DOMAN™

Annual Report 2023

DOMAN™

Letter to Shareholders

We entered 2023 following an extended period of premium pricing levels for building material products which began in 2020 and lasted into early 2022, including some periods of above average volatility. I am pleased and encouraged with our Company's ability to demonstrate stability and strength in our financial performance given pricing levels for lumber, OSB and panel markets in 2023 were meaningfully lower when compared to 2022. While pricing levels are nowhere near their 2022 peak, the combination of a more stable pricing environment, our continued actions towards executing our strategic growth objectives, managing costs, and optimizing operational efficiencies resulted in strong financial results as we closed out the year. Despite the impact of the lower pricing environment for construction materials on a year-over-year basis, we exited 2023 with strong performance across all our key financial metrics including revenues, gross margin, EBITDA and net income, while paying our shareholders a quarterly dividend of $0.14 per common share, or $0.56 per common share, on an annual basis.

We are very proud of the Company's performance given the reversal and decline in the pricing for lumber, OSB and panel markets impact on our 2023 results, moreover when compared to our record results from 2021. Despite the pricing declines we experienced during the year, we remain encouraged and pleased with the resilience of our diversified business model withstanding these macro-economic cycles resulting in annual revenues, gross margin, Adjusted EBITDA, and net earnings totaling $2.5 billion, $402.7 million, $196.1 million, and $75.8 million, respectively in 2023.

Our ability to withstand market and pricing volatility during the previous and most recent market cycles results from our tireless focus on operations, gives credit to the successful acquisitions we have completed throughout the years, which have and continue to diversify our business model, and such accretive transactions have enhanced shareholder value.

We remain very enthusiastic and confident about the prospects ahead and look forward to further demonstrating the strength and leverage available in our business model as we continue to be well positioned to take advantage of sensible organic growth opportunities. On the heels of successfully integrating recent acquisitions, our relentless focus on paying down debt and strengthening our balance sheet has resulted in our once again being in a strong position to take advantage of strategic opportunities, as we continue to diligently use leverage and our cost of capital to plan further growth and success of the business.

I hope that you have noticed our updated branding and logo with the delivery of this Annual Report. In 2024, as we celebrate our 35th year in business, we launched our refreshed brand to properly reflect our evolution and expanded operating footprint in Canada and the United States. The DOMAN brand now represents the majority of our various business divisions under one banner, which is recognized and respected by our key stakeholders while marking the start of a new era for our family of companies under one strong identity, as the leading supplier of choice for construction and building materials in North America for generations to come.

I would like to take this opportunity to extend my appreciation to the Board of Directors for their continued wisdom and stewardship. I would also like to thank all our hard-working employees, loyal customers, dependable suppliers and you, our shareholders, for your ongoing support.

Sincerely,

Amar S. Doman

Chairman and CEO

Doman Building Materials Group Ltd.

Management's Discussion and Analysis

March 7, 2024

This Management's Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted Doman Building Materials Group Ltd. (the "Company"), in the quarter and year ended December 31, 2023 relative to 2022. 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, 2023 (the "2023 Consolidated Financial Statements"). The financial information in this MD&A has been prepared in accordance with IFRS Accounting Standards ("IFRS"), applicable to the preparation of financial statements.

This MD&A, the associated 2023 Consolidated Financial Statements and the 2023 Letter to Shareholders (the "2023 Reporting Documents") contain historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results, performance or achievements of the Company and its subsidiaries. The latter statements, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on a number of assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings "Business Overview", "Outlook", "Commitments and Contingencies", "Sales and Gross Margin", "Dividend Policy" and "Liquidity and Capital Resources". When used in this MD&A, such statements may contain such words as "may", "will", "intend", "should", "expect", "believe", "outlook", "predict", "remain", "anticipate", "estimate", "potential", "continue", "plan", "could", "might", "project", "targeting" or the inverse or negative of these terms or other similar terminology. Forward-looking information in the 2023 Reporting Documents includes, without limitation, statements regarding funding requirements, dividends, commodity pricing, debt repayment, credit availability, interest rates, economic conditions 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 ongoing 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 2023 Reporting Documents and are subject to risks which are described in the Company's current Annual Information Form dated March 31, 2023 ("AIF") and the Company's public filings on the Canadian Securities Administrators' website at www.sedarplus.ca ("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 COVID-19 or other viruses, epidemics or pandemics, 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, interest rate risks, inflation risks, risks associated with the introduction of new product lines, product design risk, product liability risk, environmental risks, climate change 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, tax risks, risks of legislative or regulatory changes, international trade and tariff risks, operational and safety 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, other viruses, epidemics, pandemics or health risks, interest rates, exchange rates, inflation, 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, ransomed or unavailable; 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 2023 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in the 2023 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 2023 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 2023 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 2023 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 2023 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 7, 2024, unless otherwise indicated. All amounts are reported in Canadian dollars, unless otherwise indicated.

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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. 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.
4. In discussion, reference is made to Net debt and Available liquidity. These are not generally accepted capital management measures and do not have standardized meanings under IFRS. Net debt is calculated as total current and non-current debt (including finance leases), less cash and cash equivalents. Available liquidity is calculated as cash and cash equivalents net of bank indebtedness, and unutilized credit capacity under the Company's revolving loan facility. Management believes that Net debt and Available liquidity are key measures of the Company's liquidity.

Business Overview

The Company operates through its wholly owned subsidiaries, distributing various building materials, as well as producing and treating lumber 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, big box stores, 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 its timber division. 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 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. In 2020, the Company completed the acquisition of a truss manufacturing plant in Kauai, Hawaii. In 2021, the Company completed the acquisition of the business of the Hixson Lumber Sales group, a leading wholesaler and manufacturer of lumber and treated lumber operating in the Central United States, as well as the acquisition of a lumber pressure treating plant in Fontana, California. The Company has recently renamed the majority of its operating divisions under the unified Doman brand.

Southeast Forest Products Acquisition

Subsequent to year-end, on March 1, 2024, the Company completed the acquisition of certain assets of Southeast Forest Products Treated, Ltd., a manufacturer of treated lumber operating in Richmond, Indiana and near Birmingham, Alabama. The acquired treating plants are strategically located near Company's existing facilities, significantly expanding and complementing its central US operations, and newly accessing southern and eastern US markets.

Further information regarding this acquisition is contained in Note 32 of the 2023 Consolidated Financial Statements.

Early Redemption of Unsecured Notes

On June 30, 2023, the Company completed the early redemption of all $60.0 million of its outstanding senior unsecured notes with a scheduled maturity date of October 9, 2023 (the "2023 Unsecured Notes") in accordance with the terms of the 2023 Unsecured Notes trust indenture, resulting in the payment of $60.9 million including accrued interest.

Early Repayment of Non-Revolving Term Loan

On June 29, 2023, the Company completed the early repayment of the balance of its outstanding non-revolving term loan in the amount of $14.1 million, in accordance with the terms of such loan agreement, otherwise having a scheduled maturity date of December 6, 2024.

Seasonality

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

Housing Starts

The seasonally adjusted annualized rate for overall Canadian housing starts was 243,874 in 2023 versus 261,849 in 2022, a decrease of 6.9%. The seasonally adjusted annualized rate for single detached units, a more relevant indicator for the Company, amounted to 55,204 in the fourth quarter of 2023 versus 66,102 in the comparative period of 2022, a decrease of 16.5%[1].

US housing starts were 1,422,000 units in 2023 versus 1,553,000 units in 2022, a decrease of 8.4%[2].

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:

(In Canadian $)	2023				2022			
For three months ended	31 - Dec	30 - Sep	30 - Jun	31 - Mar	31 - Dec	30 - Sep	30 - Jun	31 - Mar
Lumber	**619**	642	574	599	675	840	1,164	1,604
Plywood	**645**	677	625	682	724	746	1,029	1,075
OSB	**516**	649	405	342	390	474	877	1,378

Lumber, plywood and OSB price inflation peaked in March 2022, but then declined sharply during the second quarter of 2022. Lumber prices largely stabilized during the remainder of 2022 and remained relatively stable through the year ended December 31, 2023. Average lumber prices for the year ended December 31, 2023 were $609 per thousand board feet, compared to $1,071 per thousand board feet in the comparative prior year, a decline of $462 or 43.1%. Plywood and OSB pricing experienced similar year over year declines.

Increases in interest rates, the slowing North American housing market and a possible recession have cooled consumers' demand, putting further downward pressure on materials pricing. As a result, buyers remained conservative, replenishing only when needed and keeping inventories light.

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 attempt 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.

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

Results of Operations

Selected Annual Information

	Fiscal Years Ended December 31,		
(in $ millions, per share in dollars)	2023	2022	2021
Sales	**2,491.2**	3,039.0	2,543.7
Earnings before income taxes	**87.4**	98.7	138.5
Net earnings	**75.8**	78.7	106.5
Adjusted net earnings[1]	**75.8**	78.7	110.3
Net earnings per share (basic and diluted)	**0.87**	0.91	1.27
Adjusted net earnings per share (basic and diluted)[1]	**0.87**	0.91	1.32
Total assets	**1,425.6**	1,445.2	1,538.2
Non-current debt[2]	**444.6**	606.6	803.9
Total debt	**667.2**	689.9	827.6
Net debt[3]	**637.3**	694.1	828.3
Dividends declared to shareholders	**48.7**	48.7	45.4
Dividends declared to shareholders (per share)	**0.56**	0.56	0.54
Weighted average shares outstanding (basic)	**87,028,659**	86,885,617	83,554,517
Weighted average shares outstanding (diluted)	**87,028,659**	86,885,617	83,611,759
Total shares outstanding	**87,041,292**	86,991,660	86,694,158

1. Net earnings before directly attributable acquisition-related costs.
2. Excludes current portion of debt.
3. Total current and non-current debt (including finance leases), less cash and cash equivalents.

Comparison of the Year Ended December 31, 2023 and December 31, 2022

Overall Performance

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

	Year ended December 31, 2023			Year ended December 31, 2022		
(in thousands of dollars)	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	2,454,769	36,395	**2,491,164**	3,001,699	37,318	**3,039,017**
Specified expenses						
Depreciation and amortization	65,123	2,980	**68,103**	63,555	3,322	**66,877**
Finance costs	39,261	1,282	**40,543**	36,468	1,106	**37,574**
Net earnings	72,783	3,003	**75,786**	74,004	4,736	**78,740**

Sales and Gross Margin

Sales for the year ended December 31, 2023 were $2.49 billion versus $3.04 billion in 2022, representing a decrease of $547.9 million or 18.0%, due to the factors discussed below.

Sales for the Building Materials segment decreased by $546.9 million or 18.2%, largely due to the impact of the previously discussed construction materials pricing environment, which resulted in lower average pricing for lumber, plywood and OSB during the current year. Lower average pricing was partially offset by increased unit volumes during 2023.

The Company's sales in the year were made up of 74% of construction materials, compared to 76% last year, with the remaining balance of sales resulting from specialty and allied products of 22% (2022 - 21%) and other sources of 4% (2022 - 3%).

Gross margin dollars were $402.7 million in the current year, versus $408.8 million in 2022, a decrease of $6.1 million. Gross margin percentage was 16.2% during the year, an increase from the 13.5% achieved in 2022, mainly due to the previously discussed reduced volatility in construction materials pricing. The relatively stable pricing environment during the current year led to higher percentage margins realized by the Company as it optimized its business practices. However, the previously discussed decrease in sales driven by lower average pricing resulted in comparatively lower margin dollars earned overall.

Expenses

Expenses for the year ended December 31, 2023 were $274.7 million versus $272.5 million in 2022, an increase of $2.2 million or 0.8% due to the factors discussed below. As a percentage of sales, 2023 expenses were 11.0%, versus 9.0% in 2022.

Distribution, selling and administration expenses increased by $1.0 million or 0.5%, to $206.6 million, versus $205.6 million in 2022. The recent broad inflationary pressures contributed to higher expenses during the period, but were largely offset by the Company's continued efforts to evaluate and pursue cost savings opportunities. As a percentage of sales, these expenses were 8.3% in the period, compared to 6.8% in the prior year.

Depreciation and amortization expenses increased by $1.2 million or 1.8%, from $66.9 million to $68.1 million. Depreciation and amortization expenses for the Building Materials segment increased by $1.6 million, largely due to the impact of foreign exchange on translation of foreign operations.

Operating Earnings

For the year ended December 31, 2023, operating earnings were $128.0 million versus $136.3 million in 2022, a decrease of $8.3 million or 6.1% due to the foregoing factors.

Finance Costs

Finance costs for the year ended December 31, 2023 were $40.5 million, versus $37.6 million in 2022, an increase of $3.0 million or 7.9%, largely due to higher interest rates on the Company's variable rate loan facilities, which was partially offset by lower average loans and borrowings.

Earnings before Income Taxes

For the year ended December 31, 2023, earnings before income taxes were $87.4 million, compared to $98.7 million in 2022, a decrease of $11.3 million or 11.4% due to the foregoing factors.

Provision for Income Taxes

For the year ended December 31, 2023, the provision for income taxes was $11.7 million compared to $20.0 million in 2022, a decrease of $8.3 million. This amount is a function of the pre-tax earnings generated during the year and the expected taxes payable on these earnings, as well as a revaluation of certain deferred tax assets and liabilities.

Net Earnings

As a result of the foregoing factors, net earnings for the year ended December 31, 2023 were $75.8 million versus $78.7 million in 2022, a decrease of $3.0 million or 3.8%.

Fourth Quarter Results

A summary of the unaudited results for the quarter ended December 31, 2023 and 2022 is as follows:

	Three months ended December 31,	
(in $ thousands, per share in dollars)	2023 $	2022 $
Sales	**527,386**	572,875
Gross margin	**80,564**	81,999
Gross margin %	***15.3 %***	*14.3* %
Distribution, selling and administration expenses	**47,335**	49,080
Depreciation and amortization	**16,858**	17,415
Expenses	**64,193**	66,495
Operating earnings	**16,371**	15,504
Finance costs	**9,353**	9,771
Earnings before income taxes	**7,018**	5,733
(Recovery of) Provision for income taxes	**(3,506)**	1,400
Net earnings	**10,524**	4,333
Net earnings per share[1]	**0.12**	0.05

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, 2023			Three months ended December 31, 2022		
(in thousands of dollars)	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	519,832	7,554	**527,386**	564,939	7,936	**572,875**
Specified expenses						
Depreciation and amortization	16,154	704	**16,858**	16,515	900	**17,415**
Finance costs	9,265	88	**9,353**	9,413	358	**9,771**
Net earnings	9,754	770	**10,524**	3,825	508	**4,333**

Sales and Gross Margin

Sales for the three-month period ended December 31, 2023 were $527.4 million versus $572.9 million in 2022, representing a decrease of $45.5 million or 7.9% due to the factors discussed below.

Sales for the Building Materials segment decreased by $45.1 million or 8.0%, largely due to the impact of the previously discussed construction materials pricing, which averaged lower during the fourth quarter of 2023 versus the same period last year.

The Company's sales in the quarter were made up of 72% of construction materials, consistent with last year, with the remaining balance of sales resulting from specialty and allied products of 24% (2022 - 24%) and other sources of 4% (2022 - 4%).

Gross margin dollars were $80.6 million in the three-month period versus $82.0 million in the comparative quarter of 2022, a decrease of $1.4 million. Gross margin percentage was 15.3% in the quarter, an increase from 14.3% achieved in the same quarter of 2022.

Expenses

Expenses for the three-month period ended December 31, 2023 were $64.2 million as compared to $66.5 million for the comparative quarter in 2022, a decrease of $2.3 million or 3.5%, due to the factors discussed below. As a percentage of sales, expenses were 12.2% in the quarter, compared to 11.6% during the comparative quarter in 2022.

Distribution, selling and administration expenses decreased by $1.7 million or 3.6%, from $49.1 million to $47.3 million, mainly due to the Company's continued efforts to manage costs during the quarter. As a percentage of sales, these expenses were 9.0% in the quarter, compared to 8.6% in the same quarter in 2022.

Depreciation and amortization expenses decreased by $557,000 or 3.2%, from $17.4 million to $16.9 million, mainly due to the impact of foreign exchange on translation of foreign operations.

Operating Earnings

For the quarter ended December 31, 2023, operating earnings were $16.4 million compared to $15.5 million in the comparative period of 2022, an increase of $867,000 or 5.6%, due to the foregoing factors.

Finance Costs

Finance costs for the fourth quarter of 2023 were $9.4 million, compared to $9.8 million for the same period in 2022, a decrease of $418,000 or 4.3%, largely due to lower average loans and borrowings.

Earnings before Income Taxes

For the quarter ended December 31, 2023, earnings before income taxes were $7.0 million, compared to $5.7 million in the comparative quarter of 2022, an increase of $1.3 million or 22.4% due to the foregoing factors.

Provision for Income Taxes

For the quarter ended December 31, 2023, recovery of income taxes was $3.5 million compared to a provision of $1.4 million in the same quarter of 2022, a decrease in the provision of $4.9 million. This amount is a function of the pre-tax earnings generated in the quarter and the expected taxes payable on these earnings, as well as a revaluation of certain deferred tax assets and liabilities.

Net Earnings

Net earnings for the quarter ended December 31, 2023 were $10.5 million compared to $4.3 million for the period in 2022, an increase of $6.2 million or 142.9%, due to the foregoing factors affecting the overall financial performance of the Company.

Summary of Quarterly Results

For the Quarters ended:

	2023				2022			
($ and shares millions, per share in dollars)	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Sales	**527.4**	643.9	710.7	609.1	572.9	744.1	870.7	851.3
EBITDA and Adjusted EBITDA(1)	**33.2**	52.0	66.0	44.8	32.9	40.0	52.1	78.1
Adjusted EBITDA % of sales(1)	**6.3**	8.1	9.3	7.4	5.7	5.4	6.0	9.2
Earnings before income taxes	**7.0**	25.0	38.2	17.2	5.7	13.3	26.2	53.5
Net earnings and Adjusted net earnings(2)	**10.5**	21.2	29.2	14.9	4.3	11.6	20.7	42.0
Net earnings and Adjusted net earnings(2) per share (3)	**0.12**	0.24	0.34	0.17	0.05	0.13	0.24	0.48
Dividends declared per share	**0.14**	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Outstanding shares(3)	**87.0**	86.9	87.0	87.1	87.0	87.0	86.8	86.8

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.

Reconciliation of Net Earnings to EBITDA:

	Three months ended December 31,		Years ended December 31,	
	2023	2022	2023	2022
(in thousands of dollars)	$	$	$	$
Net earnings	**10,524**	4,333	**75,786**	78,740
(Recovery of) Provision for income taxes	**(3,506)**	1,400	**11,654**	19,977
Finance costs	**9,353**	9,771	**40,543**	37,574
Depreciation and amortization	**16,858**	17,415	**68,103**	66,877
EBITDA	**33,229**	32,919	**196,086**	203,168

EBITDA

For the quarter ended December 31, 2023, EBITDA was $33.2 million compared to $32.9 million in the comparative quarter of 2022, an increase of $310,000 or 0.9%. The slight increase in EBITDA was due to a combination of the previously discussed changes in construction materials pricing resulting in lower dollar margins realized, which were largely offset by lower expenses due to the Company's continued efforts to manage costs during the quarter.

For the year ended December 31, 2023, EBITDA was $196.1 million, compared to $203.2 million in 2022, a decrease of $7.1 million or 3.5%, mainly due to the previously discussed changes in construction materials pricing, which were partially offset by increased unit volumes.

Financial Condition

Liquidity and Capital Resources

Management believes that net debt is a key measure of the Company's liquidity. The Company's net debt as at December 31, 2023 was $637.3 million, compared to $694.1 million in 2022, a decrease of $56.9 million, which was comprised of the following:

(in thousands of dollars)	2023 $	2022 $
Loans and borrowings[1]	**521,946**	535,693
Lease liabilities[1]	**145,294**	154,196
Cash and cash equivalents	**(40,213)**	(1,400)
Bank indebtedness	**10,243**	5,636
Net debt	**637,270**	694,125

1. Includes current portion of debt.

As at December, 31, 2023, the Company had available liquidity of $328.0 million, based on the maximum credit available of $500.0 million under its revolving loan facility:

(in thousands of dollars)	2023 $	2022 $
Cash and cash equivalents	**40,213**	1,400
Bank indebtedness	**(10,243)**	(5,636)
Unutilized credit capacity under the Company's revolving loan facility	**297,987**	356,479
Available liquidity	**327,957**	352,243

During the year ended December 31, 2023, the Company generated $35.4 million in cash and cash equivalents, including an increase of $39.3 million in highly liquid interest-bearing bank deposits, versus consuming $7.1 million in the comparative prior year. The following activities during the year accounted for the change in cash.

Operating activities, before non-cash working capital changes, generated $151.0 million in cash, compared to $138.9 million during 2022. The increase in operating cash generated was largely a result of a significant reduction in the required income tax payments during the year, which are a function of taxable income generated in the respective preceding year. However, the resulting savings in income taxes paid were partially offset by the previously discussed lower earnings due to construction materials pricing declines.

During the year ended December 31, 2023, changes in non-cash working capital items consumed $15.7 million in cash, compared to generating $83.3 million in 2022. During the prior year, management implemented efforts to reduce inventory volumes in anticipation of a potential slowing of market activity, resulting in a significant reduction of working capital and the related increase in cash generated. During the current year, management continued its efforts to optimize inventory volumes while maintaining the highest standards of customer service.

Notwithstanding the impact of management's recent ongoing tightening of inventory volumes and market pricing, 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 during the year ended December 31, 2023 was comprised of an increase in trade and other receivables of $8.7 million, a decrease in inventory of $8.8 million, an increase in prepaid expenses and deposits of $342,000, and a net decrease in trade and other payables and performance bond obligations of $15.4 million.

During the year ended December 31, 2023, the Company consumed a total of $85.8 million of cash from financing activities related to equity and debt stakeholders, compared to $224.8 million in 2022.

Payment of lease liabilities, including interest, consumed $26.3 million of cash compared to $24.8 million in 2022. The Company's lease obligations generally require monthly installments, and these payments are all current.

The Company borrowed $62.7 million from its revolving loan facility, compared to repaying $148.6 million in 2022. The Company utilized its revolving loan facility to redeem its $60.0 million 2023 Unsecured Notes and repay the $14.1 million balance of its non-revolving term loan in June 2023. Total net repayments of loans and borrowings amounted to $12.0 million, compared to $151.3 million in 2022, a decrease in repayments of $139.3 million year-over-year, largely due to the previously discussed working capital changes, resulting in the Company's increased facility utilization. Additionally, during 2023, the Company setup a highly liquid interest-bearing bank deposit account, with an initial investment of approximately $55 million, which was financed through the revolving loan facility.

Shares issued, net of transaction costs, generated $1.2 million of cash, largely in line with 2022. The Company also returned $48.7 million to shareholders through dividends paid during the year, which translates to a $0.14 quarterly dividend per share, consistent with 2022, and declared a $0.14 per share dividend payable in the fourth quarter of 2023.

The Company was not in breach of any of its lending covenants during the year ended December 31, 2023.

The Company invested net cash of $14.1 million in new property, plant and equipment during the year, compared to $4.5 million in 2022, representing purchases net of proceeds from disposition. Purchases of property, plant and equipment for the Building Materials segment were $13.4 million, versus $6.2 million in 2022.

Initially in response to the COVID-19 pandemic in general, as well as subsequent periods of volatility in construction materials pricing and market uncertainty driven by increasing interest rates, the Company is continuing to evaluate and take measures 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 or deemed prudent by management. These available 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 $1.43 billion as at December 31, 2023, versus $1.45 billion as at December 31, 2022, a decrease of $19.6 million. Current assets increased by $33.1 million. Cash and cash equivalents increased by $38.8 million, largely due to the previously discussed investment in interest-bearing bank deposits. Trade and other receivables increased by $5.8 million. Inventory decreased by $13.5 million due to the Company's continued efforts to optimize inventory volumes on hand.

Long-term assets within the Building Materials segment were $748.9 million as December 31, 2023, compared to $798.2 million as at December 31, 2022, a decrease of $49.3 million, largely due to the impact of depreciation and amortization.

Total Liabilities

Total liabilities were $844.2 million as at December 31, 2023, versus $876.7 million at December 31, 2022, a decrease of $32.5 million. The decrease was largely due to the decrease in total loans and borrowings of $13.7 million (including the impact of foreign exchange on translation of foreign operations and amortization of deferred financing costs), and a decrease in trade and other payables of $14.1 million. The decrease in the revolving loan facility was mainly due to the Company's results of operations, resulting in more funds available to pay down debt.

Current portion of loans and borrowings increased by $139.1 million. The Company's revolving loan facility in the amount of $201.2 million with a maturity date of December 6, 2024 became current as at December 31, 2023 and was consequently reclassified from non-current liabilities. In comparison, prior year current liabilities included the Company's 2023 Unsecured Notes in the amount of $60.0 million with a maturity date of October 9, 2023. As previously discussed, 2023 Unsecured Notes were redeemed early on June 30, 2023.

Outstanding Share Data

As at March 7, 2024, there were 87,139,845 common shares issued and outstanding.

The Company's Normal Course Issuer Bid ("NCIB") with respect to its common shares expired on November 25, 2022, and the Company did not renew it. There were no share repurchases under the terms of this NCIB.

Dividends

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

	2023			2022		
	Declared			Declared		
(in $ thousands, per share in dollars)	Record date	Amount $	Payment Date	Record date	Amount $	Payment date
Quarter 1	Mar 31, 2023	12,165 [1]	Apr 14, 2023	Mar 31, 2022	12,151	Apr 14, 2022
Quarter 2	Jun 30, 2023	12,167	Jul 14, 2023	Jun 30, 2022	12,157	Jul 15, 2022
Quarter 3	Sep 29, 2023	12,183	Oct 13, 2023	Sep 30, 2022	12,178	Oct 14, 2022
Quarter 4	Dec 29, 2023	12,186	Jan 12, 2024	Dec 30, 2022	12,179	Jan 13, 2023
		48,701			**48,665**	

1. Net of $32 dividend refund received with respect to cancelled shares under a historic escrow agreement.

Dividend Policy

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

Hedging

From time to time, 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 may, at times, use derivative financial instruments for economic hedging purposes in managing lumber price risk, interest rate 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, interest rate and lumber derivative instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for these instruments. 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, 2023, consistent with 2022. The minimum payments under the terms of these leases are as follows: $4.1 million in 2024, $2.8 million in 2025, $2.3 million in 2026, $2.3 million in 2027, $2.4 million in 2028, and $8.2 million thereafter.

During the year ended December 31, 2023, fees of $1.1 million (2022 - $1.4 million) were paid for services related to strategic and financial advice to a company solely controlled by Amar Doman. As at December 31, 2023, payables to this related party were $27,000 (2022 - $37,000). Additionally, the Company was charged professional fees in relation to regulatory, corporate finance, litigation, and compliance consulting services of $542,000 (2022 - $538,000) by a company owned by Rob Doman, an officer of the Company. As at December 31, 2023 payables to this related party were $82,000 (2022 - $82,000).

During the year, the Company purchased $2.0 million (2022 - $3.2 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, 2023, payables to this related party were $123,000 (2022 - $141,000).

Additional information regarding these related party transactions is contained in Note 23 of the 2023 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 computer hosting contracts.

The following table shows, as at December 31, 2023 the Company's contractual obligations, including estimated interest, within the periods indicated:

Contractual Obligations (in thousands of dollars)	**Total $**	**2024 $**	**2025-2026 $**	**2027-2028 $**	**Thereafter $**
Revolving loan facility[1]	**216,354**	216,354	–	–	–
Unsecured notes[2]	**367,194**	17,036	350,158	–	–
Leases[3]	**154,356**	27,725	39,616	30,209	56,806
Total contractual obligations	**737,904**	**261,115**	**389,774**	**30,209**	**56,806**

1. Interest has been calculated based on the average borrowing under the facility for the year ended December 31, 2023 utilizing the interest rate payable under the terms of the facility at December 31, 2023. This facility matures on December 6, 2024.
2. Non-publicly listed notes, in the amount of $324.5 million, with a maturity date of May 15, 2026 and interest rate of 5.25%.
3. Additional information is contained in Note 11 of the 2023 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, valuation of timber, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, assessing whether an arrangement contains a lease, determining the lease term, and determining the discount rate to value the lease.

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, 2023 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.

Timber Valuation

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 and carbon offset 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.

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 deductions, to the extent that their realization is probable. The determination of this requires significant judgment. This evaluation includes review of the ability to carry-back operating losses to offset taxes paid in prior years; the carry-forward periods of the losses; and an assessment of the excess of fair value over the tax basis of the Company's net assets. If based on this review, it is not probable such assets will be realized then no deferred income tax asset is recognized.

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.

Changes in Accounting Policies

Material accounting policies are disclosed in Note 3 of the 2023 Consolidated Financial Statements.

Disclosure of Accounting Policies (Amendments to IAS 1, Presentation of Financial Statements)

Effective January 1, 2023, the Company adopted Disclosure of Accounting Policies (Amendments to International Accounting Standards ("IAS") 1, Presentation of Financial Statements ("IAS 1")). These amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments provide guidance on the application of materiality to disclosure of accounting policies, assisting entities in providing useful, entity-specific accounting policy information that users need to understand other information presented elsewhere in the financial statements.

Although these amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in these financial statements. The Company reviewed the accounting policies and made updates to the information disclosed in Note 3 of the 2023 Consolidated Financial Statements in line with these amendments.

International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

In December 2021, the Organization for Economic Co-operation and Development ("OECD") released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the International Accounting Standards Board ("IASB") about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final amendments, International Tax Reform – Pillar Two Model Rules, which amended IAS 12, Income Taxes, in response to stakeholder concerns on May 23, 2023.

These amendments provide relief from deferred tax accounting for Pillar Two top-up taxes and introduce new disclosures about exposure to these taxes. Entities are able to benefit from the temporary exception immediately, but, in providing this exemption, they are required to provide the disclosures to investors for annual reporting periods beginning on or after January 1, 2023.

The Company has adopted these amendments upon their release, including a temporary mandatory exception from deferred tax accounting for the top-up tax, effective immediately. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted as at December 31, 2023 in any jurisdiction in which the Company operates and no related deferred tax was recognized at that date, the retrospective application had no impact on the 2023 Consolidated Financial Statements.

Further amendments require certain additional disclosures on Pillar Two income tax exposures as of the Company's fiscal year beginning January 1, 2024.

Other Amendments

The following amendments were applicable effective January 1, 2023, and had no material impact on the 2023 Consolidated Financial Statements: Definition of Accounting Estimates (amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors); and Deferred Tax Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12).

New Accounting Pronouncements Issued but not yet Applied

The 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 1, Presentation of financial statements

On January 23, 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1), to specify the requirements for classifying liabilities as current or non-current. Beside others, the amendments clarify what is meant by a right to defer settlement, that such a right to defer must exist at the end of the reporting period, and that the classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company does not expect the impact of these amendments on its consolidated financial statements to be material.

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, 2023. 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 controls over financial reporting ("ICFR"), and the requirement to evaluate the effectiveness of these controls on an annual basis.

Internal Control over Financial Reporting

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

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's ICFR as of December 31, 2023, 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, 2023, that have affected, or are reasonably likely to materially affect, its ICFR.

Risks and Uncertainties

The Company is subject to normal business risks associated with similar firms operating within the building materials industry in Canada and the US, which are described in greater detail in the Company's AIF dated March 31, 2023, and the Company's public filings on www.sedar.com, which the reader is encouraged to review, and which are or may be updated from time to time, after the date therein. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Cybersecurity Risk

Information technology ("IT") and cyber risks have recently increased, and malicious activities are creating more threats for cyberattacks. Privacy, data and third-party risks have also been heightened. The Company is continuously monitoring its IT infrastructure to maintain the privacy, security 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, defects, or impacts on the Company's operations. Accordingly, there can be no assurance that cyberattacks will not materially affect the Company's business or results of operations.

Outlook

As a distributor and manufacturer of a range of construction materials products, the Company is exposed to construction materials pricing volatility, such as seen from 2020 through 2022. Periods of increasing prices provide an 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, the impacts of inflation, rising interest rates, higher borrowing costs for consumers, a potential for an economic recession, production capacity restoration and industry operating rates, home sales, international tensions, ongoing trade disputes, supply chain challenges, labour shortages in the construction industry and inventory levels in various distribution channels.

The Bank of Canada ("BoC") January 2024 Monetary Policy Report indicated that the global economy is slowing but has been more robust than previously anticipated, in large part due to the surprising strength of the US economy. Growth is expected to moderate further in 2024. Inflation is coming down in most major economies and is expected to continue to decline gradually toward central banks' targets. In Canada, inflation is still considered too high but is easing gradually. Recent data reinforce that monetary policy is working to moderate spending and relieve price pressures across a wide range of goods and services. However, housing price inflation is high and is expected to put upward pressure on inflation for some time. According to the BoC, 2024 economic activity is forecast to remain weak, with annual growth in gross domestic product just under 1.0%, and then pick up gradually to 2.5% in 2025. Past interest rate increases will continue to constrain spending, while weak foreign demand will slow export growth. The BoC projects inflation rates to stay around 3.0% through the first half of 2024, then ease to 2.5% in the second half of 2024, before returning to target in 2025.

According to the Canada Mortgage and Housing Corporation (the "CMHC"), the seasonally adjusted annualized rate for Canadian housing starts decreased to 243,874 in 2023 versus 261,849 last year. However, the seasonally adjusted annualized rate of housing starts for the month of December 2023 was 248,968 compared to 210,860 in November 2023, representing an 18.1% increase.

According to Fannie Mae Economic and Strategic Research Group ("Fannie Mae"), a higher mortgage rate environment is expected to continue to dampen housing activity and further complicate housing affordability into 2024. New home sales continue to hold up better than existing due to ongoing inventory constraints, though the forecast calls for a modest deceleration in both new single-family sales and starts in the coming quarters. According to the US Census Bureau, housing starts were 1,422,000 units 2023, down from 1,553,000 units in 2022, demonstrating the impact of the rapidly rising mortgage rate environment. Housing starts are expected to remain steady in 2024 at 1,422,000 units before decreasing to 1,414,000 units in 2025.

In addition to new housing starts, management believes a significant proportion of the Company's sales are ultimately driven by activity in the repair and remodel market. After several years of significant gains, the four-quarter moving rate for expenditures on improvements and repairs in the US grew by 2.2% year-over-year during 2023, according to the Leading Indicator of Remodeling Activity ("LIRA") recently released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University ("JCHS"). However, the LIRA projects a contraction of 6.5% by the end of 2024 (four-quarter moving rate of change). The JCHS indicated that home remodeling activity continues to face strong headwinds from high interest rates, softening house price appreciation, and sluggish home sales.

Overall, the Company expects that ongoing net migration to Canada, aging housing supply and continuing work-from-home trends will help offset the near-term impact of higher interest rates and encourage repair and renovation spending that supports the Company's product offerings. In the long run, the Company expects that the demand for its products will remain resilient, supported by these strong fundamentals in the Company's end markets. In the interim, the Company continues to maintain a high level of vigilance and focus on the current global economic environment and its disruptive impacts, and actively manage risk. Additionally, 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 while minimizing excess inventory otherwise exposed to market fluctuations and higher financing costs. These initiatives have strengthened the Company's financial position by reducing overall debt and increasing available liquidity on its revolving loan facility. The Company also continues to execute on its strategy to increase the proportion of value-added products, such as pressure treated wood, in its overall sales.

Looking forward, the Company's priority in the near term is the health and safety of its employees, compliance with all necessary regulations, and mitigating the impacts of the current economic factors, while continuing to serve its customers. 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™

Doman Building Materials Group Ltd.

Consolidated Financial Statements

December 31, 2023 and 2022

(in thousands of Canadian dollars)

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Doman Building Materials Group Ltd.

Opinion

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

- the consolidated statements of financial position as at December 31, 2023 and 2022
- the consolidated statements of earnings and comprehensive earnings for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of goodwill impairment assessment

Description of the matter

We draw attention to Notes 3 and 14 of the financial statements. The goodwill balance is $394,670 thousand. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise. An impairment loss is recognized in earnings if the carrying amount exceeds its estimated recoverable amount. The recoverable amount of each of the cash generating units has been determined using value in use. To determine value in use, the 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 rate and after-tax discount rate.

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 rate and terminal growth rate.

How the matter was addressed in the audit

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- The information, other than the financial statements and the auditor's report thereon, including 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.

KPMG

Doman Building Materials Ltd.

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 auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditor’s report is Andrew James.

Vancouver, Canada
March 7, 2024

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	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	7	**40,213**	1,400
Trade and other receivables	8	**161,970**	156,140
Income taxes receivable	21	**9,493**	8,180
Inventories	9	**360,644**	374,182
Prepaid expenses and deposits		**15,030**	14,306
		587,350	554,208
Non-current assets			
Property, plant and equipment	10	**128,589**	139,741
Right-of-use assets	11	**134,881**	144,967
Timber	12	**46,485**	47,797
Deferred income tax assets	21	**3,536**	2,796
Intangible assets	13	**127,715**	151,893
Goodwill	14	**394,670**	401,802
Other assets		**2,344**	1,989
		838,220	890,985
Total assets		**1,425,570**	1,445,193
Liabilities			
Current liabilities			
Bank indebtedness		**10,243**	5,636
Trade and other payables		**123,749**	137,807
Performance bond obligations	15	**8,012**	10,584
Dividends payable	18	**12,186**	12,179
Income taxes payable	21	**–**	90
Current portion of loans and borrowings	16	**201,181**	62,131
Current portion of lease liabilities	11	**21,439**	21,180
		376,810	249,607
Non-current liabilities			
Loans and borrowings	16	**320,765**	473,562
Lease liabilities	11	**123,855**	133,016
Reforestation and environmental		**2,977**	2,105
Deferred income tax liabilities	21	**16,962**	15,846
Retirement benefit obligations	17	**2,861**	2,569
		467,420	627,098
Total liabilities		**844,230**	876,705
Equity			
Common shares	18	**584,956**	584,956
Contributed surplus		**11,083**	11,048
Foreign currency translation		**34,268**	48,803
Deficit		**(48,967)**	(76,319)
		581,340	568,488
Total liabilities and equity		**1,425,570**	1,445,193
Commitments and contingencies	11,30		
Events after the financial statement date	32		

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	2023 $	2022 $
Revenue	26,27	**2,491,164**	3,039,017
Cost of sales	19	**2,088,444**	2,630,222
Gross margin from operations		**402,720**	408,795
Expenses			
Distribution, selling and administration	20	**206,634**	205,627
Depreciation and amortization	10,11,13	**68,103**	66,877
		274,737	272,504
Operating earnings		**127,983**	136,291
Finance costs	22	**40,543**	37,574
Earnings before income taxes		**87,440**	98,717
Provision for income taxes	21	**11,654**	19,977
Net earnings		**75,786**	78,740
Other comprehensive (loss) income			
Exchange differences on translation of foreign operations[1]		**(14,535)**	38,056
Actuarial gain from pension and other benefit plans[2]	17,21	**267**	992
Comprehensive earnings		**61,518**	117,788
Net earnings per share			
Basic and diluted		**0.87**	0.91
Weighted average number of shares			
Basic and diluted		**87,028,659**	86,885,617

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

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

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

(in thousands of Canadian dollars except share amounts)	Common shares #	Common shares $	Contributed surplus $	Foreign currency translation $	Deficit $	Total $
As at January 1, 2022	86,694,158	583,086	11,317	10,747	(107,441)	497,709
Shares issued pursuant to (Note 18):						
Restricted Equity Common Share Plan	74,694	536	(536)	–	–	–
Employee Common Share Purchase Plan	222,808	1,346	–	–	–	1,346
Transaction costs on issue of shares, net of deferred income tax	–	(12)	–	–	–	(12)
Share-based compensation charged to operations	–	–	322	–	–	322
Accrued dividends on unvested restricted shares	–	–	(55)	–	55	–
Dividends	–	–	–	–	(48,665)	(48,665)
Comprehensive earnings for the year	–	–	–	38,056	79,732	117,788
As at December 31, 2022	**86,991,660**	**584,956**	**11,048**	**48,803**	**(76,319)**	**568,488**
Shares issued pursuant to (Note 18):						
Restricted Equity Common Share Plan	36,637	255	(255)	–	–	–
Employee Common Share Purchase Plan	242,003	1,259	–	–	–	1,259
Transaction costs on issue of shares, net of deferred income tax	–	(14)	–	–	–	(14)
Share-based compensation charged to operations	–	–	290	–	–	290
Shares cancelled	(229,008)	(1,500)	–	–	–	(1,500)
Dividends	–	–	–	–	(48,701)	(48,701)
Comprehensive (loss) earnings for the year	–	–	–	(14,535)	76,053	61,518
As at December 31, 2023	**87,041,292**	**584,956**	**11,083**	**34,268**	**(48,967)**	**581,340**

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	2023 $	2022 $
Operating activities			
Net earnings		**75,786**	78,740
Items not affecting cash			
Provision for income taxes	21	**11,654**	19,977
Depreciation and amortization	10,11,13	**68,103**	66,877
Other		**1,654**	(1,687)
Income taxes paid		**(12,540)**	(32,991)
Interest paid on loans and borrowings		**(34,177)**	(29,573)
Finance costs	22	**40,543**	37,574
Cash flows from operating activities before changes in non-cash working capital		**151,023**	138,917
Changes in non-cash working capital	25	**(15,684)**	83,287
Net cash flows provided by operating activities		**135,339**	222,204
Financing activities			
Shares issued, net of transaction costs	18	**1,243**	1,334
Dividends paid	18	**(48,694)**	(48,623)
Payments of lease liabilities, including interest	11	**(26,270)**	(24,769)
Net advances (repayments) on revolving loan facility		**62,744**	(148,610)
Redemption of senior unsecured notes	16	**(60,000)**	–
Repayments of non-revolving term loan		**(14,791)**	(2,667)
Other		**(64)**	(1,445)
Net cash flows used in financing activities		**(85,832)**	(224,780)
Investing activities			
Purchase of property, plant and equipment	10	**(14,447)**	(6,792)
Proceeds from disposition of property, plant and equipment		**306**	2,301
Net cash flows used in investing activities		**(14,141)**	(4,491)
Net increase (decrease) in cash and cash equivalents		**35,366**	(7,067)
Foreign exchange difference		**(1,160)**	3,532
Cash and cash equivalents (net of bank indebtedness) - beginning of year		**(4,236)**	(701)
Cash and cash equivalents (net of bank indebtedness) - end of year		**29,970**	(4,236)

1. NATURE OF OPERATIONS

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

The Company operates through its wholly owned subsidiaries, distributing various building materials, as well as producing and treating lumber 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 IFRS Accounting Standards ("IFRS"), and were authorized for issuance on March 7, 2024 by the Board of Directors of the Company.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except common share volumes and per share amounts.

c) Basis of measurement

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

(i) Standing timber on privately held forest land is characterized as a biological asset and is measured at fair value less costs to sell;

(ii) Derivative financial instruments 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 MATERIAL ACCOUNTING POLICIES

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

a) Business combinations and goodwill

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

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

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

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

b) Foreign currency translation

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

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

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

c) Hedge of net investment in foreign operations

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

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

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

d) Property, plant and equipment

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

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 40%
Automotive equipment	30%
Computer equipment and systems development	20% to 33%

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

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

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

e) 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 prepared 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. 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. 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) 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.

i) 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.

The Company has determined that the global minimum top-up tax, which is required to be paid under the *Global Anti-Base Erosion Model Rules (Pillar Two)* issued by the Organization for Economic Co-operation and Development ("OECD") ("Pillar Two"), is an income tax in scope of International Accounting Standards ("IAS") 12, *Income Taxes* ("IAS 12"). The Company has applied a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax and accounts for it as a current tax when it is incurred.

j) 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.

k) Financial instruments

(i) Non-derivative financial instruments

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

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

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

- Cash and cash equivalents, and trade and other receivables are subsequently measured at amortized cost.
- Bank indebtedness, trade and other payables, performance bonds, dividends payable, senior unsecured notes, revolving loan facility, non-revolving term loan 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.

l) Fair value measurement

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

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

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

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

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

m) Revenue recognition

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

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

n) 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.

o) 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 an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset group or cash-generating unit. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

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

p) 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.

q) 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, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, assessing whether an arrangement contains a lease, determining the lease term, and determining the discount rate to value the lease.

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, 2023 relates to the Company's acquisitions of various businesses. Goodwill is not amortized but is tested for impairment annually or more frequently

if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the recoverable amount of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the recoverable amount of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its fair value, the recoverable amount of goodwill related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 14).

b) Timber valuation

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) Inventory valuation

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

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

d) Income taxes

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

e) Leases

When assessing the lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, the assessment of the likelihood of exercising options and estimation of the fair value of the lease property (Note 11).

5. CHANGES IN ACCOUNTING POLICIES

Disclosure of Accounting Policies (Amendments to IAS 1, Presentation of Financial Statements)

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")) effective January 1, 2023. These amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments provide guidance on the application of materiality to disclosure of accounting policies, assisting entities in providing useful, entity-specific accounting policy information that users need to understand other information presented elsewhere in the financial statements.

Although these amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in these financial statements. The Company reviewed the accounting policies and made updates to the information disclosed in Note 3 in line with these amendments.

International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)

On May 23, 2023, the International Accounting Standards Board ("IASB") issued *International Tax Reform – Pillar Two Model Rules*, which amended IAS 12, to provide temporary relief from accounting and disclosure for deferred taxes arising from the implementation of Pillar Two rules published by the OECD. The amendments provide a general framework for the implementation of a 15% global minimum tax, which is to be applied on a jurisdiction-by-jurisdiction basis.

The Company has adopted these amendments upon their release, including a temporary mandatory exception from deferred tax accounting for the top-up tax, effective immediately. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted as at December 31, 2023 in any jurisdiction in which the Company operates and no related deferred tax was recognized at that date, the retrospective application had no impact on these consolidated financial statements.

Further amendments require certain additional disclosures on Pillar Two income tax exposures as of the Company's fiscal year beginning January 1, 2024.

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

Other Amendments

The following amendments were applicable effective January 1, 2023, and had no material impact on these consolidated financial statements: *Definition of Accounting Estimates (Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*); and *Deferred Tax Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)*.

6. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

IAS 1, *Presentation of financial statements*

On January 23, 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*, to specify the requirements for classifying liabilities as current or non-current. Beside others, the amendments clarify what is meant by a right to defer settlement, that such a right to defer must exist at the end of the reporting period, and that the classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company does not expect the impact of these amendments on its consolidated financial statements to be material.

7. CASH AND CASH EQUIVALENTS

	2023 $	2022 $
Cash	**962**	1,400
Interest-bearing bank deposits	**39,251**	–
Cash and cash equivalents	**40,213**	1,400

8. TRADE AND OTHER RECEIVABLES

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

	2023 $	2022 $
Trade receivables	**155,397**	152,092
Allowance for doubtful accounts	**(459)**	(2,048)
Net trade receivables	**154,938**	150,044
Other receivables	**7,032**	6,096
Total trade and other receivables	**161,970**	156,140

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

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

	2023 $	2022 $
Neither past due nor impaired	**146,373**	135,811
Past due but not impaired:		
Less than 1 month	**13,502**	13,633
1 to 3 months	**1,965**	2,806
3 to 6 months	**130**	3,890
Total trade and other receivables	**161,970**	156,140

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

	2023 $	2022 $
Balance at January 1	**2,048**	991
(Recoveries) Accruals during the year	**(1,655)**	1,090
Accounts written off	**(16)**	(129)
Foreign exchange difference	**82**	96
Balance at December 31	**459**	2,048

9. INVENTORIES

	2023 $	2022 $
Inventories held for resale	**288,984**	321,575
Inventories held for processing	**71,660**	52,607
	360,644	374,182

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings, leasehold improvements and roads $	Machinery, automotive and other equipment $	Computer equipment and systems development $	Total $
Cost					
Cost at January 1, 2022	36,305	37,189	151,876	6,067	231,437
Additions	–	1,329	3,346	2,117	6,792
Disposals	–	(178)	(7,808)	(146)	(8,132)
Foreign exchange difference	353	1,090	7,048	91	8,582
Cost at December 31, 2022	36,658	39,430	154,462	8,129	238,679
Additions	–	1,721	9,167	3,559	14,447
Disposals	–	(24)	(2,200)	(142)	(2,366)
Foreign exchange difference	(130)	(423)	(2,800)	(109)	(3,462)
Cost at December 31, 2023	**36,528**	**40,704**	**158,629**	**11,437**	**247,298**
Accumulated depreciation					
Accumulated depreciation at January 1, 2022	–	10,630	64,142	4,857	79,629
Depreciation	–	2,718	20,419	511	23,648
Disposals	–	(178)	(6,367)	(145)	(6,690)
Foreign exchange difference	–	152	2,167	32	2,351
Accumulated depreciation at December 31, 2022	–	13,322	80,361	5,255	98,938
Depreciation	–	2,582	20,122	537	23,241
Disposals	–	(15)	(2,021)	–	(2,036)
Foreign exchange difference	–	(83)	(1,334)	(17)	(1,434)
Accumulated depreciation at December 31, 2023	**–**	**15,806**	**97,128**	**5,775**	**118,709**
Net book value at December 31, 2022	36,658	26,108	74,101	2,874	139,741
Net book value at December 31, 2023	**36,528**	**24,898**	**61,501**	**5,662**	**128,589**

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Right-of-use assets

	Facilities [1]	Machinery, automotive and other equipment [2]	Computer equipment	Total
	$	$	$	$
Balance at January 1, 2022	140,080	11,728	146	151,954
Additions	–	4,602	418	5,020
Modifications and remeasurements	6,174	51	–	6,225
Amortization	(17,768)	(4,794)	(157)	(22,719)
Disposals	(762)	(280)	–	(1,042)
Foreign exchange movements	5,090	432	7	5,529
Balance at December 31, 2022	132,814	11,739	414	144,967
Additions	1,774	5,624	1,798	9,196
Modifications and remeasurements	6,555	126	–	6,681
Amortization	(18,281)	(5,105)	(331)	(23,717)
Disposals	–	(334)	(5)	(339)
Foreign exchange movements	(1,708)	(169)	(30)	(1,907)
Balance at December 31, 2023	**121,154**	**11,881**	**1,846**	**134,881**

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

Lease liabilities

	Facilities [1] $	Machinery, automotive and other equipment [2] $	Computer equipment $	Total $
Balance at January 1, 2022	146,275	12,202	146	158,623
Additions	–	4,602	418	5,020
Modifications and remeasurements	6,174	51	–	6,225
Disposals	(776)	(282)	–	(1,058)
Finance costs	3,963	358	8	4,329
Lease payments	(19,648)	(4,954)	(167)	(24,769)
Foreign exchange movements	5,408	412	6	5,826
Balance at December 31, 2022	141,396	12,389	411	154,196
Additions	1,774	5,624	1,798	9,196
Modifications and remeasurements	6,555	126	–	6,681
Disposals	–	(649)	(5)	(654)
Finance costs	3,748	387	59	4,194
Lease payments	(20,406)	(5,498)	(366)	(26,270)
Foreign exchange movements	(1,845)	(177)	(27)	(2,049)
Balance at December 31, 2023	131,222	12,202	1,870	145,294
Less: current portion	(16,633)	(4,363)	(443)	(21,439)
	114,589	**7,839**	**1,427**	**123,855**

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

Right-of-use assets and corresponding lease liabilities entered into during the year have been recorded using the Company's incremental borrowing rate, ranging between 4% and 8%.

Lease commitments

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

Years ending December 31	$
2024	27,725
2025	22,332
2026	17,284
2027	15,869
2028	14,340
Thereafter	56,806
	154,356

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

12. TIMBER

	2023 $	2022 $
Balance at January 1	**47,797**	47,697
Reforestation provision on harvested land	**1,269**	389
Harvested timber transferred to inventory in the year	**(2,241)**	(1,680)
Change in fair value	**(340)**	1,391
Balance at December 31	**46,485**	47,797

The Company's private timberlands comprise an area of approximately 44,217 hectares ("ha") of land as at December 31, 2023 (2022 - 45,983 ha), with standing timber consisting of mixed-species softwood forests.

For the years ended December 31, 2023 and 2022, the fair value measurement for the Company's standing timber, as disclosed above, had been categorized as Level 3 fair value (as defined in Note 24).

The Company's valuation model 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% (2022 - 9.5%).

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

13. INTANGIBLE ASSETS

	US operations $	Value-added services $	Total $
Cost			
Cost at January 1, 2022	190,740	9,989	200,729
Foreign exchange difference	13,029	–	13,029
Cost at December 31, 2022	203,769	9,989	213,758
Foreign exchange difference	(4,784)	–	(4,784)
Cost at December 31, 2023	**198,985**	**9,989**	**208,974**
Accumulated amortization			
Accumulated amortization at January 1, 2022	34,752	3,439	38,191
Amortization	19,506	1,004	20,510
Foreign exchange difference	3,164	–	3,164
Accumulated amortization at December 31, 2022	57,422	4,443	61,865
Amortization	20,222	923	21,145
Foreign exchange difference	(1,751)	–	(1,751)
Accumulated amortization at December 31, 2023	**75,893**	**5,366**	**81,259**
Net intangible assets at December 31, 2022	146,347	5,546	151,893
Net intangible assets at December 31, 2023	**123,092**	**4,623**	**127,715**

14. GOODWILL

	Canadian operations $	US operations $	Value-added services $	Total $
Balance at January 1, 2022	62,624	284,399	35,347	382,370
Foreign exchange difference	–	19,432	–	19,432
Balance at December 31, 2022	62,624	303,831	35,347	401,802
Foreign exchange difference	–	(7,132)	–	(7,132)
Balance at December 31, 2023	**62,624**	**296,699**	**35,347**	**394,670**

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

The Company performed its annual test for goodwill impairment as at December 31, 2023. 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 recoverable amount of each of the cash-generating units exceeded their carrying amounts. As a result, no provision for impairment of goodwill was recorded.

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

15. PERFORMANCE BOND OBLIGATIONS

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

	2023 $	2022 $
Funds received on bonding obligations[1]	**44,507**	72,116
Payments made on bonding obligations[1]	**(36,816)**	(61,885)
Receipts in excess of payments	**7,691**	10,231
Provision for loss on bonds	**321**	353
	8,012	10,584

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

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

	2023 $	2022 $
Balance at January 1	**10,584**	11,233
Net payments on bonding obligations during the year	**(2,347)**	(1,276)
Change in provision for loss on bonds	**(24)**	(86)
Foreign exchange difference	**(201)**	713
Balance at December 31	**8,012**	10,584

Total gross bonding contracts on all outstanding projects at December 31, 2023 were $64,109 (December 31, 2022 - $95,889).

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

16. LOANS AND BORROWINGS

	2023 $	2022 $
Total loans and borrowings		
Unsecured notes(1)	**320,765**	378,656
Revolving loan facility(1)	**201,181**	142,424
Non-revolving term loan(1)	**–**	14,613
Total loans and borrowings	**521,946**	535,693
Current portion of loans and borrowings		
Revolving loan facility	**201,181**	–
Unsecured notes	**–**	59,464
Non-revolving term loan	**–**	2,667
Total current portion of loans and borrowings	**201,181**	62,131
Non-current portion of loans and borrowings	**320,765**	473,562

1. Amounts reflect financing costs net of amortization totaling $4,567 as at December 31, 2023 and $7,119 as at December 31, 2022.

The Company was not in breach of any of its covenants during the year ended December 31, 2023.

During the year ended December 31, 2023, certain drawings under the Revolving loan facility were designated as a hedge against the Company's investment in its US operations and an unrealized foreign exchange gain of $4,993 was recognized in Foreign currency translation in OCI.

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

Redemption of senior unsecured notes

On June 30, 2023, the Company completed the early redemption of all $60,000 of its outstanding senior unsecured notes with a maturity date of October 9, 2023 ("2023 Unsecured Notes"), in accordance with the terms of the 2023 Unsecured Notes trust indenture. Total redemption amount, including accrued interest, was $60,859.

Repayment of non-revolving term loan

On June 29, 2023, the Company completed the early repayment of the balance of its outstanding non-revolving term loan in the amount of $14,125, in accordance with the terms of such loan agreement, otherwise having a full maturity date of December 6, 2024.

Terms and conditions

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

				December 31, 2023		December 31, 2022	
	Currency	Nominal interest rate %	Maturity	Face value $	Carrying amount $	Face value $	Carrying amount $
2026 Unsecured notes[1]	CDN	5.25	May 15, 2026	**324,500**	**320,765**	324,500	319,192
2023 Unsecured notes[2]	CDN	6.375	Oct 9, 2023	**–**	**–**	60,000	59,464
Revolving loan facility[3]	CDN	Based on Canadian prime rate or Canadian Dollar Offered Rate	Dec 6, 2024	**65,551**	**65,326**	–	–
Revolving loan facility[3]	USD	Based on US prime rate or Secured Overnight Financing Rate	Dec 6, 2024	**136,462**	**135,855**	143,521	142,424
Non-revolving term loan	CDN	Based on Canadian prime rate or Canadian Banker's Acceptance Rate	Dec 6, 2024	**–**	**–**	14,791	14,613
Total loans and borrowings				**526,513**	**521,946**	542,812	535,693

1. Non-publicly listed, with a maturity date of May 15, 2026 and interest rate at 5.25%, payable semi-annually ("2026 Unsecured Notes").
2. Previously publicly listed on the TSX under the symbol DBM.NT.A, maturity date was October 9, 2023 with interest rate of 6.375%, payable semi-annually.
3. Maximum credit available is $500,000. 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.

During the year ended December 31, 2023, under Interbank Offered Rate ("IBOR") reform, IBORs were replaced with alternative benchmark rates. As a result, the USD revolving loan facility previously referencing London Interbank Offered Rate in the comparative year ended December 31, 2022 was transitioned to term Secured Overnight Financing Rate. There was no significant impact on these consolidated financial statements as the change in contractual cash flows was on an economically equivalent basis. Therefore, the change is accounted for by updating the effective interest rate, with no gain or loss recognized.

17. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Defined benefit pension plans

The Company sponsors two non-contributory defined benefit pension plans: one a registered pension plan for salaried employees and the other a non-registered historical pension plan for certain retired executives. Both plans provide benefits based on years of service and historical highest average salary. The plans were closed to new participants effective August 1, 2000. The Company amended the registered defined benefit pension plan effective January 1, 2005 to reduce the benefit formula for future years of service and to allow members of the defined benefit pension plan to participate in the defined contribution plan. In respect of the non-registered historical executive pension plan, the Company has issued letters of credit amounting to $1,054 (2022 - $1,164) based on actuarial estimates determined annually.

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

Annuity contracts

In the comparative year ended December 31, 2022, the Company purchased an annuity buy-in for plan retirees for $3,915 through its defined benefit pension plan. Future cash flows from the annuity will match the amount and timing of benefits payable under the plan, substantially mitigating the exposure to future volatility in the related pension obligation.

At December 31, 2023, total buy-in annuities purchased to date represented 80% (2022 - 83%) of the defined benefit pension plan obligation and were fully hedged against changes in future discount rates and longevity risk (potential increases in life expectancy of plan members).

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, 2023 amounted to $1,521 (2022 - $1,482) and was included in distribution, selling and administration expenses.

Post-retirement benefits other than pensions

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

Total cash payments

Total cash payments for employee future benefits for 2023, consisting of cash contributed by the Company to defined benefit plans, defined contribution plans, and other post-retirement benefits, were $1,914 (2022 - $1,908), with no solvency deficiency contributions.

Included in total cash payments, based on 2023 experience, the Company expects the 2024 contributions for its defined benefit plan to be approximately $236. Solvency deficiency contributions are not required.

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (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	
	2023 $	2022 $	2023 $	2022 $
Net benefit expense				
Current service cost	**244**	309	**11**	–
Past service cost	**–**	–	**490**	
Non-investment expenses	**150**	120	**–**	–
Interest cost on benefit obligation	**1,838**	1,320	**91**	56
Expected return on plan assets	**(1,903)**	(1,266)	**–**	–
Net benefit expense	**329**	483	**592**	56
Defined benefit obligation				
Defined benefit obligation at January 1	**38,006**	48,355	**1,718**	2,082
Current service cost	**244**	309	**11**	–
Past service cost	**–**	–	**490**	
Interest cost on benefit obligation	**1,838**	1,320	**91**	56
Benefits paid	**(3,056)**	(3,029)	**(124)**	(142)
Actuarial losses (gains) on benefit obligation	**1,043**	(8,949)	**(200)**	(278)
Defined benefit obligation at December 31	**38,075**	38,006	**1,986**	1,718
Plan assets				
Fair value of plan assets at January 1	**39,478**	46,654	**–**	–
Expected return on plan assets	**1,903**	1,266	**–**	–
Employer contributions	**269**	284	**124**	142
Non-investment expenses	**(150)**	(120)	**–**	–
Benefits paid	**(3,056)**	(3,029)	**(124)**	(142)
Actuarial gains (losses) on plan assets	**573**	(5,577)	**–**	–
Fair value of plan assets at December 31	**39,017**	39,478	**–**	–
Net benefit liability				
Fair value of plan assets at December 31	**39,017**	39,478	**–**	–
Accrued benefit obligation at December 31	**(38,075)**	(38,006)	**(1,986)**	(1,718)
	942	1,472	**(1,986)**	(1,718)
Asset ceiling impairment	**(1,817)**	(2,323)	**–**	–
Net benefit liability	**(875)**	(851)	**(1,986)**	(1,718)

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

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

	Pension benefit plan		Other benefit plans	
	2023 $	2022 $	**2023 $**	2022 $
Distribution, selling and administration				
Current service cost	**244**	309	**11**	–
Past service cost	**–**	–	**490**	–
Non-investment expenses	**150**	120	**–**	–
	394	429	**501**	–
Finance costs				
Interest cost on benefit obligation	**1,838**	1,320	**91**	56
Interest on effect of asset ceiling at beginning of year	**116**	–	**–**	–
Expected return on plan assets	**(1,903)**	(1,266)	**–**	–
	51	54	**91**	56
Other comprehensive (loss) income				
Actuarial (losses) gains on obligation due to changes in financial assumptions	**(1,306)**	8,949	**(101)**	262
Actuarial gains (losses) on obligation due to changes in experience	**263**	–	**(219)**	16
Actuarial gains on demographic assumptions	**–**	–	**520**	–
Actuarial gains (losses) on plan assets	**573**	(5,420)	**–**	–
Actuarial losses on annuity buy-in	**–**	(157)	**–**	–
Net change in effect of asset ceiling	**622**	(2,323)	**–**	–
	152	1,049	**200**	278

Assets

At December 31, plan assets consisted of the following:

	2023 %	2022 %
Annuity	**78**	80
Debt securities[1]	**20**	18
Short-term securities[1]	**2**	2
	100	100

1. Unquoted investments (pooled funds).

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

Significant assumptions

The significant weighted average assumptions used were as follows:

	Pension benefit plan		Other benefit plans	
	2023 %	**2022 %**	**2023 %**	**2022 %**
Accrued benefit obligation as of December 31				
Discount rate	**4.60**	5.00	**4.60**	5.00
Rate of compensation increase	**3.50**	3.25	**n/a**	n/a
Benefit costs for year ended December 31				
Discount rate	**5.00**	2.80	**5.00**	2.80
Rate of compensation increase	**3.25**	3.25	**n/a**	n/a

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

	2023	**2022**
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			
	2023		2022	
	Increase $	**Decrease $**	**Increase $**	**Decrease $**
Effect on the defined benefit obligation	**200**	**(181)**	193	(174)
Effect on the aggregate current service cost and interest cost	**17**	**(17)**	10	(9)

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (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 $
2023				
Effect on the defined benefit obligation	**(3,158)**	**3,730**	**(150)**	**170**
Effect on the aggregate current service cost and interest cost for the next year	**170**	**(212)**	**4**	**(7)**
2022				
Effect on the defined benefit obligation	(3,089)	3,634	(101)	109
Effect on the aggregate current service cost and interest cost for the next year	153	(190)	11	(12)

The average duration of the defined benefit plan obligation at December 31, 2023 was 9 years.

18. SHARE CAPITAL

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

Normal Course Issuer Bid ("NCIB")

The Company's NCIB with respect to its common shares expired on November 25, 2022, and the Company did not renew it. There were no share repurchases under the terms of this NCIB.

Restricted Equity Common Share Plan ("RECSP")

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

	Years ended December 31, 2023 #	2022 #
Balance at January 1	**–**	57,242
Granted	**36,637**	29,694
Reversal of RSUs earned as notional dividends	**–**	(12,242)
Vested and converted to common shares during the year	**(36,637)**	(74,694)
Balance at December 31	**–**	**–**

Compensation expense in respect of RSUs for the year ended December 31, 2023 was $290 (2022 - $322).

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

Employee Common Share Purchase Plan ("ECSPP")

For the year ended December 31, 2023, the Company issued 242,003 (2022 - 222,808) common shares from treasury for gross proceeds of $1,259 (2022 - $1,346), pursuant to the ECSPP.

Subsequent to December 31, 2023, the Company issued 98,553 shares under the ECSPP for gross proceeds of $698.

Cancellation of shares

On May 8, 2023, the Company cancelled 229,008 shares outstanding under a historic escrow agreement.

Dividends

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

	2023			2022		
	Declared			Declared		
	Record date	Amount $	Payment Date	Record date	Amount $	Payment date
Quarter 1	Mar 31, 2023	12,165 (1)	Apr 14, 2023	Mar 31, 2022	12,151	Apr 14, 2022
Quarter 2	Jun 30, 2023	12,167	Jul 14, 2023	Jun 30, 2022	12,157	Jul 15, 2022
Quarter 3	Sep 29, 2023	12,183	Oct 13, 2023	Sep 30, 2022	12,178	Oct 14, 2022
Quarter 4	Dec 29, 2023	12,186	Jan 12, 2024	Dec 30, 2022	12,179	Jan 13, 2023
		48,701			**48,665**	

1. Net of $32 dividend refund received with respect to cancelled shares under a historic escrow agreement.

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

19. COST OF SALES

Cost of sales includes the following costs:

	2023 $	2022 $
Purchased, treated and manufactured building materials	**2,008,239**	2,559,263
Salaries and benefits	**52,528**	46,974
Timber and related products	**23,410**	20,751
Inventory provisions	**2,626**	2,257
Others	**1,641**	977
	2,088,444	2,630,222

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

20. DISTRIBUTION, SELLING AND ADMINISTRATION COSTS

Distribution, selling and administration costs include the following:

	2023 $	2022 $
Salaries and benefits	**136,338**	130,846
Facility occupancy costs	**35,265**	40,793
Office and miscellaneous	**17,829**	16,992
Travel, promotion and entertainment	**12,351**	11,218
Professional and management fees	**4,851**	5,778
	206,634	205,627

21. INCOME TAXES

Income tax for the Company consisted of the following:

Consolidated Statements of Earnings

	2023 $	2022 $
Current income tax expense	**10,993**	16,266
Deferred income tax expense	**661**	3,711
	11,654	19,977

Consolidated Statements of Comprehensive Earnings

	2023 $	2022 $
Deferred tax expense related to items recorded in OCI during the year		
Actuarial gains	**85**	335

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

	2023 $	2022 $
Earnings before income taxes	**87,440**	98,717
Income tax at statutory rates	**23,099**	25,870
Adjustment to deferred tax assets and liabilities related to changes in tax rates	**(534)**	949
Permanent differences and other	**(10,911)**	(6,842)
Income tax expense	**11,654**	19,977

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

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

	2023 $	2022 $
Deferred income tax (liabilities) assets:		
Property, plant and equipment	**(8,841)**	(18,478)
Timber	**(10,134)**	(10,240)
Pensions and other post-retirement benefits	**766**	685
Non-capital losses	**2,689**	8,986
Reserves	**14,186**	16,605
Intangible assets and goodwill	**(12,092)**	(10,608)
Net deferred income tax liabilities	**(13,426)**	(13,050)

Net deferred income tax liabilities consisted of the following:

	2023 $	2022 $
Deferred income tax assets	**3,536**	2,796
Deferred income tax liabilities	**(16,962)**	(15,846)
Net deferred income tax liabilities	**(13,426)**	(13,050)

At December 31, 2023, the Company had no US non-capital losses that may be available for deduction against taxable income in future years (2022 - $14,856), and $23,399 (2022 - $35,255) of Canadian non-capital losses that expire as follows:

	$
2030	1,837
2031	2,356
2032	4,796
2033	1,509
2034	1,755
Thereafter	11,146
	23,399

At December 31, 2023, approximately $15,000 of these non-capital losses have not been recognized as deferred income tax assets.

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

Tax legislation changes

In March 2022, the OECD released detailed technical guidance on the legislative framework for a 15% global minimum tax, Pillar Two, that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. No new legislation to implement the top-up tax was enacted or substantively enacted as at December 31, 2023 in any jurisdiction in which the Company operates, and no related deferred tax was recognized at that date.

As at the date of these consolidated financial statements, the legislative changes within the jurisdictions in which the Company operates are expected to take effect for fiscal years beginning on or after January 1, 2024. The Company is in the process of assessing the impact of Pillar Two on its income taxes, but at this time, does not believe that there will be any top-up tax payable.

22. FINANCE COSTS

Finance costs include the following:

	2023 $	2022 $
Loans and borrowings	**33,604**	30,791
Lease liabilities	**4,194**	4,329
Other	**(271)**	(573)
Net cash interest	**37,527**	34,547
Amortization of financing costs	**2,874**	2,917
Interest on net defined benefit liability	**142**	110
	40,543	37,574

23. RELATED PARTY TRANSACTIONS

Transactions

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

	2023 $	2022 $
Leased distribution[1] and treatment facilities[2]	**4,216**	4,192
Purchase of product[3]	**2,021**	3,167
Management fees and other[4]	**1,107**	1,398
Professional fees and other[5]	**542**	538

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.

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (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	$
2024	4,142
2025	2,823
2026	2,272
2027	2,310
2028	2,379
Thereafter	8,150
	22,076

Payable to related parties

As at December 31, 2023, trade and other payables include amounts due to related parties as follows:

	2023 $	2022 $
Purchase of product[1]	**123**	141
Management fees and other[2]	**27**	37
Professional fees and other[3]	**82**	82

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, and the Chief Financial Officer.

Compensation awarded to key management is summarized as follows:

	2023 $	2022 $
Salaries and other benefits	**4,021**	5,581
Share-based compensation	**255**	183
	4,276	5,764

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

24. FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

	December 31, 2023		December 31, 2022	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
2026 Unsecured notes[1]	**320,765**	**312,331**	319,192	290,022
Revolving loan facility	**201,181**	**202,013**	142,424	143,521
2023 Unsecured notes[2]	**–**	**–**	59,464	59,400
Non-revolving term loan	**–**	**–**	14,613	14,791

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

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

- The fair values of cash and cash equivalents, trade and other receivables, bank indebtedness, trade and other payables, performance bond obligations and dividends payable were comparable to their carrying amounts, given the short maturity periods.
- 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 approximated their carrying values as they bear interest at variable rates based on current market rates. The fair values have been estimated as the carrying values excluding unamortized financing costs.
- The fair value of the Company's publicly listed 2023 Unsecured Notes as at the comparative December 31, 2022 was based on the quoted active market price.
- The fair values of the Company's lease liabilities approximated 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 listed 2023 Unsecured Notes (prior to their redemption), which were categorized as Level 1.

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

Derivative financial instruments

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

The Company held no outstanding foreign exchange contracts as at December 31, 2023 and December 31, 2022, and held a nominal amount of lumber futures contracts.

When held by the Company, these derivative financial instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for these instruments. 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, 2023, the Company recorded an unrealized foreign exchange gain of $4,993 (2022 - loss of $18,075), arising on revaluation of hedged foreign currency debt in Foreign currency translation in OCI during the year.

Financial risk management

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

Financial assets include cash and cash equivalents and trade and other receivables, which are measured at amortized cost. Financial liabilities include bank indebtedness, trade and other payables, performance bond obligations, dividends payable, unsecured notes, revolving loan facility and lease liabilities. All financial liabilities are measured at amortized cost.

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

Credit risk

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

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

As at December 31, 2023, trade accounts receivable, excluding other receivables, were as follows:

	$
Current	154,232
Past due over 60 days	1,165
Trade receivables	155,397
Less: Allowance for doubtful accounts	(459)
	154,938

As at December 31, 2023, the maximum exposure to credit risk, including both trade and other receivables, was $161,970 (December 31, 2022 - $156,140), representing the carrying value amount of financial instruments classified as trade and other receivables.

Interest rate risk

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

Additionally, the Company is exposed to interest rate risk through its variable rate revolving loan facility (Note 16). Based on the Company's average variable rate borrowings during the year ended December 31, 2023, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of $1,631 in annual net earnings.

The Company did not hold any interest rate swaps during the years ended December 31, 2023 and 2022. However, the negative risk of rising interest rates was mitigated by financing a significant portion of the Company's borrowings through the unsecured notes at fixed rates.

Currency risk

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

As at December 31, 2023 the Company had US dollar drawings under its Revolving loan facility of US$126,195 (2022 - US$148,991), which had been designated as a hedge against the Company's net investment in its foreign operations.

As at December 31, 2023, a $0.05 increase in the US dollar versus the Canadian dollar would have an insignificant impact on net earnings, and an increase in OCI of approximately $23,000.

Liquidity risk

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

Other price risk

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

25. CHANGES IN NON-CASH WORKING CAPITAL

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

	2023 $	2022 $
Trade and other receivables	**(8,725)**	63,139
Inventories	**8,758**	45,465
Prepaid expenses and deposits	**(342)**	(1,758)
Trade and other payables	**(13,004)**	(22,198)
Performance bond obligations	**(2,371)**	(1,361)
	(15,684)	83,287

26. REVENUE

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

	2023			2022		
	Building Materials $	**Other $**	**Total $**	**Building Materials $**	**Other $**	**Total $**
Geographic markets						
Canada	1,009,607	36,395	**1,046,002**	1,235,753	37,318	**1,273,071**
US	1,445,162	–	**1,445,162**	1,765,946	–	**1,765,946**
	2,454,769	36,395	**2,491,164**	3,001,699	37,318	**3,039,017**
Revenue categories						
Products	2,448,920	36,395	**2,485,315**	2,995,254	37,318	**3,032,572**
Services	5,849	–	**5,849**	6,445	–	**6,445**
	2,454,769	36,395	**2,491,164**	3,001,699	37,318	**3,039,017**

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of $10,285 as at December 31, 2023 (December 31, 2022 - $8,825), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the Consolidated Statement of Financial Position.

During the year ended December 31, 2023, one customer individually accounted for revenue in excess of 10%, purchasing an aggregate of $572,314 (2022 - $870,633, representing one customer).

Notes to the Consolidated Financial Statements for the years ended December 31, 2023 and 2022 - (in thousands of Canadian dollars)

27. SEGMENTED INFORMATION

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

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

Business segment revenues and specified expenses were as follows:

	2023			2022		
	Building Materials $	Other $	Total $	Building Materials $	Other $	Total $
Revenue	2,454,769	36,395	**2,491,164**	3,001,699	37,318	**3,039,017**
Specified expenses						
Depreciation and amortization	65,123	2,980	**68,103**	63,555	3,322	**66,877**
Finance costs	39,261	1,282	**40,543**	36,468	1,106	**37,574**
Net earnings	72,783	3,003	**75,786**	74,004	4,736	**78,740**
Purchase of property, plant and equipment	13,394	1,053	**14,447**	6,228	564	**6,792**

Business segment long-term assets were as follows:

	2023				2022			
	Building Materials $	Other $	Percent %	Consolidated $	Building Materials $	Other $	Percent %	Consolidated $
Canada	165,174	89,340	30	**254,514**	172,811	92,796	30	**265,607**
US	583,706	–	70	**583,706**	625,378	–	70	**625,378**
Long-term assets	748,880	89,340	100	**838,220**	798,189	92,796	100	**890,985**

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

	2023 %	2022 %
Construction materials	**74**	76
Specialty and allied	**22**	21
Other	**4**	3
	100	100

28. CAPITAL DISCLOSURES

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

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

The Company manages the capital structure and adjusts it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, repurchase shares in the market, issue new shares, or sell assets to reduce debt.

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

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

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

29. SEASONALITY

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

30. CONTINGENCIES

Product liability and other claims

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and, based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

31. COMPARATIVE FIGURES

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

32. EVENTS AFTER THE FINANCIAL STATEMENT DATE

Southeast Forest Products Acquisition

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

Purchase price consideration was funded by the Company's cash and cash equivalents on hand and is subject to certain post-closing adjustments.

DOMAN™

Directors

Ian M. Baskerville
Toronto, Ontario

Amar S. Doman
Vancouver, British Columbia

Kelvin Dushnisky
Toronto, Ontario

Sam Fleiser
Toronto, Ontario

Marie M. Graul
Chicago, Illinois

Michelle M. Harrison
Sacramento, California

Harry Rosenfeld
Vancouver, British Columbia

Siegfried J. Thoma
Portland, Oregon

Auditors

KPMG LLP
Vancouver, British Columbia

Solicitors

Goodmans LLP
Toronto, Ontario

DLA Piper (Canada) LLP
Vancouver, British Columbia

Officers

Amar S. Doman
Chairman and CEO

James Code
Chief Financial Officer

R.S. (Rob) Doman
Corporate Secretary

Doman Building Materials

Head Office
1600 – 1100 Melville Street
P.O. Box 39
Vancouver BC V6E 4A6

Contact
Phone: (604) 432-1400
Internet: *www.domanbm.com*

Transfer Agent

TSX Trust Company
Vancouver, British Columbia
Toronto, Ontario

Investor Relations

Contact
Ali Mahdavi
Phone: (416) 962-3300

Stock Exchange

Toronto Stock Exchange

Trading Symbol:

DBM

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Doman Building Materials Group Ltd.