



**Doman Building Materials Group Ltd.**  
**Unaudited Interim Condensed**  
**Consolidated Financial Statements**

**September 30, 2023**  
**(in thousands of Canadian dollars)**

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

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

(in thousands of Canadian dollars)	Notes	As at September 30, 2023 \$	As at December 31, 2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		2,052	1,400
Trade and other receivables	4	221,362	156,140
Income taxes receivable		5,785	8,180
Inventories	5	324,932	374,182
Prepaid expenses and deposits		13,874	14,306
		<b>568,005</b>	<b>554,208</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	132,435	139,741
Right-of-use assets	7	138,620	144,967
Timber	8	46,279	47,797
Deferred income tax assets		3,870	2,796
Intangible assets	9	135,727	151,893
Goodwill	10	401,265	401,802
Other assets		2,642	1,989
		<b>860,838</b>	<b>890,985</b>
<b>Total assets</b>		<b>1,428,843</b>	<b>1,445,193</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Cheques issued in excess of funds on deposit		6,412	5,636
Trade and other payables		157,290	137,807
Performance bond obligations	11	8,153	10,584
Dividends payable	14	12,183	12,179
Current portion of lease liabilities	7	21,345	21,180
Income taxes payable		672	90
Current portion of loans and borrowings	12	-	62,131
		<b>206,055</b>	<b>249,607</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12	474,392	473,562
Lease liabilities	7	127,340	133,016
Reforestation and environmental		2,548	2,105
Deferred income tax liabilities		19,071	15,846
Retirement benefit obligations	13	2,416	2,569
		<b>625,767</b>	<b>627,098</b>
<b>Total liabilities</b>		<b>831,822</b>	<b>876,705</b>
<b>Equity</b>			
Common shares	14	584,827	584,956
Contributed surplus		11,083	11,048
Foreign currency translation		48,300	48,803
Deficit		(47,189)	(76,319)
		<b>597,021</b>	<b>568,488</b>
<b>Total liabilities and equity</b>		<b>1,428,843</b>	<b>1,445,193</b>

Commitments and contingencies

7,23



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

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

(in thousands of Canadian dollars except per share and share amounts)	Notes	Three months ended, September 30		Nine months ended, September 30	
		2023 \$	2022 \$	2023 \$	2022 \$
<b>Revenue</b>	19,20	<b>643,910</b>	744,119	<b>1,963,777</b>	2,466,142
<b>Cost of sales</b>		<b>541,133</b>	652,640	<b>1,641,621</b>	2,139,346
<b>Gross margin from operations</b>		<b>102,777</b>	91,479	<b>322,156</b>	326,796
<b>Expenses</b>					
Distribution, selling and administration		<b>50,762</b>	51,432	<b>159,299</b>	156,547
Depreciation and amortization	6,7,9	<b>16,837</b>	16,875	<b>51,245</b>	49,462
		<b>67,599</b>	68,307	<b>210,544</b>	206,009
<b>Operating earnings</b>		<b>35,178</b>	23,172	<b>111,612</b>	120,787
Finance costs	15	<b>10,131</b>	9,833	<b>31,191</b>	27,803
Earnings before income taxes		<b>25,047</b>	13,339	<b>80,421</b>	92,984
<b>Provision for income tax</b>					
Current income tax		<b>3,181</b>	4,819	<b>13,129</b>	18,191
Deferred income tax (recovery)		<b>708</b>	(3,110)	<b>2,031</b>	386
		<b>3,889</b>	1,709	<b>15,160</b>	18,577
<b>Net earnings</b>		<b>21,158</b>	11,630	<b>65,261</b>	74,407
<b>Other comprehensive income (loss)</b>					
Exchange differences on translation of foreign operations <sup>(1)</sup>		<b>13,401</b>	36,078	<b>(503)</b>	45,441
Actuarial gain from pension and other benefit plans <sup>(2)</sup>		<b>129</b>	54	<b>384</b>	961
<b>Comprehensive earnings</b>		<b>34,688</b>	47,762	<b>65,142</b>	120,809
<b>Net earnings per share</b>					
Basic and diluted		<b>0.24</b>	0.13	<b>0.75</b>	0.86
<b>Weighted average number of shares</b>					
Basic		<b>86,873,458</b>	86,960,239	<b>87,029,120</b>	86,851,373
Diluted		<b>86,873,458</b>	86,960,239	<b>87,029,120</b>	86,851,373

1. Item that may be reclassified to earnings in subsequent periods.

2. Item that will not be reclassified to earnings.



Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)  
The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars except share amounts)	Common shares		Contributed surplus	Foreign currency translation	Deficit	Total
	#	\$	\$	\$	\$	\$
As at December 31, 2022	86,991,660	584,956	11,048	48,803	(76,319)	568,488
Shares issued pursuant to:						
Restricted Equity Common Share Plan	20,334	128	(128)	-	-	-
Employee Common Share Purchase Plan	242,003	1,259	-	-	-	1,259
Transaction costs on issue of shares, net of deferred income tax	-	(16)	-	-	-	(16)
Share-based compensation charged to operations	-	-	163	-	-	163
Shares cancelled	(229,008)	(1,500)	-	-	-	(1,500)
Dividends	-	-	-	-	(36,515)	(36,515)
Comprehensive (loss) earnings for the period	-	-	-	(503)	65,645	65,142
<b>As at September 30, 2023</b>	<b>87,024,989</b>	<b>584,827</b>	<b>11,083</b>	<b>48,300</b>	<b>(47,189)</b>	<b>597,021</b>
As at December 31, 2021	86,694,158	583,086	11,317	10,747	(107,441)	497,709
Shares issued pursuant to:						
Restricted Equity Common Share Plan	69,403	506	(506)	-	-	-
Employee Common Share Purchase Plan	222,808	1,314	-	-	-	1,314
Transaction costs on issue of shares, net of deferred income tax	-	(12)	-	-	-	(12)
Share-based compensation charged to operations	-	-	258	-	-	258
Accrued dividends on unvested restricted shares	-	-	(55)	-	55	-
Dividends	-	-	-	-	(36,486)	(36,486)
Comprehensive earnings for the period	-	-	-	45,441	75,368	120,809
<b>As at September 30, 2022</b>	<b>86,986,369</b>	<b>584,894</b>	<b>11,014</b>	<b>56,188</b>	<b>(68,504)</b>	<b>583,592</b>

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)  
The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of Canadian dollars)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>Operating activities</b>					
Net earnings for the period		21,158	11,630	65,261	74,407
Items not affecting cash:					
Provision for income taxes		3,889	1,709	15,160	18,577
Depreciation and amortization	6,7,9	16,837	16,875	51,245	49,462
Other		880	(297)	1,470	(1,186)
Income taxes paid		(2,352)	(8,357)	(10,163)	(25,803)
Interest paid on loans and borrowings		(4,105)	(2,848)	(21,925)	(17,090)
Finance costs	15	10,131	9,833	31,191	27,803
Cash flows from operating activities before changes in non-cash working capital		46,438	28,545	132,239	126,170
Changes in non-cash working capital	18	88,014	135,324	(4,526)	27,767
Net cash flows provided by operating activities		134,452	163,869	127,713	153,937
<b>Financing activities</b>					
Shares issued, net of transaction costs	14	634	684	1,243	1,302
Dividends paid	14	(12,167)	(12,157)	(36,511)	(36,445)
Payments of lease liabilities, including interest	7	(6,724)	(6,252)	(19,823)	(18,403)
Net (repayments) advances on revolving loan facility	12	(108,469)	(142,218)	12,012	(99,016)
Redemption of senior unsecured notes	12	-	-	(60,000)	-
Repayment of non-revolving term loan	12	-	(667)	(14,791)	(2,000)
Repurchase of unsecured notes		-	(431)	-	(431)
Other		(20)	-	(44)	(1,014)
Net cash flows used in by financing activities		(126,746)	(161,041)	(117,914)	(156,007)
<b>Investing activities</b>					
Purchase of property, plant and equipment	6	(8,116)	(1,304)	(10,728)	(5,268)
Proceeds from disposition of property, plant and equipment		7	1,179	301	2,222
Net cash flows used in investing activities		(8,109)	(125)	(10,427)	(3,046)
(Decrease) increase in cash and cash equivalents		(403)	2,703	(628)	(5,116)
Foreign exchange difference		565	(84)	504	1,776
Cash and cash equivalents - beginning of period		(4,522)	(6,660)	(4,236)	(701)
Cash and cash equivalents - end of period		(4,360)	(4,041)	(4,360)	(4,041)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 1. NATURE OF OPERATIONS

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

The Company operates through its wholly owned subsidiaries, distributing 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 AND STATEMENT OF COMPLIANCE

### a) Statement of compliance

These unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, on a basis consistent with the accounting policies disclosed in the Company’s audited Annual Consolidated Financial Statements for the year ended December 31, 2022.

These unaudited Interim Condensed Consolidated Financial Statements were authorized for issuance on November 2, 2023 by the Board of Directors of the Company.

### b) Basis of presentation

These unaudited Interim Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. The notes presented in these unaudited Interim Condensed Consolidated Financial Statements include in general only significant changes and transactions occurring since the Company’s last year-end, and are not fully inclusive of all disclosures required by IFRS Accounting Standards (“IFRS”) for annual financial statements. These unaudited Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company’s audited Annual Consolidated Financial Statements, including the notes thereto, for the year ended December 31, 2022.

### c) Functional and presentation currency

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies as disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2022 have been consistently applied to all periods in the preparation of these unaudited Interim Condensed Consolidated Financial Statements unless otherwise stated below.

#### Changes in accounting standards

Effective January 1, 2023, the Company adopted amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors*. These amendments introduce a new definition for accounting estimates, clarifying that there are monetary amounts in the financial statements that are subject to measurement uncertainty. These 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 adoption of these amendments did not have an impact on these consolidated financial statements.

### 4. TRADE AND OTHER RECEIVABLES

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

	September 30, 2023 \$	December 31, 2022 \$
Trade receivables	216,127	152,092
Allowance for doubtful accounts	(1,237)	(2,048)
Net trade receivables	214,890	150,044
Other receivables	6,472	6,096
<b>Total trade and other receivables</b>	<b>221,362</b>	<b>156,140</b>

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

	September 30, 2023 \$	December 31, 2022 \$
Neither past due nor impaired	208,425	135,811
Past due but not impaired:		
Less than 1 month	10,025	13,633
1 to 3 months	1,550	2,806
3 to 6 months	1,362	3,890
<b>Total trade and other receivables</b>	<b>221,362</b>	<b>156,140</b>



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

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

	\$
Balance at December 31, 2022	2,048
Accruals and adjustments during the period	(564)
Accounts written off	(239)
Foreign exchange difference	(8)
<b>Balance at September 30, 2023</b>	<b>1,237</b>

## 5. INVENTORIES

	September 30, 2023 \$	December 31, 2022 \$
Inventories held for resale	271,513	321,575
Inventories held for processing	53,419	52,607
	<b>324,932</b>	374,182



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 6. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings, leasehold improvements and roads \$	Machinery, automotive and other equipment \$	Computer equipment and systems development \$	Total \$
<b>Cost</b>					
Cost at December 31, 2022	36,658	39,430	154,462	8,129	238,679
Additions	-	941	9,433	354	10,728
Disposals	-	(24)	(1,152)	(142)	(1,318)
Foreign exchange difference	(10)	(29)	(145)	(3)	(187)
<b>Cost at September 30, 2023</b>	<b>36,648</b>	<b>40,318</b>	<b>162,598</b>	<b>8,338</b>	<b>247,902</b>
<b>Accumulated depreciation</b>					
Accumulated depreciation at December 31, 2022	-	13,322	80,361	5,255	98,938
Depreciation	-	1,935	15,184	490	17,609
Disposals	-	(15)	(1,058)	-	(1,073)
Foreign exchange difference	-	(2)	(5)	-	(7)
<b>Accumulated depreciation at September 30, 2023</b>	<b>-</b>	<b>15,240</b>	<b>94,482</b>	<b>5,745</b>	<b>115,467</b>
Net book value at December 31, 2022	36,658	26,108	74,101	2,874	139,741
<b>Net book value at September 30, 2023</b>	<b>36,648</b>	<b>25,078</b>	<b>68,116</b>	<b>2,593</b>	<b>132,435</b>



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

### Right-of-use assets

	Facilities <sup>(1)</sup> \$	Machinery, automotive and other equipment <sup>(2)</sup> \$	Computer equipment \$	Total \$
Balance at December 31, 2022	132,814	11,739	414	144,967
Additions	1,305	3,603	1,755	6,663
Modifications and remeasurements	5,186	104	-	5,290
Amortization	(13,735)	(3,857)	(211)	(17,803)
Disposals	-	(333)	(5)	(338)
Foreign exchange movements	(150)	(17)	8	(159)
<b>Balance at September 30, 2023</b>	<b>125,420</b>	<b>11,239</b>	<b>1,961</b>	<b>138,620</b>

### Lease liabilities

	Facilities <sup>(1)</sup> \$	Machinery, automotive and other equipment <sup>(2)</sup> \$	Computer equipment \$	Total \$
Balance at December 31, 2022	141,396	12,389	411	154,196
Additions	1,305	3,603	1,755	6,663
Modifications and remeasurements	5,186	104	-	5,290
Disposals	-	(633)	(5)	(638)
Finance costs	2,833	287	35	3,155
Lease payments	(15,455)	(4,136)	(232)	(19,823)
Foreign exchange movements	(131)	(37)	10	(158)
Balance at September 30, 2023	135,134	11,577	1,974	148,685
Less: current portion	(16,502)	(4,404)	(439)	(21,345)
	<b>118,632</b>	<b>7,173</b>	<b>1,535</b>	<b>127,340</b>

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 Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

### Lease commitments

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

Years ending December 31	\$
Remainder of 2023	7,151
2024	26,907
2025	21,505
2026	16,458
2027	15,162
Thereafter	71,002
	<b>158,185</b>

### 8. TIMBER

	\$
Balance at December 31, 2022	47,797
Reforestation provision on harvested land	473
Harvested timber transferred to inventory in the period	(1,683)
Change in fair value	(308)
<b>Balance at September 30, 2023</b>	<b>46,279</b>

The Company's private timberlands comprise an area of approximately 45,983 hectares ("ha") of land as at September 30, 2023 (2022 - 45,983 ha) with standing timber consisting of mixed-species softwood forests.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 9. INTANGIBLE ASSETS

	US operations \$	Value-added services \$	Total \$
<b>Cost</b>			
Cost at December 31, 2022	203,769	9,989	213,758
Foreign exchange difference	(362)	-	(362)
<b>Cost at September 30, 2023</b>	<b>203,407</b>	<b>9,989</b>	<b>213,396</b>
<b>Accumulated amortization</b>			
Accumulated amortization at December 31, 2022	57,422	4,443	61,865
Amortization	15,120	713	15,833
Foreign exchange difference	(29)	-	(29)
<b>Accumulated amortization at September 30, 2023</b>	<b>72,513</b>	<b>5,156</b>	<b>77,669</b>
Net intangible assets at December 31, 2022	146,347	5,546	151,893
<b>Net intangible assets at September 30, 2023</b>	<b>130,894</b>	<b>4,833</b>	<b>135,727</b>

## 10. GOODWILL

	Canadian operations \$	US operations \$	Value-added services \$	Total \$
Balance at December 31, 2022	62,624	303,831	35,347	401,802
Foreign exchange difference	-	(537)	-	(537)
<b>Balance at September 30, 2023</b>	<b>62,624</b>	<b>303,294</b>	<b>35,347</b>	<b>401,265</b>



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 11. PERFORMANCE BOND OBLIGATIONS

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

	September 30, 2023 \$	December 31, 2022 \$
Funds received on bonding obligations <sup>(1)</sup>	48,246	72,116
Payments made on bonding obligations <sup>(1)</sup>	(40,425)	(61,885)
Receipts in excess of payments	7,821	10,231
Provision for loss on bonds	332	353
	<b>8,153</b>	10,584

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

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

	\$
Balance at December 31, 2022	10,584
Net payments on bonding obligations during the period	(2,380)
Change in provision for loss on bonds	(20)
Foreign exchange difference	(31)
<b>Balance at September 30, 2023</b>	<b>8,153</b>

Total gross bonding contracts on all outstanding projects at September 30, 2023 were \$69,257 (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.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 12. LOANS AND BORROWINGS

	September 30, 2023				December 31, 2022			
	Face value	Carrying amount	Current portion	Non-current portion	Face value	Carrying amount	Current portion	Non-current portion
	\$	\$	\$	\$	\$	\$	\$	\$
2026 Unsecured notes <sup>(1)</sup>	324,500	320,371	-	320,371	324,500	319,192	-	319,192
Revolving loan facility	154,742	154,021	-	154,021	143,521	142,424	-	142,424
2023 Unsecured notes <sup>(2)</sup>	-	-	-	-	60,000	59,464	59,464	-
Non-revolving term loan	-	-	-	-	14,791	14,613	2,667	11,946
	<b>479,242</b>	<b>474,392</b>	<b>-</b>	<b>474,392</b>	<b>542,812</b>	<b>535,693</b>	<b>62,131</b>	<b>473,562</b>

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 ("2023 Unsecured Notes").

The terms and conditions of the revolving loan facility are consistent with those disclosed in Note 16 to the 2022 audited Annual Consolidated Financial Statements unless otherwise stated below.

The Company was not in breach of any of its covenants during the period ended September 30, 2023.

During the three and nine months ended September 30, 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 \$787 was recognized in Foreign currency translation in Other comprehensive income.

### Redemption of 2023 Unsecured Notes

On June 30, 2023, the Company completed the early redemption of all \$60,000 of its outstanding 2023 Unsecured Notes, in accordance with the terms of the 2023 Unsecured Notes trust indenture. Total redemption amount, including accrued interest, was \$60,859.

The terms and conditions of the 2023 Unsecured Notes were consistent with those disclosed in Note 16 of the 2022 audited Annual Consolidated Financial Statements, otherwise having a full maturity date of October 9, 2023.

### 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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

### 13. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

Total net benefit expense of the Company's pension and post-retirement benefit plans for the quarter ended September 30, 2023 was \$506 (2022 - \$498) and for the nine-month period ended September 30, 2023 was \$1,540 (2022 - \$1,513). These expenses have been included in distribution, selling and administration costs and finance costs in the unaudited Interim Condensed Consolidated Statement of Earnings.

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

	September 30, 2023 \$	December 31, 2022 \$
Pension benefit plan	836	851
Other benefit plans	1,580	1,718
	<b>2,416</b>	<b>2,569</b>

Further information about these plans is disclosed in Note 17 to the 2022 audited Annual Consolidated Financial Statements.

### 14. SHARE CAPITAL

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

#### Normal Course Issuer Bid ("NCIB")

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")

As at September 30, 2023, there were no outstanding Restricted Share Units ("RSUs") pursuant to the RECSP (December 31, 2022 - nil). There was no compensation expense in respect of RSUs for the quarter ended September 30, 2023 (2022 - \$35) and for the nine-month period to date compensation expense was \$163 (2022 - \$258).

#### Employee Common Share Purchase Plan ("ECSP")

For the quarter ended September 30, 2023, the Company issued 114,117 common shares from treasury (2022 - 126,774) common shares from treasury for gross proceeds of \$634 (2022 - \$684) and for the nine-month period to date the Company has issued 242,003 (2022 - 222,808) common shares from treasury for gross proceeds of \$1,259 (2022 - \$1,314), pursuant to the ECSP.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 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		Payment Date	2022		Payment date
	Declared	Amount \$		Declared	Amount \$	
Quarter 1	Mar 31, 2023	12,165 <sup>(1)</sup>	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
		<b>36,515</b>			<b>36,486</b>	
Quarter 4				Dec 30, 2022	12,179	Jan 13, 2023
					<b>48,665</b>	

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.

## 15. FINANCE COSTS

Finance costs include the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Loans and borrowings	8,120	8,191	25,576	22,588
Lease liabilities	1,050	1,065	3,155	3,251
Other	390	(187)	46	(309)
Net cash interest	9,560	9,069	28,777	25,530
Amortization of financing costs	537	736	2,314	2,190
Interest on net defined benefit liability	34	28	100	83
	<b>10,131</b>	<b>9,833</b>	<b>31,191</b>	<b>27,803</b>





Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 16. RELATED PARTY TRANSACTIONS

### Transactions

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Leased distribution <sup>(1)</sup> and treatment facilities <sup>(2)</sup>	1,053	1,047	3,164	3,140
Purchase of product <sup>(3)</sup>	739	835	1,901	2,391
Management fees and other <sup>(4)</sup>	259	236	764	905
Professional fees and other <sup>(5)</sup>	134	136	409	404

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

### Commitments with related parties

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

Years ending December 31	\$
Remainder of 2023	1,053
2024	4,142
2025	2,824
2026	2,273
2027	2,310
Thereafter	10,528
	<b>23,130</b>

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

### Payable to related parties

As at September 30, 2023, trade and other payables include amounts due to related parties as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Purchase of product <sup>(1)</sup>	216	141
Management fees and other <sup>(2)</sup>	-	37
Professional fees and other <sup>(3)</sup>	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.

## 17. FINANCIAL INSTRUMENTS

### Non-derivative financial instruments

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

	September 30, 2023		December 31, 2022	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
2026 Unsecured notes <sup>(1)</sup>	320,371	293,673	319,192	290,022
Revolving loan facility	154,021	154,742	142,424	143,521
2023 Unsecured notes <sup>(2)</sup>	-	-	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 was 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, trade and other receivables, cheques issued in excess of funds on deposit, trade and other payables, performance bond obligations and dividends payable were comparable to their carrying amounts, given the short maturity periods.
- The fair value of the Company's non-publicly listed 2026 Unsecured Notes was based on a price quoted by an independent investment brokerage.
- 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 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 values of the Company's lease liabilities approximated their carrying values as they bear interest that approximates current market rates.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

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 15.

#### **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 September 30, 2023 and December 31, 2022. Additionally, the Company held a nominal amount of lumber futures contracts.

When held by the Company, these derivative financial instruments are traded through well-established financial services firms with a long history of providing trading, exchange and clearing services for 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 three months ended September 30, 2023, the Company recorded an unrealized foreign exchange loss of \$4,007 (2022 - loss of \$15,484), and for the nine months ended September 30, 2023, the Company recorded an unrealized foreign exchange gain of \$787 (2022 - loss of \$20,707), arising on revaluation of hedged foreign currency debt in Foreign currency translation in Other comprehensive income during the period.



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## Financial risk management

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

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

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

### Credit risk

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

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

As at September 30, 2023, trade accounts receivable, excluding other receivables, were as follows:

	\$
Current	214,356
Past due over 60 days	1,771
Trade receivables	216,127
Less: Allowance for doubtful accounts	(1,237)
	<b>214,890</b>

As at September 30, 2023, the maximum exposure to credit risk, including both trade and other receivables, was \$221,362 (December 31, 2022 - \$156,140), which represents the carrying value amount of financial instruments classified as trade and other receivables.

### Interest rate risk

The majority of the Company's borrowings are issued at fixed rates, specifically, the 2026 Unsecured Notes (Note 12). 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 12). Based on the Company's average variable rate borrowings during the quarter ended September 30, 2023, the sensitivity of a 1% increase in interest rates would result in an approximate decrease of \$414 in quarterly net earnings.

The Company did not have any interest rate swaps during the periods ended September 30, 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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

### 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 September 30, 2023 the Company had US dollar drawings under its Revolving loan facility of US\$148,407 (December 31, 2022 - US\$148,991), which had been designated as a hedge against the Company's net investment in its foreign operations.

As at September 30, 2023, a quarterly increase of \$0.05 in the US dollar versus the Canadian dollar would have an insignificant impact on quarterly net earnings, and an increase in Other comprehensive earnings 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.

### 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.

## 18. CHANGES IN NON-CASH WORKING CAPITAL

Changes in non-cash working capital had the following impact on cash flows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Trade and other receivables	74,989	79,819	(65,599)	(34,291)
Inventories	19,753	61,204	48,790	51,162
Prepaid expenses and deposits	(2,310)	1,228	(1,529)	2,143
Trade and other payables	(6,656)	(7,321)	15,405	9,236
Performance bond obligations	2,238	394	(1,593)	(483)
	88,014	135,324	(4,526)	27,767

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 19. 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.

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
<b>Geographic markets</b>						
Canada	268,446	10,346	<b>278,792</b>	322,642	10,890	<b>333,532</b>
US	365,118	-	<b>365,118</b>	410,587	-	<b>410,587</b>
	<b>633,564</b>	<b>10,346</b>	<b>643,910</b>	<b>733,229</b>	<b>10,890</b>	<b>744,119</b>
<b>Revenue categories</b>						
Products	632,070	10,346	<b>642,416</b>	731,899	10,890	<b>742,789</b>
Services	1,494	-	<b>1,494</b>	1,330	-	<b>1,330</b>
	<b>633,564</b>	<b>10,346</b>	<b>643,910</b>	<b>733,229</b>	<b>10,890</b>	<b>744,119</b>
	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
<b>Geographic markets</b>						
Canada	796,031	28,841	<b>824,872</b>	992,101	29,382	<b>1,021,483</b>
US	1,138,905	-	<b>1,138,905</b>	1,444,659	-	<b>1,444,659</b>
	<b>1,934,936</b>	<b>28,841</b>	<b>1,963,777</b>	<b>2,436,760</b>	<b>29,382</b>	<b>2,466,142</b>
<b>Revenue categories</b>						
Products	1,930,667	28,841	<b>1,959,508</b>	2,431,818	29,382	<b>2,461,200</b>
Services	4,269	-	<b>4,269</b>	4,942	-	<b>4,942</b>
	<b>1,934,936</b>	<b>28,841</b>	<b>1,963,777</b>	<b>2,436,760</b>	<b>29,382</b>	<b>2,466,142</b>

Certain customers elect to prepay for goods and services, for which the Company has recorded a contract liability of \$6,150 as at September 30, 2023 (December 31, 2022 - \$6,523), related to these future performance obligations (unearned revenues). These amounts are included in trade and other payables in the unaudited Interim Condensed Consolidated Statement of Financial Position.

During the quarter ended September 30, 2023, one customer individually accounted for revenue in excess of 10%, purchasing an aggregate of \$177,116 (2022 - \$203,962) and for the nine-month period to date, one customer individually accounted for revenue in excess of 10%, purchasing an aggregate of \$609,325 (2022 - \$726,024).



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

## 20. 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:

	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
<b>Revenue</b>	633,564	10,346	<b>643,910</b>	733,229	10,890	<b>744,119</b>
<b>Specified expenses</b>						
Depreciation and amortization	16,301	536	<b>16,837</b>	16,052	823	<b>16,875</b>
Finance costs	9,856	275	<b>10,131</b>	9,533	300	<b>9,833</b>
<b>Net earnings</b>	19,755	1,403	<b>21,158</b>	10,440	1,190	<b>11,630</b>
<b>Purchase of property, plant and equipment</b>	7,834	282	<b>8,116</b>	1,175	129	<b>1,304</b>
	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Building Materials \$	Other \$	Total \$	Building Materials \$	Other \$	Total \$
<b>Revenue</b>	1,934,936	28,841	<b>1,963,777</b>	2,436,760	29,382	<b>2,466,142</b>
<b>Specified expenses</b>						
Depreciation and amortization	48,969	2,276	<b>51,245</b>	47,039	2,423	<b>49,462</b>
Finance costs	29,997	1,194	<b>31,191</b>	27,055	748	<b>27,803</b>
<b>Net earnings</b>	63,049	2,212	<b>65,261</b>	70,179	4,228	<b>74,407</b>
<b>Purchase of property, plant and equipment</b>	9,886	842	<b>10,728</b>	4,881	387	<b>5,268</b>

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
(in thousands of Canadian dollars)

Business segment long-term assets were as follows:

	September 30, 2023				December 31, 2022			
	Building Materials \$	Other \$	Percent %	Total \$	Building Materials \$	Other \$	Percent %	Total \$
Canada	166,428	89,706	30	<b>256,134</b>	172,811	92,796	30	<b>265,607</b>
US	604,704	-	70	<b>604,704</b>	625,378	-	70	<b>625,378</b>
<b>Long-term assets</b>	<b>771,132</b>	<b>89,706</b>	<b>100</b>	<b>860,838</b>	<b>798,189</b>	<b>92,796</b>	<b>100</b>	<b>890,985</b>

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

	Three months ended September 30,		Nine months ended September 30,	
	2023 %	2022 %	2023 %	2022 %
Construction materials	72	72	75	77
Specialty and allied	23	24	21	20
Other	5	4	4	3
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## 21. CAPITAL DISCLOSURES

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



Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the three and nine months ended September 30, 2023 and 2022  
*(in thousands of Canadian dollars)*

## **22. 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.

## **23. 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.

## **24. COMPARATIVE FIGURES**

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



### **Directors**

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**Amar S. Doman**

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**Kelvin Dushnisky**

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**Sam Fleiser**

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**Harry Rosenfeld**

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**Siegfried J. Thoma**

Portland, Oregon

### **Auditors**

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### **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**

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### **Stock Exchange**

Toronto Stock Exchange

**Trading Symbol:**

**DBM**