CanWel Building Materials Group Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

June 30, 2019
(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, KPMG 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, 2019

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

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

(in thousands of Canadian dollars)	Notes	As at June 30, 2019 $	As at December 31, 2018 $
Assets			
Current assets			
Cash		**7,058**	488
Trade and other receivables	5	**215,094**	101,797
Income taxes receivable		**11,330**	4,796
Inventories	6	**298,932**	284,388
Prepaid expenses and deposits		**6,342**	5,774
		538,756	397,243
Non-current assets			
Property, plant and equipment	7	**97,883**	108,242
Right-of-use assets	8	**116,509**	-
Timber	9	**61,029**	62,659
Deferred income tax assets		**3,122**	2,641
Intangible assets	10	**42,050**	47,263
Goodwill	11	**179,034**	181,157
Other assets		**4,946**	4,564
		504,573	406,526
Total assets		**1,043,329**	803,769
Liabilities			
Current liabilities			
Cheques issued in excess of cash on hand		**7,947**	9,701
Trade and other payables		**107,558**	80,808
Performance bond obligations	12	**13,763**	13,507
Dividends payable	17	**10,877**	10,884
Income taxes payable		**4,707**	169
Current portion of non-current liabilities	8,13,14	**28,860**	11,063
		173,712	126,132
Non-current liabilities			
Loans and borrowings	13	**403,348**	283,471
Lease liabilities	8	**99,402**	4,140
Reforestation and environmental	14	**1,285**	1,724
Other liabilities	15	**2,495**	2,578
Deferred income tax liabilities		**19,035**	19,307
Retirement benefit obligations	16	**3,734**	3,290
		529,299	314,510
Total liabilities		**703,011**	440,642
Equity			
Common shares	17	**498,568**	499,154
Contributed surplus		**11,066**	10,769
Foreign currency translation		**7,799**	15,654
Deficit		**(177,115)**	(162,450)
		340,318	363,127
Total liabilities and equity		**1,043,329**	803,769
Commitments and contingencies	8,28		

Interim Condensed Consolidated Statement of Earnings and Comprehensive Earnings (Loss) (Unaudited)

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

(in thousands of Canadian dollars except per share amounts)	Notes	Three months ended June 30, 2019 $	Three months ended June 30, 2018 $	Six months ended June 30, 2019 $	Six months ended June 30, 2018 $
Revenue	24,25	**385,704**	382,101	**667,647**	677,069
Cost of sales	18	**331,264**	324,220	**572,176**	573,516
Gross margin from operations		**54,440**	57,881	**95,471**	103,553
Expenses					
Distribution, selling and administration	19	**27,008**	30,430	**52,949**	60,528
Depreciation of property, plant and equipment	7	**3,496**	2,814	**6,821**	5,505
Amortization of right-of-use assets	8	**5,416**	-	**10,842**	-
Amortization of intangible assets	10	**1,718**	1,672	**3,425**	3,321
		37,638	34,916	**74,037**	69,354
Operating earnings		**16,802**	22,965	**21,434**	34,199
Finance costs	20	**(6,010)**	(3,041)	**(11,126)**	(5,468)
Acquisition costs	4	**(134)**	-	**(134)**	-
Earnings before income taxes		**10,658**	19,924	**10,174**	28,731
Provision for (recovery of) income taxes					
Current income tax		**1,949**	4,530	**2,888**	6,419
Deferred income tax		**902**	731	**(165)**	1,156
		2,851	5,261	**2,723**	7,575
Net earnings		**7,807**	14,663	**7,451**	21,156
Other comprehensive (loss) income					
Exchange differences on translation of foreign operations(1)		**(3,882)**	3,895	**(7,855)**	9,036
Net actuarial (loss) gain from pension and other benefit plans(2)		**(286)**	13	**(363)**	57
Comprehensive earnings (loss)		**3,639**	18,571	**(767)**	30,249
Net earnings per share					
Basic and diluted		**0.10**	0.19	**0.10**	0.27
Weighted average number of shares					
Basic and diluted		**77,688,548**	77,695,905	**77,675,404**	77,688,989

1. Item that 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 condensed 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, 2018	77,744,598	499,154	10,769	15,654	(162,450)	363,127
Shares issued pursuant to:						
Restricted Equity Common Share Plan	4,004	19	(19)	-	-	-
Employee Common Share Purchase Plan	83,862	317	-	-	-	317
Repurchase of common shares	(142,200)	(913)	297	-	-	(616)
Transaction costs on issue of shares		(9)	-	-	-	(9)
Share-based compensation charged to operations		-	19	-	-	19
Dividends		-	-	-	(21,753)	(21,753)
Comprehensive earnings for the period		-	-	(7,855)	7,088	(767)
As at June 30, 2019	**77,690,264**	**498,568**	**11,066**	**7,799**	**(177,115)**	**340,318**
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

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

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

(in thousands of Canadian dollars)	Notes	Three months ended June 30, 2019 $	Three months ended June 30, 2018 $	Six months ended June 30, 2019 $	Six months ended June 30, 2018 $
Operating activities					
Net earnings for the period		**7,807**	14,663	**7,451**	21,156
Items not affecting cash					
Provision for income taxes		**2,851**	5,261	**2,723**	7,575
Depreciation and amortization of:					
Property, plant and equipment	7	**3,496**	2,814	**6,821**	5,505
Right-of-use assets	8	**5,416**	-	**10,842**	-
Intangible assets	10	**1,718**	1,672	**3,425**	3,321
Fair value adjustments	9	**(350)**	(195)	**(21)**	(201)
Timber harvested	9	**590**	1,156	**2,031**	2,027
Other		**297**	(176)	**244**	(343)
Income taxes paid		**(2,240)**	(4,144)	**(5,118)**	(5,903)
Interest paid on loans and borrowings and other		**(5,315)**	(2,691)	**(7,625)**	(4,671)
Payment of reforestation and environmental	14	**(557)**	(832)	**(647)**	(859)
Finance costs	20	**6,010**	3,041	**11,126**	5,468
Cash flows from operating activities before changes in non-cash working capital		**19,723**	20,569	**31,252**	33,075
Changes in non-cash working capital	23	**(11,316)**	(24,815)	**(93,236)**	(144,002)
Net cash flows provided by (used in) operating activities		**8,407**	(4,246)	**(61,984)**	(110,927)
Financing activities					
Dividends paid	17	**(10,876)**	(10,877)	**(21,760)**	(21,749)
Repayment of term loans		**(1,442)**	(1,284)	**(2,396)**	(2,177)
Payment of lease liabilities, including interest	8	**(5,853)**	(345)	**(11,439)**	(671)
Other		**(98)**	(114)	**(422)**	1
Increase in revolving loan facility		**30,276**	25,106	**124,259**	132,363
Net cash flows provided by financing activities		**12,007**	12,486	**88,242**	107,767
Investing activities					
Business acquisition	4	**(15,260)**	(6,352)	**(15,260)**	(6,352)
Cash and cash equivalents acquired	4	**1,129**	-	**1,129**	-
Purchase of property, plant and equipment	7	**(1,819)**	(1,775)	**(3,715)**	(3,686)
Other		**(99)**	123	**(64)**	151
Net cash flows used in investing activities		**(16,049)**	(8,004)	**(17,910)**	(9,887)
Increase (Decrease) in cash and cash equivalents		**4,365**	236	**8,348**	(13,047)
Foreign exchange difference		**43**	(462)	**(24)**	(113)
Cash and cash equivalents - beginning of period		**(5,297)**	(15,945)	**(9,213)**	(3,011)
Cash and cash equivalents - end of period		**(889)**	(16,171)	**(889)**	(16,171)

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, 2018 (except for as described in Note 3).

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on August 1, 2019 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, 2018.

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, 2018 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, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16").

IFRS 16 - Leases

IFRS 16 replaces IAS 17, *Leases* ("IAS 17"), 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 was applied using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019, with no restatement of comparative figures, which continue to be reported under IAS 17. The Company elected to measure its right-of-use assets at amounts equal to the corresponding lease liabilities, which resulted in no adjustment to retained earnings on transition.

The Company identified agreements related to the leases of distribution and treatment plant facilities, forklifts, light vehicles and other equipment, which were previously treated as operating leases under IAS 17.

Judgement was applied adopting IFRS 16 to determine contracts within the scope of IFRS 16, evaluating lease renewal terms and determining the discount (borrowing rate) used to present value the lease arrangements. At transition, lease liabilities were measured at the present value of the remaining lease payments under the agreement term. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company applied the following practical expedients when applying IFRS 16 to leases, which had been classified as operating leases under IAS 17:

a. Recognition exemptions under IFRS 16 (5a) and (5b) for short-term and low-value leases;
b. An election under IFRS 16 (C11), which allows the Company a choice to not reassess contracts which were previously identified as leases under IAS 17; and
c. An option under IFRS 16 (B1) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. Forklifts, light vehicle leases and computer equipment were identified as separate portfolios, having similar characteristics.

The Company was not impacted by the adoption of IFRS 16 for transactions in which it acts as a lessor, as the treatment is the same as under the previous standard. These transactions primarily occur in the Company's Forestry segment and relate to access to and use of Company owned lands by third parties and are not a significant source of revenue. The Company applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Impact on transition

On January 1, 2019, the transition date to IFRS 16, the Company recognized $118,979 of new right-of-use assets and lease liabilities in the Statement of Financial Position, using its incremental borrowing rate. The weighted average rate applied was 4%.

The following is a reconciliation between lease commitments disclosed as at December 31, 2018 under IAS 17, and lease liabilities recognized on January 1, 2019 upon initial application of IFRS 16:

	$
Undiscounted lease commitments at December 31, 2018[1]	148,302
Discounted lease commitments at the Company's incremental borrowing rate	121,591
Add (Deduct):	
Lease extension and termination options expected to be exercised	9,029
Operating costs and maintenance included in commitments	(3,775)
Commitments with no identified asset under IFRS 16	(1,292)
Short-term leases exemption	(29)
Low value leases exemption	(785)
Lease liabilities on January 1, 2019	**124,739**
Finance lease liabilities recognized at December 31, 2018[2]	5,760
New lease liabilities recognized on January 1, 2019	118,979
Lease liabilities on January 1, 2019	**124,739**

1. Note 27 to the 2018 audited Annual Consolidated Financial Statements.
2. Note 17 to the 2018 audited Annual Consolidated Financial Statements.

The adoption of IFRS 16 impacted the Consolidated Statement of Financial Position as follows:

	December 31, 2018 $	Increase (Decrease) $	January 1, 2019 $
Property, plant and equipment[1]	108,242	(6,468)	101,774
Right-of-use assets	-	125,447	125,447
Lease liabilities	5,760	118,979	124,739
Deficit	(162,450)	-	(162,450)

1. Decrease represents the net book value of equipment under finance lease recognized previously, which has been reclassified to opening right-of-use assets on transition.

Significant accounting policies amended

As a result of the adoption of IFRS 16, the Company has amended its accounting policy for Leases, from that disclosed in the Company's audited Annual Consolidated Financial Statements.

(i) Lessees

This policy is applied to contracts entered into, or modified, on or after January 1, 2019 and is as follows for instances where the Company is a lessee.

At inception of a contract, an assessment is made as to whether a contract is, or contains a lease. A contract is, or contains a lease if the contract offers the right to control the use of a specific asset, for a period of time, in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the following criteria are considered:

- The contract involves the use of an identified asset that is physically distinct or represents substantially all of the capacity of a physically distinct asset. No asset is identified if the supplier of the asset has substantive substitution rights;
- Whether the Company has the right to obtain substantially all of the economic benefits from the asset throughout the agreement term; and
- Whether the Company has the right to direct the use of the asset and change how and for what purpose the asset is used.

A right-of-use asset and a corresponding lease liability are recognized at the date a leased asset is available for use by the Company. Assets and liabilities arising from the lease determination are initially measured on a present value basis of the following payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Amounts expected to be payable by the lessee under any residual value guarantees;
- The exercise of a purchase option if the lessee is reasonably certain to exercise that option;
- Restoration costs; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate is used to calculate present value. The Company's borrowing rate is the rate that the Company (the lessee) would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the starting point in determining the discount rate, and makes adjustments based on the lease term, if required.

The lease term determined by the Company is comprised of the non-cancellable period of the lease contract, as well as options to terminate or extend the lease term if the exercise of either option is reasonably certain.

Right-of-use assets are subsequently measured at cost less depreciation on a straight-line basis and reduced to reflect impairment losses (if any) and adjusted for any remeasurement of the lease liability. After the lease commencement date, lease liabilities are measured at amortized cost using the effective interest method, which increases the liability amount to reflect interest on the lease liability, reduces the liability carrying amount to reflect lease payments made and also reflects any remeasurement or lease modifications. If a remeasurement to the lease liability is deemed necessary, a corresponding adjustment is also made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss over the respective lease terms. Short-term leases are leases with a lease term of 12 months or less. Low value assets are comprised of items such as computers, cellular phones and miscellaneous office support related items.

Some distribution and treatment plant facilities leases contain extension options exercisable by the Company. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(ii) Lessors

The accounting policy applicable to the Company where it is a lessor did not change upon the adoption of IFRS 16. The policy is as follows for instances where the Company is a lessor.

At lease inception, the Company determines whether each lease is a finance lease or an operating lease. To classify each lease, an assessment is made as to whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, including an assessment of whether the lease term covers the majority of the asset's useful life. If it is determined that substantially all of the risks and rewards of ownership have been transferred, the lease is accounted for as a finance lease; otherwise it is accounted for as an operating lease.

Operating leases primarily occur in the Company's Forestry segment, recognizing the receipt of these payments on a straight-line basis over the agreement terms and included in revenue. These operating leases do not represent a significant source of revenue for the Company.

4. BUSINESS ACQUISITIONS

2019 Acquisition

On April 1, 2019, the Company completed the acquisition of all issued and outstanding partnership interests of Lignum Forest Products LLP ("Lignum") (the "Lignum Acquisition"), a well-established brand in the lumber and forestry distribution market in Western Canada and the United States.

Total purchase consideration comprised of US$11,420 and is subject to certain post-closing adjustments. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired and liabilities assumed was based on the exchange rate as at the date of the acquisition.

Details of the allocation of the purchase price to the fair values of the identifiable assets and liabilities acquired at the date of the above noted acquisition were as follows (in thousands of Canadian dollars):

	2019
	$
Fair value of purchase consideration	
Cash consideration	15,260
Fair value of assets acquired(1)	
Cash and cash equivalents	1,129
Non-cash working capital	12,781
Right-of-use assets	520
Lease liabilities	(506)
Total identifiable net assets at fair value	13,924
Goodwill arising on acquisition	1,336
Assets acquired	15,260

1. The purchase price allocation is preliminary and is subject to change up to a period of one year from the acquisition date upon finalization of fair value determinations.

Goodwill recognized is primarily attributed to the expected synergies arising from the acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is not expected to be deductible for income tax purposes.

During the three and six months ended June 30, 2019, directly attributable acquisition costs of $134 have been expensed and are included in net earnings on the Consolidated Statement of Earnings.

The acquirees' gross revenues and net earnings during the three and six months ended June 30, 2019 were nominal.

2018 Acquisitions

On June 12, 2018, the Company acquired certain assets and the business of Superior Forest Products, Inc. (now doing business as Oregon Cascade Building Materials, Inc. "OCBM") (the "OCBM Acquisition"). Based in Junction City, Oregon, OCBM will provide lumber pressure treating services for customers predominantly based in Oregon and Washington. The OCBM Acquisition is expected to complement the Company's existing treated lumber and specialty wood products business in the United States. The plant completed testing and permitting during the quarter ended June 30, 2019, and commenced customer shipments in June 2019.

On December 3, 2018, the Company acquired certain assets and the business of Western Wood Treating, Inc. (now doing business as Woodland Wood Preservers, Ltd. "Woodland") (the "Woodland Acquisition"). Based in Woodland, California, Woodland specializes in pressure treated wood products. The Woodland Acquisition is expected to expand the Company's presence in the United States treating markets.

The foreign exchange rates used to translate purchase price consideration and fair values of assets acquired were based on the exchange rates as at the date of the above noted acquisitions (collectively the OCBM and Woodland Acquisitions hereafter, the "2018 Acquisitions").

Details of the allocation of the purchase price to the fair values of the identifiable assets acquired at the date of the 2018 Acquisitions were as follows (in thousands of Canadian dollars):

	2018 $
Fair value of purchase consideration	
Cash consideration	18,224
Promissory note	4,617
Consideration	22,841
Fair value of assets acquired(1)	
Non-cash working capital	386
Property, plant and equipment	11,673
Total identifiable net assets at fair value	12,059
Goodwill arising on acquisitions	10,782
Assets acquired	22,841

1. The purchase price allocation is preliminary and is subject to change up to a period of one year from the acquisition date upon finalization of fair value determinations.

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

The acquirees' gross revenues and net earnings during the three and six months ended June 30, 2018 were nominal.

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, 2019 $	December 31, 2018 $
Trade receivables	**208,438**	92,398
Allowance for doubtful accounts	**(946)**	(871)
Net trade receivables	**207,492**	91,527
Other receivables	**7,602**	10,270
Total trade and other receivables	**215,094**	101,797

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

	June 30, 2019 $	December 31, 2018 $
Neither past due nor impaired	**187,860**	85,607
Past due but not impaired:		
Less than 1 month	**17,155**	7,232
1 to 3 months	**8,714**	6,967
3 to 6 months	**1,365**	1,991
Total trade and other receivables	**215,094**	101,797

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

	$
Balance at December 31, 2018	871
Accruals during the period	187
Additions arising on acquisition	93
Accounts written off	(178)
Foreign exchange difference	(27)
Balance at June 30, 2019	**946**

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2019.

6. INVENTORIES

	June 30, 2019 $	December 31, 2018 $
Inventories held for resale	**237,231**	223,109
Inventories held for processing	**61,701**	61,279
	298,932	284,388

The expenses related to the sale of inventories were recorded in cost of sales, as described in Note 18.

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, 2018	35,644	18,666	90,647	5,205	8,058	158,220
classification to right-of-use assets (Note 3)	-	-	-	-	(8,058)	(8,058)
Additions	-	1,434	1,982	299	-	3,715
Disposals	-	-	(160)	-	-	(160)
Foreign exchange difference	-	(52)	(847)	(10)	-	(909)
Cost at June 30, 2019	**35,644**	**20,048**	**91,622**	**5,494**	**-**	**152,808**
Accumulated depreciation						
Accumulated depreciation at December 31, 2018	-	4,255	40,633	3,500	1,590	49,978
classification to right-of-use assets (Note 3)	-	-	-	-	(1,590)	(1,590)
Depreciation	-	675	5,641	505	-	6,821
Disposals	-	-	(103)	-	-	(103)
Foreign exchange difference	-	(12)	(165)	(4)	-	(181)
Accumulated depreciation at June 30, 2019	**-**	**4,918**	**46,006**	**4,001**	**-**	**54,925**
Net book value at December 31, 2018	35,644	14,411	50,014	1,705	6,468	108,242
Net book value at June 30, 2019	**35,644**	**15,130**	**45,616**	**1,493**	**-**	**97,883**

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company enters into various leases for the operation of its business, including distribution facilities, treatment plant facilities, computer equipment, light vehicles, forklifts and other equipment as required to efficiently operate.

Right-of-use assets

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer Equipment $	Total $
As at January 1, 2019 (Note 3)	111,301	13,626	520	125,447
Additions[3]	10	4,261	76	4,347
Additions arising on acquisition (Note 4)	520	-	-	520
Disposals	-	(37)	-	(37)
Amortization	(8,075)	(2,686)	(81)	(10,842)
Foreign exchange movements	(2,692)	(226)	(8)	(2,926)
Balance at June 30, 2019	**101,064**	**14,938**	**507**	**116,509**

Lease liabilities

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer Equipment $	Total $
As at January 1, 2019 (Note 3)	111,301	12,927	511	124,739
Additions	10	4,289	76	4,375
Additions arising on acquisition (Note 4)	506	-	-	506
Disposals	-	(52)	-	(52)
Finance costs	2,108	266	12	2,386
Lease payments	(8,894)	(2,458)	(87)	(11,439)
Foreign exchange movements	(2,690)	(193)	(8)	(2,891)
Balance at June 30, 2019	102,341	14,779	504	117,624
Less: current portion	(13,996)	(4,070)	(156)	(18,222)
	88,345	**10,709**	**348**	**99,402**

1. Includes agreements related to distribution, wood treatment and office facility leases.
2. Includes forklifts, tractors, light vehicles and other heavy equipment leases.
3. Includes reduction of $28 for asset buy-out transferred to property, plant and equipment.

Right-of-use assets and corresponding lease liabilities entered into during the period have been recorded using the Company's incremental borrowing rate. The weighted average rate applied was 4%.

Amounts recognized in net earnings

Expenses related to lease arrangements were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018[(1)]	2019	2018[(1)]
	$	$	$	$
Distribution, selling and administration	**-**	5,144	**-**	10,186
Depreciation of property, plant and equipment	**-**	144	**-**	283
Amortization of right-of-use assets	**5,416**	-	**10,842**	-
Finance costs	**1,197**	48	**2,386**	95
Total expenses	**6,613**	5,336	**13,228**	10,564

1. Amounts related to lease arrangements recognized in net earnings before the implementation of IFRS 16.

Impact on cash flows

Cash flows related to lease arrangements were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	$	$	$	$
Operating activities				
Expenses recorded in net earnings	**(6,613)**	(5,336)	**(13,228)**	(10,564)
Items not affecting cash				
Depreciation of property, plant and equipment	**-**	144	**-**	283
Amortization of right-of-use assets	**5,416**	-	**10,842**	-
Interest paid on finance leases	**-**	(48)	**-**	(95)
Finance costs	**1,197**	48	**2,386**	95
Net cash flows used in operating activities	**-**	**(5,192)**	**-**	**(10,281)**
Financing activities				
Payment of lease liabilities	**(5,853)**	(345)	**(11,439)**	(671)
Net cash flows used in financing activities	**(5,853)**	**(345)**	**(11,439)**	**(671)**
Total cash flows	**(5,853)**	**(5,537)**	**(11,439)**	**(10,952)**

Lease commitments

Future undiscounted payments due under the terms of all agreements, including these leases, are as follows (including certain leases with related parties, as disclosed in Note 21):

Year ending December 31	$
Remainder of 2019	12,416
2020	21,450
2021	17,494
2022	15,271
2023	13,638
Thereafter	62,562
	142,831

9. TIMBER

	$
Balance at December 31, 2018	62,659
Reforestation provision on harvested land	380
Harvested timber transferred to inventory in the period	(2,031)
Change in fair value	21
Balance at June 30, 2019	**61,029**

The Company's private timberlands comprised an area of approximately 53,525 hectares ("ha") of land as at June 30, 2019 with standing timber consisting of mixed-species softwood forests.

During the three month period ended June 30, 2019, the Company harvested approximately 52,371 cubic metres ("m^3") from its private timberlands (2018 - 97,603 m^3), and during the six month period ended June 30, 2019, the Company harvested approximately 180,068 cubic metres ("m^3") from its private timberlands (2018 - 171,235 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 22). The fair value measurement for the Company's standing timber, as disclosed above, has been categorized as Level 3 fair value, and was based on the inputs to the valuation technique discussed below.

Valuation Technique	Discounted cash flow analysis: The valuation model considers the present value of the net cash flows expected to be generated by the private timberlands over a period of 20 years. The expected net cash flows are discounted using a risk-adjusted discount rate.
Significant Unobservable Inputs in future periods	Estimated timber prices of \$36[(1)] per m^3 (weighted average sawlog and pulpwood prices) plus harvest and delivery charges (where applicable) of \$50[(1)] Estimated total costs, including harvest, delivery (where applicable) and stewardship costs of \$53[(1)] per m^3 Estimated harvest annual volume of 173,913 - 450,000 m^3 (20-year rolling average 252,556 m^3 (2018 - 261,646 m^3)) Risk-adjusted discount rate of 9.5%
Inter-relationship between key unobservable inputs and fair value measurement	The estimated fair value would increase (decrease) if: - the estimated timber prices per m^3 were higher (lower); - the estimated harvest, delivery and stewardship costs per m^3 were lower (higher); - the estimated harvest volumes were higher (lower); and - the risk-adjusted discount rate was lower (higher).

(1) In whole dollars, not thousands.

10. INTANGIBLE ASSETS

	Canadian operations $	US operations $	Value-added services $	Total $
Cost				
Cost at December 31, 2018	10,000	56,898	1,633	68,531
Foreign exchange difference	-	(2,316)	-	(2,316)
Cost at June 30, 2019	**10,000**	**54,582**	**1,633**	**66,215**
Accumulated amortization				
Accumulated amortization at December 31, 2018	8,917	11,453	898	21,268
Amortization	500	2,844	81	3,425
Foreign exchange difference	-	(528)	-	(528)
Accumulated amortization at June 30, 2019	**9,417**	**13,769**	**979**	**24,165**
Net intangible assets at December 31, 2018	1,083	45,445	735	47,263
Net intangible assets at June 30, 2019	**583**	**40,813**	**654**	**42,050**

Intangible assets at June 30, 2019 relate to the Distribution business segment, as described in Note 25 and include purchased customer lists and trade names.

11. GOODWILL

	Canadian operations $	US operations $	Value-added services $	Total $
Balance at December 31, 2018	62,624	83,186	35,347	181,157
Additions arising on acquisition (Note 4)	-	1,336	-	1,336
Foreign exchange difference	-	(3,459)	-	(3,459)
Balance at June 30, 2019	**62,624**	**81,063**	**35,347**	**179,034**

Goodwill at June 30, 2019 relates to the Distribution business segment, as described in Note 25.

12. PERFORMANCE BOND OBLIGATIONS

The Company assumes performance bond obligations related to certain construction projects. Proceeds temporarily received by the Company in excess of payments with respect to outstanding projects' performance bonds are outlined below.

	June 30, 2019 $	December 31, 2018 $
Funds received on bonding obligations[1]	**88,516**	95,488
Payments made on bonding obligations[1]	**(75,144)**	(82,385)
Receipts in excess of payments	**13,372**	13,103
Provision for loss on bonds	**391**	404
Balance at June 30, 2019	**13,763**	13,507

1. Funds received and disbursed, from contract commencement to reporting date.

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

	$
Balance at December 31, 2018	13,507
Net payments on bonding obligations during the period	817
Change in provision for loss on bonds	3
Foreign exchange difference	(564)
Balance at June 30, 2019	**13,763**

Total gross bonding contracts on all outstanding projects at June 30, 2019 were $140,266 (December 31, 2018 - $149,462).

The Company manages risk associated with exposure to loss on these performance bond obligations 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 bond obligations.

13. LOANS AND BORROWINGS

	June 30, 2019 $	December 31, 2018 $
Total loans and borrowings		
Unsecured notes[(1)]	**57,084**	56,756
Revolving loan facility[(2)]	**306,808**	184,102
Non-revolving term loan[(3)]	**32,263**	33,580
Promissory notes	**5,550**	5,584
Equipment term loan, equipment line and other loans[(4)]	**11,115**	12,155
Total loans and borrowings	**412,820**	292,177
Current portion of loans and borrowings		
Non-revolving term loan	**2,667**	2,667
Promissory notes	**2,499**	2,400
Equipment term loan, equipment line and other loans	**4,306**	3,639
Total current portion of loans and borrowings	**9,472**	8,706
Non-current portion of loans and borrowings	**403,348**	283,471

1. Reflects financing costs, net of amortization of $2,916 as at June 30, 2019 and $3,244 as at December 31, 2018.
2. Reflects financing costs, net of amortization of $1,714 as at June 30, 2019 and $2,048 as at December 31, 2018.
3. Reflects financing costs, net of amortization of $404 as at June 30, 2019 and $420 as at December 31, 2018.
4. Reflects financing costs, net of amortization of $98 as at June 30, 2019 and $121 as at December 31, 2018.

On April 3, 2019, the maximum credit available under the Company's revolving loan facility was temporarily increased from $300,000 to $325,000, with an additional $25,000 accordion facility, for a total loan limit of $350,000. This loan limit is in effect for a period of 120 days commencing on April 3, 2019. All other material terms under the facility remained consistent with those described in Note 16 to the 2018 audited Annual Consolidated Financial Statements.

Subsequent to June 30, 2019, as at August 1, 2019, the Company reduced its revolving loan facility balance to below $300,000.

The Company was not in breach of any of its covenants during the period ended June 30, 2019.

14. REFORESTATION AND ENVIRONMENTAL

	$
Balance at December 31, 2018	2,461
Paid during the period	(647)
Reforestation provision on harvested land	545
Changes in fair value	92
Balance at June 30, 2019	2,451
Less: current portion	(1,166)
	1,285

15. OTHER LIABILITIES

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 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, 2018 - $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 $1,765 (December 31, 2018 - $1,691), and is included in other liabilities.

16. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company’s pension and post-retirement benefit plans for the quarter ended June 30, 2019 was $413 (2018 - $371) and for the six-month period ended June 30, 2019 was $822 (2018 - $767). These expenses have been included in distribution, selling and administration costs and finance costs in the unaudited Interim Condensed Consolidated Statement of Earnings.

The table below reflects liabilities related to employee future benefit plans.

	June 30, 2019 $	December 31, 2018 $
Pension benefit plan	**1,464**	1,092
Other benefit plans	**2,270**	2,198
	3,734	3,290

Further information about these plans is disclosed in Note 20 to the 2018 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.

Normal Course Issuer Bid

On November 22, 2018 the Company commenced a Normal Course Issuer Bid (“NCIB”) with respect to its common shares. Under the terms of the NCIB, the Company may purchase for cancellation up to 6,085,605 of its common shares at market prices. Since commencement, as at June 30, 2019, the Company repurchased and cancelled 142,200 of its common shares (2018 - nil) pursuant to the NCIB.

Upon the cancellation of the common shares, the difference between the cost of the repurchased shares and the average value of the common shares of $297 (2018 - $nil) was credited to contributed surplus.

Restricted Equity Common Share Plan ("RECSP")

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

	Six months ended June 30, 2019 #	2018 #
Balance at January 1	**-**	-
Granted	**4,004**	3,726
Vested and converted to common shares during the period	**(4,004)**	(3,726)
Balance at June 30	**-**	-

Compensation expense in respect of RSUs for the quarter and the six-month period ended June 30, 2019 was $19 (2018 - $25).

Employee Common Share Purchase Plan ("ECSPP")

For the quarter ended June 30, 2019, the Company issued no common shares from treasury (2018 - nil) and for the six-month period to date the Company issued 83,862 (2018 - 34,080) common shares from treasury for gross proceeds of $317 (2018 - $210), pursuant to the ECSPP.

Subsequent to June 30, 2019, the Company issued 73,217 shares under the ECSPP for gross proceeds of $313.

Dividends

The following dividends were declared and paid by the Company:

	2019				2018			
	Declared				Declared			
	Record date	Per share $	Amount $	Paid date	Record date	Per share $	Amount $	Paid date
Quarter 1 dividend	Mar 29, 2019	0.14	10,876	Apr 15,2019	Mar 29, 2018	0.14	10,877	Apr 13, 2018
Quarter 2 dividend	Jun 28, 2019	0.14	10,877	Jul 15, 2019	Jun 29, 2018	0.14	10,878	Jul 13, 2018
Balance at June 30		**0.28**	**21,753**			0.28	21,755	
Quarter 3 dividend					Sep 28, 2018	0.14	10,884	Oct 15, 2018
Quarter 4 dividend					Dec 31, 2018	0.14	10,884	Jan 15, 2019
						0.56	43,523	

18. COST OF SALES

Cost of sales includes the following:

	Three months ended June 30, 2019 $	2018 $	Six months ended June 30, 2019 $	2018 $
Purchased and treated building materials	**315,432**	310,665	**537,998**	544,295
Salaries and benefits	**8,054**	7,518	**16,069**	14,890
Timber harvesting and hauling	**4,910**	3,056	**11,549**	8,685
Peeled and treated posts	**1,817**	1,814	**2,797**	2,733
Harvested timber sold	**829**	940	**2,059**	1,853
Inventory provisions	**401**	26	**1,402**	486
Fair value adjustments	**(350)**	(195)	**(21)**	(201)
Other	**171**	396	**323**	775
	331,264	324,220	**572,176**	573,516

19. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	Three months ended June 30, 2019 $	2018 $	Six months ended June 30, 2019 $	2018 $
Salaries and benefits	**17,821**	17,138	**34,788**	33,988
Building rent and occupancy costs(1)	**3,458**	7,781	**6,920**	15,714
Office and miscellaneous	**2,618**	2,226	**5,649**	4,758
Travel, promotion and entertainment	**2,040**	2,042	**3,899**	3,939
Professional and management fees	**1,071**	1,243	**1,693**	2,129
	27,008	30,430	**52,949**	60,528

1. Prior year comparatives include amounts related to lease arrangements, which were recognized in distribution, selling and administration costs before the implementation of IFRS 16.

20. FINANCE COSTS

Finance costs include the following:

	Three months ended June 30, 2019 $	Three months ended June 30, 2018 $	Six months ended June 30, 2019 $	Six months ended June 30, 2018 $
Loans and borrowings	**4,147**	2,733	**7,684**	4,797
Lease liabilities	**1,197**	48	**2,386**	95
Other	**191**	(29)	**108**	(45)
Net interest	**5,535**	2,752	**10,178**	4,847
Amortization of financing costs	**405**	222	**809**	486
Accretion of earn-out commitment	**37**	32	**74**	65
Interest on net defined benefit liability	**33**	35	**65**	70
	6,010	3,041	**11,126**	5,468

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, 2019 $	Three months ended June 30, 2018 $	Six months ended June 30, 2019 $	Six months ended June 30, 2018 $
Leased facilities: distribution(1) and treatment(2)	**910**	806	**1,819**	1,612
Purchase of product(3)(4)	**1,118**	884	**2,540**	2,022
Management fees and other(5)	**344**	296	**591**	519
Professional fees and other(6)	**135**	181	**270**	346

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: for the quarter $1,118 (2018 - $884), and for the six-month period to date $2,145 (2018 - $2,022).
4. Paid to a company owned by a director of the Company: for the quarter $nil (2018 - $nil), and for the six-month period to date $395 (2018 - $nil).
5. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company.
6. Paid to a company controlled by an officer of the Company.

Commitments with related parties

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

Year ending December 31	$
Remainder of 2019	**1,677**
2020	**2,307**
2021	**1,944**
2022	**1,557**
2023	**1,589**
Thereafter	**14,072**
	23,146

Payable to related parties

As at June 30, 2019, trade and other payables include amounts due to related parties as follows:

	June 30, 2019 $	December 31, 2018 $
Purchase of product[(1)]	**213**	38
Management fees and other[(2)]	**29**	59
Professional fees and other[(3)]	**156**	282

1. Owing 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. Owing to a company controlled by a member of key management personnel who is also a director and officer of the Company.
3. Owing to a company controlled by an officer of the Company.

22. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

	June 30, 2019		December 31, 2018	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Cash	**7,058**	**7,058**	488	488
Trade and other receivables	**215,094**	**215,094**	101,797	101,797
Cheques issued in excess of cash on hand	**7,947**	**7,947**	9,701	9,701
Trade and other payables	**107,558**	**107,558**	80,808	80,808
Performance bond obligations	**13,763**	**13,763**	13,507	13,507
Dividends payable	**10,877**	**10,877**	10,884	10,884
Unsecured notes	**57,084**	**55,800**	56,756	57,594
Revolving loan facility	**306,808**	**308,521**	184,102	186,150
Non-revolving term loan	**32,263**	**32,667**	33,580	34,000
Promissory notes	**5,550**	**5,550**	5,584	5,584
Lease liabilities	**117,624**	**117,624**	5,760	5,760
Equipment term loan and equipment line	**11,115**	**11,213**	12,155	12,276
Earn-out commitment	**1,765**	**1,765**	1,691	1,691

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, cheques issued in excess of cash on hand, trade and other payables, performance bond obligations and dividends payable are comparable to their carrying amounts, given the short maturity periods.

- The fair value of the Company's unsecured notes was based on the quoted active market price at June 30, 2019.

- The fair values of the Company's revolving loan facility, non-revolving term loan, and equipment term loan, equipment line and other 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 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.

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.

All of the Company's assets and liabilities were categorized as Level 3 fair values, with the exception of unsecured notes and dividends payable, which were categorized as Level 1 and Level 2, respectively.

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 fair value through profit and loss with changes in fair value recorded in other income (loss).

As at June 30, 2019, the Company held various outstanding foreign exchange contracts to purchase an aggregate of US$1,440 at exchange rates ranging between 1.3175 and 1.3225 (December 31, 2018 - US$9,020 at exchange rates ranging between 1.3175 and 1.3225) for economic hedging purposes, and unrealized losses totaling $20 (2018 - unrealized gains of $61) 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 cheques issued in excess of cash on hand, trade and other payables, performance bond obligations, dividends payable, unsecured notes, revolving loan facility, non-revolving term loan, promissory notes, lease liabilities, equipment term loan and equipment line, and earn-out commitment. All financial liabilities are measured at amortized cost.

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

Credit risk

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

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

As at June 30, 2019, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	**205,866**
Past due over 60 days	**2,572**
Trade receivables	**208,438**
Less: Allowance for doubtful accounts	**(946)**
	207,492

As at June 30, 2019, the maximum exposure to credit risk, including both trade and other receivables, is $215,094 (December 31, 2018 - $101,797), 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 13). Based on the Company's average revolving loan facility, non-revolving term loan, equipment term loan and equipment line balances during the period ended June 30, 2019, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $675 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 components of its revolving loan facility, as well as revenues and purchase transactions that are denominated in United States dollars.

As at June 30, 2019, a quarterly increase of $0.01 in the United States dollar versus the Canadian dollar would have an insignificant impact on quarterly net earnings, and an increase in quarterly other comprehensive earnings of approximately $2,293.

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.

23. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Trade and other receivables	**(39,211)**	(43,535)	**(109,902)**	(115,097)
Inventories	**32,710**	789	**(7,639)**	(52,365)
Prepaid expenses and deposits	**237**	185	**(609)**	(432)
Trade and other payables	**(6,503)**	17,549	**24,093**	25,247
Performance bond obligations	**1,451**	197	**821**	(1,355)
	(11,316)	(24,815)	**(93,236)**	(144,002)

24. 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, 2019			Three months ended June 30, 2018		
	Distribution $	Forestry $	Total $	Distribution $	Forestry $	Total $
Primary geographic markets						
Canada	256,556	10,144	**266,700**	280,849	9,232	290,081
United States	116,529	2,475	**119,004**	89,471	2,549	92,020
	373,085	12,619	**385,704**	370,320	11,781	382,101
Revenue categories						
Products	372,179	12,619	**384,798**	369,011	11,781	380,792
Services	906	-	**906**	1,309	-	1,309
	373,085	12,619	**385,704**	370,320	11,781	382,101

	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Distribution $	Forestry $	Total $	Distribution $	Forestry $	Total $
Primary geographic markets						
Canada	441,032	23,634	**464,666**	481,652	20,589	502,241
United States	198,360	4,621	**202,981**	169,988	4,840	174,828
	639,392	28,255	**667,647**	651,640	25,429	677,069
Revenue categories						
Products	637,587	28,255	**665,842**	649,253	25,429	674,682
Services	1,805	-	**1,805**	2,387	-	2,387
	639,392	28,255	**667,647**	651,640	25,429	677,069

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $4,842 as at June 30, 2019 (December 31, 2018 - $2,924), 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 each contribute greater than 10% of its revenues. During the quarter ended June 30, 2019, two customers individually accounted for revenues in excess of 10%, purchasing an aggregate of $110,705 (2018 - $119,302, representing two customers), and for the six-month period to date, two customers individually accounted for revenues in excess of 10%, purchasing an aggregate of $187,011 (2018 - $204,198, representing two customers).

25. 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.

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

Business segment revenues and specified expenses (income) were as follows:

	Three months ended June 30, 2019				Three months ended June 30, 2018			
	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	373,085	12,619	-	**385,704**	370,320	11,781	-	382,101
Inter-segment	-	602	(602)	**-**	-	512	(512)	-
	373,085	13,221	(602)	**385,704**	370,320	12,293	(512)	382,101
Specified expenses (income)								
Depreciation and amortization	8,768	1,862	-	**10,630**	3,319	1,167	-	4,486
Finance costs	5,373	637	-	**6,010**	2,571	470	-	3,041
Fair value adjustments	-	(350)	-	**(350)**	-	(195)	-	(195)
Net earnings (loss)	8,517	(710)	-	**7,807**	14,474	189	-	14,663
Purchase of property, plant and equipment	1,124	695	-	**1,819**	1,275	500	-	1,775

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

	Six months ended June 30, 2019				Six months ended June 30, 2018			
	Distribution $	Forestry $	Adjustments and eliminations[(1)] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[(1)] $	Consolidated $
Revenue								
External customers	639,392	28,255	-	**667,647**	651,640	25,429	-	677,069
Inter-segment	-	1,006	(1,006)	**-**	-	818	(818)	-
	639,392	29,261	(1,006)	**667,647**	651,640	26,247	(818)	677,069
Specified expenses (income)								
Depreciation and amortization	17,343	3,745	-	**21,088**	6,539	2,287	-	8,826
Finance costs	9,833	1,293	-	**11,126**	4,374	1,094	-	5,468
Fair value adjustments	-	(21)	-	**(21)**	-	(201)	-	(201)
Net earnings (loss)	8,441	(990)	-	**7,451**	21,177	(21)	-	21,156
Purchase of property, plant and equipment	1,776	1,939	-	**3,715**	2,107	1,579	-	3,686

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

Business segment long-term assets were as follows:

	June 30, 2019				December 31, 2018			
	Distribution $	Forestry $	Percent %	Consolidated $	Distribution $	Forestry $	Percent %	Consolidated $
Canada	163,884	128,479	**58**	**292,363**	118,774	131,679	62	250,453
United States	212,210	-	**42**	**212,210**	156,073	-	38	156,073
Long-term assets	376,094	128,479	**100**	**504,573**	274,847	131,679	100	406,526

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

	Three months ended June 30, 2019 %	Three months ended June 30, 2018 %	Six months ended June 30, 2019 %	Six months ended June 30, 2018 %
Construction materials	**62**	63	**60**	61
Specialty and allied	**31**	31	**33**	32
Forestry and other	**7**	6	**7**	7
	100	100	**100**	100

26. 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.

27. SEASONALITY

The Company's revenues are subject to seasonal variances that fluctuate in accordance with the normal home building season. The Company generally experiences higher revenues 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.

28. CONTINGENCIES

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.

29. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

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Trading Symbols:

CWX, CWX.NT.A