

DOMAN™

Annual Report 2025

DOMAN™

Doman Building Materials Group Ltd.

Consolidated Financial Statements

December 31, 2025 and 2024
(in thousands of Canadian dollars)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Doman Building Materials Group Ltd.

Opinion

We have audited the consolidated financial statements of Doman Building Materials Group Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2025 and December 31, 2024
- the consolidated statements of earnings and comprehensive earnings for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of goodwill impairment assessment

Description of the matter

We draw attention to Notes 4 and 15 of the financial statements. The goodwill balance is \$507,890 thousand. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise. An impairment loss is recognized in earnings if the carrying amount exceeds its estimated recoverable amount. The recoverable amount of each of the cash generating units has been determined using value in use. To determine value in use, the Entity utilized five- year cash flow forecasts using the annual budget approved by the Board of Directors as a basis for such forecasts. Significant assumptions used in the cash flow forecasts include gross margin percentages, terminal value growth rate and after-tax discount rate.

Why the matter is a key audit matter

We identified the evaluation of the goodwill impairment assessment to be a key audit matter. The matter represented an area of focus given the magnitude of goodwill and the sensitivity of the recoverable amount to changes in certain significant assumptions. Significant auditor judgment was required in evaluating the results of our audit procedures. Further, valuation professionals with specialized skills and knowledge were needed to evaluate the discount rate and terminal value growth rate.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We compared the Entity's estimated gross margin percentages to historical gross margin percentages for up to three years to assess the appropriateness of these assumptions.
- We involved our valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the discount rate and terminal value growth rate. The discount rate was compared against a range of discount rates that were independently developed using publicly available market data for comparable entities. The terminal value growth rate was compared to publicly available long-term inflation forecasts.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction,



supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor's report is James L. Alexander.

Vancouver, Canada

March 5, 2026

Consolidated Statements of Financial Position as at December 31

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

(in thousands of Canadian dollars)	Notes	2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents	8	4,932	13,504
Trade and other receivables	9	203,210	201,973
Income taxes receivable	21	3,299	2,562
Inventories	10	424,299	466,290
Prepaid expenses and deposits		17,376	19,174
		653,116	703,503
Non-current assets			
Property, plant and equipment	11	225,900	264,577
Right-of-use assets	12	169,889	151,272
Timber	13	–	45,199
Deferred income tax assets	21	27,826	11,331
Intangible assets	14	253,286	310,796
Goodwill	15	507,890	526,985
Other assets		–	2,310
		1,184,791	1,312,470
Total assets		1,837,907	2,015,973
Liabilities			
Current liabilities			
Bank indebtedness		3,124	4,124
Trade and other payables		150,819	155,273
Dividends payable	18	12,270	12,221
Income taxes payable	21	3,262	3,055
Current portion of non-current liabilities	7, 12, 16	33,379	31,646
		202,854	206,319
Non-current liabilities			
Loans and borrowings	16	814,078	975,050
Lease liabilities	12	157,235	138,904
Contingent consideration	7	21,360	19,399
Reforestation and environmental		–	3,017
Deferred income tax liabilities	21	5,634	14,686
Retirement benefit obligations	17	2,774	2,928
		1,001,081	1,153,984
Total liabilities		1,203,935	1,360,303
Equity			
Common shares	18	589,115	586,547
Contributed surplus		10,855	11,083
Foreign currency translation		45,928	101,563
Deficit		(11,926)	(43,523)
		633,972	655,670
Total liabilities and equity		1,837,907	2,015,973
Commitments and contingencies	12, 24, 30		
Subsequent event	18		

Approved by the Board of Directors

(signed) "Amar S. Doman" Director

(signed) "Sam Fleiser" Director

Consolidated Statements of Earnings and Comprehensive Earnings for the years ended December 31

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

(in thousands of Canadian dollars, except per share and share amounts)	Notes	2025 \$	2024 \$
Revenue	26, 27	3,119,287	2,663,239
Cost of sales	19	2,613,821	2,238,452
Gross margin from operations		505,466	424,787
Expenses			
Distribution, selling and administration	20	249,066	229,240
Depreciation and amortization	11, 12, 14	100,049	77,241
		349,115	306,481
Operating earnings		156,351	118,306
Finance costs	22	72,851	53,748
Acquisition costs		-	3,340
Earnings before income taxes		83,500	61,218
Provision for income taxes	21	3,200	7,031
Net earnings		80,300	54,187
Other comprehensive (loss) income			
Exchange differences on translation of foreign operations ⁽¹⁾		(55,635)	67,295
Actuarial gain from pension and other benefit plans ⁽²⁾	17, 21	320	100
Comprehensive earnings		24,985	121,582
Net earnings per share			
Basic and diluted		0.92	0.62
Weighted average number of shares			
Basic and diluted		87,518,704	87,201,318

1. Item that may be reclassified to earnings in subsequent periods.

2. Item that will not be reclassified to earnings.

Consolidated Statements of Changes in Equity for the years ended December 31

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

(in thousands of Canadian dollars, except share amounts)	Common shares		Contributed	Foreign	Deficit	Total
	#	\$	surplus	currency		
		\$	\$	\$	\$	\$
As at January 1, 2024	87,041,292	584,956	11,083	34,268	(48,967)	581,340
Shares issued pursuant to (Note 18):						
Restricted Equity Common Share Plan	24,849	138	(138)	–	–	–
Employee Common Share Purchase Plan	223,625	1,453	–	–	–	1,453
Share-based compensation charged to operations		–	138	–	–	138
Dividends		–	–	–	(48,843)	(48,843)
Comprehensive earnings		–	–	67,295	54,287	121,582
As at December 31, 2024	87,289,766	586,547	11,083	101,563	(43,523)	655,670
Shares issued pursuant to (Note 18):						
Restricted Equity Common Share Plan	101,458	721	(721)	–	–	–
Employee Common Share Purchase Plan	248,520	1,847	–	–	–	1,847
Share-based compensation charged to operations		–	493	–	–	493
Dividends		–	–	–	(49,023)	(49,023)
Comprehensive (loss) earnings		–	–	(55,635)	80,620	24,985
As at December 31, 2025	87,639,744	589,115	10,855	45,928	(11,926)	633,972

Consolidated Statements of Cash Flows for the years ended December 31

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

(in thousands of Canadian dollars)	Notes	2025 \$	2024 \$
Operating activities			
Net earnings		80,300	54,187
Items not affecting cash:			
Depreciation and amortization	11, 12, 14	100,049	77,241
Finance costs	22	72,851	53,748
Provision for income taxes	21	3,200	7,031
Other		(4,258)	169
Income taxes paid		(29,038)	(7,643)
Interest paid on loans and borrowings		(59,463)	(36,052)
Cash flows from operating activities before changes in non-cash working capital		163,641	148,681
Changes in non-cash working capital	25	20,691	(41,219)
Net cash flows provided by operating activities		184,332	107,462
Financing activities			
Shares issued, net of transaction costs	18	1,847	1,453
Dividends paid	18	(48,974)	(48,808)
Payments of lease liabilities, including interest	12	(32,254)	(29,129)
Issuance of senior unsecured notes	16	172,763	366,500
Repurchase of senior unsecured notes	16	(272,163)	(52,337)
Net (repayments) advances on revolving loan facility		(53,891)	116,383
Debt issuance costs		(3,669)	(8,516)
Other		611	-
Net cash flows (used in) provided by financing activities		(235,730)	345,546
Investing activities			
Business acquisitions	7	(1,834)	(460,815)
Purchase of property, plant and equipment	11	(29,028)	(14,201)
Proceeds from disposition of property, plant and equipment and timber		76,450	754
Net cash flows provided by (used in) investing activities		45,588	(474,262)
Net decrease in cash and cash equivalents		(5,810)	(21,254)
Foreign exchange difference		(1,762)	664
Cash and cash equivalents (net of bank indebtedness)			
- beginning of year		9,380	29,970
Cash and cash equivalents (net of bank indebtedness)			
- end of year		1,808	9,380

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

1. NATURE OF OPERATIONS

Doman 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. 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 1600 – 1100 Melville Street, Vancouver, British Columbia. The Company's operations commenced in 1989.

The Company operates through its wholly owned subsidiaries, producing and treating lumber and providing other value-add services, as well as distributing various building materials across Canada and in the United States ("US").

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), and were authorized for issuance on March 5, 2026, by the Board of Directors of the Company.

b) Functional and presentation currency

These 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 common share volumes and per share amounts.

c) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the following items in the Consolidated Statements of Financial Position:

- (i) Standing timber on privately held forest land is characterized as a biological asset and is measured at fair value less costs to sell;
- (ii) Derivative financial instruments and contingent consideration liabilities are measured at fair value; and
- (iii) Employee benefit plan assets and liabilities are recognized as the net of the fair value of the plan assets and the present value of the defined benefit obligations on a plan-by-plan basis.

Certain prior period figures have been reclassified to conform with the current year presentation.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

d) Principles of consolidation

The consolidated financial statements of the Company include the financial statements of the Company and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. All intercompany transactions and balances have been eliminated.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method, whereby assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business are measured at fair value at the date of acquisition. The acquired business's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3, Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets which are classified as held-for-sale in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and are recognized and measured at fair value less costs to sell.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the difference is recognized in income immediately as a gain on bargain purchase. Goodwill is subsequently measured at cost less accumulated impairment losses.

The Company has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Acquisition costs associated with business combination activities are expensed in the period incurred.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

b) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot rate prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. Foreign exchange gains and losses are recognized in net earnings.

For each foreign operation, the Company determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Company's foreign operations are primarily in the US, and have the US dollar as the functional currency.

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars using the rate of exchange in effect at the reporting date, and their statements of earnings and comprehensive earnings are translated using exchange rates in effect at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income ("OCI"). On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in net earnings.

c) Hedge of net investment in foreign operations

Financial liabilities denominated in foreign currencies are from time to time designated as a hedge of the Company's net investments in foreign operations.

Foreign currency differences arising on the revaluation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in OCI to the extent that the hedge is effective, and presented in the Foreign currency translation in Equity. To the extent that the hedge is ineffective, such differences are recognized in net earnings.

When the Company terminates the designation of the hedging relationship and discontinues its use of hedge accounting, any accumulated unrealized foreign exchange differences remaining in the Foreign currency translation and subsequent unrealized foreign exchange differences are recorded in net earnings. When the hedged net investment is disposed of, the relevant amount in the Foreign currency translation is reclassified to net earnings.

d) Property, plant and equipment

Property, plant and equipment ("PPE") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Repairs and maintenance costs are expensed as incurred.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset type	Depreciation %
Buildings	3%
Leasehold improvements	Shorter of initial lease term and useful life
Machinery and equipment	10% to 40%
Automotive equipment	30%
Computer equipment and systems development	20% to 33%

Depreciation begins when an asset is placed in use. Land is not depreciated.

An item of PPE is derecognized upon disposal when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in net earnings.

The Company conducts an annual assessment of the residual balances, useful lives, depreciation methods being used for PPE and impairment losses (as applicable), and any changes arising from the assessment are applied by the Company prospectively.

e) Leases

(i) Lessees

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.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

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 net earnings 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 initial 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 net earnings 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.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

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

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.

Such leases do not represent a significant source of revenue for the Company.

f) Intangible assets

All intangible assets acquired by the Company through business acquisitions are recorded at fair value on the date of acquisition. Intangible assets that have indefinite lives are measured at cost less accumulated impairment losses. Intangible assets that have finite useful lives are subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets comprise of brand recognition and customer relationships, which are amortized on a straight-line basis over 10 years. Amortization rates are reviewed annually to ensure they are aligned with estimates of remaining economic useful lives of the associated intangible assets.

g) Inventories

Inventories are stated at the lower of cost and net realizable value ("NRV"). Cost is determined using the weighted average cost method, net of vendor rebates, and includes materials, freight and, where applicable, treatment and processing costs, chemicals, direct labour and overhead. NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

h) Income tax

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in net earnings for the year. Deferred tax relating to items recognized outside of net earnings is recognized in correlation to the underlying transaction, either in OCI or directly in equity.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences from the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

At each reporting period, temporary differences are evaluated. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. The recognized deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Earnings per share

Basic earnings per share are computed by dividing the net earnings for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding share options and restricted equity common shares, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used to compute the dilutive effect of these instruments. Under this method, the incremental number of common shares used in computing diluted earnings per share is the difference between the number of common shares assumed issued upon exercise and assumed purchased at the average market price during the year using assumed proceeds.

j) Financial instruments

(i) Non-derivative financial instruments

The Company's non-derivative financial instruments are comprised of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables, dividends payable, contingent consideration, senior unsecured notes, revolving loan facility, non-revolving term loan and finance lease liabilities.

Financial instruments are initially recognized at fair value plus, for instruments not measured at fair value on an ongoing basis, any directly attributable transaction costs. Subsequent to the initial recognition, financial instruments are measured at fair value or amortized cost.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

The Company has classified or designated its financial instruments as follows:

- Cash and cash equivalents, and trade and other receivables are subsequently measured at amortized cost.
- Bank indebtedness, trade and other payables, dividends payable, senior unsecured notes, revolving loan facility and finance lease liabilities are subsequently measured at amortized cost.
- Contingent consideration is subsequently measured at fair value, with gains and losses recognized in net earnings.

(ii) Derivative financial instruments

The Company at times 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. These derivative financial instruments are designated as fair value through net earnings with changes in fair value being recorded in net earnings.

k) Fair value measurement

The Company measures derivative financial instruments and contingent consideration liabilities at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 24.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) In the principal market for the asset or liability; or
- (ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

l) Revenue recognition

The Company recognizes revenue from the sale of building products from its network of distribution centers across Canada and the US. The Company owns wood treatment and processing facilities that produce specialty products for sale through its distribution network that also generate revenue through the provision of these services to external customers. Provisions of services from the Company's facilities to external customers are presented as services in the sales category.

Revenue from the sale of products and services is recognized, net of discounts and customer rebates, at the point in time the transfer of control of the related products has taken place (based on shipping or delivery terms as specified in the sales contract), and collectability is reasonably assured. Transfer of control typically occurs when goods are collected from the Company's facilities by a carrier.

m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

A provision for an onerous contract is recognized when the economic benefits to be received under the contract are less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating or performing the contract. Before establishing a provision, the Company recognizes any impairment loss that has occurred on the assets dedicated to that contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs.

Provisions are reviewed at the end of each reporting period and are adjusted to reflect the best estimates at that date.

n) Impairment

(i) Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company recognizes in earnings, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice.

(ii) Non-financial assets

The carrying amounts of the Company's PPE and intangible assets that have a finite life are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise. The Company's annual impairment testing date for goodwill is December 31.

If any such indication exists or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (the lowest level of identifiable cash inflows) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset group or cash-generating unit. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings for the year.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Chief Executive Officer.

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on products offered, production processes involved, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment, with the remaining smaller operations categorized as Other.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant areas requiring estimates are goodwill and related impairment testing, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, assessing whether an arrangement contains a lease, determining the lease term, and determining the discount rate to value the lease.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

a) Business combinations and goodwill

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination, which requires making assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the acquired intangible assets and property, plant and equipment generally require the most judgment. Changes in any of these assumptions or estimates used in determining the fair values of these acquired assets could impact the amounts recorded at the date of the business combination.

Any goodwill resulting from a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2025, relates to the Company's acquisitions of various businesses. Goodwill is not amortized but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the estimated recoverable amount of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant assumptions are required in determining the recoverable amount of each cash-generating unit, including a discount rate, a terminal value growth rate and gross margin projections. When the carrying amount of the cash-generating unit exceeds its fair value, the recoverable amount of goodwill related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 15).

b) Inventory valuation

Under IFRS, inventories must be recognized at the lower of cost or their NRV, which is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. IFRS requires that the estimated NRV be based on the most reliable evidence available at the time the estimates are made of the amounts that inventories are expected to realize. The measurement of an inventory write-down to NRV is based on the Company's best estimate of the NRV and expected future sale or consumption of inventories. Due to the economic environment and continued volatility in the home-building market, there is uncertainty as to whether the NRV of the inventories will remain consistent with those used in our assessment of NRV at period end. As a result, there is the risk that a write-down of on-hand and unconsumed inventories could occur in future periods. Also, a certain portion of inventory may become damaged or obsolete. A slow-moving reserve is recorded, as required, based on an analysis of the length of time product has been in inventory and historical rates of damage and obsolescence (Note 19).

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

c) Income taxes

At each statement of financial position date, a deferred income tax asset may be recognized for all deductible temporary differences, unused tax losses and income tax deductions, to the extent that their realization is probable. The determination of this requires significant judgment. This evaluation includes review of the ability to carry-back operating losses to offset taxes paid in prior years; the carry-forward periods of the losses; and an assessment of the excess of fair value over the tax basis of the Company's net assets. If based on this review it is not probable such assets will be realized, then no deferred income tax asset is recognized (Note 21).

d) Leases

When assessing the lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, the assessment of the likelihood of exercising options and estimation of the fair value of the lease property (Note 12).

5. CHANGES IN ACCOUNTING POLICIES

The Company did not have any changes to its accounting policies from those applied in the consolidated financial statements for the comparative year ended December 31, 2024.

6. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

IFRS 18, *Presentation and Disclosure of Financial Statements*

IFRS 18 will replace IAS 1, *Presentation of Financial Statements* and applies to annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of earnings and comprehensive earnings, consisting of operating, investing, financing, discontinued operations and income tax categories, and including a newly defined operating profit subtotal.
- Management-defined performance measures are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cashflows when presenting operating cashflows under the indirect method.

The Company is in the process of assessing the impact of the new standard on its statement of earnings and comprehensive earnings, the statement of cashflows and additional disclosures under management-defined performance measures. The Company is also assessing the impact of how information is grouped in the financial statements, including items currently labelled "other".

Other accounting standards

The following amendments are effective in future years, but are not expected to have a material impact on the consolidated financial statements: *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*, and *Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)*.

7. BUSINESS ACQUISITIONS

Temecula Acquisition

On August 28, 2025, the Company completed the acquisition of certain assets of Temecula Electrical Supply Inc. (through the Company's wholly owned subsidiary, and now doing business as "Temecula Electrical Supply") (the "Temecula Acquisition") in Temecula, California. The Temecula Acquisition is an expansion of the Company's existing electric supply and distribution business, Alpha Electric Supply.

The majority of the purchase price was allocated to inventory and goodwill (Note 15).

Doman Tucker Lumber Acquisition

On October 1, 2024, the Company completed the acquisition of certain assets of CM Tucker Lumber Companies, LLC (now doing business as "Doman Tucker Lumber"), through a wholly owned subsidiary of the Company (the "Doman Tucker Lumber Acquisition"), a lumber and treated wood supplier, as well as a large producer of specialty value added products, in the Eastern US. Doman Tucker Lumber is headquartered in Pageland, South Carolina, with three large treating plants, specialty sawmilling and a captive trucking fleet.

Cash purchase price consideration of approximately US\$295,000, including inventory of approximately US\$40,000, was funded by the Company's revolving loan facility and cash and cash equivalents on hand, and was 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 Doman Tucker Lumber Acquisition.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

The Company engaged an independent valuations expert to assist with the determination of estimated fair value for acquired property, plant and equipment. The valuation model used consisted of a market comparison technique and cost technique which considers market prices for similar assets when they are available, and depreciated replacement cost when they are not. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The key assumptions used in the estimation of depreciated replacement cost are the asset's estimated replacement cost at the time of acquisition and estimated remaining useful life.

The Company applied the multi-period excess earnings method in determining the fair value of the customer list intangible asset recognized on acquisition. The multi-period excess earnings method considers the present value of incremental after-tax cash flows expected to be generated by the customer relationships after deducting contributory asset charges. The key assumptions used in applying this valuation technique include: the forecasted revenues relating to Doman Tucker Lumber's existing customers at the time of acquisition; the forecasted attrition rates relating to these customers; forecasted operating margins; and the discount rate.

Details of the fair value of the consideration transferred and the fair value of the net assets acquired and liabilities assumed at the date of the above noted acquisition were as follows:

	October 1, 2024 Provisional ⁽¹⁾ \$	Revisions \$	October 1, 2024 Revised ⁽¹⁾ \$
Fair value of purchase consideration			
Cash consideration	398,534	(221)	398,313
Contingent consideration (earnout commitment)	24,219	-	24,219
Total consideration	422,753	(221)	422,532
Fair value of assets acquired and liabilities assumed			
Inventory	54,182	(221)	53,961
Property, plant and equipment	103,850	380	104,230
Right-of-use assets	6,253	-	6,253
Intangible assets (customer lists)	174,607	(405)	174,202
Intangible assets (brand)	5,940	-	5,940
Lease liabilities	(6,253)	-	(6,253)
Total identifiable net assets at fair value	338,579	(246)	338,333
Goodwill arising on acquisition	84,174	25	84,199
Net assets acquired	422,753	(221)	422,532

1. The purchase price allocation determined at the acquisition date was preliminary and subject to change, up to a period of one year from October 1, 2024, upon finalization of fair value determinations, which were finalized during the year ended December 31, 2025.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

The earnout commitment is payable annually over five years from the date of the Doman Tucker Lumber Acquisition on October 1, 2024, if certain earnings performance targets after the acquisition are met. The earnout commitment was recorded in the Consolidated Statement of Financial Position as a contingent consideration liability at fair value, based on estimated future payments in each of the five years from the acquisition date, at a discount rate of approximately 12%.

Recognized goodwill is primarily attributed to expected synergies arising from the Doman Tucker Lumber Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

From the date of the Doman Tucker Lumber Acquisition on October 1, 2024, and up to December 31, 2025, the acquired business contributed \$717,335 of revenue and \$7,651 of net earnings (including additional interest on the Company's debt facilities, which were used to fund the transaction) to the Company's consolidated results. If the Doman Tucker Lumber Acquisition had taken place at the beginning of 2024, consolidated revenue for the year ended December 31, 2024, would have been approximately \$3,135,188 and net earnings of the Company would have been approximately \$65,760.

Directly attributable acquisition-related costs of \$2,238 were expensed in the Consolidated Statement of Earnings for the year ended December 31, 2024.

Southeast Forest Products Acquisition

On March 1, 2024, the Company completed the acquisition of certain assets of Southeast Forest Products Treated, Ltd. (through one of the Company's wholly owned subsidiaries) (the "Southeast Acquisition"), a manufacturer of treated lumber operating in Richmond, Indiana and near Birmingham, Alabama.

Total purchase consideration comprised of US\$45,916 cash. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Southeast Acquisition.

The Company engaged a valuations expert to assist with the determination of estimated fair value for acquired property, plant and equipment. The valuation model used consisted of a market comparison technique and cost technique which considers market prices for similar assets when they are available, and depreciated replacement cost when they are not. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence. The key assumptions used in the estimation of depreciated replacement cost are the asset's estimated replacement cost at the time of acquisition and estimated remaining useful life.

Purchase price consideration was funded by the Company's cash and cash equivalents on hand.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

Details of the fair value of the consideration transferred and the fair value of the assets acquired at the date of the above noted acquisition were as follows:

	March 1, 2024
	\$
Fair value of purchase consideration	
Cash consideration	62,281
Fair value of assets acquired	
Inventory	11,416
Property, plant and equipment	28,193
Intangible assets (customer lists)	6,375
Intangible assets (brand)	709
Total identifiable net assets at fair value	46,693
Goodwill arising on acquisition	15,588
Assets acquired	62,281

Recognized goodwill is primarily attributed to expected synergies arising from the Southeast Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

From the date of the Southeast Acquisition on March 1, 2024, and up to December 31, 2025, the acquired business contributed \$163,722 of revenue and \$4,521 of net earnings to the Company's consolidated results. If the Southeast Acquisition had taken place at the beginning of 2024, consolidated revenue for the year ended December 31, 2024, would have been approximately \$2,676,700 and net earnings of the Company would have been approximately \$54,456.

Directly attributable acquisition-related costs of \$685 were expensed in the Consolidated Statement of Earnings for the year ended December 31, 2024.

8. CASH AND CASH EQUIVALENTS

	2025	2024
	\$	\$
Cash	4,932	9,243
Interest-bearing bank deposits	-	4,261
Cash and cash equivalents	4,932	13,504

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

9. TRADE AND OTHER RECEIVABLES

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

	2025	2024
	\$	\$
Trade receivables	190,472	192,114
Allowance for doubtful accounts	(798)	(489)
Net trade receivables	189,674	191,625
Other receivables	13,536	10,348
Total trade and other receivables	203,210	201,973

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

	2025	2024
	\$	\$
Neither past due nor impaired	184,117	188,292
Past due but not impaired:		
Less than 1 month	13,302	9,403
1 to 3 months	4,496	3,786
3 to 6 months	1,295	492
Total trade and other receivables	203,210	201,973

The Company holds no collateral for any receivable amounts outstanding as at December 31, 2025.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

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

	2025	2024
	\$	\$
Balance at January 1	489	459
Accruals during the year	350	4
Accounts written off	(16)	(6)
Foreign exchange difference	(25)	32
Balance at December 31	798	489

10. INVENTORIES

	2025	2024
	\$	\$
Inventories held for resale	325,731	376,293
Inventories held for processing	98,568	89,997
	424,299	466,290

The expenses related to the sale of inventories were recorded in cost of sales, as described in Note 19.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

11. PROPERTY, PLANT, AND EQUIPMENT

	Land \$	Buildings, leasehold improvements and roads \$	Machinery, automotive and other equipment \$	Computer equipment and systems development \$	Total \$
Cost					
Cost at January 1, 2024	36,528	40,481	161,932	8,357	247,298
Additions	205	1,186	11,239	1,571	14,201
Additions arising on acquisitions (Note 7)	6,212	67,030	58,801	–	132,043
Disposals	–	–	(2,015)	(68)	(2,083)
Foreign exchange difference	889	5,896	14,852	230	21,867
Cost at December 31, 2024	43,834	114,593	244,809	10,090	413,326
Additions	627	1,000	26,554	847	29,028
Additions arising on acquisitions (Note 7)	–	–	509	–	509
Disposals	(26,657)	(8,335)	(4,178)	–	(39,170)
Foreign exchange difference	(616)	(4,337)	(9,967)	(206)	(15,126)
Cost at December 31, 2025	17,188	102,921	257,727	10,731	388,567
Accumulated depreciation					
Accumulated depreciation at January 1, 2024	–	15,806	97,128	5,775	118,709
Depreciation	–	3,235	20,886	863	24,984
Disposals	–	–	(1,487)	(68)	(1,555)
Foreign exchange difference	–	405	6,108	98	6,611
Accumulated depreciation at December 31, 2024	–	19,446	122,635	6,668	148,749
Depreciation	–	5,491	22,045	1,102	28,638
Disposals	–	(6,553)	(3,471)	–	(10,024)
Foreign exchange difference	–	(440)	(4,119)	(137)	(4,696)
Accumulated depreciation at December 31, 2025	–	17,944	137,090	7,633	162,667
Net book value at December 31, 2024	43,834	95,147	122,174	3,422	264,577
Net book value at December 31, 2025	17,188	84,977	120,637	3,098	225,900

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

12. 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 operate efficiently.

Right-of-use assets

	Facilities ⁽¹⁾ \$	Machinery, automotive and other equipment ⁽²⁾ \$	Computer equipment \$	Total \$
Balance at January 1, 2024	121,154	11,881	1,846	134,881
Additions	5,103	10,372	42	15,517
Additions arising on acquisition (Note 7)	5,855	398	–	6,253
Modifications and remeasurements	14,078	498	–	14,576
Amortization	(19,249)	(5,866)	(487)	(25,602)
Disposals	–	(1,454)	–	(1,454)
Foreign exchange movements	6,202	787	112	7,101
Balance at December 31, 2024	133,143	16,616	1,513	151,272
Additions	5,272	9,627	1,116	16,015
Additions arising on acquisition (Note 7)	707	–	–	707
Modifications and remeasurements	33,977	288	9	34,274
Amortization	(21,322)	(6,232)	(606)	(28,160)
Disposals	(250)	(374)	(26)	(650)
Foreign exchange movements	(2,978)	(541)	(50)	(3,569)
Balance at December 31, 2025	148,549	19,384	1,956	169,889

1. Includes agreements related to distribution, wood treatment, manufacturing and office facility leases.

2. Includes forklifts, light vehicles and other heavy equipment leases.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

Lease liabilities

	Facilities ⁽¹⁾	Machinery, automotive and other equipment ⁽²⁾	Computer equipment	Total
	\$	\$	\$	\$
Balance at January 1, 2024	131,222	12,202	1,870	145,294
Additions	5,103	10,372	42	15,517
Additions arising on acquisition (Note 7)	5,855	398	–	6,253
Modifications and remeasurements	14,078	498	–	14,576
Disposals	–	(1,542)	–	(1,542)
Finance costs	3,905	669	84	4,658
Lease payments	(22,101)	(6,485)	(543)	(29,129)
Foreign exchange movements	7,046	555	127	7,728
Balance at December 31, 2024	145,108	16,667	1,580	163,355
Additions	5,272	9,627	1,116	16,015
Additions arising on acquisition (Note 7)	707	–	–	707
Modifications and remeasurements	33,977	288	9	34,274
Disposals	(259)	(376)	(27)	(662)
Finance costs	5,145	912	95	6,152
Lease payments	(24,668)	(6,906)	(680)	(32,254)
Foreign exchange movements	(3,653)	(324)	(63)	(4,040)
Balance at December 31, 2025	161,629	19,888	2,030	183,547
Less: current portion	(20,313)	(5,337)	(662)	(26,312)
	141,316	14,551	1,368	157,235

1. Includes agreements related to distribution, wood treatment, manufacturing and office facility leases.

2. Includes forklifts, light vehicles and other heavy equipment leases.

Right-of-use assets and corresponding lease liabilities entered into during the year have been recorded using the Company's incremental borrowing rate, ranging between 5% and 8%.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

Contractual commitments

Future undiscounted payments due under the terms of the Company's contractual agreements, including these leases, are as follows (including certain leases with related parties, as disclosed in Note 23):

Years ending December 31	\$
2026	35,423
2027	33,913
2028	31,879
2029	27,356
2030	15,126
Thereafter	54,353
	198,050

13. TIMBER

	2025	2024
	\$	\$
Balance at January 1	45,199	46,485
Reforestation provision on harvested land	1,359	940
Harvested timber transferred to inventory in the year	(1,269)	(2,057)
Disposal	(45,289)	-
Change in fair value	-	(169)
Balance at December 31	-	45,199

On March 31, 2025, the Company completed a sale of approximately 8,359 hectares of timberlands to Nature Conservancy of Canada ("NCC"), for gross proceeds of \$14,370. On September 29, 2025, the Company finalized the sale of its remaining timberland holdings in Southeast British Columbia to NCC, resulting in additional gross proceeds of \$60,850. Net proceeds from both transactions were applied against the Company's revolving loan facility.

Prior to these sales, the Company's private timberlands comprised an area of approximately 44,217 hectares, consisting predominantly of mixed-species softwood forests.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

For the comparative prior year ended December 31, 2024, the fair value measurement for the Company's standing timber, as disclosed above, had been categorized as Level 3 fair value (as defined in Note 24). The Company's valuation model consisted of a discounted cash flow analysis, which considered 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 were discounted using a risk-adjusted discount rate of 9.5%.

14. INTANGIBLE ASSETS

	US operations ⁽¹⁾ \$	Value-added services \$	Total \$
Cost			
Cost at January 1, 2024	198,985	9,989	208,974
Additions arising on acquisitions (Note 7)	187,631	–	187,631
Additions	–	124	124
Foreign exchange difference	29,761	–	29,761
Cost at December 31, 2024	416,377	10,113	426,490
Adjustments arising on acquisitions (Note 7)	(405)	–	(405)
Disposals	–	(124)	(124)
Foreign exchange difference	(19,771)	–	(19,771)
Cost at December 31, 2025	396,201	9,989	406,190
Accumulated amortization			
Accumulated amortization at January 1, 2024	75,893	5,366	81,259
Amortization	25,773	882	26,655
Foreign exchange difference	7,780	–	7,780
Accumulated amortization at December 31, 2024	109,446	6,248	115,694
Amortization	39,442	3,809	43,251
Disposals	–	(68)	(68)
Foreign exchange difference	(5,973)	–	(5,973)
Accumulated amortization at December 31, 2025	142,915	9,989	152,904
Net intangible assets at December 31, 2024	306,931	3,865	310,796
Net intangible assets at December 31, 2025	253,286	–	253,286

1. US operations intangible assets reflect a revision to the Doman Tucker Lumber preliminary purchase price allocation (Note 7).

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024 (in thousands of Canadian dollars)

15. GOODWILL

	Canadian operations \$	US operations \$	Value-added services \$	Total \$
Balance at January 1, 2024	62,624	296,699	35,347	394,670
Additions arising on acquisitions (Note 7)	–	99,762	–	99,762
Foreign exchange difference	–	32,553	–	32,553
Balance at December 31, 2024	62,624	429,014	35,347	526,985
Addition arising on acquisition (Note 7)	–	1,271	–	1,271
Foreign exchange difference	–	(20,366)	–	(20,366)
Balance at December 31, 2025	62,624	409,919	35,347	507,890

The Company performed its annual test for goodwill impairment as at December 31, 2025. The estimated recoverable amount of each of the cash-generating units has been determined using a value-in-use model. The Company utilized five-year cash flow forecasts using the annual budget approved by the Board of Directors as a basis for such forecasts. Cash flow forecasts beyond that of the budget were prepared using a stable growth rate for future periods. These forecasts were based on historical data and future trends expected by the Company.

The Company's valuation model also takes into account working capital and capital investments required to maintain the condition of the assets.

Forecasted cash flows were discounted using after-tax rates of approximately 8% (2024 – 8%) in all cash-generating units for the purpose of the annual impairment test. Other significant assumptions used in the estimation of the recoverable amounts included the terminal value growth rate of 2%, and gross margins ranging between 5% and 30%.

Based on the impairment tests, the estimated recoverable amount of each of the cash-generating units exceeded their carrying amounts. As a result, no provision for impairment of goodwill was recorded.

There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating units' net assets given that these estimates involve making key assumptions about the future. In making such assumptions, management has given its best estimate of future economic and market conditions.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024 (in thousands of Canadian dollars)

16. LOANS AND BORROWINGS

	2025 \$	2024 \$
Total loans and borrowings		
Unsecured notes ⁽¹⁾	530,464	630,131
Revolving loan facility ⁽¹⁾	283,217	344,919
Other	611	-
Total loans and borrowings	814,292	975,050
Current portion of loans and borrowings		
Other	214	-
Non-current portion of loans and borrowings	814,078	975,050

1. Amounts reflect financing costs net of amortization totaling \$9,664 as at December 31, 2025, and \$9,899 as at December 31, 2024.

Issuance of senior unsecured notes

On September 17, 2024, the Company completed a private placement offering of the 2029 Unsecured Notes denominated in principal amounts of one thousand dollars, resulting in gross proceeds of \$265,000. The offering was underwritten by a syndicate of underwriters led by Stifel, and including CIBC Capital Markets, TD Securities, National Bank Capital Markets and RBC Capital Markets.

On December 10, 2024, the Company completed an additional private placement offering under the terms of the 2029 Unsecured Notes. These additional notes were issued at a price of \$1,015 per \$1,000 principal, resulting in gross proceeds of \$101,500.

Net cash proceeds raised during the year ended December 31, 2024, from the 2029 Unsecured Notes were used for reducing the Company's revolving loan facility and to repurchase for cancellation a portion of the Company's senior unsecured notes otherwise maturing on May 15, 2026 ("2026 Unsecured Notes").

On December 2, 2025, the Company completed an additional private placement offering under the terms of the 2029 Unsecured Notes. These additional notes were issued at a price of \$1,016 per \$1,000 principal, resulting in gross proceeds of \$172,763. The offering was underwritten by Stifel, CIBC Capital Markets and TD Securities as joint active bookrunners, and National Bank Capital Markets, Raymond James, RBC Capital Markets, Wells Fargo Securities, and Canaccord Genuity, with Desjardins Capital Markets acting as joint bookrunners.

Net cash proceeds raised on December 2, 2025, from the 2029 Unsecured Notes, together with additional funds drawn under the Company's revolving loan facility, were used to repurchase for cancellation the \$272,163 balance of the 2026 Unsecured Notes.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

The 2029 Unsecured Notes accrue interest at the rate of 7.5% per annum, payable on a semi-annual basis, maturing on September 17, 2029.

Repurchase of 2026 Unsecured Notes

Concurrent with the issuance of the 2029 Unsecured Notes on September 17, 2024, the Company completed the early repurchase for cancellation of \$52,337 of its outstanding unsecured notes with a maturity date of May 15, 2026, in accordance with the terms of the unsecured notes trust indenture. Total redemption amount, including accrued interest, was \$53,278.

In connection with the issuance of the 2029 Unsecured Notes on December 2, 2025, the Company completed the early repurchase for cancellation of the remaining \$272,163 of its outstanding unsecured notes with a maturity date of May 15, 2026, in accordance with the terms of the unsecured notes trust indenture. Total redemption amount, including accrued interest, was \$273,416.

Amendment of revolving loan facility

On April 30, 2024, the Company amended its existing revolving loan facility, extending the maturity date from December 6, 2024, to April 30, 2028. On January 31, 2025, the Company further amended its existing revolving loan facility, increasing the maximum available credit from \$500,000 to \$580,000. All other material terms remained substantially unchanged.

The Company was not in breach of any of its covenants during the year ended December 31, 2025, and had the right to defer settlement for more than twelve months from the period end date. Accordingly, the revolving loan facility was classified as non-current as at December 31, 2025.

As part of the Company's cash management strategy, and notwithstanding contractual maturity, the Company continues to have the right and may, at its discretion, repay portions of its revolving loan facility earlier than the maturity date.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

Terms and conditions

The terms and conditions of the outstanding loan facilities were as follows:

	Currency	Nominal interest rate %	Maturity	December 31, 2025		December 31, 2024	
				Face value \$	Carrying amount \$	Face value \$	Carrying amount \$
2029 Unsecured notes ⁽¹⁾	CDN	7.50	Sep 17, 2029	535,000	530,464	365,000	359,718
2026 Unsecured notes ⁽²⁾	CDN	5.25	May 15, 2026	–	–	272,163	270,413
Revolving loan facility ⁽³⁾	USD	Based on US prime rate or Secured Overnight Financing Rate	Apr 30, 2028	14,931	14,673	346,302	344,919
Revolving loan facility ⁽³⁾	CDN	Based on Canadian prime rate or Canadian Overnight Repo Rate Average	Apr 30, 2028	269,500	268,544	–	–
Other	CDN	Various	Various	611	611	–	–
Total loans and borrowings				820,042	814,292	983,465	975,050

1. Non-publicly listed, with a maturity date of September 17, 2029, and interest rate at 7.50%, payable semi-annually ("2029 Unsecured Notes").
2. Non-publicly listed, with a maturity date of May 15, 2026, and interest rate at 5.25%, payable semi-annually.
3. Maximum credit available is \$580,000. Amount advanced under the facility at any time is limited to a defined percentage of inventories and trade receivables, less certain reserves. The facility is secured by a first charge over the Company's assets and an assignment of trade receivables and requires that certain covenants be met by the Company. This facility matures on April 30, 2028.

During the year ended December 31, 2025, certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations and an unrealized foreign exchange gain of \$10,062 was recognized in Foreign currency translation in OCI.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

17. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Defined benefit pension plans

The Company sponsors two non-contributory defined benefit pension plans: one a registered pension plan for salaried employees and the other a non-registered historical pension plan for certain retired executives. Both plans provide benefits based on years of service and historical highest average salary. The plans were closed to new participants effective August 1, 2000. The Company amended the registered defined benefit pension plan effective January 1, 2005, to reduce the benefit formula for future years of service and to allow members of the defined benefit pension plan to participate in the defined contribution plan. In respect of the non-registered historical executive pension plan, the Company has issued letters of credit amounting to \$984 (2024 – \$1,036) based on actuarial estimates determined annually.

The most recent actuarial valuation of the registered pension plan for funding purposes was as at December 31, 2022. The next actuarial valuation for the registered pension plan is required to be performed as at December 31, 2025.

Annuity contracts

On July 31, 2024, the Company purchased an annuity buy-in for plan retirees for \$5,664 through its defined benefit pension plan. Future cash flows from the annuity will match the amount and timing of benefits payable under the plan, substantially mitigating the exposure to future volatility in the related pension obligation.

On June 17, 2025, the Company entered into an agreement with RBC Life Insurance Company ("RBC Insurance") to convert certain existing annuity buy-in contracts under its defined benefit pension plan into annuity buy-out contracts, effective January 1, 2026. The December 1, 2025, pension payment under the legacy plan represented the final benefit payable under the related pension obligation and serves as the settlement date. As of the effective date, RBC Insurance assumes direct responsibility for making pension benefit payments to the affected retirees, thereby transferring the associated pension obligations from the Company.

The value of the settled obligation as at December 31, 2025, was \$27,236, consistent with the value of the corresponding pension assets released. The transaction had no net impact on the Company's financial position.

At December 31, 2025, remaining buy-in annuities represented 71% of \$7,978 (2024 – 94% of \$37,130) of the defined benefit pension plan obligation and were fully hedged against changes in future discount rates and longevity risk (potential increases in life expectancy of plan members).

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

Defined contribution plans

The Company sponsors defined contribution plans for eligible employees. Pension expense for the defined contribution plans for the year ended December 31, 2025, amounted to \$1,681 (2024 – \$1,590) and was included in distribution, selling and administration expenses.

Post-retirement benefits other than pensions

The Company provides extended health care and dental benefits and pays provincial medical plan premiums on behalf of qualifying employees.

Total cash payments

Total cash payments for employee future benefits for 2025, consisting of cash contributed by the Company to defined benefit plans, defined contribution plans, and other post-retirement benefits, were \$2,364 (2024 – \$2,185), with no solvency deficiency contributions.

Included in total cash payments, based on 2025 experience, the Company expects the 2026 contributions for its defined benefit plan to be approximately \$207. Solvency deficiency contributions are not required.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

The status of the defined benefit pension and post-retirement benefit plans were as follows:

	Pension benefit plan		Other benefit plans	
	2025	2024	2025	2024
	\$	\$	\$	\$
Net benefit expense				
Current service cost	141	152	56	54
Past service cost	-	-	211	119
Non-investment expenses	140	130	-	-
Interest cost on benefit obligation	1,609	1,688	94	95
Interest on effect of asset ceiling impairment at beginning of year	82	84	-	-
Expected return on plan assets	(1,650)	(1,727)	-	-
Net benefit expense	322	327	361	268
Defined benefit obligation				
Defined benefit obligation at January 1	37,130	38,075	2,115	1,986
Current service cost	141	152	56	54
Past service cost	-	-	211	119
Interest cost on benefit obligation	1,609	1,688	94	95
Benefits paid	(3,166)	(3,090)	(211)	(168)
Actuarial (gains) losses on benefit obligation	(500)	305	(222)	29
Annuity buy-out	(27,236)	-	-	-
Defined benefit obligation at December 31	7,978	37,130	2,043	2,115
Plan assets				
Fair value of plan assets at January 1	38,146	39,017	-	-
Expected return on plan assets	1,650	1,727	-	-
Employer contributions	207	236	211	168
Non-investment expenses	(140)	(130)	-	-
Benefits paid	(3,166)	(3,090)	(211)	(168)
Actuarial (losses) gains on plan assets	(690)	417	-	-
Actuarial losses on annuity buy-in	-	(31)	-	-
Annuity buy-out	(27,236)	-	-	-
Fair value of plan assets at December 31	8,771	38,146	-	-
Net benefit liability				
Fair value of plan assets at December 31	8,771	38,146	-	-
Accrued benefit obligation at December 31	(7,978)	(37,130)	(2,043)	(2,115)
	793	1,016	(2,043)	(2,115)
Asset ceiling impairment	(1,524)	(1,829)	-	-
Net benefit liability	(731)	(813)	(2,043)	(2,115)

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

The Company has recorded net benefit expense and actuarial gains as follows:

	Pension benefit plan		Other benefit plans	
	2025	2024	2025	2024
	\$	\$	\$	\$
Distribution, selling and administration				
Current service cost	141	152	56	54
Past service cost	-	-	211	119
Non-investment expenses	140	130	-	-
	281	282	267	173
Finance costs				
Interest cost on benefit obligation	1,609	1,688	94	95
Interest on effect of asset ceiling at beginning of year	82	84	-	-
Expected return on plan assets	(1,650)	(1,727)	-	-
	41	45	94	95
Other comprehensive income (loss)				
Actuarial gains (losses) on obligation due to changes in financial assumptions	500	(305)	279	(17)
Actuarial losses on obligation due to changes in experience	-	-	(57)	(12)
Actuarial (losses) gains on plan assets	(690)	417	-	-
Actuarial losses on annuity buy-in	-	(31)	-	-
Net change in effect of asset ceiling	387	72	-	-
	197	153	222	(29)

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

Assets

At December 31, plan assets consisted of the following:

	2025	2024
	%	%
Annuity	65	91
Debt securities ⁽¹⁾	34	8
Short-term securities ⁽¹⁾	1	1
	100	100

1. Unquoted investments (pooled funds).

Significant assumptions

The significant weighted average assumptions used were as follows:

	Pension benefit plan		Other benefit plans	
	2025	2024	2025	2024
	%	%	%	%
Accrued benefit obligation as of December 31				
Discount rate	4.8	4.5	4.8	4.5
Rate of compensation increase	3.5	3.5	n/a	n/a
Benefit costs for year ended December 31				
Discount rate	4.5	4.6	4.5	4.6
Rate of compensation increase	3.5	3.5	n/a	n/a

Assumed health care cost trend rates at December 31 were as follows:

	2025	2024
Health care initial cost trend rate	7.0%	7.0%
Health care ultimate cost trend date	3.5%	3.5%
Year that the rate reaches the ultimate trend rate	2037	2037

The mortality assumptions were based on the 2014 Canadian Pensioners Mortality Private table with generational projection using mortality improvement scale CPM-B and adjusted for size of pensions.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
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Sensitivity analysis

A one-percentage point change in the assumed rate of increase in health care costs would have the following effects:

	Other benefit plans			
	2025		2024	
	Increase	Decrease	Increase	Decrease
	\$	\$	\$	\$
Effect on the defined benefit obligation	250	(222)	221	(199)
Effect on the aggregate current service cost and interest cost	23	(20)	20	(17)

A one-percentage point change in the assumed discount rate would have the following effects:

	Pension benefit plan		Other benefit plans	
	Increase	Decrease	Increase	Decrease
	\$	\$	\$	\$
2025				
Effect on the defined benefit obligation	(793)	964	(149)	171
Effect on the aggregate current service cost and interest cost for the next year	13	(22)	3	(4)
2024				
Effect on the defined benefit obligation	(3,033)	3,580	(147)	166
Effect on the aggregate current service cost and interest cost for the next year	176	(215)	5	(6)

The average duration of the defined benefit plan obligation at December 31, 2025, was approximately 11.5 years.

18. SHARE CAPITAL

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

Restricted Equity Common Share Plan ("RECSP")

Restricted Share Units ("RSUs") pursuant to the RECSP were as follows:

	Years ended December 31,	
	2025	2024
	#	#
Balance at January 1	–	–
Granted	101,458	24,849
Vested and converted to common shares during the year	(101,458)	(24,849)
Balance at December 31	–	–

Compensation expense in respect of RSUs for the year ended December 31, 2025, was \$493 (2024 – \$138).

Employee Common Share Purchase Plan ("ECSP")

For the year ended December 31, 2025, the Company issued 248,520 (2024 – 223,625) common shares from treasury for gross proceeds of \$1,847 (2024 – \$1,453), pursuant to the ECSP. Subsequent to December 31, 2025, the Company issued 123,404 shares under the ECSP for gross proceeds of \$997.

Dividends

The following quarterly dividends of \$0.14 per share were declared and paid by the Company:

	2025			2024		
	Declared		Payment date	Declared		Payment date
Record date	Amount \$	Record date		Amount \$		
Quarter 1	Mar 31, 2025	12,236	Apr 15, 2025	Mar 28, 2024	12,200	Apr 12, 2024
Quarter 2	Jun 30, 2025	12,249	Jul 15, 2025	Jun 28, 2024	12,202	Jul 12, 2024
Quarter 3	Sep 29, 2025	12,268	Oct 15, 2025	Sep 27, 2024	12,220	Oct 15, 2024
Quarter 4	Dec 31, 2025	12,270	Jan 15, 2026	Dec 31, 2024	12,221	Jan 15, 2025
		49,023			48,843	

The Board of the Company is routinely assessing its dividend policy in the context of overall profitability, cash flows, capital requirements, general economic conditions and other business needs.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
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19. COST OF SALES

Cost of sales includes the following costs:

	2025	2024
	\$	\$
Purchased, treated and manufactured building materials	2,508,754	2,148,670
Salaries and benefits	83,090	63,201
Timber and related products	18,909	24,207
Inventory provisions	2,188	697
Others	880	1,677
	2,613,821	2,238,452

20. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	2025	2024
	\$	\$
Salaries and benefits	166,688	149,349
Facility occupancy costs	39,219	37,834
Office and miscellaneous	20,325	22,913
Travel, promotion and entertainment	15,569	13,503
Professional and management fees	7,265	5,641
	249,066	229,240

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
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21. INCOME TAXES

Income tax for the Company consisted of the following:

Consolidated Statements of Earnings

	2025	2024
	\$	\$
Current income tax expense	28,420	18,086
Deferred income tax recovery	(25,220)	(11,055)
	3,200	7,031

Consolidated Statements of Comprehensive Earnings

	2025	2024
	\$	\$
Deferred tax expense related to items recorded in OCI during the year		
Actuarial gains	99	24

The Company's effective income tax rate differs from the statutory income tax rate. The difference arises from the following items:

	2025	2024
	\$	\$
Earnings before income taxes	83,500	61,218
Income tax at statutory rates	22,119	16,059
Adjustment to deferred tax assets and liabilities related to changes in tax rates	(2)	799
Permanent differences and other	(18,917)	(9,827)
Income tax expense	3,200	7,031

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

Temporary differences that give rise to deferred income tax assets and liabilities were as follows:

	2025	2024
	\$	\$
Deferred income tax (liabilities) assets:		
Property, plant and equipment	(8,801)	(9,303)
Timber	–	(10,089)
Pensions and other post-retirement benefits	741	781
Non-capital losses	4,415	3,178
Reserves	48,120	35,415
Intangible assets and goodwill	(22,283)	(23,337)
Net deferred income tax assets (liabilities)	22,192	(3,355)

Net deferred income tax liabilities consisted of the following:

	2025	2024
	\$	\$
Deferred income tax assets	27,826	11,331
Deferred income tax liabilities	(5,634)	(14,686)
Net deferred income tax assets (liabilities)	22,192	(3,355)

At December 31, 2025, the Company had no US non-capital losses that may be available for deduction against taxable income in future years (2024 – \$nil), and \$12,351 (2024 – \$25,388) of Canadian non-capital losses that expire as follows:

	\$
2037	2,131
2038	849
2039	1,505
2040	718
2041	1,159
Thereafter	5,989
	12,351

At December 31, 2025, all of these non-capital losses have been recognized as deferred income tax assets (2024 – approximately \$15,000 of non-capital losses have not been recognized as deferred income tax assets).

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

Tax legislation changes

In March 2022, the Organization for Economic Co-operation and Development released detailed technical guidance on the legislative framework for a 15% global minimum tax, Pillar Two, to be used by individual jurisdictions. The goal of the framework is to reduce shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures.

The legislative changes within the jurisdictions in which the Company operates were effective for fiscal years beginning on or after January 1, 2024. Top-up tax payable of \$610 has been recognized in current income taxes by the Company for the year ended December 31, 2025 (2024 – nil).

22. FINANCE COSTS

Finance costs include the following:

	2025	2024
	\$	\$
Loans and borrowings	68,519	47,865
Lease liabilities	6,152	4,658
Interest income and other	(5,754)	(2,143)
Net cash interest	68,917	50,380
Amortization of debt issuance costs	3,799	3,228
Interest on net defined benefit liability	135	140
	72,851	53,748

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

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:

	2025	2024
	\$	\$
Leased distribution ⁽¹⁾ and treatment facilities ⁽²⁾	5,342	4,218
Purchase of product ⁽³⁾	2,008	2,079
Service fees and other ⁽⁴⁾	1,031	1,047
Professional fees and other ⁽⁵⁾	817	617

1. Paid to a company controlled by a member of key management personnel who is a director and officer of the Company, or a close family member of that person's family.
2. Paid to a company solely controlled by a director and officer of the Company.
3. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in.
4. Paid to companies controlled by a member of key management personnel who is also a director and officer of the Company.
5. Paid to a company controlled by an officer of the Company.

Commitments with related parties

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:

Years ending December 31	\$
2026	5,704
2027	5,833
2028	5,988
2029	5,769
2030	2,971
Thereafter	3,960
	30,225

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

Payable to related parties

Trade and other payables include amounts due to related parties as follows:

	2025	2024
	\$	\$
Purchase of product ⁽¹⁾	80	191
Service fees and other ⁽²⁾	69	–
Professional fees and other ⁽³⁾	397	197

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 companies 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.

Compensation of key management personnel

Compensation of key management was reported on the accrual basis of accounting consistent with the amounts recognized on the consolidated statement of earnings. Key management includes the Company's Board of Directors, the Chief Executive Officer, and the Chief Financial Officer.

Compensation awarded to key management is summarized as follows:

	2025	2024
	\$	\$
Salaries and other benefits	4,365	4,347
Share-based compensation	417	129
	4,782	4,476

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

24. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

The carrying amounts of non-derivative financial instruments approximate fair value, with the exception of the following:

	2025		2024	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
2029 Unsecured Notes ⁽¹⁾	530,464	543,694	359,718	371,065
Revolving loan facility	283,217	284,431	344,919	346,302
2026 Unsecured Notes ⁽²⁾	–	–	270,413	271,483

1. Non-publicly listed, with a maturity date of September 17, 2029, and interest rate at 7.5%.
2. Non-publicly listed, with a maturity date of May 15, 2026, and interest rate at 5.25%.

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

- The fair values of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables and dividends payable were comparable to their carrying amounts, given the short maturity periods.
- The fair values of the Company's 2026 Unsecured Notes and 2029 Unsecured Notes were based on prices quoted by an independent investment brokerage.
- The fair value of the Company's revolving loan facility approximates its carrying value as it bears interest at a variable rate based on current market rates. The fair value has been estimated as the carrying value excluding unamortized financing costs.
- The fair values of the Company's lease liabilities and other loans approximate their carrying values as they bear interest that approximates current market rates.

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; and
- Level 3** – Inputs that are not based on observable market data.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

All of the Company's financial instruments are categorized as Level 2 fair values, with the exception of contingent consideration, which was categorized as Level 3.

Contingent consideration was assumed as part of a business combination during the comparative prior year ended December 31, 2024 (Note 7), and was subsequently measured at fair value. Valuation technique used was based on discounted cash flows, which considers the present value of expected future payments, discounted using a risk-adjusted discount rate. The change in the fair value of the contingent consideration liability during the years ended December 31, 2025 and 2024, was nominal.

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

The following table shows, as at December 31, 2025, the Company's contractual obligations with respect to its non-derivative financial instruments, including estimated interest, within the periods indicated:

	<i>Face value</i>	Total contractual obligation⁽¹⁾	2026	2027-2028	2029-2030	Thereafter
	\$	\$	\$	\$	\$	\$
Unsecured notes ⁽²⁾	535,000	695,500	40,125	80,250	575,125	–
Revolving loan facility ⁽³⁾	284,431	324,991	17,417	307,574	–	–
Leases and other contractual commitments (Note 12)		198,050	35,423	65,792	42,482	54,353
Accounts payable and other		185,635	157,808	14,121	13,706	–
Total contractual obligations		1,404,176	250,773	467,737	631,313	54,353

1. Includes future interest obligations.

2. Non-publicly listed notes with maturity date of September 17, 2029, and interest rate at 7.5%.

3. Interest has been calculated based on the average borrowing under the facility for the year ended December 31, 2025, utilizing the interest rate payable under the terms of the facility at December 31, 2025. This facility matures on April 30, 2028.

Derivative financial instruments

From time to time, 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 are measured at fair value through profit and loss with changes in fair value recorded in net earnings.

The Company held no outstanding foreign exchange contracts as at December 31, 2025, and December 31, 2024. Additionally, the Company held a nominal amount of lumber futures contracts.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

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 a material credit loss on these financial instruments is considered low.

Hedge of investment in foreign operations

Certain drawings under the revolving loan facility were designated as a hedge against the Company's investment in its US operations. During the year ended December 31, 2025, the Company recorded an unrealized foreign exchange gain of \$10,062 (2024 – loss of \$31,051), arising on revaluation of hedged foreign currency debt in Foreign currency translation in OCI during the year.

Financial risk management

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

Financial assets include trade and other receivables, which are measured at amortized cost. Financial liabilities include bank indebtedness, trade and other payables, dividends payable, unsecured notes, revolving loan facility and lease liabilities. 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.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
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As at December 31, 2025, trade accounts receivable, excluding other receivables, were as follows:

	\$
Current	186,015
Past due over 60 days	4,457
Trade receivables	190,472
Less: Allowance for doubtful accounts	(798)
	189,674

As at December 31, 2025, the maximum exposure to credit risk, including both trade and other receivables, was \$203,210 (December 31, 2024 – \$201,973), which represents the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

The majority of the Company's borrowings are currently issued at fixed rates, specifically, the 2029 Unsecured Notes and previously, the 2026 Unsecured Notes (Note 16). Therefore, the Company is exposed to fair value interest rate risk on these borrowings, as interest rate decreases make the Company susceptible to opportunity costs.

Additionally, the Company is exposed to interest rate risk through its variable rate revolving loan facility (Note 16). Based on the Company's average variable rate borrowings during the year ended December 31, 2025, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of \$2,548 in annual net earnings.

The Company did not hold any interest rate swaps during the years ended December 31, 2025, and 2024. However, the negative risk of rising interest rates was mitigated by financing a significant portion of the Company's borrowings through the unsecured notes at fixed rates.

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 US dollar components of its revolving loan facility, as well as revenues and purchase transactions that are denominated in US dollars.

As at December 31, 2025, the Company had US dollar drawings under its Revolving loan facility of US\$54,575 (2024 – US\$310,330), which have been designated as a hedge against the Company's net investment in its foreign operations.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

As at December 31, 2025, an increase of \$0.05 in the US dollar versus the Canadian dollar would have an insignificant impact on annual net earnings, and an increase in OCI of approximately \$43,000.

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 earnings and economic value due to price movement and volatilities. The Company is exposed to other price risk with respect to certain construction materials. The Company closely monitors construction materials prices.

25. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital had the following impact on cash flows:

	2025	2024
	\$	\$
Trade and other receivables	(8,613)	(29,812)
Inventories	27,774	(17,834)
Prepaid expenses and deposits	3,267	(2,906)
Trade and other payables	(1,737)	9,333
	20,691	(41,219)

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

26. REVENUE

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

	2025			2024 ⁽¹⁾		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Geographic markets						
Canada	964,013	4,667	968,680	1,005,329	21,084	1,026,413
US	2,150,607	–	2,150,607	1,636,826	–	1,636,826
	3,114,620	4,667	3,119,287	2,642,155	21,084	2,663,239
Revenue categories						
Products	3,108,446	4,667	3,113,113	2,636,972	21,084	2,658,056
Services	6,174	–	6,174	5,183	–	5,183
	3,114,620	4,667	3,119,287	2,642,155	21,084	2,663,239

1. Restated to conform to the financial statement presentation adopted during the year ended December 31, 2025.

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of \$7,740 as at December 31, 2025 (December 31, 2024 – \$8,654), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the Consolidated Statement of Financial Position.

During the year ended December 31, 2025, one customer individually accounted for revenue in excess of 10%, purchasing an aggregate of \$1,033,573 (2024 – \$623,285, representing one customer).

27. SEGMENTED INFORMATION

The Company operates as a wholesale distributor of building materials and home renovation products, including value-added services such as lumber pressure treating.

Based on products offered, production processes involved, and how financial information is produced internally for the purposes of making operating decisions, the Company operates as one reportable segment, with the remaining smaller operations categorized as Other.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024

(in thousands of Canadian dollars)

During the year ended December 31, 2025, the Company revised its internal reporting structure for management purposes. Following the sale of its timberlands (Note 13), the remaining activities previously reported within the Other segment, are no longer reviewed separately by the chief operating decision maker, and have been integrated into the Building Materials segment as value-added services. As a result, comparative information for business segment revenues and specified expenses has been restated to reflect current year presentation.

Business segment revenues and specified expenses were as follows:

	2025			2024 ⁽¹⁾		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
Revenue	3,114,620	4,667	3,119,287	2,642,155	21,084	2,663,239
Specified expenses						
Depreciation and amortization	96,136	3,913	100,049	75,931	1,310	77,241
Finance costs	72,851	–	72,851	53,748	–	53,748
Net earnings	80,258	42	80,300	53,068	1,119	54,187
Purchase of property, plant and equipment	28,694	334	29,028	13,399	802	14,201

1. Restated to conform to the financial statement presentation adopted during the year ended December 31, 2025.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024 (in thousands of Canadian dollars)

Business segment long-term assets were as follows:

	2025				2024 ⁽¹⁾			
	Building Materials	Other	Percent	Total	Building Materials	Other	Percent	Total
	\$	\$	%	\$	\$	\$	%	\$
Canada	219,527	–	19	219,527	189,412	77,584	20	266,996
US	965,264	–	81	965,264	1,045,474	–	80	1,045,474
Long-term assets	1,184,791	–	100	1,184,791	1,234,886	77,584	100	1,312,470

1. Restated to conform to the financial statement presentation adopted during the year ended December 31, 2025.

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

	2025 %	2024 %
Construction materials	81	76
Specialty and allied	16	20
Other	3	4
	100	100

28. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide dividends to shareholders and benefits for other stakeholders. The Company includes debt and equity, comprising shareholders' capital, contributed surplus, deficit (including cumulative dividends on shares), and foreign currency translation on foreign operations, 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 adjusts 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.

Notes to the Consolidated Financial Statements for the years ended December 31, 2025 and 2024
(in thousands of Canadian dollars)

The Company's policy over the long-term, is to dividend all available cash from operations to shareholders after reducing debt and providing 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 year.

29. SEASONALITY

The Company's revenues are subject to seasonal variances that fluctuate in accordance with the normal home building season, depending on the geographical location, which creates a timing difference between quarterly free cash flow earned and the Company's policy of equalizing quarterly dividends paid.

30. CONTINGENCIES

Product liability and other 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.

DOMAN™

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