Doman Building Materials Group Ltd.

Annual Report 2021

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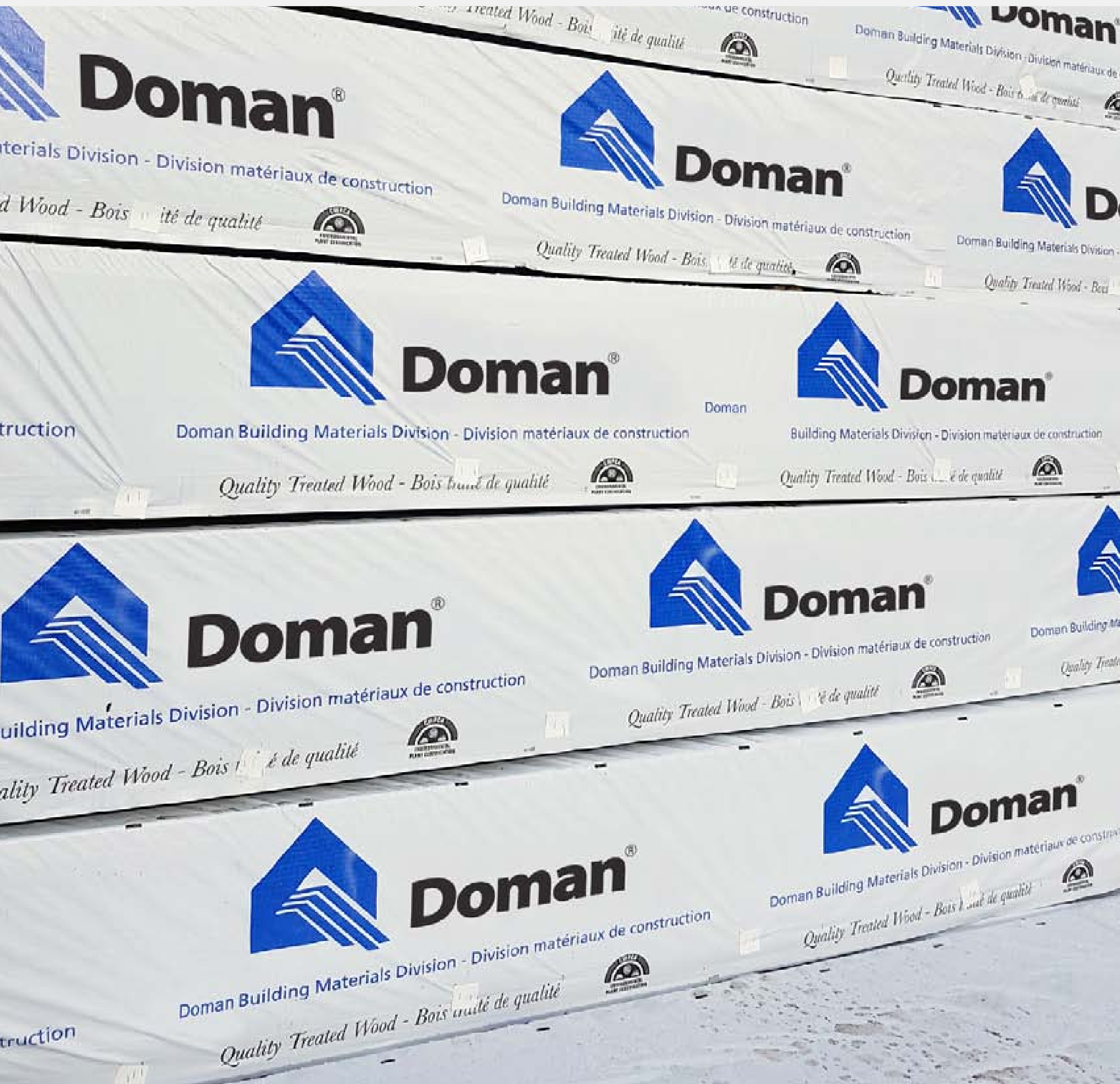

Doman®

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Letter to Shareholders

2021 witnessed the world of work and industry continue to go through tremendous changes, as we entered the second year of the COVID-19 global pandemic. Looking back at the year, it was an extraordinary time as everyone worked through another round of new challenges and concerns; all of them shared by the entire Doman Group family. Throughout this time, by focusing on our longstanding core values of cost control, emphasizing efficiency, prioritizing strong cash flow and strategically deploying capital, we have entered the new year stronger and as a completely different company than before COVID-19.

I am very proud of all our employees and our leadership team for their tireless efforts which allowed us to achieve this transformation, and which resulted in continued safety and business stability across our Canadian and American operations throughout the year.

Even with all these challenges, we maintained focus and discipline on supporting the needs of our customers with the utmost level of quality and service, while working through a highly volatile pricing environment for our wood products throughout the year. In parallel, we continued our pursuit of strategic growth opportunities, which resulted in a significant expansion of our footprint and presence in the U.S. market through the US$408 million acquisition of Texas-based Hixson Lumber Sales. This is a transformational acquisition for your Company. The combination of these efforts resulted in revenues, gross profit, EBITDA and net earnings reaching new record levels.

We were once again humbled by the level of interest and support by the capital markets. We successfully completed a $325 million senior unsecured note offering as well as an $86.25 million equity bought deal offering during the second quarter of 2021, which offerings had tremendous support. The proceeds were used for significant reduction of our revolving credit facility, allowing us to develop, refine and fund our acquisition plans as well as our larger working capital requirements.

In connection with completing the Hixson acquisition in the U.S. and bolstering our balance sheet to support the nearly doubling of our book of business, we changed our corporate identity to Doman Building Materials Group Ltd. (TSX.DBM), to reflect the Company's strategic growth and evolution from its legacy business to where we are today with growing operations across Canada, the continental United States and Hawaii. The CanWel brand will maintain its important place in our organization, albeit now as part of a much larger enterprise.

With a strong and successful 2021 which included some unprecedented times now largely behind us, 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. We look forward to taking your Company into 2022 and the new challenges before us.

Sincerely,

Amar S. Doman

Chairman and CEO

Doman Building Materials Group Ltd.

Management's Discussion and Analysis

March 3, 2022

This Management's Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted Doman Building Materials Group Ltd. (formerly, "CanWel Building Materials Group Ltd.") (the "Company"), in the quarter and year ended December 31, 2021 relative to 2020. 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, 2021 (the "2021 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 2021 Consolidated Financial Statements and the 2021 Letter to Shareholders (the "2021 Reporting Documents") contains 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 2021 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 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 2021 Reporting Documents and are subject to risks which are described in the Company's current Annual Information Form dated March 12, 2021 ("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 geopolitical conflicts, 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, the impact of COVID-19, 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, including the impacts of climate change, 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 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 2021 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in the 2021 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 2021 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 2021 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 2021 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 2021 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 3, 2022, unless otherwise indicated. All amounts are reported in Canadian dollars.

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1. In the discussion, reference is made to Earnings before Interest, Tax, Depreciation and Amortization ("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 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 EBITDA and Adjusted EBITDA".
3. In discussion, reference is made to Net earnings before directly attributable acquisition related costs. 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. Net earnings before directly attributable acquisition related costs is presented as management believes it is a useful indicator of the Company's operating results, before non-recurring items. Net earnings before directly attributable acquisition related costs 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 Net earnings before directly attributable acquisition relates costs to the most directly comparable measures calculated in accordance with IFRS refer to "Reconciliation of Net Earnings to Net Earnings before Directly Attributable Acquisition Relates Costs".

Business Overview

The Company operates through its wholly owned subsidiaries, distributing, producing and treating lumber as well as related building materials, and providing other value-add services across Canada and in the US. 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, and agricultural post-peeling and pressure treating through CanWel Fibre Corp. After acquisition of its California Cascade business in 2015, 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. In 2019, the Company acquired Lignum Forest Products LLP, 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. On June 4, 2021, the Company completed the acquisition of the Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition"), a leading wholesaler and manufacturer of lumber and treated lumber operating in the Central United States. On June 22, 2021, the Company completed the acquisition of Fontana Wood Preserving, Inc. and Fontana Wholesale Lumber, Inc. (now doing business as, L.A. Lumber Treating, Ltd.) (the "L.A. Lumber Acquisition"), a lumber pressure treating plant in Fontana, California.

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.

Although many restrictions related to COVID-19 have been recently eased, the Company continues to take specific health and safety measures, 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, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures, evaluating ongoing cost savings opportunities and adjusting regular quarterly dividends, as required (for further information, see "Dividend Policy"). 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.

Business Acquisitions (the "Acquisitions")

Purchase of Hixson Lumber Sales Group

On June 4, 2021, the Company completed the acquisition of certain assets of Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition"), a leading wholesaler and manufacturer of lumber and treated lumber, operating in the Central United States.

Total purchase consideration comprised of US$408.0 million, on a cash-free and debt-free basis. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Hixson Acquisition. Further information regarding the preliminary purchase price allocation is contained in Note 6 of the 2021 Consolidated Financial Statements.

Purchase of L.A. Lumber Treating, Ltd.

On June 22, 2021, the Company completed the acquisition of certain assets of Fontana Wood Preserving, Inc. and Fontana Wholesale Lumber, Inc. (through the Company's wholly owned subsidiary, and now doing business as, L.A. Lumber Treating, Ltd.) (the "L.A. Lumber Acquisition").

Further information regarding the preliminary purchase price allocation is contained in Note 6 of the 2021 Consolidated Financial Statements.

Purchase of Island Truss

On November 9, 2020, the Company completed the acquisition of certain assets 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 6 of the 2021 Consolidated Financial Statements.

Private Placement of Senior Unsecured Notes

On May 10, 2021, the Company completed a private placement of senior unsecured notes (the "2026 Unsecured Notes") denominated in principal amounts of one thousand dollars, resulting in gross proceeds of $325.0 million. The offering was underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including National Bank Financial Inc. and RBC Dominion Securities Inc.

The 2026 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 2026 Unsecured Notes, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

Public Offering of Common Shares

On May 11, 2021, the Company completed 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 $75.0 million, with an underwriters' option to purchase up to an additional 1,125,000 common shares at the same price (the "Option") (collectively, the "Public Offering"). The entire Option was exercised and the aggregate gross proceeds were $86.3 million. The Public Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and National Bank Financial Inc.

Cash proceeds raised from the Public Offering, net of issuance costs, reduced the Company's existing loans and borrowings in May 2021.

Amendment to Revolving Loan Facility

The Company's revolving loan facility is provided by a lending syndicate and matures on December 6, 2024. On June 4, 2021, concurrent with the Hixson Acquisition, the Company amended its existing revolving loan facility. The maximum credit available was increased from $360.0 million to $500.0 million, with the maturity date remaining unchanged.

Additional information regarding these transactions is contained in Note 15 of the 2021 Consolidated Financial Statements.

Foreign Exchange Forward Contracts

In order to reduce exposure to fluctuations in the US - Canada dollar exchange rate with respect to the Hixson Acquisition, the Company entered into a foreign exchange contract to purchase US$200.0 million at an exchange rate of 1.21665. A realized loss totaling $1.3 million was recorded in Other loss. Upon the closing of the Hixson Acquisition, the total purchased US funds under the contract were used as partial consideration for the transaction.

Normal Course Issuer Bid

The Company renewed its existing Normal Course Issuer Bid ("NCIB") on November 24, 2021. 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 17 of the 2021 Consolidated Financial Statements.

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. 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 271,198 in 2021 versus 217,802 in 2020, an increase of 24.5%. The seasonally adjusted annualized rate for single detached units, a more relevant indicator for the Company, amounted to 74,769 in the fourth quarter of 2021 versus 69,443 in the comparative period of 2020, an increase of 7.7%(1).

The seasonally adjusted annualized rate for overall US housing starts was an average of 1,587,000 units in 2021 versus 1,380,300 units in 2020, an increase of 15.0%(2).

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".

Construction Materials Pricing

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

	2021				2020			
(In Canadian $)	**31 - Dec**	**30 - Sep**	**30 - Jun**	**31 - Mar**	**31 - Dec**	**30 - Sep**	**30 - Jun**	**31 - Mar**
Lumber	**920**	696	1,697	1,329	914	1,025	540	558
Plywood	**621**	811	1,465	1,041	784	677	470	438
OSB	**603**	871	1,725	1,150	845	705	363	343

Lumber, plywood and OSB prices experienced unprecedented increases in the second half of 2020 and during the first half of 2021, primarily impacted by a combination of limited supply and elevated demand. Production curtailments by major producers, along with transportation challenges earlier in 2020 contributed to low levels of supply chain inventory, while home construction activity and the repair and remodel market increased after the onset of COVID-19. Prices reached a peak in May 2021 and began to decline sharply near the end of the second quarter ultimately levelling off in August 2021, and largely offsetting some of the price gains made since June 2020. However, pricing began to increase again towards the end of 2021, continuing to be driven by limited availability of supply chain inventory.

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 underlying construction materials costs of its products.

The Company's gross margins are impacted by, among other things, 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, use of lumber futures contracts 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.

Results of Operations

Selected Annual Information

	Fiscal Years Ended December 31,		
(in $ millions, per share in dollars)	2021	2020	2019
Sales	**2,543.7**	1,613.8	1,334.2
Earnings before income taxes	**138.5**	82.0	22.1
Net earnings	**106.5**	59.6	17.2
Adjusted net earnings(1)	**110.3**	60.0	17.5
Net earnings per share (basic and diluted)	**1.27**	0.77	0.22
Adjusted net earnings per share (basic and diluted)(1)	**1.32**	0.78	0.22
Total assets	**1,538.2**	867.2	894.4
Long-term debt(2)	**803.9**	323.5	401.4
Total debt	**827.6**	349.0	428.1
Dividends declared to shareholders	**45.4**	40.5	43.5
Dividends declared to shareholders (per share)	**0.54**	0.52	0.56
Weighted average shares outstanding (basic)	**83,554,517**	77,878,231	77,714,660
Weighted average shares outstanding (diluted)	**83,611,759**	77,930,715	77,714,660
Total shares outstanding	**86,694,158**	77,935,719	77,765,329

1. Net earnings before directly attributable acquisition related costs (non-IFRS measure).
2. Non-current portion of loans and borrowings and lease liabilities; further information is contained in Notes 10 and 15 of the Consolidated Financial Statements.

Comparison of the Year Ended December 31, 2021 and December 31, 2020

Overall Performance

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

	Year ended December 31, 2021			Year ended December 31, 2020		
(in thousands of dollars)	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	2,504,889	38,785	**2,543,674**	1,577,830	35,974	**1,613,804**
Specified expenses						
Depreciation and amortization	49,126	5,937	**55,063**	35,057	9,592	**44,649**
Finance costs	25,790	1,348	**27,138**	14,396	1,310	**15,706**
Net earnings (loss)	106,569	(60)	**106,509**	65,202	(5,615)	**59,587**

Sales and Gross Margin

Sales for the year ended December 31, 2021 were $2.54 billion versus $1.61 billion in 2020, representing an increase of $929.9 million or 57.6%, due to the factors discussed below.

Sales for the Building Materials segment increased by $927.1 million or 58.8%, largely due to the results from the Acquisitions (increase in sales of approximately 34.5%), with the balance of the increase attributable to the improvements in product pricing within the Company's legacy operations. Quarantine-related activities continued to drive demand and unprecedented pricing increases through the first half of 2021, before reaching a peak in May 2021 and declining sharply until August 2021, but only partially offsetting the impact of the price gains made during the first half of 2021.

The Company's sales in the year were made up of 74% of construction materials, compared to 65% last year, with the remaining balance of sales resulting from specialty and allied products of 22% (2020 - 29%) and other of 4% (2020 - 6%).

Gross margin dollars increased to $391.0 million in the current year, versus $256.2 million in 2020, an increase of $134.8 million. Gross margin percentage was 15.4% during the year, overall a slight decrease from the 15.9% achieved in 2020. The Company's margins benefited from the results achieved by the Acquisitions, as well as the previously discussed improvements in construction materials pricing for the Company's legacy operations during the first half of 2021. These first-half margin improvements were partially offset by the impact of price declines during the second half of the year, which resulted in lower margin percentages for the third and fourth quarters of 2021 relative to the same periods in 2020.

Expenses

Expenses for the year ended December 31, 2021 were $219.1 million versus $157.8 million in 2020, an increase of $61.3 million or 38.8% due to the factors discussed below. As a percentage of sales, 2021 expenses were 8.6%, versus 9.8% in 2020.

Distribution, selling and administration expenses increased by $50.9 million or 45.0%, to $164.1 million, versus $113.2 million in 2020, largely due to additional operating expenses of the Acquisitions. As a percentage of sales, these expenses were 6.5% in the year, compared to 7.0% in 2020.

Depreciation and amortization expenses increased by $10.4 million or 23.3%, from $44.6 million to $55.1 million. Depreciation and amortization expenses for the Building Materials segment increased by $14.1 million, largely as a result of the Acquisitions.

Operating Earnings

For the year ended December 31, 2021, operating earnings were $171.9 million versus $98.4 million in 2020, an increase of $73.5 million due to the foregoing factors.

Finance Costs

Finance costs for the year ended December 31, 2021 were $27.1 million, versus $15.7 million in 2020, an increase of $11.4 million or 72.8% largely as a result of the additional finance costs related to the 2026 Unsecured Notes.

Acquisition Costs

Directly attributable acquisition costs during the year were $4.9 million, versus $620,000 in 2020. In 2021, these costs included due diligence, legal, environmental, financial, management resources and other advisory services directly attributable to the Hixson Acquisition and the L.A. Lumber Acquisition. In 2020, these costs were attributable to the Island Truss Acquisition.

Earnings before Income Taxes

For the year ended December 31, 2021, earnings before income taxes were $138.5 million versus $82.0 million in 2020, an increase of $56.5 million due to the foregoing factors.

Provision for Income Taxes

For the year ended December 31, 2021, the provision for income taxes was $32.0 million compared to $22.5 million in 2020, an increase of $9.5 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, 2021 were $106.5 million versus $59.6 million in 2020, an increase of $46.9 million, as discussed above.

Fourth Quarter Results

A summary of the unaudited results for the quarter ended December 31, 2021 and 2020 is as follows:

	Three months ended December 31,	
(in $ thousands, per share in dollars)	**2021** **$**	**2020** **$**
Sales	**641,636**	401,977
Gross margin	**88,735**	66,972
Gross margin %	***13.8%***	*16.7%*
Distribution, selling and administration expenses	**51,548**	30,263
Depreciation and amortization	**15,449**	12,469
Expenses	**66,997**	42,732
Operating earnings	**21,738**	24,240
Finance costs	**8,414**	2,932
Acquisition costs	**-**	620
Other loss	**84**	-
Earnings before income taxes	**13,240**	20,688
Provision for income taxes	**1,631**	5,677
Net earnings	**11,609**	15,011
Net earnings per share(1)	**0.13**	0.19

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, 2021			Three months ended December 31, 2020		
(in thousands of dollars)	**Building Materials $**	**Other $**	**Total $**	**Building Materials $**	**Other $**	**Total $**
Revenue	633,785	7,851	**641,636**	392,597	9,380	**401,977**
Specified expenses						
Depreciation and amortization	14,519	930	**15,449**	8,655	3,814	**12,469**
Finance costs	8,114	300	**8,414**	2,668	264	**2,932**
Net earnings (loss)	11,653	(44)	**11,609**	17,789	(2,778)	**15,011**

Sales and Gross Margin

Sales for the three-month period ended December 31, 2021 were $641.6 million versus $402.0 million in 2020, representing an increase of $239.7 million or 59.6% due to the factors discussed below.

Sales for the Building Materials segment increased by $241.2 million or 61.4%, largely due to contributions from the Acquisitions (increase in sales of approximately 67.5%), which was partially offset by a decrease attributable to the Company's legacy operations, as a result of the previously discussed construction materials price declines during the second half of 2021.

The Company's sales in the quarter were made up of 76% of construction materials, compared to 67% during the same quarter last year, with the remaining balance of sales resulting from specialty and allied products of 21% (2020 - 27%) and other of 3% (2020 - 6%).

Gross margin dollars were $88.7 million in the three-month period versus $67.0 million in the comparative quarter of 2020, an increase of $21.8 million. Gross margin percentage was 13.8% in the quarter, a decrease from 16.7% achieved in the same quarter of 2020. The Company's dollar margins benefited from contributions by the Acquisitions, partially offset by the impact of price declines during the second half of the year, which resulted in lower margin percentages for the fourth quarter of 2021 relative to the same period in 2020.

Expenses

Expenses for the three-month period ended December 31, 2021 were $67.0 million as compared to $42.7 million for the comparative quarter in 2020, an increase of $24.3 million or 56.8%, due to the factors discussed below. As a percentage of sales, expenses were 10.4% in the quarter, compared to 10.6% during the comparative quarter in 2020.

Distribution, selling and administration expenses increased by $21.3 million or 70.3%, from $30.3 million to $51.5 million, largely due to additional expenses related to the operations of the Acquisitions. As a percentage of sales, these expenses were 8.0% in the quarter, compared to 7.5% in the same quarter in 2020.

Depreciation and amortization expenses increased by $3.0 million or 23.9%, from $12.5 million to $15.5 million, largely as a result of the Acquisitions.

Operating Earnings

For the quarter ended December 31, 2021, operating earnings were $21.7 million compared to $24.2 million in the comparative period of 2020, a decrease of $2.5 million, due to the foregoing factors.

Finance Costs

Finance costs for the fourth quarter of 2021 were $8.4 million, compared to $2.9 million for the same period in 2020, an increase of $5.5 million, largely as a result of the additional finance costs related to the 2026 Unsecured Notes.

Earnings before Income Taxes

For the quarter ended December 31, 2021, earnings before income taxes were $13.2 million, compared to $20.7 million in the comparative quarter of 2020, a decrease of $7.4 million due to the foregoing factors.

Provision for Income Taxes

For the quarter ended December 31, 2021, provision for income taxes was $1.6 million compared to $5.7 million in the same quarter of 2020, a decrease of $4.0 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, 2021 were $11.6 million compared to $15.0 million for the period in 2020, a decrease of $3.4 million, due to the foregoing factors affecting the overall financial performance of the Company.

Summary of Quarterly Results

For the Quarters ended:

	2021				2020			
($ and shares millions, per share in dollars)	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Sales	**641.6**	625.3	756.8	519.9	402.0	472.2	412.9	326.7
EBITDA	**37.1**	33.2	90.5	60.1	36.1	57.0	32.8	16.5
Adjusted EBITDA(1)	**37.1**	34.5	94.0	60.1	36.7	57.0	32.8	16.5
Adjusted EBITDA % of sales(1)	**5.8**	5.5	11.9	11.6	9.1	12.1	7.9	5.1
Earnings before income taxes	**13.2**	7.2	72.0	46.1	20.7	42.7	17.5	1.2
Net earnings	**11.6**	7.7	53.1	34.2	15.0	31.0	12.7	0.9
Adjusted net earnings(1)	**11.6**	8.7	55.7	34.2	15.5	31.0	12.7	0.9
Net earnings per share(3)	**0.13**	0.09	0.64	0.44	0.19	0.40	0.16	0.01
Adjusted net earnings per share(2)(3)	**0.13**	0.10	0.67	0.44	0.20	0.40	0.16	0.01
Dividends declared per share(4)	**0.14**	0.12	0.12	0.16	0.12	0.12	0.14	0.14
Outstanding shares(3)	**86.7**	86.7	82.7	78.0	77.9	77.9	77.8	77.8

1. Adjusted EBITDA refers to EBITDA before directly attributable acquisition related costs.
2. Net earnings before directly attributable acquisition related costs.
3. Weighted average basic shares outstanding in the period.
4. Quarter ended March 31, 2021 includes a regular quarterly dividend of $0.12 per share and a one-time special dividend of $0.04 per share, further described in the "Dividend Policy" section of this MD&A.

Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA:

	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
(in thousands of dollars)	$	$	$	$
Net earnings	**11,609**	15,011	**106,509**	59,587
Provision for income taxes	**1,631**	5,677	**31,955**	22,451
Finance costs	**8,414**	2,932	**27,138**	15,706
Depreciation and amortization	**15,449**	12,469	**55,063**	44,649
EBITDA	**37,103**	36,089	**220,665**	142,393
Acquisition costs	**-**	620	**4,893**	620
Adjusted EBITDA	**37,103**	36,709	**225,558**	143,013

EBITDA and Adjusted EBITDA

For the quarter ended December 31, 2021, EBITDA and Adjusted EBITDA were $37.1 million, compared to EBITDA of $36.1 million and Adjusted EBITDA of $36.7 million in the comparative quarter of 2020. The increase in Adjusted EBITDA of $394,000 or 1.1% was due to the results from the Acquisitions, but was offset by the previously discussed declines in construction materials pricing in the Company's legacy operations during the second half of 2021.

For the year ended December 31, 2021, EBITDA was $220.7 million and Adjusted EBITDA was $225.6 million, compared to EBITDA of $142.4 million and Adjusted EBITDA of $143.0 million in 2020. The increase in Adjusted EBITDA of $82.5 million or 57.7% was due to the results from the Acquisitions and the previously mentioned pricing increases during the first half of 2021, which were partially offset by the impact of price declines during the second half of 2021.

Reconciliation of Net Earnings to Net Earnings before Directly Attributable Acquisition Related Costs:

	Three months ended December 31,		**Years ended December 31,**	
	2021	**2020**	**2021**	**2020**
(in thousands of dollars)	**$**	**$**	**$**	**$**
Net earnings	**11,609**	15,011	**106,509**	59,587
Acquisitions costs	**-**	620	**4,893**	620
Income tax recovery on acquisition costs	**-**	(167)	**(1,076)**	(167)
Net earnings before directly attributable acquisition related costs	**11,609**	15,464	**110,326**	60,040

Financial Condition

Liquidity and Capital Resources

During the year ended December 31, 2021, the Company generated $482,000 in cash, versus $3.5 million in 2020. The following activities during the period were responsible for the change in cash.

The significant factors affecting the Company's operating activities were largely related to improved earnings, and working capital changes, as discussed below. Operating activities generated $163.8 million in cash, before non-cash working capital changes, compared to $129.8 million in 2020, which was partially offset by an investment in non-cash working capital of $114.5 million.

During the year ended December 31, 2021, changes in non-cash working capital items used $114.5 million in cash, compared to generating $34.4 million in 2020. The increase in cash used in non-cash working capital was largely due to a combination of the results from the Acquisitions, and a significant, sales-driven increase in the levels of trade and other receivables and the unit cost of inventory. Construction materials pricing at year-end remained comparatively high versus last year, despite the steep price declines from May through August 2021. In comparison, prior year included a significant reduction in non-cash working capital, as the Company had successfully adjusted its working capital levels in response to the economic uncertainty caused by the Pandemic.

Notwithstanding the impact of the market pricing and 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 was comprised of an increase in trade and other receivables of $83.5 million, an investment in inventory of $68.6 million, a decrease in prepaid expenses and deposits of $697,000, and a net increase in trade and other payables and performance bond obligations of $36.8 million.

During the year ended December 31, 2021, the previously discussed increase in cash consumed by seasonal working capital changes resulted in the Company's increased utilization of its loans and borrowings. Additionally, the Company utilized its existing loan facilities in order to finance the Hixson Acquisition and the L.A. Lumber Acquisition. As a result, the Company generated $454.5 million of cash in financing activities, compared to using $157.7 million in 2020.

The issuance of the previously discussed 2026 Unsecured Notes resulted in net proceeds $316.5 million of cash, which were applied against the Company's existing loans and borrowings. Scheduled repayments related to the non-revolving term loan consumed $2.7 million, consistent with 2020. Net repayment of equipment loans amounted to $5.3 million, compared with $4.1 million in 2020. Scheduled repayment of certain promissory notes consumed $1.5 million, compared to $1.6 million in 2020. Payment of lease liabilities, including interest, consumed $23.6 million of cash compared to $24.7 million in 2020. The Company's lease obligations generally require monthly installments, and these payments are all current.

In 2021, the Company borrowed an additional $131.6 million on its revolving loan facility, compared to net repayments of $83.1 million in 2020. The significant year-over-year increase in net advances from the revolving loan facility is a result of the previously discussed increase in cash consumed by working capital changes as well as partial financing for the Hixson Acquisition and the L.A. Lumber Acquisition.

Shares issued, net of transaction costs, generated $82.0 million of cash compared to $671,000 in 2020, as a result of the Public Offering. The Company also returned $42.6 million to shareholders through dividends paid during the year, compared to $42.0 million in 2020. The Company updated its dividend policy during the fourth quarter of 2021, further described in the "Dividend Policy" section of this MD&A, resulting in a dividend increase beginning with the dividend paid on January 14, 2022, after reducing its quarterly dividends during the second quarter of 2020. Additionally, on March 11, 2021, the Company announced a one-time special dividend of $0.04 per share, payable subsequent to the first quarter on April 15, 2021, to shareholders of record at the close of business on March 31, 2021.

The Company was not in breach of any of its lending covenants during the year ended December 31, 2021.

Investing activities consumed $503.3 million of cash, compared to $2.9 million in 2020. Investing activities in 2021 included the Hixson Acquisition and the L.A. Lumber Acquisition for total cash consideration paid of $498.3 million, whereas 2020 included in the Island Truss Acquisition. Cash purchases of property, plant and equipment, net of proceeds from disposition, were $5.0 million, compared to $682,000 in 2020.

In response to the Pandemic in general, as well as the recent volatility in wood products pricing, the Company is taking steps to bolster its cash flows, including but not limited to, managing cash flow by tightly controlling non-cash working capital levels and capital expenditures, evaluating ongoing cost savings opportunities, deferring or reducing anticipated capital expenditures, and adjusting quarterly dividends, as required. 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 $1.54 billion as at December 31, 2021, versus $867.2 million as at December 31, 2020, an increase of $670.9 million. Current assets increased by $243.5 million. Trade and other receivables increased by $81.6 million, largely due to the inclusion of trade receivables from the Acquisitions. Inventory increased by $158.8 million, largely due to the inclusion of inventory from the Acquisitions and the previously discussed increase in the average unit cost of construction materials during the year.

Long-term assets within the Building Materials segment were $804.5 million as December 31, 2021, compared to $371.3 million as at December 31, 2020, an increase of $433.2 million, primarily as a result of the assets acquired from the Hixson Acquisition and the L.A. Lumber Acquisition.

Total Liabilities

Total liabilities were $1.04 billion as at December 31, 2021, versus $526.6 million at December 31, 2020, an increase of $513.8 million. This increase was largely due to the issuance of the 2026 Unsecured Notes in May 2021, as well as the increase in the revolving loan facility of $143.5 million (including amortization of deferred financing costs) in order to finance the Acquisitions and working capital requirements of the Company. Trade and other payables increased by $41.9 million, driven by the results from the Acquisitions and higher average construction materials pricing.

Outstanding Share Data

As at March 3, 2022, there were 86,790,192 common shares issued and outstanding.

Dividends

The following dividends were declared and paid by the Company:

	2021				2020			
	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, 2021[(1)]	0.16	12,479	Apr 15, 2021	Mar 31, 2020	0.14	10,897	Apr 15, 2020
Quarter 2	Jun 30, 2021	0.12	10,395	Jul 15, 2021	Jun 30, 2020	0.14	10,898	Jul 15, 2020
Quarter 3	Sep 30, 2021	0.12	10,402	Oct 15, 2021	Sep 30, 2020	0.12	9,352	Oct 15,2020
Quarter 4	Dec 31, 2021	0.14	12,137	Jan 14, 2022	Dec 31, 2020	0.12	9,352	Jan 15, 2021
		0.54	**45,413**			**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

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 November 4, 2021, the Company announced a dividend increase beginning with the dividend payable on January 14, 2022, to shareholders of record on December 31, 2021, increasing and restoring its quarterly dividend from $0.12 to $0.14 per share.

Previously, on June 15, 2020, as a preliminary precaution at the start of the Pandemic, 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, the Company paid a one-time special dividend of $0.04 per share on April 15, 2021, to shareholders of record at the close of business on March 31, 2021.

Hedging

The Company undertakes sale and purchase transactions in foreign currency as part of its Canadian operations and for US-based merger and acquisition activity, 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 a material 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 land and buildings of the Company's treatment plants are leased from entities solely controlled by Amar Doman, a director and officer of the Company, and certain distribution facilities used by the Company to store and process inventory are leased from a company controlled by Rob Doman, an officer of the Company, or a close member of that person's family. 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 $4.2 million in the year ended December 31, 2021, versus $4.0 million in 2020. The minimum payments under the terms of these leases are as follows: $4.2 million in 2022, $4.2 million in 2023, $3.9 million in 2024, $2.5 million in 2025, $1.9 million in 2026 and $11.9 million thereafter.

During the year ended December 31, 2021, fees of $1.3 million (2020 - $876,000) were paid for services related to strategic and financial advice to a company solely controlled by Amar Doman. As at December 31, 2021, payables to this related party were $37,000 (2020 - $42,000). Additionally, the Company was charged professional fees in relation to regulatory, corporate finance and compliance consulting services of $742,000 (2020 - $534,000) by a company owned by Rob Doman, an officer of the Company. As at December 31, 2021 payables to this related party were $312,000 (2020 - $112,000).

During the year the Company purchased $3.8 million (2020 - $2.9 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, 2021, payables to this related party were $219,000 (2020 - $131,000).

Additional information regarding these related party transactions is contained in Note 22 of the 2021 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 many 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, 2021 the Company's contractual obligations, including estimated interest, within the periods indicated:

Contractual Obligations (in thousands of dollars)	**Total $**	**2022 $**	**2023-2024 $**	**2025-2026 $**	**Thereafter $**
Revolving loan facility[1]	288,168	3,722	284,446	-	-
Non-revolving term loan[2]	18,927	3,261	15,666	-	-
Unsecured notes[3]	470,110	20,888	97,997	351,225	-
Promissory notes[4]	1,014	1,014	-	-	-
Leases[5]	175,478	26,338	46,492	28,469	74,179
Total contractual obligations	**953,697**	**55,223**	**444,601**	**379,694**	**74,179**

1. Interest has been calculated based on the average borrowing under the facility for the year ended December 31, 2021 utilizing the interest rate payable under the terms of the facility at December 31, 2021. This facility matures on December 6, 2024.
2. Annual principal payments are amortized over 15 years, with interest payable quarterly.
3. Comprised of publicly traded notes on the TSX under the symbol DBM.NT.A in the amount of $60.0 million, with a maturity date of October 9, 2023 and interest rate of 6.375%, and non-publicly traded notes, in the amount of $325.0 million, with a maturity date of May 15, 2026 and interest rate at 5.25%.
4. Additional information is contained in Note 15 of the Consolidated Financial Statements.
5. Additional information is contained in Note 10 of the 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.

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, 2021 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 (which is based on a value-in-use model) 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 Company's end markets, 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.

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

Changes in Accounting Policies

The significant accounting policies are disclosed in Note 3 of the 2021 Consolidated Financial Statements.

Hedge of net investment in foreign operations

As a result of the Company's recent acquisition activities, the Company has applied the following accounting policy effective for the year ended December 31, 2021:

Financial liabilities denominated in foreign currencies are from time to time designated as a hedge of the Company's net investments in foreign operations. Foreign currency differences arising on the revaluation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in Other Comprehensive Income to the extent that the hedge is effective, and presented in the foreign currency translation in equity. To the extent that the hedge is ineffective, such differences are recognized in net earnings.

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

New Accounting Pronouncements Issued but not yet Applied

The International Accounting Standards Board ("IASB") periodically issues new standards and amendments or interpretations to existing standards. The new pronouncements listed below are those that we consider the most significant. They are not intended to be a complete list of new pronouncements that may affect our financial statements.

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 does not expect the impact of these amendments on its consolidated financial statements to be material.

IAS 1, Presentation of financial statements

On January 23, 2020, the IASB 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.

IAS 8, Accounting policies, changes in accounting estimates and errors

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amends IAS 8. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The Company will continue to evaluate the impact of these amendments on its 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, 2021. 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.

Limitations on Scope of Design

The scope of design over disclosure controls and ICFR has been limited to exclude control, policies and procedures of Hixson, which was acquired effective June 4, 2021. The summary financial information of Hixson is presented below.

(in thousands of Canadian dollars)	June 4, 2021 to December 31, 2021
Revenue	540,079
Net earnings	8,245

(in thousands of Canadian dollars)	As at December 31, 2021
Current assets	161,290
Non-current assets	413,482
Current liabilities	40,449
Non-current liabilities	-

The scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109, which allows an issuer to limit the design of disclosure and control procedures and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days after the acquisition date.

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, 2021 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 were no material changes in the design of the Company's ICFR during the year ended December 31, 2021 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 12, 2021, 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 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. While it is encouraging to see certain restrictions eased, the Pandemic could have a continued adverse impact on economic and market conditions, and will ultimately depend, among other things, on the speed at which effective vaccines can be administered on a mass scale globally, and the ability of governments, businesses and health-care systems to effectively limit the epidemiological and economic impacts of the virus and COVID-19 variants. Additionally, global markets remain vulnerable to geopolitical conflicts, such as the recent Russian invasion of Ukraine. As expected sanctions take hold, the isolation of one of the world's largest commodity producers could potentially result in higher inflation and slower economic growth. The rapid development and fluidity of this situation precludes any meaningful attempts to predict the ultimate impact of these events on the Company's operations.

Additionally, as a distributor and manufacturer of a range of construction materials products, the Company has sales and profitability exposure to construction materials pricing volatility. Lumber pricing rose rapidly in 2021, reaching a peak in May, and then followed by unprecedented declines until August. Periods of increasing prices provide the opportunity for higher sales and increased margins, while declining price environments expose the Company to declines in sales and profitability. Future market pricing could be volatile in response to several factors, including but not limited to, capacity restoration and industry operating rates, the impact of COVID-19 on residential construction and the economy, international tensions, ongoing trade disputes, supply and supply chain challenges, shortages in the construction industry and inventory levels in various distribution channels.

At this time, the Company expects any potential negative impacts of the Pandemic ultimately to be temporary, and that the higher 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 policy priority and 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 risk. 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 ("BoC") January 2022 monetary policy report indicated that a robust economic recovery continued throughout the second half of 2021 in Canada and abroad, taking into account the faster-than-expected growth. The Omicron variant of COVID-19 emerged in late autumn, triggering household cautiousness and public health measures. These are temporarily slowing economic activity globally. The economic impacts of Omicron in Canada will likely be tempered by high vaccination rates and the continuing adaptability of businesses and households. Additionally, disruptions to global supply chains have broadened and become more pronounced, pushing inflation higher in most advanced and emerging-market economies. In response to inflationary pressures, some central banks have already raised their policy interest rates, and others have signaled that they plan to do so. 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 2021 was 271,198 compared to 217,802 last year. According to the US Census Bureau, seasonally-adjusted housing starts were an average of 1,587,000 units in 2021, up from 1,380,300 units last year. According to the Fannie Mae Economic and Strategic Research Group (Fannie Mae), housing starts are expected to reach 1,632,000 in 2022, before stabilizing at 1,536,000 in 2023. Low mortgage rates, continuation of work-from-home practices, record lows of inventory availability (both new and resale) and demographics in the US have created a favorable demand environment for new residential construction, particularly single-family housing starts, which the Company expects to continue into next year. 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.

Looking forward, 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, integrating the Acquisitions 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 and maximizing shareholder value.

Doman Building Materials Group Ltd.

Consolidated Financial Statements

December 31, 2021 and 2020
(in thousands of Canadian dollars)

KPMG LLP
Chartered Professional Accountants
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Vancouver BC V7Y 1K3
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Doman Building Materials Group Ltd.

Opinion

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

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020
- the consolidated statements of earnings and comprehensive earnings for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of 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 Entity as at December 31, 2021 and December 31, 2020, 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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Doman Building Materials Group Ltd.

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

Evaluation of the acquisition date fair values of intangible assets and property, plant and equipment related to business acquisition

Description of the matter

We draw attention to Note 6 to the financial statements. On June 4, 2021, the Entity completed the acquisition of certain assets of the Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition") for total cash consideration of $493,802 thousand. In connection with the Hixson Acquisition, the Entity recorded a customer list intangible asset ("customer list") of $127,929 thousand and property, plant and equipment of $85,385 thousand. The determination of the acquisition-date fair value of the customer list involves significant assumptions related to the future revenues, customer attrition rate, operating margin, and discount rate.

The determination of the acquisition-date fair value of property, plant and equipment involves significant assumptions, including estimates of replacement cost new and physical depreciation. The estimates of replacement cost new and physical depreciation required the expertise of a certified independent third-party appraiser to be engaged by the Entity.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair values of the customer list and property, plant and equipment acquired in the Hixson Acquisition as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the customer list and property, plant and equipment. Further, there was a high degree of estimation uncertainty in determining the fair value of the customer list since the discounted cash flow model included significant forward-looking assumptions that could be affected by future economic and market conditions. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures, due to the sensitivity of the Entity's determination of the fair value of the customer list to minor changes to certain significant assumptions. Significant auditor judgment was also required in evaluating the results of our audit procedures regarding the replacement cost new estimates and physical depreciation assumptions for the acquired property, plant and equipment. Further, specialized skills and knowledge were needed to evaluate these estimates.

How the matter was addressed in the audit

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

- We evaluated the appropriateness of the future revenue, customer attrition rate and operating margin assumptions by comparing to historical results. We considered changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

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Doman Building Materials Group Ltd.

- We evaluated the competence, capabilities and objectivity of the certified independent third-party appraiser engaged by the Entity

We involved our valuation professionals with specialized skills and knowledge who assisted in:

- Evaluating the appropriateness of the discount rate by comparing inputs into the discount rate to publicly available market data for comparable entities.
- Assessing the reasonableness of the Entity's replacement cost new estimates of the acquisition-date fair value of acquired property, plant and equipment by comparing the Entity's estimate to market data for comparable assets.
- Assessing the appropriateness of physical depreciation assumptions by comparing the Entity's estimated depreciated cost to a depreciated cost range that was independently developed using market data for comparable assets.
- Evaluating the appropriateness of the valuation model used by the Entity to calculate the fair value of customer list based on the knowledge of the valuation professional.

Evaluation of the goodwill impairment analysis

Description of the matter

We draw attention to Notes 3 and 13 of the financial statements. The goodwill balance is $382,370 thousand. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise. An impairment loss is recognized in earnings if the carrying amount exceeds its estimate recoverable amount. The recoverable amount of each of the cash generating units has been determined using value in use. To determine value in use, the 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 the cash flow forecasts 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 to be a key audit matter. The matter represented an area of focus given the magnitude of goodwill and the sensitivity of the recoverable amount to changes in certain significant assumptions. Significant auditor judgment was required in evaluating the results of our audit procedures. Further, valuation professionals with specialized skills and knowledge were needed to evaluate the discount rates.

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

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- We involved our valuations professionals with specialized skills and knowledge, who assisted in evaluating the discount rate assumptions used in the estimated recoverable amounts, 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:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report".

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

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

We obtained the information included in Management's Discussion and Analysis and the Annual Report 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 (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Doman Building Materials Group Ltd.

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 judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Doman Building Materials Group Ltd.

- 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 3, 2022

Consolidated Statements of Financial Position as at December 31

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

(in thousands of Canadian dollars)	Notes	2021 $	2020 $
Assets			
Current assets			
Cash		**2,333**	1,972
Trade and other receivables	7	**213,132**	131,501
Income taxes receivable	20	**2,036**	1,048
Inventories	8	**405,667**	246,848
Prepaid expenses and deposits		**13,181**	11,474
		636,349	392,843
Non-current assets			
Property, plant and equipment	9	**151,808**	73,686
Right-of-use assets	10	**151,954**	127,835
Timber	11	**47,697**	47,680
Deferred income tax assets	20	**3,390**	2,856
Intangible assets	12	**162,538**	39,256
Goodwill	13	**382,370**	180,808
Other assets		**2,057**	2,260
		901,814	474,381
Total assets		**1,538,163**	867,224
Liabilities			
Current liabilities			
Cheques issued in excess of funds on deposit		**3,034**	6,904
Trade and other payables		**156,696**	114,795
Performance bond obligations	14	**11,233**	10,655
Dividends payable	17	**12,137**	9,352
Income taxes payable	20	**10,823**	13,342
Current portion of loans and borrowings	15	**3,681**	7,023
Current portion of lease liabilities	10	**20,041**	18,452
		217,645	180,523
Non-current liabilities			
Loans and borrowings	15	**665,332**	209,599
Lease liabilities	10	**138,582**	113,877
Reforestation and environmental		**3,389**	1,750
Deferred income tax liabilities	20	**11,723**	14,525
Retirement benefit obligations	16	**3,783**	6,367
		822,809	346,118
Total liabilities		**1,040,454**	526,641
Equity			
Common shares	17	**583,086**	499,597
Contributed surplus		**11,317**	11,150
Foreign currency translation		**10,747**	266
Deficit		**(107,441)**	(170,430)
		497,709	340,583
Total liabilities and equity		**1,538,163**	867,224
Commitments and contingencies	10,29		

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	2021 $	2020 $
Revenue	25,26	**2,543,674**	1,613,804
Cost of sales	18	**2,152,675**	1,357,635
Gross margin from operations		**390,999**	256,169
Expenses			
Distribution, selling and administration	19	**164,065**	113,156
Depreciation and amortization	9,10,12	**55,063**	44,649
		219,128	157,805
Operating earnings		**171,871**	98,364
Finance costs	21	**27,138**	15,706
Acquisition costs		**4,893**	620
Other loss		**1,376**	-
Earnings before income taxes		**138,464**	82,038
Provision for income taxes	20	**31,955**	22,451
Net earnings		**106,509**	59,587
Other comprehensive income (losses)			
Exchange differences on translation of foreign operations(1)		**10,481**	(5,674)
Actuarial gain (loss) from pension and other benefit plans(2)	16,20	**1,921**	(1,912)
Comprehensive earnings		**118,911**	52,001
Net earnings per share			
Basic and Diluted		**1.27**	0.77
Weighted average number of shares			
Basic		**83,554,517**	77,878,231
Diluted		**83,611,759**	77,930,715

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, 2020	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**
Shares issued pursuant to:						
Public offering of common shares	8,625,000	86,250	-	-	-	86,250
Restricted Equity Common Share Plan	11,496	90	(90)	-	-	-
Employee Common Share Purchase Plan	121,943	829	-	-	-	829
Transaction costs on issue of shares, net of deferred income tax	-	(3,680)	-	-	-	(3,680)
Share-based compensation charged to operations	-	-	229	-	-	229
Accrued dividends on unvested restricted shares	-	-	28	-	(28)	-
Dividends	-	-	-	-	(45,413)	(45,413)
Comprehensive earnings for the year	-	-	-	10,481	108,430	118,911
As at December 31, 2021	**86,694,158**	**583,086**	**11,317**	**10,747**	**(107,441)**	**497,709**

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	2021 $	2020 $
Operating activities			
Net earnings		**106,509**	59,587
Items not affecting cash			
Provision for income taxes	20	**31,955**	22,451
Depreciation and amortization	9,10,12	**55,063**	44,649
Other		**(104)**	664
Income taxes paid		**(38,100)**	(4,181)
Interest paid on loans and borrowings		**(18,647)**	(9,104)
Finance costs	21	**27,138**	15,706
Cash flows from operating activities before changes in non-cash working capital		**163,814**	129,772
Changes in non-cash working capital	24	**(114,521)**	34,400
Net cash flows provided by operating activities		**49,293**	164,172
Financing activities			
Shares issued	17	**87,079**	671
Transaction costs on issue of shares	17	**(5,048)**	-
Dividends paid	17	**(42,628)**	(42,034)
Payment of lease liabilities, including interest	10	**(23,601)**	(24,660)
Issuance of unsecured notes	15	**325,000**	-
Net advances (repayments) on loans and borrowings, excluding unsecured notes		**122,156**	(91,386)
Financing costs on borrowings		**(8,479)**	(301)
Net cash flows provided by (used in) financing activities		**454,479**	(157,710)
Investing activities			
Business acquisitions	6	**(498,326)**	(2,983)
Purchase of property, plant and equipment	9	**(6,865)**	(2,806)
Proceeds from disposition of property, plant and equipment		**1,901**	2,124
Other		**-**	717
Net cash flows used in investing activities		**(503,290)**	(2,948)
Net increase in cash and cash equivalents		**482**	3,514
Foreign exchange difference		**3,749**	(446)
Cash and cash equivalents - beginning of year		**(4,932)**	(8,000)
Cash and cash equivalents - end of year		**(701)**	(4,932)

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and were authorized for issuance on March 3, 2022 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 are recognized in net earnings.

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

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

c) Hedge of net investment in foreign operations

As a result of the Company's recent acquisition activities, the Company has applied the following accounting policy effective for the year ended December 31, 2021:

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

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

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

d) Property, plant and equipment

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

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.

e) 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 estimated 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, harvest volume and timing 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.

f) 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.

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

g) 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.

h) 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.

i) Share-based compensation

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.

j) Financing 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.

k) 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.

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 share options and restricted equity common shares, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used 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, cheques issued in excess of funds on deposit, trade and other payables, performance bonds, dividends payable, senior unsecured notes, revolving loan facility, non-revolving term loan, promissory notes and finance lease liabilities.

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

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

- Trade and other receivables are subsequently measured at amortized cost.
- Cheques issued in excess of funds on deposit, trade and other payables, performance bonds, dividends payable, senior unsecured notes, revolving loan facility, non-revolving term loan, promissory notes and finance lease liabilities 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 fair value through profit and loss 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 23.

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

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

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.

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

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

4. 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) Business combinations and goodwill

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

Any goodwill resulting from a business combination is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2021 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 13).

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 year. 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, harvest volume and timing 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 16).

(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 18).

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 20).

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 10).

5. 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 does not expect the impact of these amendments on its consolidated financial statements to be material.

IAS 1, *Presentation of financial statements*

On January 23, 2020, the International Accounting Standards Board ("IASB") 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.

IAS 8, *Accounting policies, changes in accounting estimates and errors*

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amends IAS 8. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier adoption permitted. The Company will continue to evaluate the impact of these amendments on its consolidated financial statements.

6. BUSINESS ACQUISITIONS

Hixson Acquisition

On June 4, 2021, the Company completed the acquisition of certain assets of the Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition"), a leading wholesaler and manufacturer of lumber and treated lumber, operating in the Central United States.

Total purchase consideration comprised of US$408,000, on a cash-free and debt-free basis. The foreign exchange rate used to translate the purchase price consideration and fair values of assets acquired was based on the exchange rate as at the date of the Hixson Acquisition.

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

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

Details of the fair value of the consideration transferred and the fair value of the identifiable assets at the date of the above noted acquisition were as follows (in thousands of Canadian dollars):

	Notes	**June 4, 2021** *(as previously reported)* $	**Revisions**(1) $	**June 4, 2021** *(as revised)* $
Fair value of purchase consideration				
Cash consideration		493,802	-	493,802
Fair value of assets acquired				
Inventory		85,083	-	85,083
Property, plant and equipment	9	96,512	(11,127)	85,385
Intangible assets (customer lists)	12	132,149	(4,221)	127,928
Intangible assets (brand)	12	3,683	-	3,683
Right-of-use assets	10	249	34	283
Total identifiable net assets at fair value		317,676	(15,314)	302,362
Goodwill arising on acquisition		176,126	15,314	191,440
Assets acquired		493,802	-	493,802

1. The provisional purchase price allocation is preliminary and subject to change up to a period of one year from June 4, 2021, upon finalization of fair value determinations. Fair value determinations were updated during the fourth quarter of 2021, based on additional information available at that time. The Company will continue to monitor and evaluate the condition of the acquired assets and does not anticipate a material revision prior to its scheduled finalization during the second quarter of 2022.

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

From the date of the Hixson Acquisition, for the period commencing June 4, 2021, the acquired business contributed $540,079 of revenue and $8,245 of net earnings to the Company's consolidated results. If the Hixson Acquisition had taken place at the beginning of the year, unaudited consolidated revenue for the year ended December 31, 2021 would have been approximately $3,185,000 and net earnings of the Company would have been approximately $145,000.

Directly attributable acquisition-related costs of $4,548 have been expensed in the Consolidated Statement of Earnings for the year ended December 31, 2021.

L.A. Lumber Acquisition

On June 22, 2021, the Company completed the acquisition of certain assets of Fontana Wood Preserving, Inc. and Fontana Wholesale Lumber, Inc. (through the Company's wholly owned subsidiary, and now doing business as, L.A. Lumber Treating, Ltd. "L.A. Lumber") (the "L.A. Lumber Acquisition").

(in thousands of Canadian dollars)

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 purchase price was allocated to inventory, property, plant and equipment, right-of-use assets and lease liabilities, and goodwill, which was primarily attributable to the expected synergies arising from the L.A. Lumber Acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

The purchase price and the impact on net earnings and revenue related to the L.A. Lumber Acquisition was not material to the Company.

Island Truss 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.

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.

The purchase price and the impact on net earnings and revenue related to the Island Truss Acquisition was not material to the Company.

7. 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:

	2021 **$**	**2020** **$**
Trade receivables	**202,825**	123,278
Allowance for doubtful accounts	**(991)**	(562)
Net trade receivables	**201,834**	122,716
Other receivables	**11,298**	8,785
Total trade and other receivables	**213,132**	131,501

(in thousands of Canadian dollars)

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

	2021 $	**2020 $**
Neither past due nor impaired	**202,593**	121,449
Past due but not impaired:		
Less than 1 month	**5,134**	5,194
1 to 3 months	**4,940**	4,408
3 to 6 months	**465**	450
Total trade and other receivables	**213,132**	131,501

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

	2021 $	**2020 $**
Balance at January 1	**562**	856
Accruals during the year	**572**	44
Accounts written off	**(146)**	(343)
Foreign exchange difference	**3**	5
Balance at December 31	**991**	562

Further information on the valuation of trade and other receivables is disclosed in Note 29.

8. INVENTORIES

	2021 $	**2020 $**
Inventories held for resale	**335,131**	182,723
Inventories held for processing	**70,536**	64,125
	405,667	246,848

The expenses related to the sale of inventories were recorded in cost of sales, as described in Note 18. Further information on the valuation of inventories is disclosed in Note 29.

(in thousands of Canadian dollars)

9. 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, 2020	31,762	22,807	90,911	5,613	151,093
Additions	109	1,224	1,308	165	2,806
Additions arising on acquisition (Note 6)	-	-	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
Additions	-	1,970	4,018	877	6,865
Additions arising on acquisitions (Note 6)	4,935	11,342	70,838	-	87,115
Disposals	(103)	(625)	(9,291)	(491)	(10,510)
Foreign exchange difference	235	539	3,239	-	4,013
Cost at December 31, 2021	**36,305**	**37,189**	**151,876**	**6,067**	**231,437**
Accumulated depreciation					
Accumulated depreciation at January 1, 2020	-	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
Depreciation	-	3,450	15,184	283	18,917
Disposals	-	(618)	(8,543)	(489)	(9,650)
Foreign exchange difference	-	4	89	1	94
Accumulated depreciation at December 31, 2021	**-**	**10,630**	**64,142**	**4,857**	**79,629**
Net book value at December 31, 2020	31,238	16,169	25,660	619	73,686
Net book value at December 31, 2021	**36,305**	**26,559**	**87,734**	**1,210**	**151,808**

(in thousands of Canadian dollars)

10. 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, 2021, the Company revised certain assumptions regarding determination of the expected lease term, minimum lease payments and 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 $21,804.

Right-of-use assets

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
As at January 1, 2020	106,536	14,537	425	121,498
Additions	4,232	4,277	-	8,509
Additions arising on acquisition (Note 6)	824	-	-	824
Modifications and 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
Additions	6,093	2,643	31	8,767
Additions arising on acquisitions (Note 6)	15,202	-	-	15,202
Modifications and remeasurements	21,715	89	-	21,804
Amortization	(16,889)	(4,806)	(145)	(21,840)
Disposals	-	(68)	-	(68)
Foreign exchange movements	299	(46)	1	254
Balance at December 31, 2021	**140,080**	**11,728**	**146**	**151,954**

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

(in thousands of Canadian dollars)

Lease liabilities

	Facilities[1] $	Machinery, automotive and other equipment[2] $	Computer equipment $	Total $
As at January 1, 2020	108,813	14,771	425	124,009
Additions	4,232	4,277	-	8,509
Additions arising on acquisition (Note 6)	824	-	-	824
Modifications and 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
Additions	6,093	2,643	31	8,767
Additions arising on acquisitions (Note 6)	14,919	-	-	14,919
Modifications and remeasurements	21,715	89	-	21,804
Disposals	-	(128)	-	(128)
Finance costs	3,870	440	8	4,318
Lease payments	(18,311)	(5,134)	(156)	(23,601)
Foreign exchange movements	202	14	(1)	215
Balance at December 31, 2021	146,275	12,202	146	158,623
Less: current portion	(15,357)	(4,590)	(94)	(20,041)
	130,918	**7,612**	**52**	**138,582**

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

Right-of-use assets and corresponding lease liabilities entered into during the year have been recorded using the Company's incremental borrowing rate, ranging between 1.5% and 5.0%.

(in thousands of Canadian dollars)

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 22):

Years ending December 31	**$**
2022	26,338
2023	25,030
2024	21,462
2025	16,380
2026	12,090
Thereafter	74,178
	175,478

11. TIMBER

	2021 **$**	**2020** **$**
Balance at January 1	**47,680**	48,800
Reforestation provision on harvested land	**584**	368
Harvested timber transferred to inventory in the year	**(2,353)**	(1,720)
Change in fair value	**1,786**	232
Balance at December 31	**47,697**	47,680

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

For the years ended December 31, 2021 and 2020, the fair value measurement for the Company’s standing timber, as disclosed above, had been categorized as Level 3 fair value (as defined in Note 23).

The Company’s valuation model consists of a discounted cash flow analysis, which 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 were discounted using a risk-adjusted discount rate of 9.5% (2020 - 9.5%).

(in thousands of Canadian dollars)

12. INTANGIBLE ASSETS

	Canadian Operations $	US Operations $	Value-added services $	Total $
Cost				
Cost at January 1, 2020	10,000	54,168	10,039	74,207
Disposal	-	-	(50)	(50)
Foreign exchange difference	-	(1,068)	-	(1,068)
Cost at December 31, 2020	10,000	53,100	9,989	73,089
Disposal	(10,000)	-	-	(10,000)
Additions arising on acquisitions (Note 6)	-	131,611	-	131,611
Foreign exchange difference	-	6,029	-	6,029
Cost at December 31, 2021	**-**	**190,740**	**9,989**	**200,729**
Accumulated amortization				
Accumulated amortization at January 1, 2020	9,917	16,427	1,154	27,498
Amortization	83	5,705	1,161	6,949
Foreign exchange difference	-	(614)	-	(614)
Accumulated amortization at December 31, 2020	10,000	21,518	2,315	33,833
Disposal	(10,000)	-	-	(10,000)
Amortization	-	13,182	1,124	14,306
Foreign exchange difference	-	52	-	52
Accumulated amortization at December 31, 2021	**-**	**34,752**	**3,439**	**38,191**
Net intangible assets at December 31, 2020	-	31,582	7,674	39,256
Net intangible assets at December 31, 2021	**-**	**155,988**	**6,550**	**162,538**

13. GOODWILL

	Canadian operations $	US operations $	Value-added services $	Total $
Balance at January 1, 2020	62,624	80,450	35,347	178,421
Additions arising on acquisition (Note 6)	-	4,047	-	4,047
Foreign exchange difference	-	(1,660)	-	(1,660)
Balance at December 31, 2020	62,624	82,837	35,347	180,808
Additions arising on acquisitions (Note 6)	-	193,232	-	193,232
Foreign exchange difference	-	8,330	-	8,330
Balance at December 31, 2021	**62,624**	**284,399**	**35,347**	**382,370**

(in thousands of Canadian dollars)

The Company performed its annual test for goodwill impairment as at December 31, 2021. The recoverable amount of each of the cash-generating units has been determined using a value-in-use model. The Company utilized five-year cash flow forecasts using the annual budget approved by the Board of Directors as a basis for such forecasts. Cash flow forecasts beyond that of the budget were prepared using a stable growth rate for future periods. These forecasts were based on historical data and future trends expected by the Company.

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

Forecasted cash flows were discounted using after-tax rates of approximately 8% in all cash-generating units for the purpose of the annual impairment test. Other significant assumptions used in the estimation of the recoverable amounts included the terminal value growth rate of 2%, and gross margins ranging between 5% and 27%.

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 recorded.

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

14. 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.

	2021 **$**	**2020** **$**
Funds received on bonding obligations(1)	**73,619**	88,041
Payments made on bonding obligations(1)	**(62,799)**	(77,755)
Receipts in excess of payments	**10,820**	10,286
Provision for loss on bonds	**413**	369
	11,233	10,655

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

(in thousands of Canadian dollars)

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

	2021 $	2020 $
Balance at January 1	10,655	12,778
Net receipts (payments) on bonding obligations during the year	582	(1,948)
Change in provision for loss on bonds	46	(23)
Foreign exchange difference	(50)	(152)
Balance at December 31	**11,233**	10,655

Total gross bonding contracts on all outstanding projects at December 31, 2021 were $115,433 (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.

15. LOANS AND BORROWINGS

	2021 $	2020 $
Total loans and borrowings		
Unsecured notes[(1)]	**376,881**	58,095
Revolving loan facility[(1)]	**273,931**	130,467
Non-revolving term loan[(1)]	**17,187**	19,770
Promissory notes	**1,014**	3,018
Equipment term loan, equipment line and other loans[(1)]	**-**	5,272
Total loans and borrowings	**669,013**	216,622
Current portion of loans and borrowings		
Non-revolving term loan	**2,667**	2,667
Promissory notes	**1,014**	2,100
Equipment term loan, equipment line and other loans	-	2,256
Total current portion of loans and borrowings	**3,681**	7,023
Non-current portion of loans and borrowings	**665,332**	209,599

1. Amounts reflect financing costs net of amortization totaling $10,035 as at December 31, 2021 and $3,866 as at December 31, 2020.

During the year ended December 31, 2021, certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations and an unrealized foreign exchange loss of $12,978 was recognized in Foreign currency translation in OCI.

Private placement of senior unsecured notes

On May 10, 2021, the Company completed a private placement offering of senior unsecured notes (the "2026 Unsecured Notes") denominated in principal amounts of one thousand dollars, resulting in gross proceeds of $325,000. The offering was underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc., and including National Bank Financial Inc. and RBC Dominion Securities Inc.

The 2026 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 2026 Unsecured Notes, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

Amendment of revolving loan facility

On June 4, 2021, the Company amended its existing revolving loan facility. The maximum credit available was increased from $360,000 to $500,000. The maturity date of December 6, 2024 remained unchanged.

(in thousands of Canadian dollars)

Terms and repayment schedule

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

				December 31, 2021		December 31, 2020	
	Currency	Nominal interest rate %	Maturity	Face value $	Carrying amount $	Face value $	Carrying amount $
2023 Unsecured notes(1)	CDN	6.375	Oct 9, 2023	**60,000**	**58,772**	60,000	58,095
2026 Unsecured notes(2)	CDN	5.25	May 15, 2026	**325,000**	**318,109**	-	-
Revolving loan facility(3)	CDN	Based on Canadian prime rate or Canadian Dollar Offered Rate	Dec 6, 2024	**24,343**	**24,198**	118,839	117,300
Revolving loan facility(3)	USD	Based on US prime rate or London Interbank Offered Rate	Dec 6, 2024	**251,233**	**249,733**	13,206	13,167
Non-revolving term loan(4)	CDN	Based on Canadian prime rate or Canadian Banker's Acceptance Rate	Dec 6, 2024	**17,458**	**17,187**	20,125	19,770
Promissory notes(5)	USD	Various	Dec 3, 2021 - Nov 9, 2023	**1,014**	**1,014**	3,018	3,018
Equipment loans and other(6)	CDN	Various	Dec 31, 2020 - Jul 1, 2025	**-**	**-**	5,300	5,272
Total loans and borrowings				**679,048**	**669,013**	220,488	216,622

1. Publicly traded on the TSX under the symbol DBM.NT.A. Includes a non-call protection of three years with a declining call schedule thereafter; interest is payable semi-annually ("2023 Unsecured Notes").
2. Non-publicly traded; interest is payable semi-annually.
3. Maximum credit available is $500,000 (2020 - $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.
4. 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, and requires that certain covenants be met by the Company.
5. Various unsecured promissory notes were issued as partial consideration for acquisitions.
6. The loans were 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, 2021.

16. 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 $1,305 (2020 - $1,330) 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 contracts

At December 31, 2021, total buy-in annuities purchased to date represented 72% (2020 - 72%) 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, 2021 amounted to $1,119 (2020 - $1,271) 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 2021, consisting of cash contributed by the Company to defined benefit plans, defined contribution plans, and other post-retirement benefits, were $1,669 (2020 - $1,897), with no solvency deficiency contributions.

Included in total cash payments, based on 2021 experience, the Company expects the 2022 contributions for its defined benefit plans to be approximately $180. Solvency deficiency contributions are not required.

(in thousands of Canadian dollars)

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

	Pension benefit plan		Other benefit plans	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Net benefit expense				
Current service cost	**331**	414	**-**	-
Non-investment expenses	**120**	120	**-**	-
Interest cost on benefit obligation	**1,191**	1,416	**50**	63
Expected return on plan assets	**(1,092)**	(1,361)	**-**	-
Net benefit expense	**550**	589	**50**	63
Defined benefit obligation				
Defined benefit obligation at January 1	**52,889**	48,248	**2,266**	2,179
Current service cost	**331**	414	**-**	-
Interest cost on benefit obligation	**1,191**	1,416	**50**	63
Benefits paid	**(3,332)**	(2,914)	**(164)**	(237)
Actuarial (gains) losses on obligation	**(2,724)**	5,725	**(70)**	261
Defined benefit obligation at December 31	**48,355**	52,889	**2,082**	2,266
Plan assets				
Fair value of plan assets at January 1	**48,788**	46,722	**-**	-
Expected return on plan assets	**1,092**	1,361	**-**	-
Employer contributions	**386**	389	**164**	237
Non-investment expenses	**(120)**	(120)	**-**	-
Benefits paid	**(3,332)**	(2,914)	**(164)**	(237)
Actuarial (losses) gains on plan assets	**(160)**	3,350	**-**	-
Fair value of plan assets at December 31	**46,654**	48,788	**-**	-
Net benefit liability				
Fair value of plan assets at December 31	**46,654**	48,788	**-**	-
Accrued benefit obligation at December 31	**(48,355)**	(52,889)	**(2,082)**	(2,266)
Net benefit liability	**(1,701)**	(4,101)	**(2,082)**	(2,266)

(in thousands of Canadian dollars)

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

	Pension benefit plan		Other benefit plans	
	2021 **$**	**2020** **$**	**2021** **$**	**2020** **$**
Distribution, selling and administration				
Current service cost	**331**	414	**-**	-
Non-investment expenses	**120**	120	**-**	-
	451	534	**-**	-
Finance costs				
Interest cost on benefit obligation	**1,191**	1,416	**50**	63
Expected return on plan assets	**(1,092)**	(1,361)	**-**	-
	99	55	**50**	63
Other comprehensive income (losses)				
Actuarial gains (losses) on obligation due to changes in financial assumptions	**2,724**	(4,070)	**81**	(378)
Actuarial (losses) gains on obligation due to changes in demographic assumptions	**-**	(1,116)	**-**	216
Actuarial losses on obligation due to changes in experience	**-**	(539)	**(11)**	(99)
Actuarial (losses) gains on plan assets	**(160)**	3,350	**-**	-
	2,564	(2,375)	**70**	(261)

Assets

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

	2021 **%**	**2020** **%**
Annuity	**74**	78
Debt securities	**23**	18
Short-term securities	**3**	4
	100	100

(in thousands of Canadian dollars)

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

	2021 %	2020 %
Annuity	**74**	78
Unquoted investments (pooled funds)	**26**	22
	100	100

Significant assumptions

The significant weighted average assumptions used were as follows:

	Pension benefit plan		Other benefit plans	
	2021 %	2020 %	2021 %	2020 %
Accrued benefit obligation as of December 31				
Discount rate	**2.80**	2.30	**2.80**	2.30
Rate of compensation increase	**3.25**	3.25		
Benefit costs for year ended December 31				
Discount rate	**2.30**	3.00	**2.30**	3.00
Rate of compensation increase	**3.25**	3.25		

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

	2021	2020
Health care initial cost trend rate	**7.0%**	7.0%
Health care ultimate cost trend date	**3.5%**	3.5%
Year that the rate reaches the ultimate trend rate	**2037**	2037

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

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			
	2021		2020	
	Increase $	Decrease $	Increase $	Decrease $
Effect on the defined benefit obligation	**189**	**(211)**	240	(220)
Effect on the aggregate current service cost and interest cost	**5**	**(6)**	6	(5)

(in thousands of Canadian dollars)

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** $
2021				
Effect on the defined benefit obligation	**(4,759)**	**5,754**	**(143)**	**162**
Effect on the aggregate current service cost and interest cost for the next year	**241**	**(299)**	**15**	**(17)**
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)

The average duration of the defined benefit plan obligation at December 31, 2021 was 11 years.

17. SHARE CAPITAL

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

Public offering of common shares

On May 11, 2021, the Company completed 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 "Option") (collectively, the "Public Offering"). The entire Option was exercised and the aggregate gross proceeds were $86,250. The Public Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and National Bank Financial Inc.

Cash proceeds raised from the Public Offering, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

Normal Course Issuer Bid ("NCIB")

On November 24, 2021, 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.

(in thousands of Canadian dollars)

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	-
November 26, 2021 - November 25, 2022	6,825,000	-	-	6,825,000
As at December 31, 2021		**142,200**	**17,911,206**	**6,825,000**

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

	Years ended December 31, 2021 #	2020 #
Balance at January 1	**53,424**	-
Granted	**11,496**	59,388
Additional RSUs earned as notional dividends	**3,818**	5,625
Vested and converted to common shares during the period	**(11,496)**	(11,589)
Balance at December 31	**57,242**	53,424

Compensation expense in respect of RSUs for the year ended December 31, 2021 was $229 (2020 - $92).

Employee Common Share Purchase Plan ("ECSPP")

For the year ended December 31, 2021, the Company issued 121,943 (2020 - 158,801) common shares from treasury for gross proceeds of $829 (2020 - $671), pursuant to the ECSPP.

Subsequent to December 31, 2021, the Company issued 96,034 shares under the ECSPP for gross proceeds of $632.

(in thousands of Canadian dollars)

Dividends

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
Quarter 2	Jun 30, 2021	0.12	10,395	Jul 15, 2021	Jun 30, 2020	0.14	10,898	Jul 15, 2020
Quarter 3	Sep 30, 2021	0.12	10,402	Oct 15, 2021	Sep 30, 2020	0.12	9,352	Oct 15,2020
Quarter 4	Dec 31, 2021	0.14	12,137	Jan 14, 2022	Dec 31, 2020	0.12	9,352	Jan 15, 2021
		0.54	**45,413**			**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 November 4, 2021, the Company announced a dividend increase beginning with the dividend payable on January 14, 2022, to shareholders of record on December 31, 2021, increasing its quarterly dividend from $0.12 to $0.14 per share.

Previously, on June 15, 2020, in connection with financial precautions for the Pandemic (as described in Note 29), 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 dividends in 2021, the Company paid a one-time special dividend of $0.04 per share on April 15, 2021, to shareholders of record at the close of business on March 31, 2021.

18. COST OF SALES

Cost of sales includes the following costs:

	2021 $	2020 $
Purchased, treated, and manufactured building materials	**2,103,838**	1,307,527
Salaries and benefits	**21,713**	25,627
Timber and related products	**24,504**	22,650
Inventory provisions	**2,264**	1,292
Others	**356**	539
	2,152,675	1,357,635

(in thousands of Canadian dollars)

19. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	2021 $	2020 $
Salaries and benefits	**110,189**	78,635
Building occupancy costs	**28,308**	14,370
Office and miscellaneous	**13,829**	9,829
Travel, promotion and entertainment	**7,028**	5,263
Professional and management fees	**4,711**	5,059
	164,065	113,156

20. INCOME TAXES

Income tax for the Company consisted of the following:

Consolidated Statements of Earnings

	2021 $	2020 $
Current income tax expense	**34,589**	23,832
Deferred income tax recovery	**(2,634)**	(1,381)
	31,955	22,451

Consolidated Statements of Comprehensive Earnings

	2021 $	2020 $
Deferred tax expense (recovery) related to items recorded in OCI during the year		
Actuarial gains (losses)	**713**	(724)

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

	2021 $	2020 $
Earnings before income taxes	**138,464**	82,038
Income tax at statutory rates	**37,539**	21,923
Adjustment to deferred tax assets related to changes in tax rates	**(5)**	(87)
Permanent differences and other	**(5,579)**	615
Income tax expense	**31,955**	22,451

(in thousands of Canadian dollars)

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

	2021 **$**	**2020** **$**
Deferred income tax (liabilities) assets:		
Property, plant and equipment	**(3,368)**	(5,646)
Timber	**(9,804)**	(9,499)
Pensions and other post-retirement benefits	**1,009**	1,717
Non-capital losses	**5,395**	6,811
Reserves	**6,286**	3,726
Intangible assets and goodwill	**(7,851)**	(8,778)
Net deferred income tax liabilities	**(8,333)**	(11,669)

Net deferred income tax liabilities consisted of the following:

	2021 **$**	**2020** **$**
Deferred income tax assets	**3,390**	2,856
Deferred income tax liabilities	**(11,723)**	(14,525)
Net deferred income tax liabilities	**(8,333)**	(11,669)

At December 31, 2021, the Company had approximately $35,729 of Canadian non-capital losses that may be available for deduction against taxable income in future years. These losses expire as follows:

	$
2029	345
2030	3,438
2031	5,843
2032	1,310
2033	1,566
Thereafter	23,227
	35,729

At December 31, 2021, approximately $15,000 of these non-capital losses have not been recognized as deferred income tax assets.

(in thousands of Canadian dollars)

21. FINANCE COSTS

Finance costs include the following:

	2021 $	2020 $
Loans and borrowings	**20,575**	9,824
Lease liabilities	**4,318**	4,660
Other	**(208)**	(301)
Net cash interest	**24,685**	14,183
Amortization of financing costs	**2,304**	1,405
Interest on net defined benefit liability	**149**	118
	27,138	15,706

22. 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:

	2021 $	2020 $
Leased distribution(1) and treatment facilities(2)	**4,181**	3,983
Purchase of product(3)	**3,772**	2,888
Management fees and other(4)	**1,258**	876
Professional fees and other(5)	**742**	534

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.

(in thousands of Canadian dollars)

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	$
2022	4,188
2023	4,206
2024	3,926
2025	2,455
2026	1,896
Thereafter	11,900
	28,571

Payable to related parties

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

	2021 $	**2020 $**
Purchase of product[1]	**219**	131
Management fees and other[2]	**37**	42
Professional fees and other[3]	**312**	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.

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:

	2021 $	**2020 $**
Salaries and other benefits	**4,746**	3,221
Share-based compensation	**90**	92
	4,836	3,313

(in thousands of Canadian dollars)

23. 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, 2021		December 31, 2020	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
2023 Unsecured notes[1]	**58,772**	**61,800**	58,095	60,780
2026 Unsecured notes[2]	**318,109**	**315,250**	-	-
Revolving loan facility	**273,931**	**275,576**	130,467	132,045
Non-revolving term loan	**17,187**	**17,458**	19,770	20,125

1. Publicly traded on the TSX under the symbol DBM.NT.A. Maturity date is October 9, 2023 with interest rate of 6.375%.
2. Non-publicly traded, with a maturity date of May 15, 2026 and interest rate at 5.25%.

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

- The fair values of cash, 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 value of the Company's publicly traded 2023 Unsecured Notes was based on the quoted active market price at December 31, 2021.

- The fair value of the Company's non-publicly traded 2026 Unsecured Notes was based on a price quoted by an independent investment brokerage.

- The fair values of the Company's revolving loan facility and non-revolving term loan approximate their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.

- The fair values of the Company's promissory notes and 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 financial instruments are categorized as Level 2 fair values, with the exception of the Company's publicly traded 2023 Unsecured Notes, which are categorized as Level 1.

The expenses resulting from financial assets and liabilities recorded in net earnings are as disclosed in Note 21.

Derivative financial instruments

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

As at December 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.

During the year ended December 31, 2021, the Company had an outstanding foreign exchange contract to purchase $200,000 US dollars at an exchange rate of 1.21665 (2020 - $nil), which completed during the year and was used as partial consideration for the Hixson Acquisition (Note 6). A loss of $1,270 was recognized on this contract and was recorded in Other loss.

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

Hedge of investment in foreign operations

Certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations. During the year ended December 31, 2021, the Company recorded an unrealized foreign exchange loss of $12,978 (2020 - $nil), arising on revaluation of hedged foreign currency debt in Foreign currency translation in OCI during the period.

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 and lease liabilities. All financial liabilities are measured at amortized cost.

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

(in thousands of Canadian dollars)

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, 2021, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	198,938
Past due over 60 days	3,887
Trade receivables	202,825
Less: Allowance for doubtful accounts	(991)
	201,834

As at December 31, 2021, the maximum exposure to credit risk, including both trade and other receivables, was $213,132 (December 31, 2020 - $131,501), representing 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 and non-revolving term loan (Note 15). Based on the Company's average variable rate debt balances during the year ended December 31, 2021, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $2,021 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 US dollar components of its revolving loan facility, as well as revenues and purchase transactions that are denominated in US dollars.

As at December 31, 2021 the Company had US dollar drawings under its Revolving loan facility of US$205,105 (2020 - US$nil), which had been designated as a hedge against the Company's net investment in its foreign operations.

As at December 31, 2021, a $0.05 increase in the US dollar versus the Canadian dollar would have an insignificant impact on net earnings, and an increase in Other comprehensive earnings of approximately $20,000.

(in thousands of Canadian dollars)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by having appropriate credit facilities available at all times. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. The Company is exposed to refinancing risks, as there can be no assurance that the Company will be able to secure credit on the same terms or amount when the facility expires.

Other price risk

Other price risk is defined as the potential adverse impact on earnings and economic value due to price movement and volatilities. The Company is exposed to other price risk with respect to certain construction materials. The Company closely monitors construction materials prices.

24. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital had the following impact on cash flows during the years ended December 31:

	2021 $	2020 $
Trade and other receivables	**(83,450)**	(32,163)
Inventories	**(68,581)**	35,833
Prepaid expenses and deposits	**697**	(2,439)
Trade and other payables	**36,197**	35,140
Performance bond obligations	**616**	(1,971)
	(114,521)	34,400

25. REVENUE

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

	2021			2020		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Primary geographic markets						
Canada	1,324,990	33,289	**1,358,279**	1,010,215	29,451	**1,039,666**
US	1,179,899	5,496	**1,185,395**	567,615	6,523	**574,138**
	2,504,889	38,785	**2,543,674**	1,577,830	35,974	**1,613,804**
Revenue categories						
Products	2,504,738	38,785	**2,543,523**	1,574,441	35,974	**1,610,415**
Services	151	-	**151**	3,389	-	**3,389**
	2,504,889	38,785	**2,543,674**	1,577,830	35,974	**1,613,804**

(in thousands of Canadian dollars)

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $7,034 as at December 31, 2021 (December 31, 2020 - $4,359), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the Consolidated Statement of Financial Position.

The Company has sold products to certain customers who each contribute greater than 10% of its revenues. During the year ended December 31, 2021, one customer individually accounted for revenues in excess of 10%, purchasing an aggregate of $617,919 (2020 - $522,777, representing two customers).

26. SEGMENTED INFORMATION

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

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

Business segment revenues and specified expenses were as follows:

	2021			2020		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	2,504,889	38,785	**2,543,674**	1,577,830	35,974	**1,613,804**
Specified expenses						
Depreciation and amortization	49,126	5,937	**55,063**	35,057	9,592	**44,649**
Finance costs	25,790	1,348	**27,138**	14,396	1,310	**15,706**
Net earnings (loss)	106,569	(60)	**106,509**	65,202	(5,615)	**59,587**
Purchase of property, plant and equipment	6,046	819	**6,865**	2,336	470	**2,806**

Business segment long-term assets were as follows:

	2021				2020			
	Building Materials $	Other $	Percent %	Consolidated $	Building Materials $	Other $	Percent %	Consolidated $
Canada	177,847	97,336	31	**275,183**	177,270	103,078	59	**280,348**
US	626,631	-	69	**626,631**	194,033	-	41	**194,033**
Long-term assets	804,478	97,336	100	**901,814**	371,303	103,078	100	**474,381**

(in thousands of Canadian dollars)

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

	2021 %	2020 %
Construction materials	**74**	65
Specialty and allied	**22**	29
Other	**4**	6
	100	100

27. 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 over the long-term, 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.

28. 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. 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.

29. 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, 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 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 US, 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 working hour reductions, and staggering or rotating employee interactions, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures and evaluating ongoing cost savings opportunities and adjusting regular quarterly dividends, when required (as discussed in Note 17).

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.

30. COMPARATIVE FIGURES

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

Corporate Information

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James Code
Chief Financial Officer

R.S. (Rob) Doman
Corporate Secretary

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Trading Symbols:

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