Doman Building Materials Group Ltd.

Management's Discussion and Analysis

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March 3, 2022

This Management's Discussion and Analysis ("MD&A") provides a review of the significant developments that have impacted Doman Building Materials Group Ltd. (formerly, "CanWel Building Materials Group Ltd.") (the "Company"), in the quarter and year ended December 31, 2021 relative to 2020. This discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2021 (the "2021 Consolidated Financial Statements"). The financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of financial statements.

This MD&A, the associated 2021 Consolidated Financial Statements and the 2021 Letter to Shareholders (the "2021 Reporting Documents") contains historical information, descriptions of current circumstances and statements about potential future developments and anticipated financial results, performance or achievements of the Company and its subsidiaries. The latter statements, which are forward-looking statements, are presented to provide guidance to the reader but their accuracy depends on a number of assumptions and are subject to various known and unknown risks and uncertainties. Forward-looking statements are included under the headings "Business Overview", "Outlook", "Commitments and Contingencies", "Sales and Gross Margin", "Dividend Policy" and "Liquidity and Capital Resources". When used in this MD&A, such statements may contain such words as "may," "will," "intend," "should," "expect," "believe," "outlook," "predict," "remain," "anticipate," "estimate," "potential," "continue," "plan," "could," "might," "project," "targeting" or the inverse or negative of these terms or other similar terminology. Forward-looking information in the 2021 Reporting Documents includes, without limitation, statements regarding funding requirements, dividends, commodity pricing, interest rates, economic data and housing starts. Additionally, the ultimate impact of COVID-19 on the Company's results is difficult to quantify, as it will depend on, inter alia, the duration and impact of the pandemic, the impact of government policies, and the pace of economic recovery. These statements are based on management's current expectations regarding future events and operating performance, and on information currently available to management, speak only as of the date of the 2021 Reporting Documents and are subject to risks which are described in the Company's current Annual Information Form dated March 12, 2021 ("AIF") and the Company's public filings on the Canadian Securities Administrators' website at www.sedar.com ("SEDAR") and as updated from time to time, and would include, but are not limited to, dependence on market economic conditions, risks related to the impact of geopolitical conflicts, local, national, and international health concerns, including but not limited to the novel coronavirus COVID-19, sales and margin risk, acquisition and integration risks and operational risks related thereto, competition, information system risks, technology risks, cybersecurity risks, availability of supply of products, risks associated with the introduction of new product lines, product design risk, product liability risk, environmental risks, volatility of commodity prices, inventory risks, customer and vendor risks, contract performance risk, availability of credit, credit risks, performance bond risk, currency risks, insurance risks, risks related to climate change, interest rate risks, tax risks, risks of legislative changes, international trade and tariff risks, resource industry risks, resource extraction risks, risks relating to remote operations, forestry management and silviculture, fire and natural disaster risks, key executive risk and litigation risks. These risks and uncertainties may cause actual results to differ materially from those contained in the statements. Such statements reflect management's current views and are based on certain assumptions. Some of the key assumptions include, but are not limited to, assumptions regarding the performance of the Canadian and the United States ("US") economies, the impact of COVID-19, interest rates, exchange rates, capital and loan availability, commodity pricing, the Canadian and the US housing and building materials markets; international trade matters; post-acquisition operation of a business; the amount of the Company's cash flow from operations; tax laws; laws and regulations relating to the protection of the environment, including the impacts of climate change, and natural resources; and the extent of the Company's future acquisitions and capital spending requirements or planning in respect thereto, including but not limited to the performance of any such business and its operation; availability or more limited availability of access to equity and debt capital markets to fund, at acceptable costs, the Company's future growth plans, the implementation and success of the integration of acquisitions, the ability of the Company to refinance its debts as they mature; the direct and indirect effect of the US housing market and economy; exchange rate fluctuations between the Canadian and US dollar; retention of key personnel; the Company's ability to sustain its level of sales and earnings margins; the Company's ability to grow its business long-term and to manage its growth; the Company's management information systems upon which it is *dependent are not impaired; the Company's insurance is sufficient to cover losses that may occur as a result of its operations as well as the general level of economic activity, in Canada and the US, and abroad, discretionary spending and unemployment levels; the effect of general economic conditions; market demand for the Company's products, and prices for such products; the effect of forestry, land use, environmental and other governmental regulations; and the risk of losses from fires, floods and other natural disasters and unemployment levels. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to a number of known and unknown factors. Investors are cautioned not to place undue reliance on these forward-looking statements. All forward-looking information in the 2021 Reporting Documents is qualified by these cautionary statements. Although the forward-looking information contained in the 2021 Reporting Documents is based on what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in the 2021 Reporting Documents may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than the 2021 Reporting Documents. In addition, there are numerous risks associated with an investment in the Company's common shares and senior unsecured notes, which are also further described in the "Risks and Uncertainties" section in these 2021 Reporting Documents and in the "Risk Factors" section of the Company's AIF, and as updated from time to time, in the Company's other public filings on SEDAR.*

The forward-looking statements contained in the 2021 Reporting Documents are made as of the date of this report, and should not be relied upon as representing the Company's views as of any date subsequent to the date of this report. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

The information in this report is as at March 3, 2022, unless otherwise indicated. All amounts are reported in Canadian dollars.

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

Business Overview

The Company operates through its wholly owned subsidiaries, distributing, producing and treating lumber as well as related building materials, and providing other value-add services across Canada and in the US. The Company services the new home construction, home renovation and industrial markets by supplying the retail and wholesale lumber and building materials industry, hardware stores, industrial and furniture manufacturers and similar concerns. The Company's operations also include timber ownership and management of private timberlands and forest licenses, and agricultural post-peeling and pressure treating through CanWel Fibre Corp. After acquisition of its California Cascade business in 2015, in 2017 the Company acquired the Honsador Building Products group of companies, with an incumbent position in the State of Hawaii, further expanding the Company's presence in the US building distribution and treating markets. In 2018, the Company continued with its expansion and growth plans, completing the purchase of a partially constructed lumber pressure treating plant near Portland, Oregon and a lumber pressure treating plant in Woodland, California. In 2019, the Company acquired Lignum Forest Products LLP, a well-established brand in the lumber and forestry distribution market in Western Canada and the US. On November 9, 2020, the Company completed the acquisition of Vickers Island Truss, Ltd. ("Island Truss") (the "Island Truss Acquisition"), a truss manufacturing plant in Kauai, Hawaii. On June 4, 2021, the Company completed the acquisition of the Hixson Lumber Sales group of companies ("Hixson") (the "Hixson Acquisition"), a leading wholesaler and manufacturer of lumber and treated lumber operating in the Central United States. On June 22, 2021, the Company completed the acquisition of Fontana Wood Preserving, Inc. and Fontana Wholesale Lumber, Inc. (now doing business as, L.A. Lumber Treating, Ltd.) (the "L.A. Lumber Acquisition"), a lumber pressure treating plant in Fontana, California.

Global Pandemic

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

Although many restrictions related to COVID-19 have been recently eased, the Company continues to take specific health and safety measures, including limiting the number of employees, customers and others on its premises, mandatory self-imposed quarantine periods for employees, team separation and staggered work hours, temporary suspension of all non-essential business travel, heightened hygienic and disinfecting practices, provision of personal protective equipment such as masks and face shields, technology enabled remote work initiatives and other safety protocols.

Additionally, the Company has taken steps to mitigate the Pandemic's impact on its customers, operations and cash flows by optimizing its working capital, deferring or eliminating certain non-essential operating expenditures, minimizing capital expenditures, evaluating ongoing cost savings opportunities and adjusting regular quarterly dividends, as required (for further information, see "Dividend Policy"). Management is actively monitoring the Pandemic, economic and regulatory developments, and their impact on the Company's operations, continually adapting to the changing operating environment.

Business Acquisitions (the "Acquisitions")

Purchase of Hixson Lumber Sales Group

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

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

Purchase of L.A. Lumber Treating, Ltd.

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

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

Purchase of Island Truss

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

Further information regarding this acquisition is contained in Note 6 of the 2021 Consolidated Financial Statements.

Private Placement of Senior Unsecured Notes

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

The 2026 Unsecured Notes accrue interest at the rate of 5.25% per annum, payable on a semi-annual basis, maturing on May 15, 2026. Cash proceeds raised from the 2026 Unsecured Notes, net of issuance costs, were used for reducing the Company's existing loans and borrowings.

Public Offering of Common Shares

On May 11, 2021, the Company completed a public offering of 7,500,000 common shares, by way of a short form prospectus, at a price of $10.00 each for gross proceeds of $75.0 million, with an underwriters' option to purchase up to an additional 1,125,000 common shares at the same price (the "Option") (collectively, the "Public Offering"). The entire Option was exercised and the aggregate gross proceeds were $86.3 million. The Public Offering was pursuant to a bought deal underwritten by a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and National Bank Financial Inc.

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

Amendment to Revolving Loan Facility

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

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

Foreign Exchange Forward Contracts

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

Normal Course Issuer Bid

The Company renewed its existing Normal Course Issuer Bid ("NCIB") on November 24, 2021. Under the terms of the NCIB, the Company may purchase for cancellation up to an authorized number of common shares over a twelve-month period. Any shares acquired will be at the market price of the shares at the time of acquisition.

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

Additional information regarding the NCIB is contained in Note 17 of the 2021 Consolidated Financial Statements.

Seasonality

The Company's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season, particularly in the Canadian market. The Company generally experiences higher sales in the second and third quarters compared to the first and fourth quarters. This creates a timing difference between free cash flow earned and dividends paid. While the Company has leveled dividends to provide a regular income stream to shareholders over the course of a year, the second and third quarters have historically been the Company's most profitable.

Housing Starts

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

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

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

Construction Materials Pricing

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

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

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

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

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

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

Results of Operations

Selected Annual Information

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

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

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

Overall Performance

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

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

Sales and Gross Margin

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

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

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

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

Expenses

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

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

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

Operating Earnings

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

Finance Costs

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

Acquisition Costs

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

Earnings before Income Taxes

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

Provision for Income Taxes

For the year ended December 31, 2021, the provision for income taxes was $32.0 million compared to $22.5 million in 2020, an increase of $9.5 million. This amount is a function of the pre-tax earnings generated during the year and the expected taxes payable on these earnings.

Net Earnings

As a result of the foregoing factors, net earnings for the year ended December 31, 2021 were $106.5 million versus $59.6 million in 2020, an increase of $46.9 million, as discussed above.

Fourth Quarter Results

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

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

1. Weighted average basic shares outstanding in the period.

Overall Performance

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

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

Sales and Gross Margin

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

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

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

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

Expenses

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

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

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

Operating Earnings

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

Finance Costs

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

Earnings before Income Taxes

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

Provision for Income Taxes

For the quarter ended December 31, 2021, provision for income taxes was $1.6 million compared to $5.7 million in the same quarter of 2020, a decrease of $4.0 million. This amount is a function of the pre-tax earnings generated in the quarter and the expected taxes payable on these earnings.

Net Earnings

Net earnings for the quarter ended December 31, 2021 were $11.6 million compared to $15.0 million for the period in 2020, a decrease of $3.4 million, due to the foregoing factors affecting the overall financial performance of the Company.

Summary of Quarterly Results

For the Quarters ended:

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

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

Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA:

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

EBITDA and Adjusted EBITDA

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

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

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

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

Financial Condition

Liquidity and Capital Resources

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

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

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

Notwithstanding the impact of the market pricing and the Pandemic, the Company generally experiences higher levels of non-cash working capital during the first and second quarters, and a decrease in non-cash working capital during the third and fourth quarters, due to ordinary seasonal factors relating to the Company's business cycle. The change in working capital was comprised of an increase in trade and other receivables of $83.5 million, an investment in inventory of $68.6 million, a decrease in prepaid expenses and deposits of $697,000, and a net increase in trade and other payables and performance bond obligations of $36.8 million.

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

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

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

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

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

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

In response to the Pandemic in general, as well as the recent volatility in wood products pricing, the Company is taking steps to bolster its cash flows, including but not limited to, managing cash flow by tightly controlling non-cash working capital levels and capital expenditures, evaluating ongoing cost savings opportunities, deferring or reducing anticipated capital expenditures, and adjusting quarterly dividends, as required. These liquidity measures, combined with the Company's continuing cash flows from operations, are expected to be sufficient to meet its operating requirements and remain compliant with its lending covenants.

Total Assets

Total assets of the Company were $1.54 billion as at December 31, 2021, versus $867.2 million as at December 31, 2020, an increase of $670.9 million. Current assets increased by $243.5 million. Trade and other receivables increased by $81.6 million, largely due to the inclusion of trade receivables from the Acquisitions. Inventory increased by $158.8 million, largely due to the inclusion of inventory from the Acquisitions and the previously discussed increase in the average unit cost of construction materials during the year.

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

Total Liabilities

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

Outstanding Share Data

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

Dividends

The following dividends were declared and paid by the Company:

	2021				2020			
	Declared				Declared			
(in $ thousands, per share in dollars)	Record date	Per share $	Amount $	Payment date	Record date	Per share $	Amount $	Payment date
Quarter 1	Mar 31, 2021[(1)]	0.16	12,479	Apr 15, 2021	Mar 31, 2020	0.14	10,897	Apr 15, 2020
Quarter 2	Jun 30, 2021	0.12	10,395	Jul 15, 2021	Jun 30, 2020	0.14	10,898	Jul 15, 2020
Quarter 3	Sep 30, 2021	0.12	10,402	Oct 15, 2021	Sep 30, 2020	0.12	9,352	Oct 15,2020
Quarter 4	Dec 31, 2021	0.14	12,137	Jan 14, 2022	Dec 31, 2020	0.12	9,352	Jan 15, 2021
		0.54	**45,413**			**0.52**	**40,499**	

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

Dividend Policy

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

Looking forward, the Company is continually assessing its dividend policy based on the considerations outlined above as well as other possible factors that may become relevant in the future. Accordingly, on November 4, 2021, the Company announced a dividend increase beginning with the dividend payable on January 14, 2022, to shareholders of record on December 31, 2021, increasing and restoring its quarterly dividend from $0.12 to $0.14 per share.

Previously, on June 15, 2020, as a preliminary precaution at the start of the Pandemic, the Company announced a dividend reduction beginning with the dividend payable on October 15, 2020, to shareholders of record on September 30, 2020, reducing its quarterly dividend from $0.14 to $0.12 per share.

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

Hedging

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

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

When held by the Company, foreign currency and lumber derivative instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for commodities and currencies. As trading activities are closely monitored by senior management, the risk of a material credit loss on these financial instruments is considered low.

Related Party Transactions

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

Certain land and buildings of the Company's treatment plants are leased from entities solely controlled by Amar Doman, a director and officer of the Company, and certain distribution facilities used by the Company to store and process inventory are leased from a company controlled by Rob Doman, an officer of the Company, or a close member of that person's family. All lease rates were market tested in advance of the signing of the lease agreements and were determined to be at market rates. Lease payments to such related parties were $4.2 million in the year ended December 31, 2021, versus $4.0 million in 2020. The minimum payments under the terms of these leases are as follows: $4.2 million in 2022, $4.2 million in 2023, $3.9 million in 2024, $2.5 million in 2025, $1.9 million in 2026 and $11.9 million thereafter.

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

During the year the Company purchased $3.8 million (2020 - $2.9 million) of product from a public company in which Amar Doman has an ownership interest and is also a director and officer. These purchases are in the normal course of operations and are recorded at exchange amounts. As at December 31, 2021, payables to this related party were $219,000 (2020 - $131,000).

Additional information regarding these related party transactions is contained in Note 22 of the 2021 Consolidated Financial Statements.

Commitments and Contingencies

Future and Contractual Obligations

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

The following table shows, as at December 31, 2021 the Company's contractual obligations, including estimated interest, within the periods indicated:

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

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

Claims

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

Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience, forecasted cash flow estimates and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Significant areas requiring estimates are goodwill and related impairment testing, inventory valuation and obsolescence, deferred tax assets and liabilities valuation, certain actuarial and economic assumptions used in the determination for the cost and accrued benefit obligations of employee future benefits, assessing whether an arrangement contains a lease, determining the lease term, determining the discount rate to value the lease, valuation of timber, and judgments regarding aggregation of reportable segments.

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

Goodwill

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination. Any resulting goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2021 relates to the Company's acquisitions of various businesses. Goodwill is not amortized, but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the recoverable amount of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the recoverable amount (which is based on a value-in-use model) of each cash-generating unit, including a discount rate, a growth rate and after-tax cash flows. When the carrying amount of the cash-generating unit exceeds its value in-use, the value in-use of goodwill related to the cash-generating unit is reduced by the excess of this carrying value and recognized as an impairment loss.

Timber

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

Employee Future Benefits

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

(i) *Discount rate*

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

(ii) *Other assumptions*

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

Inventory Valuation

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

Income Taxes

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

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

Leases

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

Segment Reporting

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

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

Changes in Accounting Policies

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

Hedge of net investment in foreign operations

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

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

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

New Accounting Pronouncements Issued but not yet Applied

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

IAS 37, Provisions, contingent liabilities and contingent assets

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

IAS 1, Presentation of financial statements

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

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

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

Disclosure Controls and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to: (a) provide reasonable assurance that material information required to be disclosed by the Company is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) ensure that information required to be disclosed by the Company is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation. The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2021. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in the Issuer's Annual and Interim Filings are effective for the purposes set out above. The Company's management, including the Chief Executive Officer and the Chief Financial Officer, acknowledges responsibility for the design and operation of disclosure controls and procedures and internal control over financial reporting ("ICFR"), and the requirement to evaluate the effectiveness of these controls on an annual basis.

Limitations on Scope of Design

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

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

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

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

Internal Control over Financial Reporting

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

Management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's ICFR as of December 31, 2021 based on the provisions of Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, management concluded that its ICFR, as defined by National Instrument 52-109, is effective and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Changes in Internal Control over Financial Reporting

There were no material changes in the design of the Company's ICFR during the year ended December 31, 2021 that have affected, or are reasonably likely to materially affect, its ICFR.

Risks and Uncertainties

The Company is subject to normal business risks associated with similar firms operating within the building materials industry in Canada and the US, which are described in greater detail in the Company's AIF dated March 12, 2021, and the Company's public filings on www.sedar.com, which the reader is encouraged to review, and which are or may be updated from time to time, after the date therein. Except as required by applicable law, the Company undertakes no obligation to publicly update or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Cybersecurity Risk

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

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

Outlook

The global impact of the Pandemic has been rapidly evolving and the disruption from this outbreak is adversely impacting many industries. While it is encouraging to see certain restrictions eased, the Pandemic could have a continued adverse impact on economic and market conditions, and will ultimately depend, among other things, on the speed at which effective vaccines can be administered on a mass scale globally, and the ability of governments, businesses and health-care systems to effectively limit the epidemiological and economic impacts of the virus and COVID-19 variants. Additionally, global markets remain vulnerable to geopolitical conflicts, such as the recent Russian invasion of Ukraine. As expected sanctions take hold, the isolation of one of the world's largest commodity producers could potentially result in higher inflation and slower economic growth. The rapid development and fluidity of this situation precludes any meaningful attempts to predict the ultimate impact of these events on the Company's operations.

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

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

The Bank of Canada ("BoC") January 2022 monetary policy report indicated that a robust economic recovery continued throughout the second half of 2021 in Canada and abroad, taking into account the faster-than-expected growth. The Omicron variant of COVID-19 emerged in late autumn, triggering household cautiousness and public health measures. These are temporarily slowing economic activity globally. The economic impacts of Omicron in Canada will likely be tempered by high vaccination rates and the continuing adaptability of businesses and households. Additionally, disruptions to global supply chains have broadened and become more pronounced, pushing inflation higher in most advanced and emerging-market economies. In response to inflationary pressures, some central banks have already raised their policy interest rates, and others have signaled that they plan to do so. Historically, the rate of new housing starts has been an indicator of the Company's business prospects and the volume of building materials that it sells. According to the Canada Mortgage and Housing Corporation (the "CMHC"), the seasonally adjusted annualized rate for Canadian housing starts in 2021 was 271,198 compared to 217,802 last year. According to the US Census Bureau, seasonally-adjusted housing starts were an average of 1,587,000 units in 2021, up from 1,380,300 units last year. According to the Fannie Mae Economic and Strategic Research Group (Fannie Mae), housing starts are expected to reach 1,632,000 in 2022, before stabilizing at 1,536,000 in 2023. Low mortgage rates, continuation of work-from-home practices, record lows of inventory availability (both new and resale) and demographics in the US have created a favorable demand environment for new residential construction, particularly single-family housing starts, which the Company expects to continue into next year. Recent US home resales are at levels not seen for almost a decade, and residential repair and remodeling activities remained strong, as homeowners redirect discretionary spending away from traditional areas of travel and entertainment during the Pandemic. Management believes a significant proportion of the Company's sales are ultimately driven by activity in the repair and remodel market.

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

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