CanWel Building Materials Group Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

June 30, 2017
(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.

July 27, 2017

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, 2017 $	As at December 31, 2016 (Note 4) $
Assets			
Current assets			
Cash		**6,210**	-
Trade and other receivables	5	**189,276**	85,467
Income taxes receivable		**-**	1,214
Inventories	6	**169,782**	160,644
Prepaid expenses and deposits		**7,926**	5,225
		373,194	252,550
Non-current assets			
Property, plant and equipment	7	**91,894**	95,336
Timber	8	**58,739**	58,905
Deferred income tax assets		**1,955**	3,658
Intangible assets	9	**17,796**	19,792
Goodwill	10	**125,261**	126,217
Other assets		**2,842**	2,454
		298,487	306,362
Total assets		**671,681**	558,912
Liabilities			
Current liabilities			
Bank indebtedness		**-**	6,277
Trade and other payables		**90,675**	53,935
Dividends payable	19	**9,490**	8,561
Income taxes payable		**991**	1,048
Provision for onerous operating leases	11	**-**	1,500
Current portion of non-current liabilities	12-16	**7,511**	10,689
		108,667	82,010
Non-current liabilities			
Revolving loan facility	12	**188,258**	129,451
Non-revolving term loan	12	**34,908**	36,300
Leasehold inducements		**1,360**	1,503
Promissory notes	13	**4,435**	4,378
Finance lease liabilities	14	**1,156**	857
Equipment term loan and equipment line	15	**13,155**	12,197
Reforestation and environmental	16	**1,289**	958
Earn-out commitment	17	**1,388**	1,328
Deferred income tax liabilities		**6,476**	8,500
Pension benefits		**1,243**	1,185
Post-retirement benefits		**2,830**	5,071
		256,498	201,728
Total liabilities		**365,165**	283,738
Equity			
Common shares	19	**443,619**	405,048
Contributed surplus	19	**10,769**	10,769
Foreign currency translation		**2,037**	4,335
Deficit		**(149,909)**	(144,978)
		306,516	275,174
Total liabilities and equity		**671,681**	558,912
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 June 30, 2017 $	Three months ended June 30, 2016 (Note 4) $	Six months ended June 30, 2017 $	Six months ended June 30, 2016 (Note 4) $
Revenue	28,29	**320,037**	290,108	**542,882**	487,666
Cost of sales	20	**280,845**	250,608	**476,731**	424,491
Gross margin from operations		**39,192**	39,500	**66,151**	63,175
Expenses					
Distribution, selling and administration	21	**19,283**	20,122	**38,432**	38,407
Depreciation of property, plant and equipment	7	**2,179**	2,520	**5,292**	4,123
Amortization of intangible assets	9	**752**	732	**1,496**	1,494
Restructuring costs		**834**	-	**834**	-
		23,048	23,374	**46,054**	44,024
Operating earnings		**16,144**	16,126	**20,097**	19,151
Finance costs	22	**(2,102)**	(2,293)	**(4,002)**	(4,045)
Acquisition costs	4	**(734)**	(976)	**(734)**	(976)
Fair value adjustments	8	**515**	121	**879**	121
Gain on bargain purchase	4	**-**	22,189	**-**	22,189
Earnings before income taxes		**13,823**	35,167	**16,240**	36,440
Provision for (recovery of) income taxes					
Current income tax		**4,108**	3,976	**4,947**	4,382
Deferred income tax		**(114)**	(21)	**(204)**	(64)
		3,994	3,955	**4,743**	4,318
Net earnings		**9,829**	31,212	**11,497**	32,122
Other comprehensive (loss) income					
Exchange differences on translation of foreign operations [(1)]		**(1,675)**	(311)	**(2,298)**	(4,236)
Net actuarial gain (loss) from pension and other benefit plans [(2)]		**1,630**	(1,069)	**1,628**	(2,674)
Comprehensive earnings		**9,784**	29,832	**10,827**	25,212
Net earnings per share					
Basic and diluted		**0.15**	0.66	**0.18**	0.72
Weighted average number of shares					
Basic and diluted		**66,480,311**	46,994,865	**63,841,531**	44,712,114

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, 2016	61,152,898	405,048	10,769	4,335	(144,978)	275,174
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**	**(149,909)**	**306,516**
As at December 31, 2015	42,414,598	306,663	10,769	6,210	(154,716)	168,926
Shares issued pursuant to:						
Private placement	6,100,750	25,013	-	-	-	25,013
Business acquisition	2,529,405	13,205	-	-	-	13,205
Debt exchange	955,414	4,500	-	-	-	4,500
Restricted Equity Common Share Plan	3,802	20	(20)	-	-	-
Employee Common Share Purchase Plan	26,343	106	-	-	-	106
Transaction costs on issue of shares, net of deferred income tax		(1,518)	-	-	-	(1,518)
Share-based compensation charged to operations		-	20	-	-	20
Dividends		-	-	-	(13,226)	(13,226)
Comprehensive earnings for the period		-	-	(4,236)	29,448	25,212
As at June 30, 2016	52,030,312	347,989	10,769	1,974	(138,494)	222,238

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, 2017 $	Three months ended June 30, 2016 $	Six months ended June 30, 2017 $	Six months ended June 30, 2016 $
Operating activities					
Net earnings for the period		**9,829**	31,212	**11,497**	32,122
Items not affecting cash					
Depreciation of property, plant and equipment	7	**2,179**	2,520	**5,292**	4,123
Recovery of deferred income tax		**(114)**	(21)	**(204)**	(64)
Net change in pensions and other post-retirement benefits		**(57)**	(77)	**(84)**	(146)
Amortization of:					
Intangible assets	9	**752**	732	**1,496**	1,494
Leasehold inducements		**(77)**	(60)	**(143)**	(77)
Share-based compensation	19	**29**	20	**29**	20
Fair value adjustments	8	**(515)**	(121)	**(879)**	(121)
Change in reforestation and environmental	16	**116**	45	**78**	45
Gain on bargain purchase	4	**-**	(22,189)	**-**	(22,189)
Loss (gain) on disposal of property, plant and equipment		**-**	49	**(45)**	49
Gain on other assets		**(72)**	-	**(401)**	-
Income taxes paid		**(1,731)**	(3,356)	**(3,785)**	(7,625)
Interest paid on loan facilities, bank indebtedness and other	22	**(1,697)**	(1,208)	**(3,176)**	(2,086)
Payment of reforestation and environmental	16	**(1,031)**	(527)	**(1,043)**	(527)
Settlement of onerous operating leases		**(1,153)**	-	**(1,153)**	-
Finance costs	22	**2,102**	2,293	**4,002**	4,045
Cash flows from operating activities before changes in non-cash working capital		**8,560**	9,312	**11,481**	9,063
Changes in non-cash working capital	27	**(12,925)**	10,693	**(73,837)**	(56,023)
Net cash flows (used in) provided by operating activities		**(4,365)**	20,005	**(62,356)**	(46,960)
Financing activities					
Shares issued	19	**40,251**	25,013	**40,409**	25,119
Transaction costs on issue of shares	19	**(2,553)**	(2,070)	**(2,553)**	(2,070)
Repayment of non-revolving term loan	12	**(666)**	(144)	**(1,333)**	(144)
Payment of finance lease liabilities		**(123)**	(462)	**(317)**	(547)
Repayment of equipment term loans, including interest	15,22	**(676)**	(180)	**(1,665)**	(180)
Repayment of promissory note	13	**(1,900)**	-	**(1,900)**	-
Funds received from non-revolving term loan	12	**-**	26,000	**-**	26,000
Repayment of demand loan payable		**-**	(2,126)	**-**	(2,126)
Dividends paid	19	**(8,566)**	(5,942)	**(17,127)**	(11,880)
Financing costs on borrowings		**(452)**	(214)	**(486)**	(214)
(Decrease) Increase in revolving loan facility	12	**(15,962)**	(52,403)	**59,378**	17,024
Interest paid on convertible debentures	22	**-**	(639)	**-**	(1,278)
Net cash flows provided by (used in) financing activities		**9,353**	(13,167)	**74,406**	49,704
Investing activities					
Purchase of property, plant and equipment	7	**(1,445)**	(696)	**(2,943)**	(1,213)
Proceeds from disposition of property, plant and equipment		**3,192**	129	**3,392**	129
Bank indebtedness acquired	4	**-**	(1,041)	**-**	(1,041)
Funds received from other assets		**-**	250	**-**	250
Net cash flows provided by (used in) investing activities		**1,747**	(1,358)	**449**	(1,875)
Decrease in bank indebtedness		**6,735**	5,480	**12,499**	869
Foreign exchange difference		**(5)**	(230)	**(12)**	(4)
Bank indebtedness - Beginning of period		**(520)**	(10,608)	**(6,277)**	(6,223)
Cash (Bank indebtedness) - End of period		**6,210**	(5,358)	**6,210**	(5,358)

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 operates through its wholly owned subsidiaries as a distributor of building materials and home renovation products and a provider of wood pressure treating services in Canada nationally and regionally in the Western United States. On May 13, 2016, the Company acquired Jemi Fibre Corp. ("Jemi") (now doing business as CanWel Fibre Corp. "CFC") expanding its operations to timber ownership and management of private timberlands and Crown forest licenses, full service logging and trucking operations, and post peeling and pressure treating for the agricultural market (Note 4).

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") and, except for as described in Note 3, on a basis consistent with the accounting policies disclosed in the Company's audited annual consolidated financial statements for the year ended December 31, 2016.

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on July 27, 2017 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, 2016.

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 thousands, 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, 2016 have been consistently applied to all periods in the preparation of these unaudited Interim Condensed Consolidated Financial Statements unless otherwise stated below.

There have been amendments to existing standards under IAS 7, *Statement of Cash Flows*, and IAS 12, *Income Taxes*.

IAS 7 clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IAS 12 clarifies that unrealized losses related to debt instruments that are measured at fair value in the financial statements and at cost for tax purposes, can give rise to deductible temporary differences, regardless of whether the entity that holds the debt instrument expects to recover the carrying amount of the debt instrument by holding it to maturity or selling it.

In addition, the IAS 12 amendment clarifies that:

a) The carrying amount of an asset does not limit the estimation of probable future taxable profits;

b) When comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences; and

c) In circumstances in which tax laws restrict the utilization of tax losses in such a way that they may be deducted only against income of a specified type, an entity should assess whether a deferred tax asset can be recognized in combination with deferred taxes resulting from deductible temporary differences of the same type.

The Company has adopted these amendments effective January 1, 2017. The adoption of these amendments did not result in any adjustments.

4. BUSINESS ACQUISITIONS

Purchase of Jemi Fibre Corp.

On May 13, 2016, the Company completed the acquisition of all issued and outstanding shares of Jemi (the "CFC Acquisition"), a vertically integrated forest products company that operates primarily in British Columbia and Saskatchewan. On May 10, 2017, Jemi was renamed CanWel Fibre Corp. ("CFC"). The CFC Acquisition has diversified the Company's operations and revenue streams, providing vertical integration via a sustained source of fibre supply, as well as further expanded the Company's wood treatment operations by adding two treating plants and a specialty sawmill, with limited product overlap.

The CFC Acquisition was completed by way of a share exchange by a plan of arrangement, pursuant to which the Company issued 2,529,405 common shares in exchange for all issued and outstanding common shares of Jemi, with the acquisition date fair value of $13,205.

(in thousands of Canadian dollars, except per share amounts)

The fair value of the common shares issued as consideration was determined with reference to the quoted price of shares of the Company as at the date of the CFC Acquisition.

The fair values of assets acquired and liabilities assumed recognized in the 2016 audited annual consolidated financial statements were based on a provisional assessment of fair values while the Company completed the finalization of fair value determinations during the measurement period of up to one year after the acquisition date, in accordance with IFRS 3, *Business Combinations*. The final assessment had not been completed by the date the 2016 audited annual consolidated financial statements were approved for issue by management.

During the second quarter of 2017, the provisional fair values have been finalized taking into consideration all of new information obtained during the one year measurement period. Details of the fair value of the aggregate consideration transferred and the revised fair values of the identifiable assets and liabilities acquired at the date of the CFC Acquisition were as follows:

	May 13, 2016 (Provisional)[1] $	Revision $	May 13, 2016 (Revised) $
Fair value of purchase consideration			
Share consideration	13,205	-	13,205
Fair value of assets acquired and liabilities assumed			
Non-cash working capital	(916)	(5,127)	(6,043)
Property, plant and equipment	72,060	(4,807)	67,253
Timber	59,545	-	59,545
Other long-term assets	2,195	-	2,195
Bank indebtedness	(1,041)	-	(1,041)
Demand loans payable	(3,217)	-	(3,217)
Finance lease liabilities	(4,321)	-	(4,321)
Provision for onerous operating lease costs	-	(1,500)	(1,500)
Reforestation and environmental	(2,517)	-	(2,517)
Related party debt[2]	(4,500)	-	(4,500)
Earn-out commitment	(1,256)	-	(1,256)
Equipment term loans	(10,065)	-	(10,065)
Deferred income tax liability	(9,924)	2,986	(6,938)
Senior loans[3]	(52,201)	-	(52,201)
Total identifiable net assets at fair value	43,842	(8,448)	35,394
Gain on bargain purchase	(30,637)	8,448	(22,189)
Consideration	13,205	-	13,205

1. Based on the provisional purchase price allocation recognized in the 2016 audited annual consolidated financial statements. The amount of the gain on bargain purchase originally reported in the second quarter of 2016 was $32,183, which was revised down by $1,546 during the fourth quarter of 2016, based on information available at that time.
2. Subsequent to the CFC Acquisition date, the debt owing to certain related parties of CFC was satisfied in full through the Debt exchange agreement (Note 19).
3. Concurrent with the CFC Acquisition, these loans were repaid in full from the funds raised from the 2016 Private Placement (Note 19) and subsequently the non-revolving term loan (Note 12).

The resulting adjustments to cost of sales, depreciation of property, plant and equipment and the corresponding provision for income tax for the quarter and six months ended June 30, 2017 were not material, and for the full year ended December 31, 2016 cost of sales increased by $2,009, depreciation of property, plant and equipment decreased by $917, and provision for deferred income tax decreased by $285.

The 2016 comparative information herein was revised to reflect the adjustments to the provisional amounts.

The fair value of assets acquired and liabilities assumed exceeded the fair value of consideration transferred, resulting in a bargain purchase. The gain on bargain purchase in the amount of $22,189 was recognized in net earnings as at the date of the CFC Acquisition on May 13, 2016.

The bargain purchase is the result of the purchase price reflecting previous on-going difficulties of Jemi in its ability to continue as a going concern, including the recurring working capital deficit, history of sustained losses, difficulty servicing existing high-interest senior loans, impending scheduled maturity of such senior loans, breach of certain banking covenants, and the inability to pay off or refinance senior loans, the cumulative effect on which effectively forced the sale of Jemi.

As a result of the circumstances leading up to the sale of Jemi, the purchase price consideration is less than the fair value of assets acquired and liabilities assumed.

From the date of the CFC Acquisition, for the period commencing May 13, 2016, the acquired business contributed $68,362 of revenue and $872 of the net losses. If the CFC Acquisition had taken place at the beginning of 2016, unaudited consolidated revenue for the Company for the six months ended June 30, 2016 would have been approximately $516,000 and unaudited net earnings of the Company would have been approximately $35,000.

TFI Acquisition

On September 6, 2016, the Company completed the acquisition of certain assets and the business of Total Forest Industries Ltd. (now doing business as Total Forest Industries Limited Partnership “TFI”) (the “TFI Acquisition”), a lumber pressure treating plant in Hagersville, Ontario. The TFI Acquisition is expected to solidify the Company’s presence in Ontario, complementing its existing treating facilities in Cambridge and Combermere.

(in thousands of Canadian dollars, except per share amounts)

Details of the fair value of the aggregate consideration transferred and the fair value of the identifiable assets acquired at the date of the TFI Acquisition were as follows:

	September 6, 2016[1] $
Fair value of purchase consideration	
Cash	8,262
Promissory note	2,405
Consideration	10,667
Fair value of assets acquired	
Non-cash working capital	5,607
Property, plant and equipment	1,269
Total identifiable net assets at fair value	6,876
Goodwill arising on acquisition	3,791
Consideration	10,667

1. The provisional purchase price allocation determined at the TFI Acquisition date is preliminary and subject to change up to a period of one year from September 6, 2016, upon finalization of fair value determinations.

The goodwill recognized was primarily attributed to the expected synergies arising from the TFI Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for income tax purposes.

From the date of the TFI Acquisition, for the period commencing September 6, 2016, the acquired business contributed $32,126 of revenue and $1,718 of the net earnings.

It is impracticable for the Company to disclose gross revenues and net earnings as though the TFI Acquisition had taken place at the beginning of 2016, as audited financial information is not available for the TFI Acquisition prior to the acquisition date, and management does not believe these amounts to be material.

(in thousands of Canadian dollars, except per share amounts)

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, 2017 $	December 31, 2016 $
Trade receivables	**184,579**	81,905
Allowance for doubtful accounts	**(650)**	(644)
Net trade receivables	**183,929**	81,261
Other receivables	**5,347**	4,206
Total trade and other receivables	**189,276**	85,467

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

	June 30, 2017 $	December 31, 2016 $
Neither past due nor impaired	**182,801**	76,842
Past due but not impaired:		
Less than 1 month	**2,774**	6,601
1 to 3 months	**3,642**	1,642
3 to 6 months	**59**	382
Total trade and other receivables	**189,276**	85,467

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

	$
Balance at December 31, 2016	644
Accruals during the period	91
Accounts written off	(76)
Foreign exchange difference	(9)
Balance at June 30, 2017	650

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2017.

(in thousands of Canadian dollars, except per share amounts)

6. INVENTORIES

	June 30, 2017 $	December 31, 2016 $
Inventories held for resale	**137,156**	128,640
Inventories held for processing	**32,626**	32,004
	169,782	160,644

7. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings and leasehold improvements $	Machinery, automotive and other equipment $	Computer equipment and systems development $	Equipment under finance leases $	Total $
Cost						
Cost at December 31, 2016	36,758	14,862	67,259	4,592	2,242	125,713
Additions	-	388	5,220	142	846	6,596
Disposals	-	-	(14,838)	-	(779)	(15,617)
Foreign exchange difference	-	-	(155)	-	(79)	(234)
Cost at June 30, 2017	**36,758**	**15,250**	**57,486**	**4,734**	**2,230**	**116,458**
Accumulated depreciation						
Accumulated depreciation at December 31, 2016	-	2,626	25,282	1,888	581	30,377
Depreciation	-	210	4,355	411	316	5,292
Disposals	-	-	(10,924)	-	(129)	(11,053)
Foreign exchange difference	-	-	(27)	-	(25)	(52)
Accumulated depreciation at June 30, 2017	**-**	**2,836**	**18,686**	**2,299**	**743**	**24,564**
Net book value at December 31, 2016	36,758	12,236	41,977	2,704	1,661	95,336
Net book value at June 30, 2017	**36,758**	**12,414**	**38,800**	**2,435**	**1,487**	**91,894**

(in thousands of Canadian dollars, except per share amounts)

8. TIMBER

	$
Balance at December 31, 2016	58,905
Reforestation provision on harvested land	253
Harvested timber transferred to inventory in the period	(1,298)
Change in fair value resulting from growth and pricing	879
Balance at June 30, 2017	**58,739**

The Company's private timberlands comprised an area of approximately 53,525 hectares ("ha") of land as at June 30, 2017 and 42,044 ha of the land was unharvested with standing timber consisting of mixed species softwood forests.

During the six month period ended June 30, 2017, the Company harvested approximately 126,796 cubic metres ("m^3") from its private timberlands (2016 - 25,999 m^3). [1]

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 of $58,739 has been categorized as Level 3 fair value based on the inputs to the valuation technique used 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[2] 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 274,248 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 harvest costs per m^3 were lower (higher); and - the risk-adjusted discount rate were lower (higher).

1. Timberlands were acquired through the CFC Acquisition, and comparative 2016 results are for the period commencing May 13, 2016.
2. In whole dollars, not thousands.

(in thousands of Canadian dollars, except per share amounts)

9. INTANGIBLE ASSETS

	Core business $	US operations $	Value-added services $	Total $
Cost				
Cost at December 31, 2016	10,000	18,406	1,633	30,039
Foreign exchange difference	-	(618)	-	(618)
Cost at June 30, 2017	**10,000**	**17,788**	**1,633**	**29,421**
Accumulated amortization				
Accumulated amortization at December 31, 2016	6,917	2,759	571	10,247
Amortization	500	915	81	1,496
Foreign exchange difference	-	(118)	-	(118)
Accumulated amortization at June 30, 2017	**7,417**	**3,556**	**652**	**11,625**
Net intangible assets at December 31, 2016	3,083	15,647	1,062	19,792
Net intangible assets at June 30, 2017	**2,583**	**14,232**	**981**	**17,796**

Intangible assets at June 30, 2017 relate to Building Materials Distribution business segment, as described in Note 29.

10. GOODWILL

	Core business $	US operations $	Value-added services $	Total $
Balance at December 31, 2016	62,624	28,517	35,076	126,217
Foreign exchange difference	-	(956)	-	(956)
Balance at June 30, 2017	**62,624**	**27,561**	**35,076**	**125,261**

Goodwill at June 30, 2017 relates to Building Materials Distribution business segment, as described in Note 29.

(in thousands of Canadian dollars, except per share amounts)

11. PROVISION FOR ONEROUS OPERATING LEASES

As a result of the CFC Acquisition, a provision was recognized for the fact that the agreed lease payments on certain operating leases exceeded the market lease rates as at the acquisition date. The provision has been calculated based on the difference between the market rate and the rate paid.

Activity in the Company's provision for onerous operating leases is as follows:

	$
Balance at December 31, 2016	1,500
Settled in the period	(1,500)
Balance at June 30, 2017	-

12. LOAN FACILITIES

Revolving loan facility

	June 30, 2017 $	December 31, 2016 $
Revolving loan facility	**190,720**	131,789
Financing costs, net of amortization	**(2,462)**	(2,338)
	188,258	129,451

The terms and conditions of the revolving loan facility are consistent with those disclosed in Note 15 to the 2016 audited annual consolidated financial statements.

Non-revolving term loan

	June 30, 2017 $	December 31, 2016 $
Non-revolving term loan	**38,000**	39,333
Financing costs, net of amortization	**(425)**	(366)
Less: current portion	**(2,667)**	(2,667)
	34,908	36,300

The terms and conditions of the non-revolving term loan are consistent with those disclosed in Note 15 to the 2016 audited annual consolidated financial statements.

(in thousands of Canadian dollars, except per share amounts)

13. PROMISSORY NOTES

	June 30, 2017 $	December 31, 2016 $
Promissory notes	**4,305**	6,205
Accrued interest	**953**	885
Less: current portion	**(823)**	(2,712)
	4,435	4,378

The terms and conditions of the promissory notes are consistent with those disclosed in Note 17 to the 2016 audited annual consolidated financial statements.

14. FINANCE LEASE LIABILITIES

	June 30, 2017 $	December 31, 2016 $
Finance lease liabilities	**1,589**	1,506
Less: current portion	**(433)**	(649)
	1,156	857

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

	June 30, 2017 $	December 31, 2016 $
Equipment term loan	**14,167**	15,583
Equipment line	**2,461**	-
Other loans	**146**	242
Financing costs, net of amortization	**(175)**	(154)
Less: current portion	**(3,444)**	(3,474)
	13,155	12,197

The terms and conditions of the equipment term loan and equipment line are consistent with those disclosed in Note 19 to the 2016 audited annual consolidated financial statements.

(in thousands of Canadian dollars, except per share amounts)

16. REFORESTATION AND ENVIRONMENTAL

	$
Balance at December 31, 2016	2,145
Paid during the period	(1,043)
Reforestation provision on harvested land	253
Changes in fair value resulting from estimates	78
Balance at June 30, 2017	1,433
Less: current portion	(144)
	1,289

17. EARN-OUT COMMITMENT

As a result of the CFC Acquisition (Note 4), subject to certain minimum obligations, the Company assumed Jemi's liability to pay additional amounts ("Earn-out") from proceeds of the sale of certain specified lands to third parties for a period of seven years beginning September 15, 2014. The total undiscounted minimum amount payable with respect to the Earn-out is $2,100, with an additional 25% of the gross proceeds on any amounts above a certain price per hectare sold.

The Company has paid $35 of the Earn-out Payment as of June 30, 2017 (2016 - $nil).

18. 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 $377 (2016 - $416) and for the six-month period to date was $787 (2016 - $799). Further information about these plans is disclosed in Note 22 to the 2016 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 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 Offering"). The 2017 Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by GMP Securities L.P., and including National Bank Financial Inc., Canaccord Genuity Corp., Haywood Securities Inc., Raymond James Ltd., and Cormark Securities Inc.

Cash proceeds raised from the 2017 Offering, net of issuance costs, were used for reducing the Company's existing revolving loan facility, which is expected to be drawn in the future to fund potential acquisition opportunities, and for general corporate purposes.

(in thousands of Canadian dollars, except per share amounts)

2016 Public offering

On September 1, 2016, the Company completed a public offering of 9,091,000 common shares, by way of prospectus, at a price of $6.60 each, resulting in gross proceeds of $60,001 (the "2016 Offering"). The 2016 Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by GMP Securities L.P., and including Canaccord Genuity Corp., Raymond James Ltd., Haywood Securities Inc., Cormark Securities Inc., and Paradigm Capital Inc.

Cash proceeds raised from the 2016 Offering, net of issuance costs, were used to redeem all of the Company's outstanding convertible debentures, provide partial consideration for the TFI Acquisition (Note 4), repay a portion of the revolving loan facility, and for general corporate purposes.

2016 Private placement

Concurrent with the CFC Acquisition (Note 4), the Company completed a private placement of 6,100,750 subscription receipts at a price of $4.10 each, resulting in gross proceeds of $25,013 (the "2016 Private Placement"), including subscription receipts to certain insiders for proceeds of $14,600. The 2016 Private Placement was pursuant to a bought deal underwritten by a syndicate of underwriters led by GMP Securities L.P., and including Raymond James Ltd., Canaccord Genuity Corp., Cormark Securities Inc., Haywood Securities Inc., and Paradigm Capital Inc.

Cash proceeds raised from 2016 Private Placement, net of issuance costs, were used for reducing Jemi's senior loans, the Company's revolving loan facility, and for general corporate purposes. Cash proceeds were released to the Company on May 13, 2016, concurrent with the closing of the CFC Acquisition.

Upon the closing of the CFC Acquisition, the subscription receipts issued were converted into a total of 6,100,750 common shares.

Debt exchange

On June 30, 2016, the Company entered into a debt exchange agreement with certain related parties to CFC. Pursuant to this agreement, the previously outstanding balance of related party debt of $4,500 was satisfied in full through the issuance of 955,414 common shares of the Company at a price of $4.71 each.

Restricted Equity Common Share Plan ("RECSP")

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

	Six months ended June 30, 2017 #	2016 #
Balance at December 31, 2016	**-**	-
Granted	**4,832**	3,802
Vested and converted to common shares during the period	**(4,832)**	(3,802)
Balance at June 30, 2017	**-**	-

Compensation expense in respect of RSUs for the quarter ended June 30, 2017 and six-months period to date was $29 (2016 - $20).

(in thousands of Canadian dollars, except per share amounts)

Employee Common Share Purchase Plan ("ECSPP")

For the quarter ended June 30, 2017, the Company issued no common shares from treasury (2016 - nil) and for the six-month period to date the Company issued 31,321 (2016 - 26,343) common shares from treasury for gross proceeds of $158 (2016 - $106), pursuant to the ECSPP.

Dividends

The amounts and record dates of dividends declared were as follows:

Record date	Amount $	Per share $
March 31, 2017	**8,566**	0.14
June 30, 2017	**9,490**	0.14
	18,056	0.28

On June 15, 2017, the Company declared a dividend of $0.14 per share, totaling $9,490 to shareholders of record on June 30, 2017, which was paid on July 14, 2017.

On December 15, 2016, the Company declared a dividend of $0.14 per share, totaling $8,561 to shareholders of record on December 30, 2016, which was paid on January 13, 2017.

20. COST OF SALES

Cost of sales includes the following costs:

	Three months ended June 30,		Six months ended June 30,	
	2017 **$**	**2016** **$**	**2017** **$**	**2016** **$**
Purchased and treated building materials	**266,329**	240,539	**443,347**	412,440
Salaries and benefits	**7,258**	4,724	**15,953**	6,071
Logging, trucking and timber	**3,576**	3,268	**11,340**	3,268
Peeled and treated posts	**3,348**	1,537	**5,301**	1,537
Inventory provisions	**70**	254	**361**	539
Other	**264**	286	**429**	636
	280,845	250,608	**476,731**	424,491

(in thousands of Canadian dollars, except per share amounts)

21. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Salaries and benefits	**10,531**	11,785	**21,119**	21,094
Building rent and occupancy costs	**5,000**	4,645	**10,041**	9,317
Office and miscellaneous	**2,111**	1,605	**3,492**	3,082
Travel, promotion and entertainment	**1,417**	1,481	**2,811**	2,708
Professional and management fees	**224**	606	**969**	2,206
	19,283	20,122	**38,432**	38,407

22. FINANCE COSTS

Finance costs for the Company are broken down as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Loan facilities	**1,623**	1,168	**3,053**	2,057
Equipment term loan	**104**	144	**234**	144
Bank indebtedness and other	**74**	40	**123**	29
Promissory note	**49**	50	**99**	100
Finance lease liabilities	**14**	32	**25**	32
Convertible debentures	**-**	639	**-**	1,278
Net cash interest	**1,864**	2,073	**3,534**	3,640
Amortization of financing costs	**145**	169	**282**	303
Accretion of earn-out commitment	**30**	-	**60**	-
Interest expense on net defined benefit liability	**63**	51	**126**	102
	2,102	2,293	**4,002**	4,045

(in thousands of Canadian dollars, except per share amounts)

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 June 30, 2017 $	Three months ended June 30, 2016 $	Six months ended June 30, 2017 $	Six months ended June 30, 2016 $
Land and building lease payments for distribution facilities paid to a company in which a member of the 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	**807**	806	**1,612**	1,611
Purchase of product from a public company that a member of the key management personnel who is a director and officer of the Company has an ownership interest in	**628**	752	**1,500**	1,844
Fees for management services and other charges paid to a company controlled by one of the key management personnel who is also a director and officer of the Company	**290**	315	**587**	553
Fees for professional services and other charges paid to a company controlled by an officer of the Company	**135**	139	**270**	259
Sales to a company controlled by a director of the Company	**-**	18	**-**	18

(in thousands of Canadian dollars, except per share amounts)

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:

	$
Year ending December 31	
Remainder of 2017	**1,612**
2018	**3,224**
2019	**2,938**
2020	**1,517**
2021	**810**
Thereafter	**1,065**
	11,166

Subscription receipts issued to related parties

During the three and six months ended June 30, 2017, the Company received no subscription receipts from related parties. During the three and six months ended June 30, 2016, the Company received subscription receipts from certain insiders of the Company for proceeds of $14,600, including the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
A company controlled by one of the key management personnel who is also a director and officer of the Company	-	6,000	-	6,000
A company in which members of the key management personnel who are directors and/or officers of the Company have an interest in	-	1,902	-	1,902
Several members of key management personnel, directors and officers of the Company	-	567	-	567

(in thousands of Canadian dollars, except per share amounts)

Payable to related parties

As at June 30, 2017, trade and other payables include amounts due to related parties as follows:

	June 30, 2017 $	December 31, 2016 $
A public company in which a member of the key management personnel who is a director and officer of the Company has an ownership interest in	**91**	76
A company controlled by one of the key management personnel who is also a director and officer of the Company	**76**	48
A company controlled by an officer of the Company	**532**	532

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 2017	**7,757**
2018	**14,219**
2019	**13,203**
2020	**9,793**
2021	**6,225**
Thereafter	**15,407**
	66,604

As at June 30, 2017 present value of minimum lease payments relating to finance leases was $1,319 (December 31, 2016 - $934).

(in thousands of Canadian dollars, except per share amounts)

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 financial instruments were as follows:

	June 30, 2017		December 31, 2016	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash (Bank indebtedness)	**6,210**	**6,210**	(6,277)	(6,277)
Trade and other receivables	**189,276**	**189,276**	85,467	85,467
Trade and other payables	**90,675**	**90,675**	53,935	53,935
Dividends payable	**9,490**	**9,490**	8,561	8,561
Revolving loan facility	**188,258**	**190,720**	129,451	131,789
Non-revolving term loan	**37,575**	**38,000**	38,967	39,333
Promissory notes	**5,258**	**5,258**	7,090	7,090
Finance lease liabilities	**1,589**	**1,589**	1,506	1,506
Equipment term loan	**16,599**	**16,774**	15,671	15,825
Earn-out commitment	**1,388**	**1,388**	1,328	1,328

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

- The fair values of cash (bank indebtedness), trade and other receivables, trade and other payables, and dividends payable is comparable to their carrying amount, given the short maturity periods.
- The fair values of the Company's revolving loan facility, non-revolving term loan and equipment term loan 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 June 30, 2017 the Company held no material outstanding foreign exchange contracts, no outstanding lumber futures contracts and no lumber options (December 31, 2016 - $nil).

When held by the Company, these derivative financial instruments are traded through a well-established financial services firm 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, including risks related to credit, interest rates, currency, liquidity and wood product prices.

Financial assets include cash, trade and other receivables, which are measured at amortized cost. Financial liabilities include bank indebtedness, trade and other payables, dividends payable, revolving loan facility, non-revolving term loan, promissory notes, finance lease liabilities, equipment term loan 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.

(in thousands of Canadian dollars, except per share amounts)

As at June 30, 2017, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	184,405
Past due over 60 days	174
Trade accounts receivable	184,579
Less: Allowance for doubtful accounts	(650)
	183,929

As at June 30, 2017, the maximum exposure to credit risk is $189,276 (December 31, 2016 - $85,467), 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 (Note 12), 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 2017, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $437 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, 2017, a $0.05 increase in the United States dollar versus the Canadian dollar would have an insignificant impact on net quarterly 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.

(in thousands of Canadian dollars, except per share amounts)

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 June 30, 2017.

	Total $	Level 1 $	Level 2 $	Level 3 $
Non-financial assets measured at fair value				
Timber	**58,739**	-	-	58,739
Financial assets for which fair values are disclosed				
Trade and other receivables	**189,276**	-	-	189,276
Financial liabilities for which fair values are disclosed				
Trade and other payables	**90,675**	-	-	90,675
Dividends payable	**9,490**	-	9,490	-
Revolving loan facility	**190,720**	-	-	190,720
Non-revolving term loan	**38,000**	-	-	38,000
Promissory notes	**5,258**	-	-	5,258
Finance lease liabilities	**1,589**	-	-	1,589
Equipment term loan	**16,774**	-	-	16,774
Earn-out commitment	**1,388**	-	-	1,388

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.

(in thousands of Canadian dollars, except per share amounts)

27. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Trade and other receivables	**(43,001)**	(32,799)	**(104,176)**	(86,072)
Inventories	**25,447**	27,165	**(8,597)**	4,837
Prepaid expenses and deposits	**(3,080)**	180	**(2,775)**	2,437
Trade and other payables	**3,640**	12,126	**36,796**	18,358
Income taxes payable	**4,069**	4,021	**4,915**	4,417
	(12,925)	10,693	**(73,837)**	(56,023)

28. FOREIGN SALES AND SIGNIFICANT CUSTOMERS

During the quarter ended June 30, 2017, the Company had sales outside of Canada of $47,169 (2016 - $37,035) and for the six-month period to date of $81,083 (2016 - $66,504).

The Company has sold products to certain customers who comprise greater than 10% of its sales. During the quarter ended June 30, 2017, two customers individually accounted for sales in excess of 10%, purchasing an aggregate of $111,858 (2016 - $98,157, 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 $190,991 (2016 - $161,181, 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:

- *Building Materials 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.

(in thousands of Canadian dollars, except per share amounts)

	Three months ended June 30, 2017				Three months ended June 30, 2016			
	Building Materials Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Building Materials Distribution $	Forestry[2] $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	309,047	10,990	-	**320,037**	279,740	10,368	-	**290,108**
Inter-segment	-	321	(321)	**-**	-	171	(171)	**-**
	309,047	11,311	(321)	**320,037**	279,740	10,539	(171)	**290,108**
Specified income (expenses)								
Depreciation and amortization	(1,922)	(1,009)	-	**(2,931)**	(2,367)	(885)	-	**(3,252)**
Restructuring costs	-	(834)	-	**(834)**	-	-	-	-
Finance costs	(1,556)	(546)	-	**(2,102)**	(2,034)	(259)	-	**(2,293)**
Fair value adjustments	-	515	-	**515**	-	121	-	**121**
Gain on bargain purchase (Note 4)	-	-	-	**-**	-	-	22,189	**22,189**
Net earnings (loss)	10,245	(416)	-	**9,829**	8,190	833	22,189	**31,212**
Purchase of property, plant and equipment	582	3,742	-	**4,324**	436	206	-	**642**

1. Includes inter-segment eliminations and income and expenses that are not allocated to reportable business segments.
2. Forestry segment was added through the CFC Acquisition (Note 4), and these results are for period commencing May 13, 2016.

(in thousands of Canadian dollars, except per share amounts)

	Six months ended June 30, 2017				Six months ended June 30, 2016			
	Building Materials Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Building Materials Distribution $	Forestry[2] $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	515,999	26,883	-	**542,882**	477,298	10,368	-	**487,666**
Inter-segment	-	466	(466)	**-**	-	171	(171)	**-**
	515,999	27,349	(466)	**542,882**	477,298	10,539	(171)	**487,666**
Specified income (expenses)								
Depreciation and amortization	(3,897)	(2,891)	-	**(6,788)**	(4,732)	(885)	-	**(5,617)**
Restructuring costs	-	(834)	-	**(834)**	-	-	-	**-**
Finance costs	(2,869)	(1,133)	-	**(4,002)**	(3,786)	(259)	-	**(4,045)**
Fair value adjustments	-	879	-	**879**	-	121	-	**121**
Gain on bargain purchase (Note 4)	-	-	-	**-**	-	-	22,189	**22,189**
Net earnings (loss)	11,611	(114)	-	**11,497**	9,100	833	22,189	**32,122**
Purchase of property, plant and equipment	1,783	4,813	-	**6,596**	1,007	206	-	**1,213**

1. Includes inter-segment eliminations and income and expenses that are not allocated to reportable business segments.
2. Forestry segment was added through the CFC Acquisition (Note 4), and these results are for period commencing May 13, 2016.

	June 30, 2017			December 31, 2016		
	Building Materials Distribution $	Forestry $	Consolidated $	Building Materials Distribution $	Forestry $	Consolidated $
Long-term assets	169,999	128,488	**298,487**	175,816	130,546	**306,362**

(in thousands of Canadian dollars, except per share amounts)

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

	Three months ended June 30, 2017 %	Three months ended June 30, 2016 %	Six months ended June 30, 2017 %	Six months ended June 30, 2016 %
Revenue				
Canada	**86**	88	**86**	87
US	**14**	12	**14**	13
	100	100	**100**	100

	June 30, 2017 %	December 31, 2016 %
Long-term assets		
Canada	**84**	85
US	**16**	15
	100	100

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

	Three months ended June 30, 2017 %	Three months ended June 30, 2016 %	Six months ended June 30, 2017 %	Six months ended June 30, 2016 %
Construction materials	**66**	63	**63**	63
Specialty and allied	**31**	34	**32**	35
Forestry and other	**3**	3	**5**	2
	100	100	**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, particularly in the Canadian market. 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 year.

CanWel®

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Toronto Stock Exchange

Trading Symbol:

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