CanWel Building Materials Group Ltd.

2020 Annual Report

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Letter to Shareholders

Looking back at 2020, and specifically the unfolding of the COVID-19 global pandemic and its economic and societal disruption around the globe, it was an extraordinary year that came with its fair amount of extreme challenges and concerns; all of them shared by the entire CanWel family. I am very proud of all of our employees and our leadership team for being responsive and diligent in ensuring that safety and business continuity across our Canadian and American facilities remained the priority throughout the year. Because of our steadfast commitment to the safety of our employees, and the utmost level of service quality for our suppliers and customers, we were able to successfully navigate through these unprecedented times, while striving for optimal financial and operational performance during a period of extreme volatility.

We started the year with a positive trend in pricing for construction materials, namely lumber, OSB and plywood products, albeit nowhere near historical peak periods. This course initially provided us with a cautiously positive view for the ensuing quarters, until we saw the early and unknown impact of the COVID-19 global pandemic on our business. Our board of directors worked swiftly and closely with the executive team and determined appropriate cautionary measures in order to protect the balance sheet, including the decision to reduce the Company's quarterly dividend from $0.14 per common to share, to $0.12 per common share.

As we worked through the peak impact period of business closures and lockdowns, we quickly saw a rapid surge in demand for all building material products, which started a long wave of strong demand and pricing increase for all building products owned, carried and distributed on our platform. This trend was also reflected in rapidly increasing construction material pricing, and subsequently fluctuating, requiring disciplined and focused management by our teams.

The surge in end market demand and pricing for our products driven primarily by the "do it yourself" and home renovation market as well as strong housing starts, combined with our disciplined focus on cost management and tight inventory and working capital management, resulted in record financial results in 2020, with all of our key financial indictors reaching all-time record highs, while paying our shareholders a total of $0.54 per common share, on an annualized basis.

The magnitude and strength of our financial performance also reshaped our balance sheet with our leverage levels running at historically significantly lower levels. This performance along with our continued fiscal vigilance, resulted in a reduction of our net debt by over $80 million on a year-over-year basis, while achieving the highest growth rates across all financial metrics, in our history.

Despite the hardships and severity of the COVID-19 global pandemic we all experienced during the year, I am once again extremely proud of our ability to react and respond positively with robust financial and operational discipline to the unprecedented and unfortunate global pandemic, which negatively impacted many parts of the global economy. As an essential service, we successfully managed to keep our employees safe across our operations in Canada and the U.S., delivered on our customers' needs, while remaining focused on cost efficiencies, tight inventory management and capturing robust sales across our business platforms, which has resulted in record financial results in 2020.

We continue to wish our entire team at CanWel, our suppliers, along with our customers, the very best and thank them for their relentless efforts and commitment while we live through this global pandemic period.

I would like to take this opportunity to extend my appreciation to the Board of Directors for their continued wisdom and stewardship, and to thank our employees, customers, suppliers and our shareholders for their ongoing support and loyalty.

Sincerely,

Amar S. Doman

Chairman and CEO

CanWel Building Materials Group Ltd.

Management's Discussion and Analysis

March 11, 2021

This Management's Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted CanWel Building Materials Group Ltd. (the "Company"), in the quarter and year ended December 31, 2020 relative to 2019. This discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2020 (the "2020 Consolidated Financial Statements"). The financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of financial statements.

This MD&A, the associated 2020 Consolidated Financial Statements and the 2020 Letter to Shareholders (the "2020 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results, performance or achievements of the Company and its subsidiaries. The latter statements, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on a number of assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings "Business Overview", "Outlook", "Commitments and Contingencies", "Sales and Gross Margin", "Dividend Policy" and "Liquidity and Capital Resources". When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the inverse or negative of these terms or other similar terminology. Forward-looking information in the 2020 Reporting Documents includes, without limitation, statements regarding funding requirements, dividends, commodity pricing, interest rates, economic data and housing starts. Additionally, the ultimate impact of COVID-19 on the Company's quarterly and full-year 2020 results is difficult to quantify, as it will depend on, inter alia, the duration and impact of the pandemic, the impact of government policies, and the pace of economic recovery. These statements are based on management's current expectations regarding future events and operating performance, and on information currently available to management, speak only as of the date of the 2020 Reporting Documents and are subject to risks which are described in the Company's current Annual Information Form dated March 31, 2020 ("AIF") and the Company's public filings on the Canadian Securities Administrators' website at www.sedar.com ("SEDAR") and as updated from time to time, and would include, but are not limited to, dependence on market economic conditions, risks related to the impact of local, national, and international health concerns, including but not limited to the novel coronavirus COVID-19, sales and margin risk, acquisition and integration risks and operational risks related thereto, competition, information system risks, technology risks, cybersecurity risks, availability of supply of products, risks associated with the introduction of new product lines, product design risk, product liability risk, environmental risks, volatility of commodity prices, inventory risks, customer and vendor risks, contract performance risk, availability of credit, credit risks, performance bond risk, currency risks, insurance risks, risks related to climate change, interest rate risks, tax risks, risks of legislative changes, international trade and tariff risks, resource industry risks, resource extraction risks, risks relating to remote operations, forestry management and silviculture, fire and natural disaster risks, key executive risk and litigation risks. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect management's current views and are based on certain assumptions. Some of the key assumptions include, but are not limited to, assumptions regarding the performance of the Canadian and the United States ("US") economies, interest rates, exchange rates, capital and loan availability, commodity pricing, the Canadian and the US housing and building materials markets; international trade matters; post-acquisition operation of a business; the amount of the Company's cash flow from operations; tax laws; laws and regulations relating to the protection of the environment and natural resources; and the extent of the Company's future acquisitions and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation; availability or more limited availability of access to equity and debt capital markets to fund, at acceptable costs, the Company's future growth plans, the implementation and success of the integration of the acquisitions, the ability of the Company to refinance its debts as they mature; the direct and indirect effect of the US housing market and economy; exchange rate fluctuations between the Canadian and US dollar; retention of key personnel; the Company's ability to sustain its level of sales and earnings margins; the Company's ability to grow its business long-term and to manage its growth; the Company's management information systems upon which it is dependent are not impaired; the Company's insurance is sufficient to cover losses that may occur as a result of its operations as well as the general level of economic activity, in Canada and the US, and abroad, discretionary spending and unemployment levels; the *effect of general economic conditions; market demand for the Company's products, and prices for such products; the effect of forestry, land use, environmental and other governmental regulations; and the risk of losses from fires, floods and other natural disasters and unemployment levels. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to a number of known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in the 2020 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in the 2020 Reporting Documents is based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in the 2020 Reporting Documents may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than the 2020 Reporting Documents. In addition, there are numerous risks associated with an investment in the Company's common shares and senior unsecured notes, which are also further described in the "Risks and Uncertainties" section in these 2020 Reporting Documents and in the "Risk Factors" section of the Company's AIF, and as updated from time to time, in the Company's other public filings on SEDAR.*

The forward-looking statements contained in the 2020 Reporting Documents are made as of the date of this report, and should not be relied upon as representing the Company's views as of any date subsequent to the date of this report. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

The information in this report is as at March 11, 2021, unless otherwise indicated. All amounts are reported in Canadian dollars.

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1. In the discussion, reference is made to EBITDA, which represents earnings from continuing operations before interest, including amortization of deferred financing costs, provision for income taxes, depreciation and amortization. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS, and therefore the measure as calculated by the Company may not be comparable to similarly-titled measures reported by other companies. EBITDA is presented as management believes it is a useful indicator of a Company's ability to meet debt service and capital expenditure requirements and because the Company interprets trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net earnings or cash flows as determined in accordance with IFRS. For a reconciliation of EBITDA to the most directly comparable measures calculated in accordance with IFRS refer to "Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) and Adjusted EBITDA".
2. In the discussion, reference is made to Adjusted EBITDA, which is EBITDA as defined above, before certain non-recurring or unusual items. This is not a generally accepted earnings measure under IFRS and does not have a standardized meaning under IFRS. The measure as calculated by the Company may not be comparable to similarly-titled measures reported by other companies. Adjusted EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements from its regular business, before non-recurring items. Adjusted EBITDA should not be considered by an investor as an alternative to net earnings or cash flows as determined in accordance with IFRS. For a reconciliation from Adjusted EBITDA to the most directly comparable measures calculated in accordance with IFRS refer to "Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) and Adjusted EBITDA".

Business Overview

The Company is a leading wholesale distributor of building materials and home renovation products and producer of pressure treated wood products in Canada, and regionally in the Western United States mainland and Hawaii. The Company services the new home construction, home renovation and industrial markets by supplying the retail and wholesale lumber and building materials industry, hardware stores, industrial and furniture manufacturers and similar concerns. The Company's operations also include timber ownership and management of private timberlands and forest licenses, full service harvesting and trucking operations, and agricultural post-peeling and pressure treating through CanWel Fibre Corp. In 2017, the Company acquired the Honsador Building Products group of companies, with an incumbent position in the State of Hawaii, further expanding the Company's presence in the US building distribution and treating markets. In 2018, the Company continued with its expansion and growth plans, completing the purchase of a partially constructed lumber pressure treating plant near Portland, Oregon and a lumber pressure treating plant in Woodland, California. On April 1, 2019, the Company completed the acquisition of Lignum Forest Products LLP ("Lignum") (the "Lignum Acquisition"), a well-established brand in the lumber and forestry distribution market in Western Canada and the US. On November 9, 2020, the Company completed the acquisition of Vickers Island Truss, Ltd. ("Island Truss") (the "Island Truss Acquisition"), a truss manufacturing plant in Kauai, Hawaii.

Global Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus (specifically identified as "COVID-19") a global pandemic (the "Pandemic"), resulting in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of stay at home orders, mandated non-essential business closures, travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and significant economic uncertainty.

At this time, as part of a supply chain for the construction industry, the Company has been classified as an essential service for the majority of its operations in Canada and the US, and therefore has not been required to shut down. However, the Company has taken specific health and safety measures in response to COVID-19, including limiting the number of employees, customers and others on its premises, mandatory self-imposed quarantine periods for employees, team separation and staggered work hours, temporary suspension of all non-essential business travel, heightened hygienic and disinfecting practices, provision of personal protective equipment such as masks and face shields, technology enabled remote work initiatives and other safety protocols.

Additionally, the Company has taken steps to mitigate the Pandemic's impact on its customers, operations and cash flows by optimizing its working capital, implementing working hours reductions, initiating temporary employee layoffs, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures, evaluating ongoing cost savings opportunities and assessing financial assistance options available under COVID-19-related government programs. Management is actively monitoring the Pandemic, economic and regulatory developments, and their impact on the Company's operations, continually adapting to the changing operating environment.

Island Truss Acquisition

On November 9, 2020, the Company completed the acquisition of Island Truss (formerly owned by Vickers Island Truss, Ltd.), a truss design and manufacturing plant in Kauai, Hawaii. Island Truss is Kauai's only on-island truss manufacturing plant and has built a reputation for excellence in servicing the requirements of many of Kauai's finest hotels, resorts, homes and schools.

Further information regarding this acquisition is contained in Note 7 of the 2020 Consolidated Financial Statements.

Lignum Acquisition

On April 1, 2019, the Company completed the acquisition of all issued and outstanding partnership interests of Lignum, a well-established brand in the lumber and forestry distribution market in Western Canada and the US. This acquisition further solidified and complemented the Company's North American distribution capabilities and reach with existing and new customers.

Further information regarding this acquisition is contained in Note 7 of the 2020 Consolidated Financial Statements.

Annuity Contract

During the fourth quarter of 2020, the Company purchased an annuity for $6.3 million through its defined benefit pension plan in order to mitigate its exposure to potential future volatility fluctuations in the related pension obligations and plan assets. Further information regarding the Company's pension plan and this transaction is included under the headings "Employee Future Benefits" and "Significant Accounting Judgments and Estimates", and Note 17 of the 2020 Consolidated Financial Statements.

Normal Course Issuer Bid

The Company renewed its existing Normal Course Issuer Bid ("NCIB") on November 24, 2020. Under the terms of the NCIB, the Company may purchase for cancellation up to an authorized number of common shares over a twelve-month period. Any shares acquired will be at the market price of the shares at the time of acquisition.

The Company continually considers share repurchases with excess cash if management is satisfied that this will enhance shareholder value and does not compromise the Company's financial flexibility.

Additional information regarding the NCIB is contained in Note 18 of the 2020 Consolidated Financial Statements.

Renewal of Revolving Loan Facility

On December 6, 2019, the Company renewed and amended its existing revolving loan facility. The maximum credit available has been increased from $300 million to $360 million with a revised maturity date of December 6, 2024. Concurrent with the renewal of the revolving loan facility, the maturity date of the non-revolving term loan was also extended to December 6, 2024.

Seasonality

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

Housing Starts

The seasonally adjusted annualized rate for overall Canadian housing starts was 217,802 in 2020 versus 208,685 in 2019, an increase of 4.4%. The seasonally adjusted annualized rate for single detached units, a more relevant indicator for the Company, amounted to 69,443 in the fourth quarter of 2020 versus 56,869 in the comparative period of 2019, an increase of 22.1%[1].

The seasonally adjusted annualized rate for overall US housing starts was an average of 1,380,300 units in 2020 versus 1,290,000 units in 2019, an increase of 7.0%[2].

Construction Materials Pricing

The following table provides average quarterly pricing for lumber, plywood and oriented strand board ("OSB") as reported by Natural Resources Canada:

	2020				2019			
(In Canadian $)	31 - Dec	30 - Sep	30 - Jun	31 - Mar	31 - Dec	30 - Sep	30 - Jun	31 - Mar
Lumber	**914**	1,025	540	558	538	509	480	513
Plywood	**784**	677	470	438	421	452	454	507
OSB	**845**	705	363	343	271	258	262	285

Lumber, plywood and OSB prices experienced unprecedented increases in the second half of 2020, impacted by a combination of limited supply and elevated demand. Production curtailments by major producers earlier in the year contributed to low levels of supply chain inventory, while home construction activity and the repair and remodel market remained strong.

The Company generally prices its products in the competitive construction materials market so that the Company's profitability is based on cost plus value-added services such as wood pressure treating, distribution, short-term financing and other services provided. As a result, the Company's sales levels are impacted by the construction materials costs of its products.

The Company's gross margins are impacted by the relative level of construction materials pricing (such as whether prices are higher or lower compared to other periods), as well as the trend in pricing (such as whether the price is increasing or decreasing within a period). Depending on whether the product is sold at a fixed price or is tied to the current market, the impact of pricing levels and pricing trends will have differing effects on each category of product.

Management employs mitigation strategies to minimize the potential impacts of future construction materials price volatility. These strategies include, but are not limited to, the use of vendor managed inventories, direct shipments from the manufacturer to the customer, and the Company's internal policy of optimizing inventory levels to maintain its high standard of customer service levels and minimizing excess inventory otherwise exposed to market fluctuations.

1. As reported by CMHC. For further information, see "Outlook".
2. As reported by the US National Mortgage Association (Fannie Mae). For further information, see "Outlook".

Results of Operations

Selected Annual Information

	Fiscal Years Ended December 31,		
(in $ millions, per share in dollars)	**2020**	**2019**	**2018[4]**
Sales	**1,613.8**	1,334.2	1,291.3
Earnings before income taxes	**82.0**	22.1	41.1
Net earnings	**59.6**	17.2	30.0
Adjusted net earnings[1]	**60.0**	17.5	30.6
Net earnings per share (basic and diluted)	**0.77**	0.22	0.39
Adjusted net earnings per share (basic and diluted)[1]	**0.78**	0.22	0.39
Total assets	**867.2**	894.4	803.3
Long-term debt[2]	**323.5**	401.4	287.6
Total debt	**349.0**	428.1	297.9
Dividends declared to shareholders	**40.5**	43.5	43.5
Dividends declared to shareholders (per share) [3]	**0.52**	0.56	0.56
Weighted average shares outstanding (basic)	**77,878,231**	77,714,660	77,713,148
Weighted average shares outstanding (diluted)	**77,930,715**	77,714,660	77,713,148
Total shares outstanding	**77,935,719**	77,765,329	77,744,598

1. Net earnings before directly attributable acquisition related costs.
2. Excludes current portion of debt.
3. The Company updated its dividend policy during the second quarter of 2020, further described in the "Dividend Policy" section of this MD&A, resulting in a dividend reduction beginning with the dividend paid on October 15, 2020.
4. The Company adopted IFRS 16 Leases on January 1, 2019. Comparative periods have not been restated.

Comparison of the Year Ended December 31, 2020 and December 31, 2019

Overall Performance

The following table shows the Company's segmented results for the years ended December 31:

	Year ended December 31, 2020				Year ended December 31, 2019			
(in thousands of dollars)	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	1,577,830	35,974	-	**1,613,804**	1,285,780	48,421	-	**1,334,201**
Inter-segment	-	2,679	(2,679)	-	-	2,142	(2,142)	-
	1,577,830	38,653	(2,679)	**1,613,804**	1,285,780	50,563	(2,142)	**1,334,201**
Specified expenses								
Depreciation and amortization	35,057	9,592	-	**44,649**	34,288	7,523	-	**41,811**
Finance costs	14,396	1,310	-	**15,706**	19,132	2,736	-	**21,868**
Net earnings (loss)	65,202	(5,615)	-	**59,587**	20,566	(3,347)	-	**17,219**

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

Sales and Gross Margin

Sales for the year ended December 31, 2020 were $1.61 billion versus $1.33 billion in 2019, representing an increase of $279.6 million or 21.0%, due to the factors discussed below.

Despite the general economic impact of the Pandemic, sales for the Distribution segment increased by $292.1 million or 22.7%, demonstrating the Company's continued resilience and steady overall end-market demand for its products. The increase in sales is attributable to improvements in both sales volumes and pricing. Quarantine-related home improvement activities and strong housing starts resulted in increased demand from consumers spending more time and efforts on home renovation and repair projects. Additionally, construction materials pricing generally increased during the second half of 2020.

Sales for the Forestry segment decreased by $11.9 million or 23.6%. The decrease in sales relative to 2019 was largely driven by decreased demand for timber from regional sawmill customers, reflecting production curtailments experienced across the industry during 2019 and early 2020. In addition, third quarter 2020 sales were negatively affected by extremely dry conditions in British Columbia, with harvesting activities temporarily halted due to increased provincial fire risk ratings, resulting in decreased harvest and customer delivery levels.

The Company's sales by product group in the year were made up of 65% construction materials, compared to 58% last year, with the remaining balance resulting from specialty and allied products of 29% (2019 - 35%), and forestry and other of 6% (2019 - 7%).

Gross margin dollars increased to $256.2 million in the current year, versus $191.9 million in 2019, an increase of $64.3 million. Gross margin percentage was 15.9% during the year, an increase from the 14.4% achieved in 2019. The Company's margins in 2020 benefited from the previously discussed improvements in construction materials pricing during the year, and ongoing implementation of the Company's strategies.

Expenses

Expenses for the year ended December 31, 2020 were $157.8 million versus $147.6 million in 2019, an increase of $10.2 million or 6.9% due to the factors discussed below. As a percentage of sales, 2020 expenses were 9.8%, versus 11.1% in 2019.

Distribution, selling and administration expenses increased by $7.4 million or 7.0%, to $113.2 million, versus $105.8 million in 2019, mainly due to increased sales activity resulting in higher personnel costs. This increase was partially offset by a decrease in certain other non-essential operating expenditures, as the Company continued to take cost-reduction measures in response to the Pandemic. As a percentage of sales, these expenses were 7.0% in the year, compared to 7.9% in 2019.

Depreciation and amortization expenses increased by $2.8 million, from $41.8 million to $44.6 million. Depreciation and amortization expenses for the Distribution segment increased by $769,000, largely as a result of certain previously acquired assets within the Distribution segment having been placed in use. Depreciation and amortization expense for the Forestry segment increased by $2.1 million, partially due to amortization of certain intangible assets acquired at the end of 2019. Additionally, the Company revised assumptions regarding the expected useful lives of certain Forestry equipment.

Operating Earnings

For the year ended December 31, 2020, operating earnings were $98.4 million versus $44.3 million in 2019, an increase of $54.1 million due to the foregoing factors.

Finance Costs

Finance costs for the year ended December 31, 2020 were $15.7 million, versus $21.9 million in 2019, a decrease of $6.2 million or 28.2%. Finance costs for the Distribution segment were $4.7 million lower than in 2019, partly due to lower interest rates on the Company's variable rate loan facilities, and partly due to lower average borrowings. The decrease in the average revolving loan facility was largely the result of reducing the Company's working capital levels in response to the Pandemic, as the Company reduced its total loans and borrowings by $88.6 million relative to December 31, 2019.

Finance costs for the Forestry segment were $1.4 million lower versus 2019, as a result of lower interest rates on the Company's variable rate loan facilities, as well as lower average borrowings due to principal repayments made in the year.

Earnings before Income Taxes

For the year ended December 31, 2020, earnings before income taxes were $82.0 million versus $22.1 million in 2019, an increase of $59.9 million due to the foregoing factors.

Provision for Income Taxes

For the year ended December 31, 2020, the provision for income taxes was $22.5 million compared to $4.8 million in 2019, an increase of $17.7 million. This amount is a function of the pre-tax earnings generated during the year and the expected taxes payable on these earnings.

Net Earnings

As a result of the foregoing factors, net earnings for the year ended December 31, 2020 were $59.6 million versus $17.2 million in 2019, an increase of $42.4 million, as discussed above.

Fourth Quarter Results

A summary of the unaudited results for the quarter ended December 31, 2020 and 2019 is as follows:

(in $ thousands, per share in dollars)	Three months ended December 31, 2020	2019
Sales	**$401,977**	$293,351
Gross margin	**66,972**	44,173
Gross margin %	***16.7%***	*15.1%*
Distribution, selling and administration expenses	**30,263**	25,831
Depreciation and amortization	**12,469**	10,513
Expenses	**42,732**	36,344
Operating earnings	**24,240**	7,829
Finance costs	**2,932**	4,992
Acquisition costs	**620**	-
Earnings before income taxes	**20,688**	2,837
Provision for (recovery of) income taxes	**5,677**	(535)
Net earnings	**$15,011**	$3,372
Net earnings per share[(1)]	**0.19**	0.04

1. Weighted average basic shares outstanding in the period.

Overall Performance

The following table shows the Company's segmented results for the quarters ended December 31:

	Three months ended December 31, 2020				Three months ended December 31, 2019			
(in thousands of dollars)	Distribution $	Forestry $	Adjustments and eliminations[(1)] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[(1)] $	Consolidated $
Revenue								
External customers	392,597	9,380	-	**401,977**	284,427	8,924	-	**293,351**
Inter-segment	-	292	(292)	**-**	-	516	(516)	**-**
	392,597	9,672	(292)	**401,977**	284,427	9,440	(516)	**293,351**
Specified expenses								
Depreciation and amortization	8,655	3,814	-	**12,469**	8,561	1,952	-	**10,513**
Finance costs	2,668	264	-	**2,932**	4,439	553	-	**4,992**
Net earnings (loss)	17,789	(2,778)	-	**15,011**	3,773	(401)	-	**3,372**

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

Sales and Gross Margin

Sales for the three-month period ended December 31, 2020 were $402.0 million versus $293.4 million in 2019, representing an increase of $108.6 million or 37.0% due to the factors discussed below.

Sales for the Distribution segment increased by $108.2 million or 38.0%, compared to the same period in 2019, largely due to quarantine-related home improvement activities and strong housing starts, which continued into the fourth quarter of 2020.

Sales for the Forestry segment were largely consistent with the fourth quarter in 2019, with a slight increase of $232,000 or 2.5%.

The Company's sales by product group in the quarter were made up of 67% of construction materials, compared to 55% during the same quarter last year, with the remaining balance of sales resulting from specialty and allied products of 27% (2019 - 37%) and forestry and other of 6% (2019 - 8%).

Gross margin dollars were $67.0 million in the three-month period versus $44.2 million in the comparative quarter of 2019, an increase of $22.8 million. Gross margin percentage was 16.7% in the quarter, an increase from 15.1% achieved in the same quarter of 2019. The Company's margins in the fourth quarter of 2020 benefited from the previously discussed improvements in construction materials pricing and ongoing implementation of the Company's strategies.

Expenses

Expenses for the three-month period ended December 31, 2020 were $42.7 million as compared to $36.3 million for the comparative quarter in 2019, an increase of $6.4 million or 17.6%, due to the factors discussed below. As a percentage of sales, expenses were 10.6% in the quarter, compared to 12.4% during the comparative quarter in 2019.

Distribution, selling and administration expenses increased by $4.4 million or 17.2%, from $25.8 million to $30.3 million. The increase was mainly due to increased sales activity resulting in higher personnel costs. This increase was partially offset by a decrease in certain other non-essential operating expenditures, as the Company continued to take cost-reduction measures in response to the Pandemic. As a percentage of sales, these expenses were 7.5% in the quarter, compared to 8.8% during the same quarter in 2019.

Depreciation and amortization expenses increased by $2.0 million or 18.6%, from $10.5 million to $12.5 million. Depreciation and amortization for the Distribution segment were largely in line with the fourth quarter of 2019. Depreciation and amortization expense for the Forestry segment increased by $1.9 million, partially due to amortization of certain intangible assets acquired at the end of 2019. Additionally, the Company revised assumptions regarding the expected useful lives of certain Forestry equipment.

Operating Earnings

For the quarter ended December 31, 2020, operating earnings were $24.2 million compared to $7.8 million in the comparative period of 2019, an increase of $16.4 million, due to the foregoing factors.

Finance Costs

Finance costs for the fourth quarter of 2020 were $2.9 million, compared to $5.0 million for the same period in 2019, a decrease of $2.1 million or 41.3%. Finance costs for the Distribution segment were $1.8 million lower than the same quarter in 2019, partly due to lower interest rates on the Company's variable rate loan facilities, and partly due to lower average borrowings. The decrease in the average revolving loan facility was largely the result of the Company successfully reducing its working capital levels in response to the Pandemic, as the Company reduced its total loans and borrowings by $88.6 million relative to December 31, 2019.

Finance costs for the Forestry segment decreased by $289,000, as a result of lower interest rates on the Company's variable rate loan facilities, as well as lower average borrowings due to principal repayments made in the period.

Earnings before Income Taxes

For the quarter ended December 31, 2020, earnings before income taxes were $20.7 million, compared to $2.8 million in the comparative quarter of 2019, an increase of $17.9 million due to the foregoing factors.

Provision for (Recovery of) Income Taxes

For the quarter ended December 31, 2020, provision for income taxes was $5.7 million compared to a $535,000 recovery of income taxes in the same quarter of 2019, an increase in the provision of $6.2 million. This amount is a function of the pre-tax earnings generated in the quarter and the expected taxes payable on these earnings.

Net Earnings

Net earnings for the quarter ended December 31, 2020 were $15.0 million compared to $3.4 million for the period in 2019, an increase of $11.6 million, due to the foregoing factors impacting the overall financial performance of the Company.

Summary of Quarterly Results

For the Quarters ended:

	2020				2019			
($ and shares millions, per share in dollars)	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Sales	**402.0**	472.2	412.9	326.7	**293.4**	373.2	385.7	281.9
EBITDA	**36.1**	57.0	32.8	16.5	**18.4**	25.0	27.3	15.1
Adjusted EBITDA(1)	**36.7**	57.0	32.8	16.5	**18.4**	25.3	27.5	15.1
Adjusted EBITDA % of sales(1)	**9.1**	12.1	7.9	5.1	**6.3**	6.8	7.1	5.4
Earnings (Loss) before income taxes	**20.7**	42.7	17.5	1.2	**2.8**	9.0	10.7	(0.5)
Net earnings (loss)	**15.0**	31.0	12.7	0.9	**3.4**	6.4	7.8	(0.4)
Adjusted net earnings (loss) (1)	**15.4**	31.0	12.7	0.9	**3.4**	6.7	7.9	(0.4)
Net earnings (loss) per share(3)	**0.19**	0.40	0.16	0.01	**0.04**	0.08	0.10	(0.0)
Adjusted net earnings (loss) per share(2)(3)	**0.20**	0.40	0.16	0.01	**0.04**	0.09	0.10	(0.0)
Dividends declared per share	**0.12**	0.12	0.14	0.14	**0.14**	0.14	0.14	0.14
Outstanding shares(3)	**77.9**	77.9	77.8	77.8	**77.8**	77.7	77.7	77.7

1. Adjusted EBITDA refers to EBITDA before directly attributable acquisition related costs.
2. Net earnings (loss) before directly attributable acquisition related costs.
3. Weighted average basic shares outstanding in the period.

Reconciliation of Net Earnings to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) and Adjusted EBITDA:

	Three months ended December 31,		Years ended December 31,	
	2020	**2019**	**2020**	**2019**
(in thousands of dollars)	**$**	**$**	**$**	**$**
Net earnings	**15,011**	3,372	**59,587**	17,219
Provision for (recovery of) income taxes	**5,677**	(535)	**22,451**	4,841
Finance costs	**2,932**	4,992	**15,706**	21,868
Depreciation of property, plant and equipment	**5,240**	3,388	**15,699**	13,350
Amortization of right-of-use assets	**5,385**	5,404	**22,001**	21,616
Amortization of intangible assets	**1,844**	1,721	**6,949**	6,845
Share-based compensation	**34**	10	**92**	29
EBITDA	**36,123**	18,352	**142,485**	85,768
Acquisition costs	**620**	-	**620**	415
Adjusted EBITDA	**36,743**	18,352	**143,105**	86,183

EBITDA and Adjusted EBITDA

For the quarter ended December 31, 2020, EBITDA was $36.1 million and Adjusted EBITDA was $36.7 million, compared to EBITDA and Adjusted EBITDA of $18.4 million in the comparative quarter of 2019. The increase in Adjusted EBITDA of $18.4 million or 100.2% was largely due to the improvements in both sales volumes and construction materials pricing as a result of the aforementioned quarantine-related home improvement activities and strong housing starts during the fourth quarter of 2020.

For the year ended December 31, 2020, EBITDA was $142.5 million and Adjusted EBITDA was $143.1 million, compared to EBITDA of $85.8 million and Adjusted EBITDA of $86.2 million in 2019. The increase in Adjusted EBITDA of $56.9 million or 66.0% was largely as a result of the previously discussed quarantine-related home improvement activities and strong housing starts during the year and ongoing implementation of the Company's strategies.

Financial Condition

Liquidity and Capital Resources

During the year ended December 31, 2020, the Company generated $3.5 million in cash, versus $1.0 million in 2019. The following activities during the year were responsible for the change in cash.

The significant factors affecting the Company's operating activities were improved earnings and working capital changes, as discussed below. Operating activities generated cash of $129.8 million, before non-cash working capital changes, compared to $60.7 million in 2019.

During the year ended December 31, 2020, changes in non-cash working capital items generated $34.4 million in cash, compared to $7.2 million in 2019. In response to the economic uncertainty caused by the Pandemic, the Company successfully adjusted its non-cash working capital levels during 2020, resulting in a significant year-over-year increase in cash generated.

Notwithstanding the Pandemic, the Company generally experiences higher levels of non-cash working capital during the first and second quarters, and a decrease in non-cash working capital during the third and fourth quarters, due to ordinary seasonal factors relating to the Company's business cycle. The change in working capital in the year was comprised of an increase in trade and other receivables of $32.2 million, a decrease in inventory of $35.8 million, an increase in prepaid expenses and deposits of $2.4 million, and a net increase in trade and other payables and performance bond obligations of $33.2 million.

During the year ended December 31, 2020, improved earnings and cash generated from working capital changes resulted in the Company paying down its loans and borrowings, as financing activities used $157.7 million, compared to $56.5 million in 2019.

Scheduled repayments related to the non-revolving term loan consumed $2.7 million, versus $11.2 million in 2019. In October 2019, the Company completed the sale of a 7,542-hectare parcel of timberlands (approximately 14% of total holdings) to an entity that held a pre-existing option to purchase the subject lands. Net cash proceeds of $10.6 million were used to partially pay down the non-revolving term loan ($8.5 million) with the balance paid to satisfy pre-existing contractual obligations to Tembec Inc. (now Rayonier Advanced Materials Inc.), a former owner of the lands.

Net repayment of equipment loans amounted to $4.1 million, compared with $2.9 million in 2019, with the increase in repayments due to proceeds generated from sales of certain non-core Forestry equipment. Scheduled repayment of certain promissory notes consumed $1.6 million, compared to $2.4 million in 2019. Payment of lease liabilities, including interest, consumed $24.7 million of cash, compared to $23.1 million in 2019. The Company's lease obligations require monthly installments, and these payments are all current.

The revolving loan facility decreased by $83.1 million compared to an increase of $29.6 million in 2019. The significant year-over-year increase in net repayments to the revolving loan facility is a result of the previously discussed increased earnings and reduction in non-cash working capital levels during 2020 in response to the Pandemic.

Shares issued during the year generated $671,000 of cash compared to $630,000 in 2019. The Company also returned $42.0 million to shareholders through dividend payments, compared to $43.5 million in 2019. The Company updated its dividend policy during the second quarter of 2020, further described in the "Dividend Policy" section of this MD&A, resulting in a dividend reduction beginning with the dividend paid on October 15, 2020.

The Company was not in breach of any of its lending covenants during the year ended December 31, 2020.

Investing activities consumed $2.9 million of cash, compared to $10.4 million during 2019. Investing activities in 2020 included the Island Truss Acquisition, whereas 2019 included the Lignum Acquisition and the related cash and cash equivalents acquired.

Purchases of property, plant and equipment consumed $2.8 million of cash, compared to $7.3 million in 2019, largely as a result of the Company minimizing its capital expenditures in response to the Pandemic. Cash purchases of property, plant and equipment relating to the Distribution segment were $2.3 million, compared to $3.9 million in 2019. Cash purchases of property, plant and equipment relating to the Forestry segment were $470,000, compared to $3.4 million in 2019.

Proceeds from disposition of property, plant and equipment were $2.1 million, versus $654,000 in 2019. Proceeds in 2020 largely consisted of sales of certain non-core Forestry equipment. Additionally, in the comparative period, the Company completed the sale the previously discussed parcel of private timberlands for net cash proceeds of $10.6 million.

In response to the Pandemic, the Company has taken steps to bolster its cash flows, including but not limited to, managing cash flow by reducing working capital levels and capital expenditures, implementing working hours reductions, initiating temporary employee layoffs, evaluating ongoing cost savings opportunities, deferring certain scheduled debt, finance lease and statutory payments (as may be applicable, with bilateral agreement), deferring or reducing anticipated capital expenditures, and reducing quarterly dividends. These liquidity measures, combined with the Company's continuing cash flows from operations, are expected to be sufficient to meet its operating requirements and remain compliant with its lending covenants.

Total Assets

Total assets of the Company were $867.2 million as at December 31, 2020, versus $894.4 million as at December 31, 2019, a decrease of $27.2 million. Current assets decreased by $9.9 million. The decrease in inventory, attributable to the Company's continued success in reducing its non-cash working capital in response to the Pandemic, was partially offset by an increase in trade and other receivables resulting from the previously discussed increased sales activity in 2020. Additionally, property, plant and equipment decreased by $16.8 million, as discussed below.

Long-term assets within the Distribution segment were $371.3 million as at December 31, 2020, versus $374.7 million as at December 31, 2019, a decrease of $3.4 million, as a result of the Company minimizing its capital expenditures in response to the Pandemic. Long-term assets within the Forestry segment were $103.1 million as at December 31, 2020, compared to $117.0 million as at December 31, 2019, a decrease of $13.9 million, largely due to disposals of certain non-core equipment.

Total Liabilities

Total liabilities were $526.6 million as at December 31, 2020, versus $566.1 million at December 31, 2019, a decrease of $39.5 million. This decrease was partly due to a reduction in the Company's revolving loan facility of $81.5 million (including amortization of deferred financing costs). As previously discussed, the Company reduced its non-cash working capital levels during 2020 in response to the Pandemic, which resulted in lower net advances on the facility. This decrease was partially offset by an increase in lease liabilities of $8.3 million, largely as a result of remeasurements due to revised lease term assumptions, and an increase in trade and other payables of $32.4 million, driven by increased business activity in 2020.

Outstanding Share Data

As at March 11, 2021, there were 77,996,755 common shares issued and outstanding.

Dividends

The following dividends were declared and paid by the Company:

	2020				2019			
	Declared				Declared			
(in $ thousands, per share in dollars)	Record date	Per share $	Amount $	Payment date	Record date	Per share $	Amount $	Payment date
Quarter 1	Mar 31, 2020	0.14	10,897	Apr 15, 2020	Mar 29, 2019	0.14	10,876	Apr 15, 2019
Quarter 2	Jun 30, 2020	0.14	10,898	Jul 15, 2020	Jun 28, 2019	0.14	10,877	Jul 15, 2019
Quarter 3	Sep 30, 2020	0.12	9,352	Oct 15,2020	Sep 30, 2019	0.14	10,887	Oct 15, 2019
Quarter 4	Dec 31, 2020	0.12	9,352	Jan 15, 2021	Dec 31, 2019	0.14	10,887	Jan 15, 2020
		0.52	**40,499**			0.56	43,527	

Dividend Policy

The Board of Directors reviews the Company's dividend policy periodically in the context of the Company's overall profitability, free cash flow, capital requirements, general economic conditions and other business needs.

Looking forward, the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future. Accordingly, on June 15, 2020, the Company announced a dividend reduction beginning with the dividend payable on October 15, 2020, to shareholders of record on September 30, 2020, reducing its quarterly dividend from $0.14 to $0.12 per share.

Hedging

The Company undertakes sale and purchase transactions in foreign currency as part of its Canadian operations and therefore, is subject to gains and losses due to fluctuations in foreign exchange rates.

The Company at times uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign currency risk through the use of futures contracts and options. These derivative financial instruments are measured at fair value through profit and loss, with changes in fair value being recorded in net earnings.

When held by the Company, foreign currency and lumber derivative 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 by senior management, the risk of credit loss on these financial instruments is considered low.

Related Party Transactions

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

Certain distribution facilities used by the Company to store and process inventory are leased from a company in which Amar Doman, a director and officer, and Rob Doman, an officer of the Company, have a minority interest and the land and buildings of certain of the treatment plants are leased from entities solely controlled by Amar Doman. All lease rates were market tested in advance of the signing of the lease agreements and were determined to be at market rates. Lease payments to such related parties were $4.0 million in the year ended December 31, 2020, versus $3.6 million in 2019. The minimum payments under the terms of these leases are as follows: $4.2 million in 2021, $4.2 million in 2022, $4.2 million in 2023, $3.9 million in 2024, $2.5 million in 2025 and $13.8 million thereafter.

During the year ended December 31, 2020, the Company was charged professional fees in relation to regulatory, corporate finance and compliance consulting services of $534,000 (2019 - $542,000) by a company owned by Rob Doman. As at December 31, 2020 payables to this related party were $112,000 (2019 - $159,000). Additionally, fees of $876,000 (2019 - $1.3 million) were paid for services related to strategic and financial advice to a company solely controlled by Amar Doman. As at December 31, 2020, payables to this related party were $42,000 (2019 - $96,000).

During the year the Company purchased $2.9 million (2019 - $3.4 million) of product from a public company in which Amar Doman has an ownership interest and is also a director and officer. These purchases are in the normal course of operations and are recorded at exchange amounts. As at December 31, 2020, payables to this related party were $131,000 (2019 - $18,000).

During the year the Company did not purchase any product from a company controlled by Siegfried Thoma, a director of the Company (2019 - $395,000). In the comparative prior year, these purchases were made in the normal course of operations and were recorded at exchange amounts.

Additional information regarding these related party transactions is contained in Note 23 of the 2020 Consolidated Financial Statements.

Commitments and Contingencies

Future and Contractual Obligations

In addition to various debt facilities, the Company has lease commitments for certain transportation equipment, rental of most of its distribution centres and treatment plant properties in Canada and the US, and for vehicles, warehouse equipment, and a computer hosting contract.

The following table shows, as at December 31, 2020 the Company's contractual obligations, including estimated interest, within the periods indicated:

Contractual Obligations	Total	2021	2022-2023	2024-2025	Thereafter
(in thousands of dollars)	$	$	$	$	$
Revolving loan facility[1]	142,833	848	6,781	135,204	-
Non-revolving term loan[2]	22,264	3,349	6,417	12,498	-
Unsecured notes[3]	71,475	3,825	67,650	-	-
Promissory notes[4]	3,174	2,155	1,019	-	-
Equipment term loan and line[5]	5,615	2,384	1,688	1,483	60
Leases[6]	153,449	24,973	45,047	29,989	53,440
Total contractual obligations	**398,810**	**37,534**	**128,602**	**179,174**	**53,500**

1. Interest has been calculated based on the average borrowing under the facility for the year ended December 31, 2020 utilizing the interest rate payable under the terms of the facility at December 31, 2020. This facility matures on December 6, 2024.
2. Annual principal payments are amortized over 15 years, with interest payable quarterly.
3. Interest has been calculated at 6.375%, payable semi-annually. The notes mature on October 9, 2023.
4. Additional information is contained in Note 15 of the 2020 Consolidated Financial Statements.
5. Monthly principal repayments amortize over 5 years, with interest payable monthly. Equipment line principal repayments commenced on August 1, 2019, with maturity on July 1, 2025.
6. Additional information is contained in Note 11 the 2020 Consolidated Financial Statements.

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.

Guarantees

The Company has issued letters of credit totaling $1.3 million as at December 31, 2020 (2019 - $1.4 million) in respect of historical obligations, pre-dating 1999, for a non-registered executive pension plan for former executives.

Significant Accounting Judgments and Estimates

The preparation of these 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 financial statements and reported amounts of revenues 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, forecasted cash flow estimates 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, certain actuarial and economic assumptions used in the determination for the cost and accrued benefit obligations of employee future benefits, assessing whether an arrangement contains a lease, determining the lease term, determining the discount rate to value the lease, valuation of timber, and judgments regarding aggregation of reportable segments.

In light of the economic uncertainty due to the Pandemic, it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates. However, management does not believe it is likely that any such differences will materially affect the Company's financial condition.

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. Any resulting goodwill 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, 2020 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 value in-use of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the fair value of each cash-generating unit, including a discount rate, a growth rate and after-tax cash flows. When the carrying amount of the cash-generating unit exceeds its value in-use, the value in-use of goodwill related to the cash-generating unit is reduced by the excess of this carrying value and recognized as an impairment loss.

Timber

At each reporting date, timber is valued at fair value less costs to sell with any change therein, including the impact of growth and harvest, recognized in net earnings for the period. Significant judgment is used in determining the fair value with reference to independent third party valuators and recent comparatives of standing timber sales, costs of sustainable forest management, log pricing, timing of harvest and harvest volume assumptions, the discount rate used, and the resulting net present value of future cash flows for standing timber.

Employee Future Benefits

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future.

i. Discount rate

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity profiles that are similar to the underlying cash flows of the defined benefit obligation.

ii. Other assumptions

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates.

Inventory Valuation

Under IFRS, inventories must be recognized at the lower of cost or their Net Realizable Value ("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 of the Company's expected future sale or consumption of the Company's inventories. Due to the economic environment and continued volatility in the homebuilding market, there is uncertainty as to whether the NRV of the inventories will remain consistent with those used in the Company's 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.

Income Taxes

At each reporting date, a deferred income tax asset may be recognized for all tax deductible temporary differences, unused tax losses and income tax reductions, 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.

Management believes the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results may differ from these estimates.

Leases

When assessing a 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, determining the discount rate to value the lease, the assessment of the likelihood of exercising options and estimation of the fair value of the leased property.

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

a) *Distribution* – wholesale distribution of building materials and home renovation products, including value-added services such as lumber pressure treating; and

b) *Forestry* – timber ownership and management of private timberlands and forest licenses, harvesting and trucking operations, and value-added services such as post-peeling and post and pole pressure treating operations.

Changes in Accounting Standards

The significant accounting policies are disclosed in Note 3 of the 2020 Consolidated Financial Statements.

IFRS 3 – Business Combinations

Effective January 1, 2020, the Company adopted amendments to IFRS 3, *Business Combinations*, in accordance with the applicable transactional provisions.

The Company applied *Definition of a Business (Amendments to IFRS 3)* to business combinations whose acquisition dates are on or after January 1, 2020 in assessing whether it had acquired a business or a group of assets. The details of this accounting policy are set out in Note 3(a) of the 2020 Consolidated Financial Statements.

A number of other new standards are also effective from January 1, 2020, but do not have a material effect on these consolidated financial statements.

Disclosure Controls and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to: (a) provide reasonable assurance that material information required to be disclosed by the Company is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) ensure that information required to be disclosed by the Company is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation. The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2020. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in the Issuer's Annual and Interim Filings are effective for the purposes set out above. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, acknowledges responsibility for the design and operation of disclosure controls and procedures and internal control over financial reporting ("ICFR"), and the requirement to evaluate the effectiveness of these controls on an annual basis.

Internal Control over Financial Reporting

Management is responsible for designing, establishing and maintaining an adequate system of ICFR. The Company's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS.

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's ICFR as of December 31, 2020 based on the provisions of Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management concluded that its ICFR, as defined by National Instrument 52-109, is effective and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Changes in Internal Control over Financial Reporting

There have been changes in the Company's ICFR during the year ended December 31, 2020, as a result of a large number of employees transitioning to remote work arrangements in response to the Pandemic. However, there were no material changes in the design of the Company's ICFR that have affected, or are reasonably likely to materially affect, its ICFR.

Risks and Uncertainties

The Company is subject to normal business risks associated with similar firms operating within the building materials industry in Canada and the US, which are described in greater detail in the Company's AIF dated March 31, 2020, the Company's 2020 Consolidated Financial Statements and the Company's public filings on www.sedar.com, which the reader is encouraged to review, and which are or may be, updated from time to time, after the date therein. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Cybersecurity Risk

As a result of the Pandemic, information technology ("IT") and cyber risks have increased as malicious activities are creating more threats for cyberattacks. Such cyberattacks include COVID-19 phishing emails and targeting of vulnerabilities in remote access platforms as companies continue to operate with work from home arrangements. Privacy, data and third party risks have also been heightened as the use of work from home arrangements have become common practice. As many of the Company's employees are working from home or utilizing remote system access during, and as part of the Company's response to, COVID-19, the Company is continuously monitoring its IT infrastructure to maintain the privacy and confidentiality of all sensitive, proprietary and confidential information.

While the Company believes it takes appropriate precautions in light of cybersecurity risks, given that cyber risks cannot be fully mitigated and the evolving nature of these threats, management cannot assure that the Company's IT systems are fully protected from cybercrime or that the systems will not be inadvertently compromised, or without failures or defects. Accordingly, there can be no assurance that the Company may not be subject to cybersecurity risks or attack, which could have a material adverse effect on the Company's business or results of operations.

Outlook

The global impact of the Pandemic has been rapidly evolving and the disruption from this outbreak is adversely impacting many industries. The Pandemic could have a continued adverse impact on economic and market conditions, triggering a period of sustained global economic slowdown, and will ultimately depend on the speed at which effective vaccines can be developed and administered on a mass scale, and the ability of governments, businesses and health-care systems to effectively limit the epidemiological and economic impacts of the virus, including resurgences, in the intervening period. The rapid development and fluidity of this situation precludes any meaningful attempts to predict the ultimate adverse impact of COVID-19 on the Company's operations.

Despite the challenging global economic conditions during 2020, demand for residential building materials in Canada and the US has been much stronger than was expected when the Pandemic was first declared in March 2020. As a result, the Company has benefited significantly from quarantine-related home improvement activities and an increased interest in single-family detached housing. Nevertheless, COVID-19 presents uncertainty and risk with respect to the Company's future performance and financial results. The Company is actively managing these risks; however, due to the uncertainty regarding the duration and extent of the Pandemic, the severity of the operational and financial impacts on the Company will depend on, among other things, how long and diverse the disruptions in a variety of areas prove to be, including but not limited to, government and institutional regulation, legislation, capital and credit markets, Canadian, US and overall global economies, the Company's customers, suppliers and supply chains, and the Company's labour force.

At this time, the Company expects any potential impacts of the Pandemic to be temporary, and that the demand for its products will sustain beyond the Pandemic, as governments in Canada and the US have identified investment in housing and infrastructure as a key source of economic stimulus, during the eventual recovery phase. In the interim, the Company continues to maintain a high level of vigilance and focus on the Pandemic and its disruptive impacts, and actively manage the risks. Management continues to employ mitigation strategies to minimize, among other things, the potential impacts of construction materials price volatility. These strategies include, but are not limited to, the use of vendor managed inventories, direct shipments from the manufacturer to the customer, and the Company's internal policy of optimizing inventory levels to maintain its high standard of customer service levels and minimizing excess inventory otherwise exposed to market fluctuations. The Company is also continuing to execute on its strategy to increase the proportion of value added products, such as pressure treated wood, in its overall sales.

The Bank of Canada's ("BoC") January 2021 monetary policy report indicated that the Canadian and world economies are experiencing a setback in their economic recoveries. Rapid increases in the number of COVID-19 infections have prompted governments to impose stricter containment measures. However, an earlier-than-expected start to vaccination programs has accelerated the timeline for achieving broad immunity and improved the outlook for growth in the medium term. Nonetheless, the course of the Pandemic and the steps needed to contain it remain highly uncertain, and until the virus is under control and there is no need for physical distancing and other mitigation techniques, the recuperation phase of the economic recovery will likely remain choppy and uneven.

Historically, the rate of new housing starts has been an indicator of the Company's business prospects and the volume of building materials that it sells. According to the Canada Mortgage and Housing Corporation (the "CMHC"), the seasonally adjusted annualized rate for Canadian housing starts in 2020 was 217,802 compared to 208,685 last year. Prior to the Pandemic, the CMHC reported that it expected housing starts for both single-detached and multi-unit housing would stabilize in 2020 and 2021 after declining in 2019, and reach somewhere between 194,000 and 204,300. However, this is subject to change given the uncertainty around the COVID-19 situation. According to the US Census Bureau, seasonally-adjusted housing starts were an average of 1,380,300 units in 2020, up from 1,290,000 units last year. According to the Fannie Mae Economic and Strategic Research Group (Fannie Mae), housing starts are expected to increase further in 2021, to 1,450,000 units. Recent US home resales are at levels not seen for almost a decade, and residential repair and remodeling activities remained strong, as homeowners redirect discretionary spending away from traditional areas of travel and entertainment during the Pandemic. Management believes a significant proportion of the Company's sales are ultimately driven by activity in the repair and remodel market.

The Company's priority in the near term is the health and safety of its employees, compliance with all necessary regulations and health guidelines during the Pandemic, and mitigating the impacts of the Pandemic, while continuing to serve its customers and helping essential supply chain and related activities. The Company's focus will remain on cash flow, consisting of optimization of working capital, reduction of operating costs, minimizing capital expenditures and continually assessing the dividend policy.

CanWel Building Materials Group Ltd.
Consolidated Financial Statements

December 31, 2020 and 2019
(in thousands of Canadian dollars)

KPMG LLP
Chartered Professional Accountants
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CanWel Building Materials Group Ltd.,

Opinion

We have audited the accompanying consolidated financial statements of CanWel Building Materials Group Ltd. (the Company), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019;
- the consolidated statements of earnings and comprehensive earnings for the years then ended;
- the consolidated statements of shareholders' 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 significant 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 Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Company 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 consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements, 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 auditors' report.

Evaluation of the goodwill impairment analysis

Description of the matter

We draw attention to Notes 3 and 14 of the financial statements. The goodwill balance is $180.8 million, of which $62.6 million relates to the Canadian operations, $82.8 million relates to US operations and $35.3 million relates to Value-added services.

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 fair value less cost to sell. To determine fair value less costs to sell, the Company 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 determining the recoverable amount include gross margin percentages, terminal value growth rates and after-tax discount rates.

Why the matter is a Key Audit Matter

We identified the evaluation of the goodwill impairment analysis for the Canadian operations, US operations and Value-added services cash generating units to be a key audit matter. The matter represented a significant risk of material misstatement 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 rates for each cash generating unit.

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 and terminal value growth rates to current year and historical gross margin percentages and terminal value growth rates to assess the reasonableness of these assumptions.

- We involved our valuations professionals with specialized skills and knowledge, who assisted in evaluating the discount rate assumptions used in the estimated recoverable amount, by comparing them against a range of discount rates that were independently developed using publicly available market data for comparable entities.

Other Information

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

- Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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 filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 auditors' 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 International Financial Reporting 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 judgement 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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 representation.

- 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.

- 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 auditors' 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 auditors' 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 auditors' report is Andrew James.

Vancouver, Canada
March 11, 2021

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

(in thousands of Canadian dollars)	Notes	2020 $	2019 $
Assets			
Current assets			
Cash		**1,972**	-
Trade and other receivables	8	**131,501**	98,420
Income taxes receivable	21	**1,048**	8,934
Inventories	9	**246,848**	284,655
Prepaid expenses and deposits		**11,474**	10,752
		392,843	402,761
Non-current assets			
Property, plant and equipment	10	**73,686**	90,472
Right-of-use assets	11	**127,835**	121,498
Timber	12	**47,680**	48,800
Deferred income tax assets	21	**2,856**	2,861
Intangible assets	13	**39,256**	46,709
Goodwill	14	**180,808**	178,421
Other assets		**2,260**	2,901
		474,381	491,662
Total assets		**867,224**	894,423
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit		**6,904**	8,000
Trade and other payables	31	**113,954**	81,581
Performance bond obligations	15	**10,655**	12,778
Dividends payable	18	**9,352**	10,887
Income taxes payable	21	**13,342**	1,651
Current portion of loans and borrowings	16	**7,023**	8,024
Current portion of lease liabilities	11	**18,452**	18,698
Current portion of reforestation and environmental		**841**	1,353
		180,523	142,972
Non-current liabilities			
Loans and borrowings	16	**209,599**	296,076
Lease liabilities	11	**113,877**	105,311
Reforestation and environmental		**1,750**	1,239
Deferred income tax liabilities	21	**14,525**	16,802
Retirement benefit obligations	17	**6,367**	3,705
		346,118	423,133
Total liabilities		**526,641**	566,105
Equity			
Common shares	18	**499,597**	498,891
Contributed surplus		**11,150**	11,066
Foreign currency translation		**266**	5,940
Deficit	31	**(170,430)**	(187,579)
		340,583	328,318
Total liabilities and equity		**867,224**	894,423
Commitments and contingencies	11,30		

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 amounts)	Notes	2020 $	2019 $
Revenue	26,27	**1,613,804**	1,334,201
Cost of sales	19	**1,357,635**	1,142,255
Gross margin from operations		**256,169**	191,946
Expenses			
Distribution, selling and administration	20	**113,156**	105,792
Depreciation of property, plant and equipment	10	**15,699**	13,350
Amortization of right-of-use assets	11	**22,001**	21,616
Amortization of intangible assets	13	**6,949**	6,845
		157,805	147,603
Operating earnings		**98,364**	44,343
Finance costs	22	**15,706**	21,868
Acquisition costs		**620**	415
Earnings before income taxes		**82,038**	22,060
Provision for income taxes	21	**22,451**	4,841
Net earnings		**59,587**	17,219
Other comprehensive losses			
Exchange differences on translation of foreign operations(1)		**(5,674)**	(9,714)
Actuarial loss from pension and other benefit plans(2)	17,21	**(1,912)**	(365)
Comprehensive earnings		**52,001**	7,140
Net earnings per share			
Basic and Diluted		**0.77**	0.22
Weighted average number of shares			
Basic		**77,878,231**	77,714,660
Diluted		**77,930,715**	77,714,660

1. Item may be reclassified to earnings in subsequent periods.
2. Item 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 #	Common shares $	Contributed surplus $	Foreign currency translation $	Deficit $	Total $
As at January 1, 2019 (Note 31)	77,744,598	499,154	10,769	15,654	(160,906)	363,127
Shares issued pursuant to:						
Restricted Equity Common Share Plan	5,852	29	(29)	-	-	-
Employee Common Share Purchase Plan	157,079	630	-	-	-	630
Repurchase of common shares	(142,200)	(913)	297	-	-	(616)
Transaction costs on repurchase of shares		(9)	-	-	-	(9)
Share-based compensation charged to operations		-	29	-	-	29
Dividends		-	-	-	(43,527)	(43,527)
Comprehensive (loss) earnings for the year		-	-	(9,714)	16,854	7,140
As at December 31, 2019	**77,765,329**	**498,891**	**11,066**	**5,940**	**(187,579)**	**328,318**
Shares issued pursuant to:						
Restricted Equity Common Share Plan	11,589	35	(35)	-	-	-
Employee Common Share Purchase Plan	158,801	671	-	-	-	671
Share-based compensation charged to operations		-	92	-	-	92
Accrued dividends on unvested restricted shares		-	27	-	(27)	-
Dividends		-	-	-	(40,499)	(40,499)
Comprehensive (loss) earnings for the year		-	-	(5,674)	57,675	52,001
As at December 31, 2020	**77,935,719**	**499,597**	**11,150**	**266**	**(170,430)**	**340,583**

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	2020 $	2019 $
Operating activities			
Net earnings		**59,587**	17,219
Items not affecting cash			
Provision for income taxes	21	**22,451**	4,841
Depreciation and amortization of:			
Property, plant and equipment	10	**15,699**	13,350
Right-of-use assets	11	**22,001**	21,616
Intangible assets	13	**6,949**	6,845
Fair value adjustments	12	**(232)**	231
Timber harvested	12	**1,720**	3,557
Other		**(262)**	(2,158)
Income taxes paid		**(4,181)**	(9,562)
Interest paid on loans and borrowings and other		**(9,104)**	(16,217)
Payment of reforestation and environmental		**(562)**	(891)
Finance costs	22	**15,706**	21,868
Cash flows from operating activities before changes in non-cash working capital		**129,772**	60,699
Changes in non-cash working capital	25	**34,400**	7,203
Net cash flows provided by operating activities		**164,172**	67,902
Financing activities			
Dividends paid	18	**(42,034)**	(43,524)
Payment of lease liabilities, including interest	11	**(24,660)**	(23,101)
Net (repayments) advances on loans and borrowings		**(91,386)**	13,076
Other		**370**	(2,911)
Net cash flows used in financing activities		**(157,710)**	(56,460)
Investing activities			
Business acquisitions	7	**(2,983)**	(15,335)
Cash and cash equivalents in business acquisitions	7	**-**	1,129
Purchase of property, plant and equipment	10	**(2,806)**	(7,316)
Proceeds from disposition of property, plant and equipment		**2,124**	654
Proceeds from disposition of timberlands	12	**-**	10,607
Other		**717**	(167)
Net cash flows used in investing activities		**(2,948)**	(10,428)
Net increase in cash and cash equivalents		**3,514**	1,014
Foreign exchange difference		**(446)**	199
Cash and cash equivalents - beginning of year		**(8,000)**	(9,213)
Cash and cash equivalents - end of year		**(4,932)**	(8,000)

1. NATURE OF OPERATIONS

CanWel Building Materials Group Ltd. (the "Company") was incorporated in 2009 under the Business Corporations Act (British Columbia). On May 11, 2010, the Company was continued under the laws of Canada pursuant to section 187 of the Canada Business Corporations Act with its current name. The Company has limited liability, with its shares publicly listed on the Toronto Stock Exchange ("TSX"). The Company's head office is located at Suite 1600 – 1100 Melville Street, Vancouver, British Columbia. The Company's Canadian operations commenced in 1989.

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issuance on March 11, 2021 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 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 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.

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 SIGNIFICANT ACCOUNTING POLICIES

The principal 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.

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 that relate to the Company's revolving loan facility and bank overdraft are recognized in earnings within finance costs. All other foreign exchange gains and losses that relate to product purchases are accordingly presented within cost of sales.

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 Western United States mainland and Hawaii, and have the United States dollar as the functional currency. The Company uses direct method of consolidation and on disposal of a foreign operation.

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) 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.

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

Buildings	3%
Leasehold improvements	based on lease term
Machinery and equipment	10% to 33%
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 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.

d) Timber

Standing timber on privately held forest land that is managed for timber production is characterized as a biological asset. At each reporting date, the biological asset is valued at its fair value less costs to sell with any change therein, including the impact of growth and harvest, recognized in cost of sales for the period. Costs to sell include all costs that would be necessary to sell the assets. The valuation model is performed with reference to independent third party valuators and recent comparatives of standing timber sales, costs of sustainable forest management, timber pricing and harvest volume assumptions, and the resulting net present value of future cash flows for standing timber. Harvested timber is transferred to inventory at its fair value less costs to sell at the date the timber is harvested.

Land under the standing timber is measured at cost and included in PPE.

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.

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

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

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

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

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

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

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

(ii) Lessors

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

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

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) Pension and other post-employment benefits

For defined benefit pension plans and other post-retirement benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The determination of benefit expense requires assumptions such as the discount rate to measure obligations, the projected age of employees upon retirement, the expected rate of future compensation, and the expected health care cost trend rate. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actual results will differ from results that are estimated based on assumptions. All past service costs arising from plan amendments are recognized immediately in earnings when the plan amendment occurs or when related restructuring costs are recognized, if earlier.

The asset or liability recognized in the statement of financial position is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for asset ceiling impairment or additional liabilities due to onerous minimum funding requirement under International Financial Reporting Interpretations Committee ("IFRIC") 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, International Accounting Standard ("IAS") 19, *The Limit on a Defined Benefit Asset*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the value of the defined benefit obligation. The remeasurement of fair value of plan assets compared to expected values, together with remeasurement on plan obligations from assumption changes or experience adjustments are recognized immediately in OCI. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan.

Payments to defined contribution plans are expensed as incurred.

h) Share-based payments

Certain employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted. The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the shares ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate, at such time, of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in net earnings as share-based compensation and the corresponding amount is recognized in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

i) Finance costs

The Company's borrowings are recorded net of financing costs, which are deferred at inception and subsequently amortized over the term of the debt. Interest expense is calculated using the effective interest rate method.

j) 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.

The cost of timber transferred from standing timber to inventory is its fair value less costs to sell at the date of harvest.

k) Vendor rebates

The Company records cash consideration received from vendors as a reduction in the price of vendors' products and reflects it as a reduction to inventory and related cost of sales.

l) Performance bonds

Certain subsidiaries of the Company issue bonds to guarantee performance and payment by certain contractors to whom the Company may supply materials. The bonds require cash to be periodically remitted to the Company from project owners or their lenders, upon satisfaction that the bonded contractor has met certain conditions of the related construction contract. The funds are disbursed to the project's contractor subject to the Company's satisfaction as to the progression and completion of the contracted work. Proceeds received by the Company in excess of funds disbursed are recorded in liabilities until such time as the related project is completed.

m) 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.

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.

n) 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 stock 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 for the assumed proceeds upon the exercise of the options that are used to purchase common shares at the average market price during the year.

o) Financial instruments

(i) Non-derivative financial instruments

The Company's non-derivative financial instruments are comprised of trade and other receivables, bank overdraft, trade and other payables, performance bonds, dividends payable, senior unsecured notes, revolving loan facility, non-revolving term loan, promissory notes, finance lease liabilities and equipment term loan.

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

- Trade and other receivables are subsequently measured at amortized cost.
- Bank overdraft, trade and other payables, performance bonds, dividends payable, senior unsecured notes, revolving loan facility, non-revolving term loan, promissory notes, finance lease liabilities and equipment term loan are subsequently measured at amortized cost.

(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 held for trading with changes in fair value being recorded in net earnings.

p) Fair value measurement

The Company measures derivative financial instruments 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.

q) Equity

Share capital represents the amount received for shares issued. When shares are issued on a business acquisition, the amount recognized is the fair value at the acquisition date.

Contributed surplus includes the compensation cost relating to the Company's share-based payment transactions. It also includes the difference between the cost of repurchased shares and the average book value.

Dividends on common shares attributable to shareholders are presented in current liabilities when approved prior to the reporting date.

r) Revenue recognition

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

s) 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.

t) 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. 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. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

(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 a pre-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.

u) 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.

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these 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 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, valuation of timber, certain actuarial and economic assumptions used in the determination for the cost and accrued benefit obligations of employee future benefits, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, classification of lease agreements and judgments regarding the determination of reportable segments.

a) 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. Any resulting goodwill 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, 2020 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 recoverable amount of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the recoverable amount of each cash-generating unit, including a discount rate, a growth rate and revenue 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 14).

b) Timber

At each reporting date, timber is valued at fair value less costs to sell with any change therein, including the impact of growth and harvest, recognized in net earnings for the period. Significant judgment is used in determining the fair value with reference to independent third party valuators and recent comparatives of standing timber sales, costs of sustainable forest management, timber pricing and harvest volume assumptions, the discount rate used, and the resulting net present value of future cash flows for standing timber.

c) Employee future benefits

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future (Note 17).

(i) Discount rate

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity profiles that are similar to the underlying cash flows of the defined benefit obligation.

(ii) Other assumptions

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates.

d) 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).

Inventory includes harvested timber, the cost of which is based on its fair value less costs to sell, and forms a component of the carrying value of timber inventory. Harvested timber is subsequently processed into logs and carried at the lower of cost or NRV. Significant judgment is used in determining the fair value of timber with reference to independent third party valuators and recent comparatives of standing timber sales.

e) 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 reductions, to the extent that their realization is probable. The determination of this requires significant judgment. This evaluation includes review of the ability to carryback operating losses to offset taxes paid in prior years; the carryforward 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).

f) 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 11).

g) Revenue recognition

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

5. CHANGES IN ACCOUNTING STANDARDS

The Company has adopted amendments to IFRS 3, *Business Combinations*, effective January 1, 2020, in accordance with the applicable transactional provisions.

The Company applied *Definition of a Business (Amendments to IFRS 3)* to business combinations whose acquisition dates are on or after January 1, 2020 in assessing whether it had acquired a business or a group of assets. The details of this accounting policy are set out in Note 3(a). See also Note 7 for details of the Company's acquisition during the year.

A number of other new standards are also effective from January 1, 2020, but do not have a material effect on these consolidated financial statements.

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.

IAS 37, *Provisions, contingent liabilities and contingent assets*

Amendments to IAS 37 specify which costs should be included in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparative figures are not restated. The Company will continue to evaluate the impact of these amendments on its consolidated financial statements.

IAS 1, *Presentation of financial statements*

On January 23, 2020, the International Accounting Standards Board issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022, however, their effective date has been delayed to January 1, 2023. The Company will continue to evaluate the impact of these amendments on its consolidated financial statements.

7. BUSINESS ACQUISITIONS

2020 Acquisition

On November 9, 2020, the Company completed the acquisition of a truss design and manufacturing plant, including the related equipment and business, formerly owned by Vickers Island Truss, Ltd. ("Island Truss") (the "Island Truss Acquisition") in Kauai, Hawaii.

Total purchase consideration comprised of US$3,500 and is subject to certain post-closing adjustments. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired and liabilities assumed was based on the exchange rate as at the date of the acquisition.

The majority of the purchase price was allocated to goodwill, which was primarily attributable to the expected synergies arising from the acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for income tax purposes.

2019 Acquisition

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

Total purchase consideration comprised of US$11,476 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 acquisition.

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

	2019 $
Fair value of purchase consideration	
Cash consideration	15,335
Fair value of assets acquired[(1)]	
Cash and cash equivalents	1,129
Non-cash working capital	12,856
Right-of-use assets	520
Lease liabilities	(506)
Total identifiable net assets at fair value	13,999
Goodwill arising on acquisition	1,336
Assets acquired	15,335

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

8. TRADE AND OTHER RECEIVABLES

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

	2020 $	2019 $
Trade receivables	**123,278**	91,760
Allowance for doubtful accounts	**(562)**	(856)
Net trade receivables	**122,716**	90,904
Other receivables	**8,785**	7,516
Total trade and other receivables	**131,501**	98,420

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

	2020 $	2019 $
Neither past due nor impaired	**121,449**	79,324
Past due but not impaired:		
Less than 1 month	**5,194**	9,446
1 to 3 months	**4,408**	6,414
3 to 6 months	**450**	3,236
Total trade and other receivables	**131,501**	98,420

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

	2020 $	2019 $
Balance at January 1	**856**	871
Accruals during the year	**44**	99
Additions arising on acquisition	**-**	91
Accounts written off	**(343)**	(174)
Foreign exchange difference	**5**	(32)
Balance at December 31	**562**	856

The Company holds no collateral for any receivable amounts outstanding as at December 31, 2020.

Further information on the valuation of trade and other receivables in disclosed in Note 30.

9. INVENTORIES

	2020 $	2019 $
Inventories held for resale	**182,723**	238,718
Inventories held for processing	**64,125**	45,937
	246,848	284,655

The expenses related to the sale of inventories were recorded in cost of sales, as described in Note 19. Further information on the valuation of inventories in disclosed in Note 30.

10. 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, 2019	35,644	18,666	90,647	5,205	150,162
Additions	-	4,223	2,616	477	7,316
Disposals	(3,882)	-	(1,175)	(54)	(5,111)
Foreign exchange difference	-	(82)	(1,177)	(15)	(1,274)
Cost at December 31, 2019	31,762	22,807	90,911	5,613	151,093
Additions	109	1,224	1,308	165	2,806
Additions arising on acquisition	-	-	194	-	194
Disposals	(633)	-	(8,798)	(85)	(9,516)
Foreign exchange difference	-	(68)	(543)	(12)	(623)
Cost at December 31, 2020	**31,238**	**23,963**	**83,072**	**5,681**	**143,954**
Accumulated depreciation					
Accumulated depreciation at January 1, 2019	-	4,255	40,633	3,500	48,388
Depreciation	-	1,505	10,801	1,044	13,350
Disposals	-	-	(838)	(42)	(880)
Foreign exchange difference	-	(16)	(217)	(4)	(237)
Accumulated depreciation at December 31, 2019	-	5,744	50,379	4,498	60,621
Depreciation	-	2,084	12,967	648	15,699
Disposals	-	-	(5,588)	(78)	(5,666)
Foreign exchange difference	-	(34)	(346)	(6)	(386)
Accumulated depreciation at December 31, 2020	**-**	**7,794**	**57,412**	**5,062**	**70,268**
Net book value at December 31, 2019	31,762	17,063	40,532	1,115	90,472
Net book value at December 31, 2020	**31,238**	**16,169**	**25,660**	**619**	**73,686**

11. 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.

During the year ended December 31, 2020, the Company revised certain assumptions regarding determination of the expected lease term, minimum lease payments and assessment of the likelihood of exercising extension options, as a result of certain lease modifications relating to several of the Company's facility leases. Consequently, these lease modifications resulted in a remeasurement, which increased the existing right-of-use assets and lease liabilities by $20,289.

Right-of-use assets

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer Equipment $	Total $
As at January 1, 2019	111,301	13,626	520	125,447
Additions	15,536	7,135	77	22,748
Additions arising on acquisition (Note 7)	520	-	-	520
Amortization	(16,164)	(5,289)	(163)	(21,616)
Disposals	(1,609)	(720)	-	(2,329)
Foreign exchange movements	(3,048)	(215)	(9)	(3,272)
As at December 31, 2019	106,536	14,537	425	121,498
Additions	4,232	4,277	-	8,509
Additions arising on acquisition	824	-	-	824
Lease modifications and other remeasurements	20,289	-	-	20,289
Amortization	(17,070)	(4,765)	(166)	(22,001)
Disposals	-	(3)	-	(3)
Foreign exchange movements	(1,151)	(130)	-	(1,281)
Balance at December 31, 2020	**113,660**	**13,916**	**259**	**127,835**

1. Includes agreements related to distribution, wood treatment and office facility leases.
2. Includes forklifts, tractors, light vehicles and other heavy equipment leases.

Lease liabilities

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer Equipment $	Total $
As at January 1, 2019	111,301	12,927	511	124,739
Additions	15,536	7,163	77	22,776
Additions arising on acquisition (Note 7)	506	-	-	506
Disposals	(1,674)	(667)	-	(2,341)
Finance costs	4,077	560	22	4,659
Lease payments	(17,954)	(4,972)	(175)	(23,101)
Foreign exchange movements	(2,979)	(240)	(10)	(3,229)
As at December 31, 2019	108,813	14,771	425	124,009
Additions	4,232	4,277	-	8,509
Additions arising on acquisition	824	-	-	824
Lease modifications and other remeasurements	20,289	-	-	20,289
Disposals	(46)	(44)	-	(90)
Finance costs	4,104	541	15	4,660
Lease payments	(19,375)	(5,109)	(176)	(24,660)
Foreign exchange movements	(1,054)	(158)	-	(1,212)
Balance at December 31, 2020	117,787	14,278	264	132,329
Less: current portion	(13,837)	(4,467)	(148)	(18,452)
	103,950	**9,811**	**116**	**113,877**

1. Includes agreements related to distribution, wood treatment and office facility leases.
2. Includes forklifts, tractors, 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 1.5% and 5.0%.

Lease commitments

Future undiscounted payments due under the terms of all agreements, including these leases, were as follows (including certain leases with related parties, as disclosed in Note 23):

Years ending December 31	$
2021	24,973
2022	23,325
2023	21,722
2024	17,450
2025	12,539
Thereafter	54,440
	154,449

12. TIMBER

	2020 $	2019 $
Balance at January 1	**48,800**	62,659
Reforestation provision on harvested land	**368**	654
Harvested timber transferred to inventory in the year	**(1,720)**	(3,557)
Dispositions	**-**	(4,465)
Reclassification to intangible assets	**-**	(6,260)
Change in fair value resulting from growth and pricing	**232**	(231)
Balance at December 31	**47,680**	48,800

The Company's private timberlands comprised an area of approximately 45,983 hectares ("ha") of land as at December 31, 2020 (2019 - 45,983), with standing timber consisting of mixed-species softwood forests.

In October 2019, the Company completed the sale of a 7,542-hectare parcel of timberlands (approximately 14% of total holdings) to an entity that held a pre-existing option to purchase the subject lands. Gross proceeds of $12,201 were used to partially pay down the non-revolving term loan ($8,542), with the balance paid to satisfy pre-existing contractual obligations to Tembec Inc. (now Rayonier Advanced Materials Inc.), a former owner of the lands. The Company retained the rights to harvest remaining timber on the subject lands for a period of 13 years. The retention of these harvesting rights resulted in a reclassification of the subject timber to intangible assets (Note 13).

During the year ended December 31, 2020, the Company harvested approximately 178,286 cubic metres ("m^3") from its private timberlands (2019 - 315,415 m^3).

Measurement of fair values

The table above reconciles the opening balances to the closing balances for Level 3 fair values (as defined in Note 24). For the years ended December 31, 2020 and 2019, the fair value measurement for the Company's standing timber, as disclosed above, had been categorized as Level 3 fair value, and was based on the inputs to the valuation technique discussed below.

Valuation Technique	Discounted cash flow analysis: The valuation model considers the present value of the net cash flows expected to be generated by the private timberlands over a period of 20 years. The expected net cash flows are discounted using a risk-adjusted discount rate.
Significant Unobservable Inputs in future periods	Estimated timber prices of $43[(1)] per m^3 (weighted average sawlog and pulpwood prices) plus harvest and delivery charges (where applicable) of $50[(1)] (2019 - $36[(1)] per m^3 and $50[(1)] per m^3, respectively) Estimated total costs, including harvest, delivery (where applicable) and stewardship costs, of $53[(1)] per m^3 (2019 - $55[(1)] per m^3) Estimated harvest annual volume of 146,260 – 224,750 m^3 (20-year rolling average m^3 – 184,199 m^3 (2019 – 223,518 m^3)) Risk-adjusted discount rate of 9.5% (2019 – 9.5%)

1. In whole dollars, not thousands

13. INTANGIBLE ASSETS

	Canadian operations $	US operations $	Value-added services $	Forestry operations $	Total $
Cost					
Cost at January 1, 2019	10,000	56,898	1,633	2,146	70,677
Reclassification from timber (Note 12)	-	-	-	6,260	6,260
Foreign exchange difference	-	(2,730)	-	-	(2,730)
Cost at December 31, 2019	10,000	54,168	1,633	8,406	74,207
Disposal	-	-	-	(50)	(50)
Foreign exchange difference	-	(1,068)	-	-	(1,068)
Cost at December 31, 2020	**10,000**	**53,100**	**1,633**	**8,356**	**73,089**
Accumulated amortization					
Accumulated amortization at January 1, 2019	8,917	11,454	898	54	21,323
Amortization	1,000	5,643	163	39	6,845
Foreign exchange difference	-	(670)	-	-	(670)
Accumulated amortization at December 31, 2019	9,917	16,427	1,061	93	27,498
Amortization	83	5,705	163	998	6,949
Foreign exchange difference	-	(614)	-	-	(614)
Accumulated amortization at December 31, 2020	**10,000**	**21,518**	**1,224**	**1,091**	**33,833**
Net intangible assets at December 31, 2019	83	37,741	572	8,313	46,709
Net intangible assets at December 31, 2020	**-**	**31,582**	**409**	**7,265**	**39,256**

Intangible assets at December 31, 2020 relate to customer lists and trade names for the Distribution business segment and harvesting rights for the Forestry business segment, as described in Note 27.

14. GOODWILL

	Canadian operations $	US operations $	Value-added services $	Total $
Balance at January 1, 2019	62,624	83,186	35,347	181,157
Additions arising on acquisition (Note 7)	-	1,336	-	1,336
Foreign exchange difference	-	(4,072)	-	(4,072)
Balance at December 31, 2019	62,624	80,450	35,347	178,421
Additions arising on acquisition (Note 7)	-	4,047	-	4,047
Foreign exchange difference	-	(1,660)	-	(1,660)
Balance at December 31, 2020	**62,624**	**82,837**	**35,347**	**180,808**

Goodwill at December 31, 2020 relates to the Company's Distribution business segment, as described in Note 27.

The Company performed its annual test for goodwill impairment as at December 31, 2020. The recoverable amount of each of the cash-generating units has been determined using fair value less costs to sell. To determine fair value less costs to sell, 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% 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 terminal value growth rate of 2%, and gross margins ranging between 5% and 26%.

Based on the impairment tests, the fair value of each of the cash-generating units exceeded their carrying amounts. As a result, no provision for impairment of goodwill was provided.

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.

15. PERFORMANCE BOND OBLIGATIONS

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

	2020 $	2019 $
Funds received on bonding obligations[(1)]	**88,041**	91,797
Payments made on bonding obligations[(1)]	**(77,755)**	(79,418)
Receipts in excess of payments	**10,286**	12,379
Provision for loss on bonds	**369**	399
Balance at December 31	**10,655**	12,778

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

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

	2020 $	2019 $
Balance at January 1	**12,778**	13,507
Net payments on bonding obligations during the year	**(1,948)**	(98)
Change in provision for loss on bonds	**(23)**	14
Foreign exchange difference	**(152)**	(645)
Balance at December 31	**10,655**	12,778

Total gross bonding contracts on all outstanding projects at December 31, 2020 were $133,386 (December 31, 2019 - $146,812).

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

16. LOANS AND BORROWINGS

	2020 $	2019 $
Total loans and borrowings		
Unsecured notes(1)	**58,095**	57,424
Revolving loan facility(1)	**130,467**	211,940
Non-revolving term loan(1)	**19,770**	22,404
Promissory notes	**3,018**	3,052
Equipment term loan, equipment line and other loans(1)	**5,272**	9,280
Total loans and borrowings	**216,622**	304,100
Current portion of loans and borrowings		
Non-revolving term loan	**2,667**	2,667
Promissory notes	**2,100**	1,515
Equipment term loan, equipment line and other loans	**2,256**	3,842
Total current portion of loans and borrowings	**7,023**	8,024
Non-current portion of loans and borrowings	**209,599**	296,076

1. Amounts reflect financing costs net of amortization totaling $3,866 as at December 31, 2020 and $4,972 as at December 31, 2019.

On December 6, 2019, the Company amended its existing revolving loan facility. The maximum credit available was increased from $300,000 to $360,000 with a revised maturity date of December 6, 2024. Concurrent with the amendment to the revolving loan facility, the maturity date of the non-revolving term loan was also extended to December 6, 2024.

Terms and repayment schedule

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

	Currency	Nominal interest rate %	Maturity	December 31, 2020 Face value $	December 31, 2020 Carrying amount $	December 31, 2019 Face value $	December 31, 2019 Carrying amount $
Unsecured notes[1]	CDN	6.375	Oct 9, 2023	**60,000**	**58,095**	60,000	57,424
Revolving loan facility[2]	CDN	Based on Canadian prime rate or Canadian Offered Rate	Dec 6, 2024	**118,839**	**117,300**	164,725	162,912
Revolving loan facility[2]	USD	Based on US prime rate or London Interbank Offered Rate	Dec 6, 2024	**13,206**	**13,167**	49,149	49,028
Non-revolving term loan[3]	CDN	Based on Canadian prime rate or Canadian Banker's Acceptance Rate	Dec 6, 2024	**20,125**	**19,770**	22,791	22,404
Promissory notes[4]	USD	Various	Dec 3, 2021 - Nov 9, 2023	**3,018**	**3,018**	3,052	3,052
Equipment term loan[5]	CDN	Based on Business Development Bank of Canada Floating Base Rate	Jul 1, 2021	**1,644**	**1,616**	5,080	5,005
Equipment line[5]	CDN	Based on Business Development Bank of Canada Floating Base Rate	Jul 1, 2025	**3,644**	**3,644**	4,226	4,226
Other	CDN	5.000	Dec 31, 2020	**12**	**12**	49	49
Total loans and borrowings				**220,488**	**216,622**	309,072	304,100

1. Includes a non-call protection of three years with a declining call schedule thereafter; interest is payable semi-annually.
2. Maximum credit available is $360,000. 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.
3. Principal is amortized over 15 years and is payable in quarterly instalments. The loan is secured by a first charge against the Company's timberlands and certain other assets, and a subordinated charge over the Company's remaining assets, and requires that certain covenants be met by the Company.
4. Various unsecured notes were issued as partial consideration for acquisitions (Note 7).
5. The loans are secured by a first charge against the specific equipment being financed under this arrangement, and a subordinated charge over the Company's other assets.

The Company was not in breach of any of its covenants during the year ended December 31, 2020.

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 $1,330 (2019 - $1,390) based on actuarial estimates determined annually.

The most recent actuarial valuation of the registered pension plan for funding purposes was as at December 31, 2019. The next actuarial valuation for the registered pension plan is required to be performed as at December 31, 2022.

Annuity contract

During the year ended December 31, 2020, the Company purchased an annuity buy-in for plan retirees for $6,292 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. An actuarial gain of $300 relating to the purchase was recognized in other comprehensive income (loss), reflecting the difference between the annuity buy-in rate (which is comparable to solvency rates) compared to the discount rate used to value the obligations on a going concern basis.

At December 31, 2020, total buy-in annuities purchased to date were $42,301, representing 78% (2019 - 63%) of the defined benefit pension plan obligation which was fully hedged against changes in future discount rates and longevity risk (potential increases in life expectancy of plan members).

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, 2020 amounted to $1,271 (2019 - $1,065) and was included in distribution, selling and administration expenses.

Post-retirement benefits other than pensions

The Company provides extended health care benefits and pays provincial medical plan premiums on behalf of qualifying employees. The Company also pays for the dental benefits of certain retirees who had been employed at a predecessor company.

Total cash payments

Total cash payments for employee future benefits for 2020, consisting of cash contributed by the Company to defined benefit plans, defined contribution plans, and other post-retirement benefits, were $1,897 (2019 - $1,727), with no solvency deficiency contributions.

Included in total cash payments, based on 2020 experience, the Company expects the 2021 contributions for its defined benefit plans to be approximately $279. Solvency deficiency contributions are not required.

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

	Pension benefit plan		Other benefit plans	
	2020 **$**	**2019** **$**	**2020** **$**	**2019** **$**
Net benefit expense				
Current service cost	**414**	350	**-**	-
Non-investment expenses	**120**	100	**-**	-
Interest cost on benefit obligation	**1,416**	1,696	**63**	79
Interest on effect of asset ceiling impairment at beginning of year	**-**	34	**-**	-
Expected return on plan assets	**(1,361)**	(1,683)	**-**	-
Net benefit expense	**589**	497	**63**	79
Defined benefit obligation				
Defined benefit obligation at January 1	**48,248**	45,661	**2,179**	2,198
Current service cost	**414**	350	**-**	-
Interest cost on benefit obligation	**1,416**	1,696	**63**	79
Benefits paid	**(2,914)**	(3,350)	**(237)**	(202)
Actuarial losses on obligation	**5,725**	3,891	**261**	104
Defined benefit obligation at December 31	**52,889**	48,248	**2,266**	2,179
Plan assets				
Fair value of plan assets at January 1	**46,722**	45,461	**-**	-
Expected return on plan assets	**1,361**	1,683	**-**	-
Employer contributions	**389**	460	**237**	202
Non-investment expenses	**(120)**	(100)	**-**	-
Benefits paid	**(2,914)**	(3,350)	**(237)**	(202)
Actuarial gains on plan assets	**3,350**	2,568	**-**	-
Fair value of plan assets at December 31	**48,788**	46,722	**-**	-
Net benefit liability				
Fair value of plan assets at December 31	**48,788**	46,722	**-**	-
Accrued benefit obligation at December 31	**(52,889)**	(48,248)	**(2,266)**	(2,179)
Net benefit liability	**(4,101)**	(1,526)	**(2,266)**	(2,179)

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

	Pension benefit plan		Other benefit plans	
	2020 **$**	**2019** **$**	**2020** **$**	**2019** **$**
Distribution, selling and administration				
Current service cost	**414**	350	**-**	-
Non-investment expenses	**120**	100	**-**	-
	534	450	**-**	-
Finance costs				
Interest cost on benefit obligation	**1,416**	1,696	**63**	79
Interest on effect of asset ceiling impairment at beginning of year	**-**	34	**-**	-
Expected return on plan assets	**(1,361)**	(1,683)	**-**	-
	55	47	**63**	79
Other comprehensive (losses) income				
Actuarial losses on obligation due to changes in financial assumptions	**(4,070)**	(3,891)	**(378)**	(118)
Actuarial (losses) gains on obligation due to changes in demographic assumptions	**(1,116)**	-	**216**	-
Actuarial (losses) gains on obligation due to changes in experience	**(539)**	-	**(99)**	14
Actuarial gains on plan assets	**3,350**	2,568	**-**	-
Net change in effect of asset ceiling	**-**	926	**-**	-
	(2,375)	(397)	**(261)**	(104)

Assets

The weighted average asset allocation of the defined benefit plan consisted of:

	2020 **%**	**2019** **%**
Annuity	**78**	63
Debt securities	**18**	31
Short-term securities	**4**	5
Equity securities	**-**	1
	100	100

The major categories of plan assets of the fair value of the total plan assets were as follows:

	2020 %	2019 %
Annuity	**78**	63
Unquoted investments (pooled funds)	**22**	36
Investments quoted in active markets	**-**	1
	100	100

Significant assumptions

The significant weighted average assumptions used were as follows:

	Pension benefit plan		Other benefit plans	
	2020 %	2019 %	2020 %	2019 %
Accrued benefit obligation as of December 31				
Discount rate	**2.30**	3.00	**2.30**	3.00
Rate of compensation increase	**3.25**	3.25		
Benefit costs for year ended December 31				
Discount rate	**3.00**	3.80	**3.00**	3.80
Rate of compensation increase	**3.25**	3.25		

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

	2020	2019
Health care initial cost trend rate	**7.0%**	8.0%
Health care ultimate cost trend date	**3.5%**	3.5%
Year that the rate reaches the ultimate trend rate	**2037**	2027

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.

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			
	2020		2019	
	Increase $	Decrease $	Increase $	Decrease $
Effect on the defined benefit obligation	**240**	**(220)**	233	(208)
Effect on the aggregate current service cost and interest cost	**6**	**(5)**	8	(5)

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 $
2020				
Effect on the defined benefit obligation	**(5,509)**	**6,690**	**(172)**	**190**
Effect on the aggregate current service cost and interest cost for the next year	**279**	**(360)**	**16**	**(19)**
2019				
Effect on the defined benefit obligation	(4,792)	5,822	(146)	165
Effect on the aggregate current service cost and interest cost for the next year	210	(266)	15	(17)

The average duration of the defined benefit plan obligation at December 31, 2020 was 12 years.

18. SHARE CAPITAL

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

Normal Course Issuer Bid

In 2018, the Company commenced a Normal Course Issuer Bid ("NCIB") with respect to its common shares. Under the terms of the NCIB, the Company may purchase for cancellation up to an authorized number of common shares over a twelve-month period. Shares acquired will be at the market price of the shares at the time of acquisition.

Since the inception of the NCIB, the Company's NCIB activity was as follows:

Effective period	Authorized #	Repurchased #	Expired #	Remaining authorized #
November 26, 2018 - November 25, 2019	6,085,605	142,200	5,943,405	-
November 26, 2019 - November 25, 2020	5,995,340	-	5,995,340	-
November 26, 2020 - November 25, 2021	5,972,461	-	-	5,972,461
As at December 31, 2020		**142,200**	**11,938,745**	**5,972,461**

Upon the cancellation of the common shares, the difference between the consideration paid for the repurchased shares and the average carrying value of the common shares is credited to contributed surplus.

Restricted Equity Common Share Plan ("RECSP")

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

	Years ended December 31, 2020 #	2019 #
Balance at January 1	**-**	-
Granted	**59,388**	5,852
Additional RSUs earned as notional dividends	**5,625**	-
Vested and converted to common shares during the period	**(11,589)**	(5,852)
Balance at December 31	**53,424**	-

Compensation expense in respect of RSUs for the year ended December 31, 2020 was $92 (2019 - $29).

Employee Common Share Purchase Plan ("ECSPP")

For the year ended December 31, 2020, the Company issued 158,801 (2019 – 157,079) common shares from treasury for gross proceeds of $671 (2019 - $630), pursuant to the ECSPP.

Subsequent to December 31, 2020, the Company issued 61,036 shares under the ECSPP for gross proceeds of $393.

Dividends

The following dividends were declared and paid by the Company:

	2020 Declared Record date	Per share $	Amount $	Payment date	2019 Declared Record date	Per share $	Amount $	Payment date
Quarter 1	Mar 31, 2020	0.14	10,897	Apr 15, 2020	Mar 29, 2019	0.14	10,876	Apr 15, 2019
Quarter 2	Jun 30, 2020	0.14	10,898	Jul 15, 2020	Jun 28, 2019	0.14	10,877	Jul 15, 2019
Quarter 3	Sep 30, 2020	0.12	9,352	Oct 15,2020	Sep 30, 2019	0.14	10,887	Oct 15, 2019
Quarter 4	Dec 31, 2020	0.12	9,352	Jan 15, 2021	Dec 31, 2019	0.14	10,887	Jan 15, 2020
		0.52	**40,499**			**0.56**	**43,527**	

The Company is continually assessing its dividend policy in the context of overall profitability, cash flows, capital requirements, general economic conditions and other business needs. Accordingly, on June 15, 2020, the Company announced a dividend reduction beginning with the dividend payable on October 15, 2020, to shareholders of record on September 30, 2020, reducing its quarterly dividend from $0.14 to $0.12 per share.

19. COST OF SALES

Cost of sales includes the following costs:

	2020 $	2019 $
Purchased and treated building materials	**1,307,527**	1,078,409
Salaries and benefits	**25,627**	29,581
Timber and related products	**22,882**	30,168
Inventory provisions	**1,292**	3,213
Others	**539**	653
Fair value adjustments	**(232)**	231
	1,357,635	1,142,255

20. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	2020 $	2019 $
Salaries and benefits	**78,635**	70,223
Building occupancy costs	**14,370**	14,312
Office and miscellaneous	**9,829**	8,758
Travel, promotion and entertainment	**5,263**	8,020
Professional and management fees	**5,059**	4,479
	113,156	105,792

21. INCOME TAXES

Income tax for the Company consisted of the following:

Consolidated Statements of Earnings

	2020 $	2019 $
Current income tax expense	**23,832**	6,876
Deferred income tax recovery	**(1,381)**	(2,035)
	22,451	4,841

Consolidated Statements of Comprehensive Earnings

	2020 $	2019 $
Deferred tax recovery related to items recorded in OCI during the year		
Actuarial losses	**(724)**	(136)

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

	2020 $	2019 $
Earnings before income taxes	**82,038**	22,060
Income tax at statutory rates	**21,923**	5,908
Adjustment to deferred tax assets related to changes in tax rates	**(87)**	5
Permanent differences and other	**615**	(1,072)
Income tax expense	**22,451**	4,841

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

	2020 $	2019 $
Deferred income tax (liabilities) assets:		
Property, plant and equipment	**(5,646)**	(9,497)
Timber	**(9,499)**	(8,636)
Pensions and other post-retirement benefits	**1,717**	1,000
Non-capital losses	**6,811**	7,835
Non-deductible reserves	**3,726**	4,361
Intangible assets and goodwill	**(8,778)**	(9,004)
Net deferred income tax liabilities	**(11,669)**	(13,941)

Net deferred income tax liabilities consisted of the following:

	2020 $	2019 $
Deferred income tax assets	**2,856**	2,861
Deferred income tax liabilities	**(14,525)**	(16,802)
Net deferred income tax liabilities	**(11,669)**	(13,941)

At December 31, 2020, the Company had approximately $40,680 of Canadian non-capital losses that may be available for deduction against taxable income in future years. These losses expire as follows:

Years ending December 31	$
2028	386
2029	1,284
2030	3,527
2031	1,411
2032	1,856
Thereafter	32,216
	40,680

At December 31, 2020, approximately $15,000 of these non-capital losses have not been recognized as deferred income tax assets.

22. FINANCE COSTS

Finance costs include the following:

	2020 $	2019 $
Loans and borrowings	**9,824**	14,858
Lease liabilities	**4,660**	4,659
Other	**(301)**	145
Net interest	**14,183**	19,662
Amortization of financing costs	**1,405**	1,706
Accretion of earn-out commitment	**-**	374
Interest on net defined benefit liability	**118**	126
	15,706	21,868

23. RELATED PARTY TRANSACTIONS

Transactions

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

	2020 $	2019 $
Leased facilities: distribution[1] and treatment[2]	**3,983**	3,638
Purchase of product[3][4]	**2,888**	3,818
Management fees and other[5]	**876**	1,349
Professional fees and other[6]	**534**	542

1. Paid to a company in which a member of key management personnel who is a director and officer of the Company has an interest.
2. Paid to a company solely controlled by a director and officer of the Company.
3. Paid to a public company that a member of key management personnel who is a director and officer of the Company has an ownership interest in: $2,888 (2019 - $3,423).
4. Paid to a company owned by a director of the Company: $nil (2019 - $395).
5. Paid to a company controlled by a member of key management personnel who is also a director and officer of the Company.
6. Paid to a company controlled by an officer of the Company.

Commitments with related parties

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

Years ending December 31	$
2021	4,166
2022	4,172
2023	4,190
2024	3,910
2025	2,455
Thereafter	13,796
	32,689

Payable to related parties

As at December 31, 2020, trade and other payables include amounts due to related parties as follows:

	2020 $	2019 $
Purchase of product[1]	**131**	18
Management fees and other[2]	**42**	96
Professional fees and other[3]	**112**	159

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

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, the President, and the Chief Financial Officer. Compensation awarded to key management is summarized as follows:

	2020 **$**	**2019** **$**
Salaries and other benefits	**3,221**	3,100
Share-based compensation	**92**	29
	3,313	3,129

24. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

	December 31, 2020		December 31, 2019	
	Carrying amount $	**Fair value $**	Carrying amount $	Fair value $
Revolving loan facility	**130,467**	**132,045**	211,940	213,874
Unsecured notes	**58,095**	**60,780**	57,424	58,026
Non-revolving term loan	**19,770**	**20,125**	22,404	22,791
Equipment term loan and equipment line	**5,272**	**5,300**	9,280	9,355

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

- The fair values of cash, trade and other receivables, cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations and dividends payable were comparable to their carrying amounts, given the short maturity periods.
- The fair values of the Company's revolving loan facility, non-revolving term loan, equipment term loan and equipment line approximate their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.
- The fair value of the Company's unsecured notes was based on the quoted active market price at December 31, 2020.
- The fair values of the Company's promissory notes and lease liabilities approximate their carrying values as they bear interest that approximates current market rates.

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.

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

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

Derivative financial instruments

The Company uses derivative financial instruments for economic hedging purposes in managing lumber price risk and foreign exchange risk through the use of futures contracts and options. Derivative instruments are measured at fair value through profit and loss, with changes in fair value recorded in net earnings.

At December 31, 2020, the Company held various outstanding foreign exchange contracts to purchase an aggregate of US$2,600 (2019 - US$3,100) for economic hedging purposes. Additionally, the Company held a nominal amount of lumber futures contracts.

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

Financial risk management

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

Financial assets include trade and other receivables, which are measured at amortized cost. Financial liabilities include cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations, dividends payable, unsecured notes, revolving loan facility, non-revolving term loan, promissory notes, lease liabilities, and equipment term loan and equipment line. All financial liabilities are measured at amortized cost.

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

Credit risk

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

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

As at December 31, 2020, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	122,670
Past due over 60 days	608
Trade receivables	123,278
Less: Allowance for doubtful accounts	(562)
	122,716

As at December 31, 2020, the maximum exposure to credit risk, including both trade and other receivables, is $131,501 (December 31, 2019 - $98,420), which represents the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

The Company is exposed to interest rate risk through its variable rate revolving loan facility, non-revolving term loan, and equipment term loan and equipment line (Note 16). Based on the Company's average revolving loan facility, non-revolving term loan, equipment term loan and equipment line balances during the year ended December 31, 2020, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $1,688 in annual net earnings.

Currency risk

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

As at December 31, 2020, a $0.05 increase in the United States dollar versus the Canadian dollar would have an insignificant impact on net earnings, and an increase in other comprehensive earnings of approximately $11,177.

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 wood products. The Company closely monitors wood product prices.

25. CHANGES IN NON-CASH WORKING CAPITAL

	2020 $	2019 $
Trade and other receivables	**(32,163)**	4,534
Inventories	**35,833**	5,807
Prepaid expenses and deposits	**(2,439)**	(2,939)
Trade and other payables	**35,140**	(116)
Performance bond obligations	**(1,971)**	(83)
	34,400	7,203

26. REVENUE

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

	2020			2019		
	Distribution $	Forestry $	Total $	Distribution $	Forestry $	Total $
Primary geographic markets						
Canada	1,010,215	29,451	**1,039,666**	866,611	40,513	**907,124**
United States	567,615	6,523	**574,138**	419,169	7,908	**427,077**
	1,577,830	35,974	**1,613,804**	1,285,780	48,421	**1,334,201**
Revenue categories						
Products	1,574,441	35,974	**1,610,415**	1,281,953	48,421	**1,330,374**
Services	3,389	-	**3,389**	3,827	-	**3,827**
	1,577,830	35,974	**1,613,804**	1,285,780	48,421	**1,334,201**

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $4,539 as at December 31, 2020 (December 31, 2019 - $4,059), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the unaudited Interim Condensed Consolidated Statement of Financial Position.

The Company has sold products to certain customers who comprise greater than 10% of its revenues. During the year ended December 31, 2020, two customers individually accounted for revenues in excess of 10%, purchasing an aggregate of $522,777 (2019 - $353,740, representing two customers).

27. SEGMENTED INFORMATION

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

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

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

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

Business segment revenues and specified expenses were as follows:

	2020				2019			
	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	1,577,830	35,974	-	**1,613,804**	1,285,780	48,421	-	**1,334,201**
Inter-segment	-	2,679	(2,679)	**-**	-	2,142	(2,142)	**-**
	1,577,830	38,653	(2,679)	**1,613,804**	1,285,780	50,563	(2,142)	**1,334,201**
Specified expenses								
Depreciation and amortization	35,057	9,592	-	**44,649**	34,288	7,523	-	**41,811**
Finance costs	14,396	1,310	-	**15,706**	19,132	2,736	-	**21,868**
Net earnings (loss)	65,202	(5,615)	-	**59,587**	17,981	(762)	-	**17,219**
Purchase of property, plant and equipment	2,336	470	-	**2,806**	3,943	3,373	-	**7,316**

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

Business segment long-term assets were as follows:

	December 31, 2020				December 31, 2019			
	Distribution $	Forestry $	Percent %	Consolidated $	Distribution $	Forestry $	Percent %	Consolidated $
Canada	177,270	103,078	59	**280,348**	170,694	116,962	59	**287,656**
United States	194,033	-	41	**194,033**	204,006	-	41	**204,006**
Long-term assets	371,303	103,078	100	**474,381**	374,700	116,962	100	**491,662**

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

	2020 %	2019 %
Construction materials	**65**	58
Specialty and allied	**29**	35
Forestry and other	**6**	7
	100	100

28. CAPITAL DISCLOSURES

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

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

The Company manages the capital structure and 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.

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

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

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

29. SEASONALITY

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

30. CONTINGENCIES

Global pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus (specifically identified as "COVID-19") a global pandemic (the "Pandemic"). COVID-19's impact on global markets has been significant through the year ended December 31, 2020, and as the situation continues to rapidly evolve, the magnitude of its effects on the economy and on the Company's financial and operational performance, is uncertain at this time.

At the time these consolidated financial statements were authorized for issuance, the Company has been classified as an essential service for the majority of its operations in Canada and the United States, and therefore has not been required to shut down. Additionally, certain jurisdictions in which the Company's customers operate have re-opened. However, due to the uncertainty of the spread of COVID-19, these or other markets may be required to close in the future. The Company has taken steps to mitigate the Pandemic's impact on its customers, operations and cash flows by optimizing its working capital, implementing salary and working hours reductions, initiating temporary employee layoffs, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures, evaluating ongoing cost savings opportunities and reducing dividends (as discussed in Note 18).

The Company will continue to closely monitor the COVID-19 situation and should the duration, spread or intensity of the Pandemic further develop, the supply chain, market pricing and customer demand could be affected.

These factors may further impact the Company's operating plan, its liquidity and cash flows, its operating results and the valuation of its long-lived assets, inventory and trade and other receivables.

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.

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year, including an immaterial reclassification between trade and other payables and opening equity as at January 1, 2019.

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CWX, CWX.NT.A