095**	1,644
Amortization of financing costs	**264**	162
Accretion of earn-out commitment	**33**	30
Interest expense on net defined benefit liability	**35**	63
	2,427	1,899

23. RELATED PARTY TRANSACTIONS

Transactions

The Company has transactions with related parties in the normal course of operations at amounts as agreed between the related parties as follows:

	Three months ended March 31, 2018 $	2017 $
Land and building lease payments for distribution facilities paid to a company in which a member of key management personnel who is a director and officer of the Company has an interest and lease payments for certain treatment plant facilities to a company solely controlled by a director and officer of the Company	**806**	806
Purchase of product from a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in	**1,080**	873
Fees for management services and other charges paid to a company controlled by one of key management personnel who is also a director and officer of the Company	**222**	290
Fees for professional services and other charges paid to a company controlled by an officer of the Company	**209**	135

Commitments with related parties

The minimum payments under the terms of the leases with companies, in which a member of key management personnel who is also a director and officer of the Company has an interest in, are as follows:

	$
Year ending December 31	
Remainder of 2018	**3,118**
2019	**3,478**
2020	**2,428**
2021	**2,070**
2022	**1,557**
Thereafter	**14,926**
	27,577

Payable to related parties

As at March 31, 2018, trade and other payables include amounts due to related parties as follows:

	March 31, 2018 $	December 31, 2017 $
A public company in which a member of key management personnel who is a director and officer of the Company has an ownership interest in	**548**	99
A company controlled by one of key management personnel who is also a director and officer of the Company	**55**	55
A company controlled by an officer of the Company	**251**	133

24. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company has lease commitments as follows:

a. real estate operating leases with third parties and related parties covering the head office, as well as many of the distribution centre properties and treatment plant properties;

b. operating leases covering certain vehicles, computer equipment and warehouse equipment; and

c. finance leases covering certain transportation equipment.

Future minimum payments due under the terms of these leases, including those amounts disclosed in Note 23, are as follows:

	$
Year ending December 31	
Remainder of 2018	**16,858**
2019	**20,811**
2020	**17,245**
2021	**13,409**
2022	**11,535**
Thereafter	**53,996**
	133,854

As at March 31, 2018, the present value of minimum lease payments relating to the finance leases was $4,925 (December 31, 2017 - $3,140).

Claims

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and, based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

25. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

The carrying amounts and fair values of non-derivative financial instruments were as follows:

	March 31, 2018		December 31, 2017	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash	**-**	**-**	6,744	6,744
Trade and other receivables	**176,872**	**176,872**	104,505	104,505
Bank indebtedness	**15,945**	**15,945**	9,755	9,755
Trade and other payables	**91,141**	**91,141**	83,620	83,620
Performance bond obligations	**12,825**	**12,825**	14,101	14,101
Dividends payable	**10,877**	**10,877**	10,872	10,872
Revolving loan facility	**267,342**	**269,896**	159,468	162,168
Non-revolving term loan	**35,553**	**36,000**	36,221	36,667
Promissory notes	**4,488**	**4,488**	4,482	4,482
Finance lease liabilities	**5,401**	**5,401**	3,559	3,559
Equipment term loan and equipment line	**13,576**	**13,732**	14,531	14,698
Earn-out commitment	**1,481**	**1,481**	1,448	1,448

The following methods and assumptions were used to determine the estimated fair value of each class of financial instrument:

- The fair values of cash, trade and other receivables, bank indebtedness, trade and other payables, performance bond obligations and dividends payable are comparable to their carrying amounts, given the short maturity periods.

- The fair values of the Company's revolving loan facility, non-revolving term loan, and equipment term loan and equipment line approximate their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.

- The fair values of the Company's promissory notes and finance lease liabilities approximate their carrying values as they bear interest that approximates current market rates.

- The fair value of the earn-out commitment is equal to the discounted amount of the Earn-out payment.

The expenses resulting from financial assets and liabilities recorded in net earnings were as disclosed in Note 22.

Derivative financial instruments

The Company uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign exchange risk through the use of futures contracts and options. Derivative instruments were designated as held for trading with changes in fair value recorded in other income (loss).

As at March 31, 2018, the Company held two outstanding foreign exchange contracts to purchase an aggregate of US$967 at exchange rates ranging between 1.2258 and 1.2888 (December 31, 2017 - US$1,891) for economic hedging purposes, and unrealized gains totaling $62 (2017 - $nil) were recognized in net earnings.

When held by the Company, these derivative financial instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for commodities and currencies. As trading activities are closely monitored and restricted by senior management, including limits for a maximum number of outstanding contracts at any point in time, the risk of credit loss on these financial instruments is considered low.

Financial risk management

The Company's activities result in exposure to a variety of financial risks from its financial assets and financial liabilities, including risks related to credit, interest rates, currency, liquidity and wood product prices.

Financial assets include trade and other receivables, which are measured at amortized cost. Financial liabilities include bank indebtedness, trade and other payables, performance bonds, dividends payable, revolving loan facility, non-revolving term loan, promissory notes, finance lease liabilities, equipment term loan and equipment line, and earn-out commitment. All financial liabilities are measured at amortized cost.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management, which seeks to minimize any potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises primarily from the Company's trade and other receivables. The Company grants credit to its customers in the normal course of operations. To limit its exposure to credit risk, the Company performs ongoing evaluations of the credit quality of its customers and follows diligent credit granting and collection procedures. Purchase limits are established for each customer and are reviewed regularly.

The Company regularly reviews the collectability of its trade accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of any potentially uncollectible accounts.

As at March 31, 2018, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	**169,547**
Past due over 60 days	**2,123**
Trade receivables	**171,670**
Less: Allowance for doubtful accounts	**(973)**
	170,697

As at March 31, 2018, the maximum exposure to credit risk is $176,872 (December 31, 2017 - $104,505), which represents the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

The Company is exposed to interest rate risk through its variable rate revolving loan facility, non-revolving term loan (Note 12), and equipment term loan and equipment line (Note 15). Based on the Company's average loan facilities and equipment term loan balance during the period ended March 31, 2018, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $500 in net quarterly earnings.

Currency risk

Currency risk is the risk that changes in market prices of foreign exchange rates will affect the Company's earnings or the value of its holdings of financial instruments. The Company is exposed to currency risk on the United States dollar component of its revolving loan facility, as well as sales and purchase transactions that are denominated in United States dollars.

As at March 31, 2018, a $0.05 increase in the United States dollar versus the Canadian dollar would have an insignificant impact on net earnings and other comprehensive earnings.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by having appropriate credit facilities available at all times. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The Company is exposed to refinancing risks as there can be no assurance that the Company will be able to secure credit on the same terms or amount when the facility expires.

Other price risk

Other price risk is defined as the potential adverse impact on earnings and economic value due to price movement and volatilities. The Company is exposed to other price risk with respect to certain wood products. The Company closely monitors wood product prices.

26. FAIR VALUE MEASUREMENT

IFRS 13, *Fair Value Measurement* requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset and liability, either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

The following table summarizes the fair value measurement hierarchy of the Company's assets and liabilities at March 31, 2018.

	Total $	Level 1 $	Level 2 $	Level 3 $
Non-financial assets measured at fair value				
Timber	**63,540**	-	-	63,540
Financial assets for which fair values are disclosed				
Trade and other receivables	**176,872**	-	-	176,872
Financial liabilities for which fair values are disclosed				
Trade and other payables	**91,141**	-	-	91,141
Performance bond obligations	**12,825**			12,825
Dividends payable	**10,877**	-	10,877	-
Revolving loan facility	**269,896**	-	-	269,896
Non-revolving term loan	**36,000**	-	-	36,000
Promissory notes	**4,488**	-	-	4,488
Finance lease liabilities	**5,401**	-	-	5,401
Equipment term loan and equipment line	**13,732**	-	-	13,732
Earn-out commitment	**1,481**	-	-	1,481

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

27. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended March 31,	
	2018 $	**2017 $**
Trade and other receivables	**(71,562)**	(61,175)
Inventories	**(52,283)**	(34,044)
Prepaid expenses and deposits	**(617)**	305
Trade and other payables	**7,698**	33,163
	(116,764)	(61,751)

28. REVENUE

The following table presents disaggregated revenues from contracts for the Company in categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Three months ended March 31, 2018			Three months ended March 31, 2017		
	Distribution $	Forestry $	Total $	Distribution $	Forestry $	Total $
Primary geographic markets						
Canada	**200,796**	**11,364**	**212,160**	176,689	12,357	189,046
United States	**80,517**	**2,291**	**82,808**	30,117	3,683	33,800
	281,313	**13,655**	**294,968**	206,806	16,040	222,846
Sales categories						
Products	**280,235**	**13,655**	**293,890**	205,748	11,395	217,143
Services	**1,078**	**-**	**1,078**	1,058	4,645	5,703
	281,313	**13,655**	**294,968**	206,806	16,040	222,846

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $3,687 as at March 31, 2018 (December 31, 2017 - $3,184), related to these unsatisfied performance obligations (unearned revenues). These amounts are included in Trade and other payables in the unaudited Interim Condensed Consolidated Statement of Financial Position.

The Company has sold products to certain customers who comprise greater than 10% of its sales. During the quarter ended March 31, 2018, two customers individually accounted for sales in excess of 10%, purchasing an aggregate of $84,896 (2017 - $64,545, representing two customers).

29. SEGMENTED INFORMATION

The Company operates in two reportable business segments and two geographic areas.

The two reportable business segments offer different products, require different production processes, and are based on how financial information is produced internally for the purposes of making operating decisions. The following summary describes the operations of each of the Company's reportable business segments:

- *Distribution* – wholesale distribution of building materials and home renovation products, including value-added services such as lumber pressure treating; and
- *Forestry* – timber ownership and management of private timberlands and Crown forest licenses, logging and trucking operations, and value-added services such as post-peeling and post and pole pressure treating operations.

Sales between segments are accounted for at prices that approximate fair value. No business segments have been aggregated to form the above reportable business segments.

	Three months ended March 31, 2018				Three months ended March 31, 2017			
	Distribution $	Forestry $	Adjustments and eliminations[(1)] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[(1)] $	Consolidated $
Revenue								
External customers	**281,313**	**13,655**	-	**294,968**	206,950	15,896	-	**222,846**
Inter-segment	**-**	**306**	**(306)**	**-**	-	144	(144)	-
	281,313	**13,961**	**(306)**	**294,968**	206,950	16,040	(144)	**222,846**
Specified income (expenses)								
Depreciation and amortization	**(3,221)**	**(1,119)**	-	**(4,340)**	(1,975)	(1,882)	-	**(3,857)**
Finance costs	**(1,804)**	**(623)**	-	**(2,427)**	(1,312)	(587)	-	**(1,899)**
Fair value adjustments	**-**	**6**	-	**6**	-	363	-	**363**
Net earnings	**6,066**	**427**	-	**6,493**	1,369	299	-	**1,668**
Purchase of property, plant and equipment [(2)]	**1,101**	**2,911**	-	**4,012**	1,201	1,071	-	**2,272**

(1) Includes inter-segment eliminations and income and expenses that are not allocated to reportable business segments.

(2) Includes property, plant and equipment acquired through finance leases.

	March 31, 2018			December 31, 2017		
	Distribution $	Forestry $	Consolidated $	Distribution $	Forestry $	Consolidated $
Long-term assets	249,445	133,796	**383,241**	248,721	132,041	**380,762**

The percentage of total revenue from external customers and long-term assets by geographic area are as follows:

	March 31, 2018 %	December 31, 2017 %
Long-term assets		
Canada	**67**	68
US	**33**	32
	100	100

The percentage of total revenue from external customers from product groups is as follows:

	Three months ended March 31, 2018 %	2017 %
Construction materials	**59**	60
Specialty and allied	**33**	33
Forestry and other	**8**	7
	100	100

30. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide dividends to shareholders and benefits for other stakeholders. The Company includes debt and equity, comprising shareholders' capital, contributed surplus, deficit and cumulative dividends on shares, in the definition of capital.

The Company seeks to maintain a balance between the higher returns that might be possible with the leverage afforded by higher borrowing levels and the security afforded by a sound capital structure. It does this by maintaining appropriate debt levels in relation to its working capital and other assets in order to provide the maximum dividends to shareholders commensurate with the level of risk. Also, the Company utilizes its debt capabilities to buy back shares, where appropriate, in order to maximize cash distribution rates for remaining shareholders.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares in the market, issue new shares, or sell assets to reduce debt.

The Company's policy is to dividend all available cash from operations to shareholders after provision for cash required for maintenance of capital expenditures and other reserves considered advisable by the Company's directors. The Company has eliminated the impact of seasonal fluctuations by equalizing quarterly dividends.

There are no externally imposed capital requirements and the Company's loan agreements do not contain any capital maintenance covenants.

There were no changes to the Company's approach to capital management during the current period.

31. SEASONALITY

The Company's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. The Company generally experiences higher sales in the second and third quarters compared to the first and fourth quarters. In addition, forestry operations and harvesting activities can be compromised by inaccessibility to some sites during wet seasons and extreme winter weather conditions, resulting in decreased harvest and customer delivery levels. This creates a timing difference between free cash flow earned and dividends paid. While the Company has leveled dividends to provide a regular income stream to shareholders over the course of a year, the second and third quarters have historically been the Company's most profitable.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

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CORPORATE INFORMATION

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