CanWel Building Materials Group Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

June 30, 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.

August 1, 2018

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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 June 30, 2018 $	As at December 31, 2017 $
Assets			
Current assets			
Cash		**-**	6,744
Trade and other receivables	5	**221,072**	104,505
Income taxes receivable		**2,163**	2,605
Inventories	6	**277,698**	221,495
Prepaid expenses and deposits		**7,909**	7,387
		508,842	342,736
Non-current assets			
Property, plant and equipment	7	**100,754**	93,586
Timber	8	**62,786**	64,249
Deferred income tax assets		**3,816**	4,429
Intangible assets	9	**49,157**	50,195
Goodwill	10	**168,126**	164,807
Other assets		**4,150**	3,496
		388,789	380,762
Total assets		**897,631**	723,498
Liabilities			
Current liabilities			
Bank overdraft		**16,171**	9,755
Trade and other payables		**109,316**	83,620
Performance bond obligations	11	**13,356**	14,101
Dividends payable	17	**10,878**	10,872
Current portion of non-current liabilities	12-15	**11,547**	11,438
		161,268	129,786
Non-current liabilities			
Loan facilities	12	**335,447**	204,121
Leasehold inducements		**1,045**	1,202
Finance lease liabilities	13	**3,624**	2,524
Reforestation and environmental	14	**2,004**	1,057
Other commitments	15	**2,315**	2,250
Deferred income tax liabilities		**19,403**	18,615
Retirement benefit obligations	16	**3,561**	3,708
		367,399	233,477
Total liabilities		**528,667**	363,263
Equity			
Common shares	17	**498,874**	498,639
Contributed surplus		**10,769**	10,769
Foreign currency translation		**8,987**	(49)
Deficit		**(149,666)**	(149,124)
		368,964	360,235
Total liabilities and equity		**897,631**	723,498
Commitments and contingencies	22		
Subsequent event	17		

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 June 30, 2018 $	Three months ended June 30, 2017 $	Six months ended June 30, 2018 $	Six months ended June 30, 2017 $
Revenue	26,27	**382,101**	320,037	**677,069**	542,882
Cost of sales	18	**324,220**	280,330	**573,516**	475,852
Gross margin from operations		**57,881**	39,707	**103,553**	67,030
Expenses					
Distribution, selling and administration	19	**30,430**	19,283	**60,528**	38,432
Depreciation of property, plant and equipment	7	**2,814**	2,179	**5,505**	5,292
Amortization of intangible assets	9	**1,672**	752	**3,321**	1,496
Restructuring costs		**-**	834	**-**	834
		34,916	23,048	**69,354**	46,054
Operating earnings		**22,965**	16,659	**34,199**	20,976
Finance costs	20	**3,041**	2,102	**5,468**	4,002
Acquisition costs		**-**	734	**-**	734
Earnings before income taxes		**19,924**	13,823	**28,731**	16,240
Provision for (recovery of) income taxes					
Current income tax		**4,530**	4,108	**6,419**	4,947
Deferred income tax		**731**	(114)	**1,156**	(204)
		5,261	3,994	**7,575**	4,743
Net earnings		**14,663**	9,829	**21,156**	11,497
Other comprehensive income (loss)					
Exchange differences on translation of foreign operations[(1)]		**3,895**	(1,675)	**9,036**	(2,298)
Net actuarial gain from pension and other benefit plans[(2)]		**13**	1,630	**57**	1,628
Comprehensive earnings		**18,571**	9,784	**30,249**	10,827
Net earnings per share					
Basic and diluted		**0.19**	0.15	**0.27**	0.18
Weighted average number of shares					
Basic and diluted		**77,695,905**	66,480,311	**77,688,989**	63,841,531

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

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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		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:						
Restricted Equity Common Share Plan	3,726	25	(25)	-	-	-
Employee Common Share Purchase Plan	34,080	210	-	-	-	210
Share-based compensation charged to operations		-	25	-	-	25
Dividends		-	-	-	(21,755)	(21,755)
Comprehensive earnings for the period		-	-	9,036	21,213	30,249
As at June 30, 2018	**77,697,461**	**498,874**	**10,769**	**8,987**	**(149,666)**	**368,964**
As at December 31, 2016	61,152,898	405,048	10,769	4,335	(141,431)	278,721
Shares issued pursuant to:						
Public offering	6,598,470	40,251	-	-	-	40,251
Restricted Equity Common Share Plan	4,832	29	(29)	-	-	-
Employee Common Share Purchase Plan	31,321	158	-	-	-	158
Transaction costs on issue of shares, net of deferred income tax		(1,867)	-	-	-	(1,867)
Share-based compensation charged to operations		-	29	-	-	29
Dividends		-	-	-	(18,056)	(18,056)
Comprehensive earnings for the period		-	-	(2,298)	13,125	10,827
As at June 30, 2017	67,787,521	443,619	10,769	2,037	(146,362)	310,063

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 June 30, 2018 $	Three months ended June 30, 2017 $	Six months ended June 30, 2018 $	Six months ended June 30, 2017 $
Operating activities					
Net earnings for the period		**14,663**	9,829	**21,156**	11,497
Items not affecting cash					
Depreciation of property, plant and equipment	7	**2,814**	2,179	**5,505**	5,292
Provision for income taxes		**5,261**	3,994	**7,575**	4,743
Amortization of:					
Intangible assets	9	**1,672**	752	**3,321**	1,496
Leasehold inducements		**(78)**	(77)	**(157)**	(143)
Share-based compensation	17	**25**	29	**25**	29
Fair value adjustments		**(195)**	(515)	**(201)**	(879)
Gain on other assets		**46**	(72)	**(138)**	(401)
Other		**(169)**	58	**(73)**	(51)
Income taxes paid		**(4,144)**	(1,731)	**(5,903)**	(3,785)
Interest paid on loan facilities, bank overdraft and other	20	**(2,691)**	(1,653)	**(4,671)**	(3,176)
Payment of reforestation and environmental	14	**(832)**	(1,031)	**(859)**	(1,043)
Net receipts (payments) on bonding obligations	11	**197**	-	**(1,355)**	-
Settlement of onerous operating leases		**-**	(1,153)	**-**	(1,153)
Finance costs	20	**3,041**	2,102	**5,468**	4,002
Cash flows from operating activities before changes in non-cash working capital		**19,610**	12,711	**29,693**	16,428
Changes in non-cash working capital	25	**(23,856)**	(17,032)	**(140,620)**	(78,784)
Net cash flows used in operating activities		**(4,246)**	(4,321)	**(110,927)**	(62,356)
Financing activities					
Shares issued	17	**-**	40,251	**210**	40,409
Transaction costs on issue of shares		**-**	(2,553)	**-**	(2,553)
Repayment of non-revolving term loan	12	**(666)**	(666)	**(1,333)**	(1,333)
Payment of finance lease liabilities		**(345)**	(123)	**(671)**	(317)
Net repayment of equipment term loan and line	12,20	**(618)**	(676)	**(844)**	(1,665)
Repayment of promissory note	15	**-**	(1,900)	**-**	(1,900)
Dividends paid	17	**(10,877)**	(8,566)	**(21,749)**	(17,127)
Financing costs on borrowings		**(114)**	(452)	**(209)**	(486)
Increase (Decrease) in revolving loan facility	12	**25,106**	(15,962)	**132,363**	59,378
Net cash flows provided by financing activities		**12,486**	9,353	**107,767**	74,406
Investing activities					
Purchase of property, plant and equipment	7	**(8,127)**	(1,445)	**(10,038)**	(2,943)
Proceeds from disposition of property, plant and equipment		**123**	3,192	**151**	3,392
Net cash flows (used in) provided by investing activities		**(8,004)**	1,747	**(9,887)**	449
Decrease (Increase) in bank overdraft		**236**	6,779	**(13,047)**	12,499
Foreign exchange difference		**(462)**	(49)	**(113)**	(12)
Bank overdraft - Beginning of period		**(15,945)**	(520)	**(3,011)**	(6,277)
(Bank overdraft) Cash - End of period		**(16,171)**	6,210	**(16,171)**	6,210

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 August 1, 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 26).

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.

Accounting standards issued but not yet adopted

The following is an overview of accounting changes the Company will be required to adopt in future periods.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases,* and related interpretations. IFRS 16 sets out principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, the lessee and the lessor. IFRS 16 is effective January 1, 2019 and the Company does not intend to early adopt this standard.

The Company is evaluating the impact that this new standard will have and based upon work completed to date, expects that IFRS 16 will have a significant impact on the Company's Statement of Financial Position, stemming from the recognition of new right-of-use assets and lease liabilities for leases with lease terms that are greater than twelve months which are currently accounted for as operating leases.

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 bond obligations	(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 $129,103 of revenue and $1,654 of net earnings. If the Honsador Acquisition had taken place at the beginning of 2017, unaudited consolidated revenue for the six months ended June 30, 2017 would have been $639,600 and unaudited net earnings of the Company would have been $13,400.

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:

	June 30, 2018 $	**December 31, 2017 $**
Trade receivables	**217,210**	96,553
Allowance for doubtful accounts	**(1,052)**	(896)
Net trade receivables	**216,158**	95,657
Other receivables	**4,914**	8,848
Total trade and other receivables	**221,072**	104,505

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

	June 30, 2018 $	**December 31, 2017 $**
Neither past due nor impaired	**200,387**	89,802
Past due but not impaired:		
Less than 1 month	**13,723**	8,336
1 to 3 months	**5,645**	4,171
3 to 6 months	**1,317**	2,196
Total trade and other receivables	**221,072**	104,505

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

	$
Balance at December 31, 2017	896
Accruals during the period	160
Accounts written off	(40)
Foreign exchange difference	36
Balance at June 30, 2018	**1,052**

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2018.

6. INVENTORIES

	June 30, 2018 $	December 31, 2017 $
Inventories held for resale	**218,637**	173,680
Inventories held for processing	**59,061**	47,815
	277,698	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	15,790	71,167	4,766	4,536	131,903
Additions	-	941	9,087	10	2,249	12,287
Disposals	-	-	(240)	-	-	(240)
Foreign exchange difference	-	33	506	7	204	750
Cost at June 30, 2018	**35,644**	**16,764**	**80,520**	**4,783**	**6,989**	**144,700**
Accumulated depreciation						
Accumulated depreciation at December 31, 2017	-	3,165	31,620	2,470	1,062	38,317
Depreciation	-	424	4,369	429	283	5,505
Disposals	-	-	(32)	-	-	(32)
Foreign exchange difference	-	4	93	2	57	156
Accumulated depreciation at June 30, 2018	**-**	**3,593**	**36,050**	**2,901**	**1,402**	**43,946**
Net book value at December 31, 2017	35,644	12,625	39,547	2,296	3,474	93,586
Net book value at June 30, 2018	**35,644**	**13,171**	**44,470**	**1,882**	**5,587**	**100,754**

8. TIMBER

	$
Balance at December 31, 2017	64,249
Reforestation provision on harvested land	363
Harvested timber transferred to inventory in the period	(2,027)
Change in fair value resulting from growth and pricing	201
Balance at June 30, 2018	**62,786**

The Company's private timberlands comprised an area of approximately 53,525 hectares ("ha") of land as at June 30, 2018 and 39,847 ha of the land was unharvested with standing timber consisting of mixed species softwood forests.

During the six month period ended June 30, 2018, the Company harvested approximately 171,235 cubic metres ("m^3") from its private timberlands (2017 – 126,796 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 24) for the six month period ended June 30, 2018. 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 as 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 price for sawlogs and pulpwood including harvest and delivery) Estimated total costs, including harvest costs, of $50[1] per m^3 Estimated harvest annual volume of 173,913 - 450,000 m^3 (20-year rolling average 261,646 m^3 (2017 – 271,732 m^3)) Risk-adjusted discount rate of 8.5%
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	-	3,589	-	3,589
Cost at June 30, 2018	**10,000**	**56,008**	**1,633**	**67,641**
Accumulated amortization				
Accumulated amortization at December 31, 2017	7,917	5,206	734	13,857
Amortization	500	2,739	82	3,321
Foreign exchange difference	-	1,306	-	1,306
Accumulated amortization at June 30, 2018	**8,417**	**9,251**	**816**	**18,484**
Net intangible assets at December 31, 2017	2,083	47,213	899	50,195
Net intangible assets at June 30, 2018	**1,583**	**46,757**	**817**	**49,157**

Intangible assets at June 30, 2018 relate to the Distribution business segment, as described in Note 27 and include purchased customer lists and trade names.

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	-	3,319	-	3,319
Balance at June 30, 2018	**62,624**	**70,426**	**35,076**	**168,126**

Goodwill at June 30, 2018 relates to the Distribution business segment, as described in Note 27.

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 outstanding projects' performance bonds are outlined below.

	June 30, 2018	**December 31, 2017**
	$	**$**
Funds received on bonding obligations	**90,230**	79,329
Payments made on bonding obligations	**(77,253)**	(65,637)
Receipts in excess of payments	**12,977**	13,692
Provision for loss on bonds	**379**	409
	13,356	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	(1,355)
Change in provision for loss on bonds	(49)
Foreign exchange difference	659
Balance at June 30, 2018	**13,356**

Total gross bonding contracts on all outstanding projects at June 30, 2018 were $139,662 (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

	June 30, 2018 $	December 31, 2017 $
Revolving loan facility	**295,914**	162,168
Financing costs, net of amortization	**(2,439)**	(2,700)
	293,475	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

	June 30, 2018 $	December 31, 2017 $
Non-revolving term loan	**35,334**	36,667
Financing costs, net of amortization	**(437)**	(446)
Less: current portion	**(2,667)**	(2,667)
	32,230	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.

Equipment term loan and equipment line

	June 30, 2018 $	December 31, 2017 $
Equipment term loan	**9,663**	12,117
Equipment line	**3,201**	2,461
Other loans	**103**	120
Financing costs, net of amortization	**(144)**	(167)
Less: current portion	**(3,081)**	(3,432)
	9,742	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.

Long-term portion of loan facilities total $335,447 at June 30, 2018 (December 31, 2017 - $204,121).

13. FINANCE LEASE LIABILITIES

	June 30, 2018 $	December 31, 2017 $
Finance lease liabilities	**5,185**	3,559
Less: current portion	**(1,561)**	(1,035)
	3,624	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 22.

14. REFORESTATION AND ENVIRONMENTAL

	$
Balance at December 31, 2017[(1)]	3,159
Paid during the period	(859)
Reforestation provision on harvested land	362
Changes in fair value	(133)
Balance at June 30, 2018	2,529
Less: current portion	(525)
	2,004

1. At December 31, 2017, $1,478 was included in trade and other payables and $624 was included in current portion of non-current liabilities.

15. OTHER COMMITMENTS

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 $1,513 (December 31, 2017 - $1,448).

Promissory notes

	June 30, 2018 $	December 31, 2017 $
Promissory notes	**3,503**	3,503
Accrued interest	**1,012**	979
Less: current portion	**(3,713)**	(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.

16. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company's pension and post-retirement benefit plans in the second quarter was $371 (2017 - $377) and for the six-month period to date was $767 (2017 - $787). These expenses are included in Cost of sales and Distribution, selling and administration costs as part of the Salaries and benefits expenses included therein.

	June 30, 2018 $	December 31, 2017 $
Pension benefit plan	**1,150**	1,200
Other benefit plans	**2,411**	2,508
	3,561	3,708

Further information about these plans is disclosed in Note 23 to the 2017 audited Annual Consolidated Financial Statements.

17. 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.

Restricted Equity Common Share Plan ("RECSP")

Outstanding Restricted Stock Units ("RSUs") pursuant to the RECSP are as follows:

	Six months ended June 30, 2018 #	2017 #
Balance at December 31, 2017	**-**	-
Granted	**3,726**	4,832
Vested and converted to common shares during the period	**(3,726)**	(4,832)
Balance at June 30, 2018	**-**	-

Compensation expense in respect of RSUs for the quarter and the six-month period ended June 30, 2018 was $25 (2017 - $29).

Employee Common Share Purchase Plan ("ECSPP")

For the quarter ended June 30, 2018, the Company issued no common shares from treasury (2017 - nil) and for the six-month period to date the Company issued 34,080 (2017 – 31,321) common shares from treasury for gross proceeds of $210 (2017 - $158), pursuant to the ECSPP. Subsequent to June 30, 2018, the Company issued 47,137 shares under the ECSPP.

Dividends

The following dividends were declared and paid by the Company:

	2018				2017			
	Declared				Declared			
	Record Date	Per share	Amount	Paid	Record Date	Per share	Amount	Paid
Quarter 1 dividend	Mar 29, 2018	0.14	**10,877**	Apr 13, 2018	Mar 31, 2017	0.14	8,566	Apr 14, 2017
Quarter 2 dividend	Jun 29, 2018	0.14	**10,878**	Jul 13, 2018	Jun 30, 2017	0.14	9,490	Jul 14, 2017
	Jun 30, 2018	0.28	**21,255**		Jun 30, 2017	0.28	18,056	
Quarter 3 dividend					Sep 29, 2017	0.14	9,496	Oct 31, 2017
Quarter 4 dividend					Dec 29, 2017	0.14	10,872	Jan 15, 2018
						0.56	38,424	

18. COST OF SALES

Cost of sales includes the following costs:

	Three months ended June 30, 2018 $	2017 $	Six months ended June 30, 2018 $	2017 $
Purchased and treated building materials	**310,665**	266,329	**544,295**	443,347
Salaries and benefits	**7,518**	7,258	**14,890**	15,953
Logging, trucking and timber	**3,996**	3,576	**10,538**	11,340
Peeled and treated posts	**1,814**	3,348	**2,733**	5,301
Fair value adjustments	**(195)**	(515)	**(201)**	(879)
Inventory provisions	**26**	70	**486**	361
Other	**396**	264	**775**	429
	324,220	280,330	**573,516**	475,852

19. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	Three months ended June 30, 2018 $	2017 $	Six months ended June 30, 2018 $	2017 $
Salaries and benefits	**17,138**	10,531	**33,988**	21,119
Building rent and occupancy costs	**7,781**	5,000	**15,714**	10,041
Office and miscellaneous	**2,226**	2,111	**4,758**	3,492
Travel, promotion and entertainment	**2,042**	1,417	**3,939**	2,811
Professional and management fees	**1,243**	224	**2,129**	969
	30,430	19,283	**60,528**	38,432

20. FINANCE COSTS

Finance costs for the Company are broken down as follows:

	Three months ended June 30, 2018 $	Three months ended June 30, 2017 $	Six months ended June 30, 2018 $	Six months ended June 30, 2017 $
Loan facilities	**2,733**	1,727	**4,797**	3,287
Bank overdraft and other	**19**	137	**50**	247
Net interest[1]	**2,752**	1,864	**4,847**	3,534
Amortization of financing costs	**222**	145	**486**	282
Accretion of earn-out commitment	**32**	30	**65**	60
Interest on net defined benefit liability	**35**	63	**70**	126
	3,041	2,102	**5,468**	4,002

1. Includes accrued interest of $61 for the three-month period ended June 30, 2018 (2017 - $211) and accrued interest of $176 for the six-month period ended June 30, 2018 (2017 - $358)

21. 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 June 30, 2018 $	Three months ended June 30, 2017 $	Six months ended June 30, 2018 $	Six months ended June 30, 2017 $
Leased Facilities: Distribution[1] Treatment[2]	**806**	806	**1,612**	1,612
Purchase of product[3]	**642**	628	**1,809**	1,500
Management services and other[4]	**296**	290	**519**	587
Professional services and other[5]	**181**	135	**346**	270

1. Paid to a company in which a member of key management personnel who is a director and officer of the Company has an interest
2. Paid to a company solely controlled by a director and officer of the Company
3. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in
4. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company
5. Paid to a company controlled by an officer of the Company

Commitments with related parties

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

Years ending December 31	$
Remainder of 2018	**1,792**
2019	**3,478**
2020	**2,432**
2021	**2,070**
2022	**1,557**
Thereafter	**15,661**
	26,990

Payable to related parties

As at June 30, 2018, trade and other payables include amounts due to related parties as follows:

	June 30, 2018 $	December 31, 2017 $
Purchase of product[(1)]	**274**	99
Management services and other[(2)]	**12**	55
Professional services and other[(3)]	**251**	133

1. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in
2. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company
3. Paid to a company controlled by an officer of the Company

22. 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 21, are as follows:

Years ending December 31	$
Remainder of 2018	**11,384**
2019	**21,977**
2020	**18,496**
2021	**14,602**
2022	**12,462**
Thereafter	**62,538**
	141,459

As at June 30, 2018, the present value of minimum lease payments relating to finance leases was $4,631 (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.

23. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

	June 30, 2018		December 31, 2017	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash	**-**	**-**	6,744	6,744
Trade and other receivables	**221,072**	**221,072**	104,505	104,505
Bank overdraft	**16,171**	**16,171**	9,755	9,755
Trade and other payables	**109,316**	**109,316**	83,620	83,620
Performance bond obligations	**13,356**	**13,356**	14,101	14,101
Dividends payable	**10,878**	**10,878**	10,872	10,872
Revolving loan facility	**293,475**	**295,914**	159,468	162,168
Non-revolving term loan	**34,897**	**35,333**	36,221	36,667
Equipment term loan and equipment line	**12,823**	**12,967**	14,531	14,698
Finance lease liabilities	**5,185**	**5,185**	3,559	3,559
Promissory notes	**4,515**	**4,515**	4,482	4,482
Earn-out commitment	**1,513**	**1,513**	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 overdraft, 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 finance lease liabilities and promissory notes 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 20.

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 June 30, 2018, the Company held two outstanding foreign exchange contracts to purchase an aggregate of US$1,484 at exchange rates ranging between 1.2258 and 1.2998 (December 31, 2017 - US$1,891) for economic hedging purposes, and unrealized gains totaling $61 (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 overdraft, trade and other payables, performance bond obligations, dividends payable, revolving loan facility, non-revolving term loan, equipment term loan and equipment line, finance lease liabilities, promissory notes, 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 June 30, 2018, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	**215,999**
Past due over 60 days	**1,211**
Trade receivables	**217,210**
Less: Allowance for doubtful accounts	**(1,052)**
	216,158

As at June 30, 2018, the maximum exposure to credit risk is $221,072 (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, and equipment term loan and equipment line (Note 12). Based on the Company's average loan facilities and equipment term loan balance during the period ended June 30, 2018, the sensitivity of a 1.0% increase in interest rates would result in an approximate decrease of $640 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 June 30, 2018, a $0.05 increase in the United States dollar versus the Canadian dollar would have an insignificant impact on net quarterly 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 net quarterly 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.

24. 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 June 30, 2018.

	Total $	Level 1 $	Level 2 $	Level 3 $
Non-financial assets measured at fair value				
Timber	**62,786**	-	-	62,786
Financial assets for which fair values are disclosed				
Trade and other receivables	**221,072**	-	-	221,072
Financial liabilities for which fair values are disclosed				
Trade and other payables	**109,316**	-	-	109,316
Performance bond obligations	**13,356**			13,356
Dividends payable	**10,878**	-	10,878	-
Revolving loan facility	**295,914**	-	-	295,914
Non-revolving term loan	**35,333**	-	-	35,333
Equipment term loan and equipment line	**12,967**	-	-	12,967
Finance lease liabilities	**5,185**	-	-	5,185
Earn-out commitment	**1,513**	-	-	1,513
Promissory notes	**4,515**	-	-	4,515

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.

25. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30,		Six months ended June 30,	
	2018 $	2017 $	2018 $	2017 $
Trade and other receivables	**(43,535)**	(43,001)	**(115,097)**	(104,176)
Inventories	**1,945**	25,447	**(50,338)**	(8,597)
Prepaid expenses and deposits	**185**	(3,080)	**(432)**	(2,775)
Trade and other payables	**17,549**	3,602	**25,247**	36,764
	(23,856)	(17,032)	**(140,620)**	(78,784)

26. 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 June 30, 2018			Three months ended June 30, 2017		
	Distribution $	Forestry $	Total $	Distribution $	Forestry $	Total $
Primary geographic markets						
Canada	280,849	9,232	**290,081**	265,017	7,851	272,868
United States	89,471	2,549	**92,020**	44,030	3,139	47,169
	370,320	11,781	**382,101**	309,047	10,990	320,037
Sales categories						
Products	369,011	11,781	**380,792**	307,821	10,937	318,758
Services	1,309	-	**1,309**	1,226	53	1,279
	370,320	11,781	**382,101**	309,047	10,990	320,037

	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Distribution $	Forestry $	Total $	Distribution $	Forestry $	Total $
Primary geographic markets						
Canada	481,652	20,589	**502,241**	441,853	20,061	461,914
United States	169,988	4,840	**174,828**	74,146	6,822	80,968
	651,640	25,429	**677,069**	515,999	26,883	542,882
Sales categories						
Products	649,253	25,429	**674,682**	513,716	24,884	538,600
Services	2,387	-	**2,387**	2,283	1,999	4,282
	651,640	25,429	**677,069**	515,999	26,883	542,882

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $3,072 as at June 30, 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 June 30, 2018, two customers individually accounted for sales in excess of 10%, purchasing an aggregate of $119,302 (2017 - $111,858, representing two customers), and for the six-month period to date, two customers individually accounted for sales in excess of 10%, purchasing an aggregate of $204,198 (2017 - $190,991, representing two customers).

27. 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 June 30, 2018				Three months ended June 30, 2017			
	Distribution $	Forestry $	Adjustments and eliminations(1) $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations(1) $	Consolidated $
Revenue								
External customers	370,320	11,781	-	**382,101**	309,047	10,990	-	320,037
Inter-segment	-	512	(512)	**-**	-	321	(321)	-
	370,320	12,293	(512)	**382,101**	309,047	11,311	(321)	320,037
Specified expenses								
Depreciation and amortization	3,319	1,167	-	**4,486**	1,922	1,009	-	2,931
Restructuring costs	-	-	-	**-**	-	834	-	834
Finance costs	2,571	470	-	**3,041**	1,556	546	-	2,102
Net earnings (loss)	13,849	814	-	**14,663**	10,245	(416)	-	9,829
Purchase of property, plant and equipment (2)	7,740	535	-	**8,275**	582	3,742	-	4,324

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.

	Six months ended June 30, 2018				Six months ended June 30, 2017			
	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	651,640	25,429	-	**677,069**	515,999	26,883	-	542,882
Inter-segment	-	818	(818)	**-**	-	466	(466)	-
	651,640	26,247	(818)	**677,069**	515,999	27,349	(466)	542,882
Specified expenses								
Depreciation and amortization	6,539	2,287	-	**8,826**	3,897	2,891	-	6,788
Restructuring costs	-	-	-	**-**	-	834	-	834
Finance costs	4,374	1,094	-	**5,468**	2,869	1,133	-	4,002
Net earnings (loss)	19,915	1,241	-	**21,156**	11,611	(114)	-	11,497
Purchase of property, plant and equipment [2]	8,841	3,446	-	**12,287**	1,783	4,813	-	6,596

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.

	June 30, 2018				December 31, 2017			
	Distribution $	Forestry $	Percent %	Consolidated $	Distribution $	Forestry $	Percent %	Consolidated $
Canada	120,920	132,322	**65**	**253,242**	123,173	132,041	67	255,214
United States	135,547	-	**35**	**135,547**	125,548	-	33	125,548
Long-term assets	256,467	132,322	**100**	**388,789**	248,721	132,041	100	380,762

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

	Three months ended June 30,		Six months ended June 30,	
	2018 %	2017 %	2018 %	2017 %
Construction materials	**63**	66	**61**	63
Specialty and allied	**31**	31	**32**	32
Forestry and other	**6**	3	**7**	5
	100	100	**100**	100

28. 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.

29. 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.

30. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

Directors

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Toronto, Ontario

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Marc Seguin
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Auditors

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Vancouver, British Columbia

Solicitors

Goodmans LLP
Toronto, Ontario

DLA Piper (Canada) LLP
Vancouver, British Columbia

Officers

Amar S. Doman
Chairman and CEO

James Code
Chief Financial Officer

R.S. (Rob) Doman
Corporate Secretary

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Stock Exchange

Toronto Stock Exchange

Trading Symbol:

CWX