CanWel Building Materials Group Ltd.
Unaudited Interim Condensed
Consolidated Financial Statements

March 31, 2021
(in thousands of Canadian dollars)

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

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

(in thousands of Canadian dollars)	Notes	As at March 31, 2021 $	As at December 31, 2020 $
Assets			
Current assets			
Cash		**1,825**	1,972
Trade and other receivables	4	**276,438**	131,501
Income taxes receivable		**-**	1,048
Inventories	5	**308,403**	246,848
Prepaid expenses and deposits		**11,808**	11,474
		598,474	392,843
Non-current assets			
Property, plant and equipment	6	**71,401**	73,686
Right-of-use assets	7	**127,031**	127,835
Timber	8	**47,763**	47,680
Deferred income tax assets		**2,082**	2,856
Intangible assets	9	**37,253**	39,256
Goodwill	10	**179,787**	180,808
Other assets		**3,033**	2,260
		468,350	474,381
Total assets		**1,066,824**	867,224
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit		**12,640**	6,904
Trade and other payables		**124,482**	114,795
Performance bond obligations	11	**10,106**	10,655
Dividends payable	14	**12,479**	9,352
Income taxes payable		**8,908**	13,342
Current portion of loans and borrowings	12	**6,591**	7,023
Current portion of lease liabilities	7	**18,368**	18,452
		193,574	180,523
Non-current liabilities			
Loans and borrowings	12	**377,715**	209,599
Lease liabilities	7	**113,630**	113,877
Reforestation and environmental		**2,651**	1,750
Deferred income tax liabilities		**14,032**	14,525
Retirement benefit obligations	13	**3,932**	6,367
		511,960	346,118
Total liabilities		**705,534**	526,641
Equity			
Common shares	14	**499,990**	499,597
Contributed surplus		**11,190**	11,150
Foreign currency translation		**(2,917)**	266
Deficit		**(146,973)**	(170,430)
		361,290	340,583
Total liabilities and equity		**1,066,824**	867,224
Commitments and contingencies	7,23		

Interim Condensed Consolidated Statements of Earnings and Comprehensive Earnings (Unaudited)

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

(in thousands of Canadian dollars except per share amounts)	Notes	Three months ended March 31, 2021 $	2020 $
Revenue	19,20	**519,926**	326,745
Cost of sales		**429,528**	283,278
Gross margin from operations		**90,398**	43,467
Expenses			
Distribution, selling and administration		**30,376**	26,949
Depreciation of property, plant and equipment	6	**3,302**	3,134
Amortization of right-of-use assets	7	**5,306**	5,415
Amortization of intangible assets	9	**1,727**	1,747
		40,711	37,245
Operating earnings		**49,687**	6,222
Finance costs	15	**3,579**	5,042
Earnings before income taxes		**46,108**	1,180
Provision for (recovery of) income taxes			
Current income tax		**12,226**	565
Deferred income tax recovery		**(275)**	(235)
		11,951	330
Net earnings		**34,157**	850
Other comprehensive (loss) income			
Exchange differences on translation of foreign operations[1]		**(3,183)**	17,333
Net actuarial income (loss) from pension and other benefit plans[2]		**1,785**	(778)
		(1,398)	16,555
Comprehensive earnings		**32,759**	17,405
Net earnings per share			
Basic and diluted		**0.44**	0.01
Weighted average number of shares			
Basic		**77,983,764**	77,816,740
Diluted		**78,038,029**	77,816,740

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

Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)

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

(in thousands of Canadian dollars except share amounts)	Common shares #	Common shares $	Contributed surplus $	Foreign currency translation $	Deficit $	Total $
As at December 31, 2020	77,935,719	499,597	11,150	266	(170,430)	340,583
Shares issued pursuant to:						
Employee Common Share Purchase Plan	61,036	393	-	-	-	393
Share-based compensation charged to operations		-	34	-	-	34
Accrued dividends on unvested restricted shares		-	6	-	(6)	-
Dividends		-	-	-	(12,479)	(12,479)
Comprehensive (loss) earnings for the period		-	-	(3,183)	35,942	32,759
As at March 31, 2021	**77,996,755**	**499,990**	**11,190**	**(2,917)**	**(146,973)**	**361,290**
As at December 31, 2019	77,765,329	498,891	11,066	5,940	(187,579)	328,318
Shares issued pursuant to:						
Employee Common Share Purchase Plan	67,804	319	-	-	-	319
Dividends		-	-	-	(10,897)	(10,897)
Comprehensive earnings for the period		-	-	17,333	72	17,405
As at March 31, 2020	**77,833,133**	**499,210**	**11,066**	**23,273**	**(198,404)**	**335,145**

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Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

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

		Three months ended March 31,	
		2021	2020
(in thousands of Canadian dollars)	Notes	$	$
Operating activities			
Net earnings for the period		**34,157**	850
Items not affecting cash:			
Provision for income taxes		**11,951**	330
Depreciation and amortization	6,7,9	**10,335**	10,296
Fair value adjustments	8	**(466)**	23
Timber harvested	8	**451**	674
Other		**(651)**	(217)
Income taxes paid		**(15,591)**	(1,413)
Interest paid on loans and borrowings and other		**(1,320)**	(2,198)
Finance costs	15	**3,579**	5,042
Cash flows from operating activities before changes in non-cash working capital		**42,445**	13,387
Changes in non-cash working capital	18	**(197,579)**	(74,754)
Net cash flows used in operating activities		**(155,134)**	(61,367)
Financing activities			
Dividends paid	14	**(9,352)**	(10,887)
Payment of lease liabilities, including interest	7	**(5,844)**	(6,491)
Net advances on loans and borrowings		**167,339**	78,298
Other		**384**	213
Net cash flows provided by financing activities		**152,527**	61,133
Investing activities			
Purchase of property, plant and equipment	6	**(1,459)**	(957)
Proceeds from disposition of property, plant and equipment		**141**	49
Net cash flows used in investing activities		**(1,318)**	(908)
Decrease in cash and cash equivalents		**(3,925)**	(1,142)
Foreign exchange difference		**(1,958)**	946
Cash and cash equivalents - beginning of period		**(4,932)**	(8,000)
Cash and cash equivalents - end of period		**(10,815)**	(8,196)

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 AND STATEMENT OF COMPLIANCE

a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), on a basis consistent with the accounting policies disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2020.

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on May 7, 2021 by the Board of Directors of the Company.

b) Basis of presentation

These unaudited Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. The notes presented in these unaudited Interim Condensed Consolidated Financial Statements include in general only significant changes and transactions occurring since the Company's last year-end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. These unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited Annual Consolidated Financial Statements, including the notes thereto, for the year ended December 31, 2020.

c) Functional and presentation currency

These unaudited Interim Condensed Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2020 have been consistently applied to all periods in the preparation of these unaudited Interim Condensed Consolidated Financial Statements.

4. 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:

	March 31, 2021 $	December 31, 2020 $
Trade receivables	**270,731**	123,278
Allowance for doubtful accounts	**(483)**	(562)
Net trade receivables	**270,248**	122,716
Other receivables	**6,190**	8,785
Total trade and other receivables	**276,438**	131,501

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

	March 31, 2021 $	December 31, 2020 $
Neither past due nor impaired	**265,960**	121,449
Past due but not impaired:		
Less than 1 month	**7,525**	5,194
1 to 3 months	**2,702**	4,408
3 to 6 months	**251**	450
Total trade and other receivables	**276,438**	131,501

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

	$
Balance at December 31, 2020	562
Accruals and adjustments during the period	(58)
Accounts written off	(18)
Foreign exchange difference	(3)
Balance at March 31, 2021	**483**

The Company holds no collateral for any receivable amounts outstanding as at March 31, 2021.

Further information on the valuation of trade and other receivables is disclosed in Note 23.

5. INVENTORIES

	March 31, 2021 $	December 31, 2020 $
Inventories held for resale	**204,416**	182,723
Inventories held for processing	**103,987**	64,125
	308,403	246,848

Further information on the valuation of inventories is disclosed in Note 23.

6. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings, leasehold improvements and roads $	Machinery, automotive and other equipment $	Computer equipment and systems development $	Total $
Cost					
Cost at December 31, 2020	31,238	23,963	83,072	5,681	143,954
Additions	-	101	1,317	41	1,459
Disposals	(103)	-	(843)	-	(946)
Foreign exchange difference	-	(34)	(313)	(6)	(353)
Cost at March 31, 2021	**31,135**	**24,030**	**83,233**	**5,716**	**144,114**
Accumulated depreciation					
Accumulated depreciation at December 31, 2020	-	7,794	57,412	5,062	70,268
Depreciation	-	647	2,584	71	3,302
Disposals	-	-	(717)	-	(717)
Foreign exchange difference	-	(12)	(126)	(2)	(140)
Accumulated depreciation at March 31, 2021	**-**	**8,429**	**59,153**	**5,131**	**72,713**
Net book value at December 31, 2020	31,238	16,169	25,660	619	73,686
Net book value at March 31, 2021	**31,135**	**15,601**	**24,080**	**585**	**71,401**

7. 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 quarter ended March 31, 2021, the Company revised certain assumptions regarding determination of the expected lease term, minimum lease payments and the assessment of the likelihood of exercising extension options with respect to several of the Company's facility leases. These revised assumptions were treated as a lease modification and resulted in a remeasurement, which increased the existing right-of-use assets and lease liabilities by $4,922.

Right-of-use assets

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
Balance at December 31, 2020	113,660	13,916	259	127,835
Additions	-	242	-	242
Lease modifications and other remeasurements	4,987	5	-	4,992
Amortization	(4,081)	(1,185)	(40)	(5,306)
Foreign exchange movements	(676)	(55)	(1)	(732)
Balance at March 31, 2021	**113,890**	**12,923**	**218**	**127,031**

Lease liabilities

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
Balance at December 31, 2020	117,787	14,278	264	132,329
Additions	-	242	-	242
Finance costs	934	120	3	1,057
Lease payments	(4,518)	(1,284)	(42)	(5,844)
Lease modifications and other remeasurements	4,987	5	-	4,992
Foreign exchange movements	(712)	(65)	(1)	(778)
Balance at March 31, 2021	118,478	13,296	224	131,998
Less: current portion	(13,843)	(4,384)	(141)	(18,368)
	104,635	**8,912**	**83**	**113,630**

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

Lease commitments

Future undiscounted payments due under the terms of all agreements, including these leases, are as follows (including certain leases with related parties, as disclosed in Note 16):

Years ending December 31	$
Remainder of 2021	**18,687**
2022	**23,440**
2023	**21,809**
2024	**17,483**
2025	**12,476**
Thereafter	**53,999**
	147,894

8. TIMBER

	$
Balance at December 31, 2020	47,680
Reforestation provision on harvested land	68
Harvested timber transferred to inventory in the period	(451)
Change in fair value	466
Balance at March 31, 2021	**47,763**

The Company's private timberlands comprise an area of approximately 45,983 hectares ("ha") of land as at March 31, 2021 (2020 - 45,983 ha) with standing timber consisting of mixed-species softwood forests.

During the three-month period ended March 31, 2021, the Company harvested approximately 32,547 cubic metres ("m^3") from its private timberlands (2020 - 62,949 m^3).

9. INTANGIBLE ASSETS

	Canadian operations $	US operations $	Value-added services $	Forestry operations $	Total $
Cost					
Cost at December 31, 2020	10,000	53,100	1,633	8,356	73,089
Additions	-	-	-	104	104
Foreign exchange difference	-	(655)	-	-	(655)
Cost at March 31, 2021	**10,000**	**52,445**	**1,633**	**8,460**	**72,538**
Accumulated amortization					
Accumulated amortization at December 31, 2020	10,000	21,518	1,224	1,091	33,833
Amortization	-	1,347	41	339	1,727
Foreign exchange difference	-	(275)	-	-	(275)
Accumulated amortization at March 31, 2021	**10,000**	**22,590**	**1,265**	**1,430**	**35,285**
Net intangible assets at December 31, 2020	-	31,582	409	7,265	39,256
Net intangible assets at March 31, 2021	**-**	**29,855**	**368**	**7,030**	**37,253**

Intangible assets at March 31, 2021 relate to customer lists and trade names for the Distribution business segment and harvesting rights for the Company's Forestry business segment, as described in Note 20.

10. GOODWILL

	Canadian operations $	US operations $	Value-added services $	Total $
Balance at December 31, 2020	62,624	82,837	35,347	180,808
Foreign exchange difference	-	(1,021)	-	(1,021)
Balance at March 31, 2021	**62,624**	**81,816**	**35,347**	**179,787**

Goodwill at March 31, 2021 relates to the Company's Distribution business segment, as described in Note 20.

11. 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.

	March 31, 2021 $	December 31, 2020 $
Funds received on bonding obligations[1]	**74,662**	88,041
Payments made on bonding obligations[1]	**(64,932)**	(77,755)
Receipts in excess of payments	**9,730**	10,286
Provision for loss on bonds	**376**	369
	10,106	10,655

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

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

	$
Balance at December 31, 2020	10,655
Net payments on bonding obligations during the period	(433)
Change in provision for loss on bonds	12
Foreign exchange difference	(128)
Balance at March 31, 2021	**10,106**

Total gross bonding contracts on all outstanding projects at March 31, 2021 were $112,264 (December 31, 2020 - $133,386).

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.

12. LOANS AND BORROWINGS

	March 31, 2021				December 31, 2020			
	Face value	Carrying amount	Current portion	Non-current portion	Face value	Carrying amount	Current portion	Non-current portion
	$	$	$	$	$	$	$	$
Revolving loan facility	**300,818**	**299,357**	**-**	**299,357**	132,045	130,467	-	130,467
Unsecured notes	**60,000**	**58,266**	**-**	**58,266**	60,000	58,095	-	58,095
Non-revolving term loan	**19,458**	**19,117**	**2,667**	**16,450**	20,125	19,770	2,667	17,103
Promissory note	**2,940**	**2,940**	**2,029**	**911**	3,018	3,018	2,100	918
Equipment term loan, equipment line and other loans	**4,643**	**4,626**	**1,895**	**2,731**	5,300	5,272	2,256	3,016
	387,859	**384,306**	**6,591**	**377,715**	220,488	216,622	7,023	209,599

The terms and conditions of the revolving loan facility are consistent with those disclosed in Note 16 to the 2020 audited Annual Consolidated Financial Statements.

The Company was not in breach of any of its covenants during the period ended March 31, 2021.

13. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company's pension and post-retirement benefit plans for the quarter ended March 31, 2021 was $407 (2020 - $437). These expenses have been included in distribution, selling and administration costs and finance costs in the unaudited Interim Condensed Consolidated Statement of Earnings.

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

	March 31, 2021	December 31, 2020
	$	$
Pension benefit plan	**1,846**	4,101
Other benefit plans	**2,086**	2,266
	3,932	6,367

Further information about these plans is disclosed in Note 17 to the 2020 audited Annual Consolidated Financial Statements.

14. 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 ("NCIB")

In 2020, the Company renewed its 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 March 31, 2021		**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:

	Three months ended March 31, 2021 #	2020 #
Balance at January 1	**53,424**	-
Additional RSUs earned as notional dividends	**841**	-
Balance at March 31	**54,265**	-

Compensation expense in respect of RSUs for the quarter ended March 31, 2021 was $34 (2020 - $nil).

Employee Common Share Purchase Plan ("ECSPP")

For the quarter ended March 31, 2021, the Company has issued 61,036 (2020 - 67,804) common shares from treasury for gross proceeds of $393 (2020 - $319), pursuant to the ECSPP.

Dividend

The following dividends were declared and paid by the Company:

	2021				2020			
	Declared				Declared			
	Record Date	Per share $	Amount $	Payment date	Record date	Per share $	Amount $	Payment date
Quarter 1	Mar 31, 2021[1]	0.16	12,479	Apr 15, 2021	Mar 31, 2020	0.14	10,897	Apr 15, 2020
		0.16	**12,479**			**0.14**	**10,897**	
Quarter 2					Jun 30, 2020	0.14	10,898	Jul 15, 2020
Quarter 3					Sep 30, 2020	0.12	9,352	Oct 15, 2020
Quarter 4					Dec 31, 2020	0.12	9,352	Jan 15, 2021
						0.52	**40,499**	

1. Includes the regular quarterly dividend of $0.12 per share and a one-time special dividend of $0.04 per share.

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.

In addition to the regular quarterly dividend of $0.12 per share, on March 11, 2021, the Company announced a one-time special dividend of $0.04 per share, both payable on April 15, 2021, to shareholders of record at the close of business on March 31, 2021.

15. FINANCE COSTS

Finance costs include the following:

	Three months ended March 31, 2021 $	2020 $
Loans and borrowings	**2,245**	3,371
Lease liabilities	**1,057**	1,206
Other	**(81)**	(34)
Net cash interest	**3,221**	4,543
Amortization of financing costs	**321**	469
Interest on net defined benefit liability	**37**	30
	3,579	5,042

16. RELATED PARTY TRANSACTIONS

Transactions

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

	Three months ended March 31,	
	2021	**2020**
	$	**$**
Leased facilities: distribution[1] and treatment plants[2]	**1,042**	980
Purchase of product[3]	**900**	641
Management fees and other[4]	**238**	233
Professional fees and other[5]	**134**	134

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

Commitments with related parties

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

Years ending December 31	$
Remainder of 2021	**3,125**
2022	**4,172**
2023	**4,190**
2024	**3,910**
2025	**2,455**
Thereafter	**13,796**
	31,648

Payable to related parties

As at March 31, 2021, trade and other payables include amounts due to related parties as follows:

	March 31, 2021 $	December 31, 2020 $
Purchase of product(1)	**167**	131
Management fees and other(2)	**50**	42
Professional fees and other(3)	**112**	112

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.

17. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

	March 31, 2021		December 31, 2020	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Revolving loan facility	**299,357**	**300,818**	130,467	132,045
Unsecured notes	**58,266**	**62,400**	58,095	60,780
Non-revolving term loan	**19,117**	**19,458**	19,770	20,125
Equipment term loan and equipment line	**4,626**	**4,643**	5,272	5,300

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, and equipment term loan, equipment line and other approximate their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.

- The fair value of the Company's unsecured notes was based on the quoted active market price at March 31, 2021.

- 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 15.

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.

As at March 31, 2021, the Company held no outstanding foreign exchange contracts (December 31, 2020 - US$2,600) 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 March 31, 2021, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	270,318
Past due over 60 days	413
Trade receivables	270,731
Less: Allowance for doubtful accounts	(483)
	270,248

As at March 31, 2021, the maximum exposure to credit risk, including both trade and other receivables, was $276,438 (December 31, 2020 - $131,501), which represents the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

The Company is exposed to interest rate risk through its variable rate revolving loan facility, non-revolving term loan, and equipment term loan and equipment line (Note 12). Based on the Company's average revolving loan facility, non-revolving term loan, equipment term loan and equipment line balances during the period ended March 31, 2021, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $460 in quarterly 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 March 31, 2021, a quarterly increase of $0.05 in the United States dollar versus the Canadian dollar would have an insignificant impact on quarterly net earnings, and an increase in other comprehensive earnings of approximately $10,247.

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.

18. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended March 31, 2021 $	2020 $
Trade and other receivables	**(144,231)**	(78,818)
Inventories	**(62,548)**	(13,869)
Prepaid expenses and deposits	**(268)**	(652)
Trade and other payables	**9,889**	19,044
Performance bond obligations	**(421)**	(459)
	(197,579)	(74,754)

19. REVENUE

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

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Distribution $	Forestry $	Total $	Distribution $	Forestry $	Total $
Primary geographic markets						
Canada	344,677	8,345	**353,022**	189,936	7,359	197,295
United States	165,148	1,756	**166,904**	127,210	2,240	129,450
	509,825	10,101	**519,926**	317,146	9,599	326,745
Revenue categories						
Products	509,805	10,101	**519,906**	316,400	9,599	325,999
Services	20	-	**20**	746	-	746
	509,825	10,101	**519,926**	317,146	9,599	326,745

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $4,565 as at March 31, 2021 (December 31, 2020 - $4,539), 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 quarter ended March 31, 2021, two customers individually accounted for revenues in excess of 10%, purchasing an aggregate of $180,552 (2020 - $75,455, representing two customers).

20. 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:

	Three months ended March 31, 2021				Three months ended March 31, 2020			
	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $	Distribution $	Forestry $	Adjustments and eliminations[1] $	Consolidated $
Revenue								
External customers	509,825	10,101	-	**519,926**	317,146	9,599	-	**326,745**
Inter-segment	-	404	(404)	**-**	-	623	(623)	**-**
	509,825	10,505	(404)	**519,926**	317,146	10,222	(623)	**326,745**
Specified expenses								
Depreciation and amortization	8,390	1,945	-	**10,335**	8,431	1,865	-	**10,296**
Finance costs	3,204	375	-	**3,579**	4,597	445	-	**5,042**
Net earnings (loss)	34,751	(594)	-	**34,157**	1,475	(625)	-	**850**
Purchase of property, plant and equipment	1,300	159	-	**1,459**	843	114	-	**957**

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:

	March 31, 2021				December 31, 2020			
	Distribution $	Forestry $	Percent %	Consolidated $	Distribution $	Forestry $	Percent %	Consolidated $
Canada	178,705	101,461	60	**280,166**	177,270	103,078	59	**280,348**
United States	188,184	-	40	**188,184**	194,033	-	41	**194,033**
Long-term assets	366,889	101,461	100	**468,350**	371,303	103,078	100	**474,381**

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

	Three months ended March 31,	
	2021 %	2020 %
Construction materials	**72**	62
Specialty and allied	**23**	32
Forestry and other	**5**	6
	100	100

21. 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 period.

22. 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.

23. 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 quarter ended March 31, 2021 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 unaudited Interim Condensed 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 regular quarterly dividends (as discussed in Note 14).

The Company will continue to closely monitor the COVID-19 situation and should the duration, spread or intensity of the Pandemic further develop in 2021, 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.

24. COMPARATIVE FIGURES

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

25. EVENTS AFTER THE FINANCIAL STATEMENT DATE

Offering of senior unsecured notes

On April 29, 2021, the Company entered into an underwriting agreement to sell $325,000 in senior unsecured notes (the “Unsecured Notes”). The offering is underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including National Bank Financial Inc. and RBC Dominion Securities Inc.

The Unsecured Notes accrue interest at the rate of 5.25% per annum, payable on a semi-annual basis, maturing on May 15, 2026. Cash proceeds raised from the Unsecured Notes, net of issuance costs, will be primarily used to repay the Company’s existing revolving loan facility, which at March 31, 2021 had a balance of $300,818, and for working capital and general corporate purposes. The Company will have the ability to redraw the revolving loan facility in the future to fund potential acquisitions and for other corporate purposes.

Public offering of common shares

On April 21, 2021, the Company announced a public offering of 7,500,000 common shares, by way of a short form prospectus, at a price of $10.00 each for gross proceeds of $75,000, with an underwriters’ option to purchase up to an additional 1,125,000 common shares at the same price (the “Public Offering”). In the event that the option is exercised in its entirety, the aggregate gross proceeds will be $86,250. The Public Offering is pursuant to a bought deal underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and National Bank Financial Inc., and is expected to close on or about May 11, 2021.

Cash proceeds raised from the Public Offering, net of issuance costs, will be used for reducing the Company’s existing loans and borrowings, which will provide the Company with readily available capital for future acquisitions and other growth investments.

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