Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in thousands of US dollars, unless stated otherwise)

ADENTRA Inc.

Three and six month periods ended June 30, 2023 and 2022

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of US dollars, unless stated otherwise)

	Notes	June 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		$ 10,433	$ 65,068
Receivables and investments	6	218,721	188,122
Income taxes receivable		9,901	3,504
Inventories	7	401,538	485,758
Prepaid expenses		16,213	16,754
Total current assets		656,806	759,206
Non-current assets			
Receivables and investments	6	8,385	6,870
Property, plant and equipment		38,693	36,116
Right of use assets		146,748	158,861
Intangible assets	4	271,060	282,000
Deferred income taxes		5,488	5,671
Goodwill	4	181,128	180,250
Total non-current assets		651,502	669,768
Total assets		$ 1,308,308	$ 1,428,974
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	8	$ 142,881	$ 264,368
Accounts payable and accrued liabilities		144,091	129,197
Lease obligation		37,866	37,690
Dividend payable	5	2,194	2,173
Total current liabilities		327,032	433,428
Non-current liabilities			
Bank indebtedness	8	342,438	351,922
Lease obligations		123,190	135,877
Other liabilities		1,688	775
Total non-current liabilities		467,316	488,574
Total liabilities		794,348	922,002
Shareholders' equity			
Share capital	9(a)	166,080	168,451
Contributed surplus		83,421	88,785
Retained earnings		280,033	265,327
Accumulated other comprehensive loss		(15,574)	(15,591)
Shareholders' equity		513,960	506,972
Total liabilities and shareholders' equity		$ 1,308,308	$ 1,428,974

Subsequent events (Notes 8 and 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.
Approved on behalf of the Board of Directors:

(Signed) JIM C. MACAULAY Director **(Signed) GRAHAM WILSON** Director

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income
(Expressed in thousands of US dollars, unless stated otherwise)

Three and six month periods ended June 30, 2023 and 2022

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Sales	11	585,935	700,263	1,165,792	1,345,149
Cost of goods sold	7	(466,486)	(546,434)	(929,350)	(1,043,538)
Gross profit		119,449	153,829	236,442	301,611
Operating expenses					
Selling and distribution		(64,424)	(63,939)	(129,006)	(123,670)
Administration		(24,490)	(23,417)	(46,788)	(43,763)
Amortization of acquired intangible assets		(5,505)	(5,519)	(11,053)	(10,214)
		(94,419)	(92,875)	(186,847)	(177,647)
Income from operations		25,030	60,954	49,595	123,964
Net finance expense	10	(12,105)	(5,789)	(24,324)	(11,171)
Income before income taxes		12,925	55,165	25,271	112,793
Income tax expense					
Current		(3,015)	(12,790)	(6,057)	(25,771)
Deferred		(542)	(460)	(249)	(1,619)
		(3,557)	(13,250)	(6,306)	(27,390)
Net income		9,368	41,915	18,965	85,403
Other comprehensive income (loss)					
Exchange differences translating foreign operations		34	(1,424)	17	(986)
Total comprehensive income		9,402	40,491	18,982	84,417
Basic earnings per share	9(c)	$ 0.42	$ 1.77	$ 0.85	$ 3.60
Diluted earnings per share	9(c)	$ 0.42	$ 1.76	$ 0.84	$ 3.58

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

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of US dollars, unless stated otherwise)

Six months ended June 30, 2023 and 2022

	Notes	Share capital	Contributed surplus	Accumulated other comprehensive income (loss) - translation reserve	Retained earnings	Total
Balance at January 1, 2023		$ 168,451	$ 88,785	$ (15,591)	$ 265,327	$ 506,972
Share based compensation expense	9(b)	—	1,509	—	—	1,509
Shares issued pursuant to LTIP	9(a)	482	(482)	—	—	—
Shares repurchased	9(a)	(2,853)	(6,391)	—	—	(9,244)
Net income for the period		—	—	—	18,965	18,965
Dividends declared	5	—	—	—	(4,259)	(4,259)
Translation of foreign operations		—	—	17	—	17
Balance at June 30, 2023		$ 166,080	$ 83,421	$ (15,574)	$ 280,033	$ 513,960
Balance at January 1, 2022		$ 175,651	$ 106,537	$ (13,570)	$ 145,414	$ 414,032
Share based compensation expense	9(b)	—	868	—	—	868
Shares issued pursuant to LTIP	9(a)	737	(737)	—	—	—
Shares repurchased	9(a)	(2,399)	(5,865)	—	—	(8,264)
Net income for the period		—		—	85,403	85,403
Dividends declared		—	—	—	(4,435)	(4,435)
Translation of foreign operations		—	—	(986)	—	(986)
Balance at June 30, 2022		$ 173,989	$ 100,803	$ (14,556)	$ 226,382	$ 486,618

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

ADENTRA Inc.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of US dollars, unless stated otherwise)

Three and six month periods ended June 30, 2023 and 2022

	Notes	Three months ended		Six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Cash flow from (used in) operating activities:					
Net income for the period		$ 9,368	$ 41,915	$ 18,965	$ 85,403
Adjustments for:					
Depreciation and amortization		17,713	16,487	34,731	31,693
Gain on sale of property, plant and equipment		(168)	(87)	(418)	(104)
Share-based compensation expense	9(b)	3,407	1,152	4,693	1,850
Income tax expense		3,557	13,250	6,306	27,390
Net finance expense	10	12,105	5,789	24,324	11,171
Interest received		164	177	390	355
Interest paid		(11,029)	(4,746)	(22,058)	(8,490)
Income taxes paid		(10,443)	(31,222)	(12,279)	(31,222)
		24,674	42,715	54,654	118,046
Changes in non-cash working capital:					
Accounts receivable		(5,586)	9,426	(29,938)	(38,248)
Inventories		35,932	(31,784)	85,061	(86,609)
Prepaid expenses		(2,311)	3,224	598	(7,859)
Accounts payable and accrued liabilities		41	3,041	12,125	11,037
		28,076	(16,093)	67,846	(121,679)
Net cash from (used in) operating activities		52,750	26,622	122,500	(3,633)
Cash flow from (used in) financing activities:					
Issuance of long-term bank indebtedness	8	—	—	—	100,000
Repayment of long-term bank indebtedness	8	(5,000)	(6,250)	(10,000)	(10,000)
(Repayment) issuance of short-term bank indebtedness	8	(46,693)	(5,918)	(121,953)	219,391
Principal payments on lease obligations		(11,304)	(9,808)	(22,006)	(19,235)
Repurchase of common shares	9(a)	—	(7,844)	(9,244)	(8,264)
Dividends paid to shareholders	5	(2,097)	(2,245)	(4,287)	(4,529)
Net cash (used in) from financing activities		(65,094)	(32,065)	(167,490)	277,363
Cash flow from (used in) investing activities:					
Additions to property, plant and equipment		(5,081)	(1,863)	(6,798)	(4,120)
Proceeds on disposal of property, plant and equipment		154	153	304	238
Business acquisitions, net of divestitures	4	—	—	(1,300)	(270,055)
Additions to internally generated software		(299)	(642)	(535)	(997)
Receipt on non-current receivables		83	26	—	27
Decrease (increase) in investments		34	(5,267)	(1,507)	(1,636)
Net cash used in investing activities		(5,109)	(7,593)	(9,836)	(276,543)
Decrease in cash and cash equivalents		(17,453)	(13,036)	(54,826)	(2,813)
Cash and cash equivalents, beginning of period		27,772	16,405	65,068	7,762
Foreign exchange gain (loss) on cash held in foreign currency		114	1,533	191	(47)
Cash and cash equivalents, end of period		$ 10,433	$ 4,902	$ 10,433	$ 4,902
Supplementary information:					
Property, plant and equipment acquired under lease, net of disposals		$ 4,910	$ 17,753	$ 6,890	$ 33,403

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

1. Nature of operations

ADENTRA Inc. (the “Company”) is incorporated under the Canada Business Corporations Act and trades on the Toronto Stock Exchange under the symbol “ADEN”. The Company operates a network of 86 regional customer service centers in Canada and the US engaged in the wholesale distribution of architectural building products. The Company's flagship brands include Frank Paxton Lumber Company, Hardwoods Specialty Products, Mid-Am Building Supply, Novo Building Products, and Rugby Architectural Building Products. The Company's principal office is located at #340, 20161 86th Avenue, Langley, British Columbia V2Y 2C1.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34 ("IAS 34") "Interim Financial Reporting”. The disclosures contained in these condensed consolidated interim financial statement do not include all of the requirements of International Financial Reporting Standards ("IFRS") for annual financial statements, and accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 10, 2023.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a going concern basis. Note that the prior period amounts for the amortization of acquired intangible assets in the Condensed Consolidated Interim Statements of Comprehensive Income have been reclassified to conform to current period's presentation.

(c) Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts may differ from the estimates applied in the preparation of these condensed consolidated interim financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

3. Significant accounting policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited financial statements for the year ended December 31, 2022.

4. Acquisitions

(a) Acquisition of Rojo Distributors, Inc. ("Rojo")

On February 13, 2023, the Company, through one of its wholly owned subsidiaries, acquired substantially all of the assets of Rojo Distributors, Inc. ("Rojo") for a total cash purchase price of $1.3 million, subject to working capital adjustments. Rojo is a single location architectural building products distributor located in Lubbock, Texas.

The acquisition was accounted for as a business combination under the acquisition method. The fair value of Rojo's identified assets acquired consisted of accounts and other receivables of $0.2 million, inventories of $0.1 million, and property, plant and equipment of $0.1 million. Goodwill of $0.9 million was recognized as part of this acquisition and is attributable to expected synergies arising from the acquisition, and the expertise and reputation of the assembled management and workforce. The goodwill is deductible for US income tax purposes.

(b) Acquisition of Mid-Am Building Supply Inc. ("Mid-Am")

On February 4, 2022 (the "Acquisition Date"), the Company, through one of its wholly owned subsidiaries, acquired substantially all of the assets and assumed certain working capital liabilities of Mid-Am for a total cash purchase price of $273.7 million, which included $3.6 million of final working capital adjustments. At the Acquisition Date, the Company also entered into leases of the facilities through which Mid-Am operates. Mid-Am is a leading wholesale distributor of building products to customers in the US Midwest, supplying doors, millwork, and other diversified building materials to primarily home builder distribution yards. Mid-Am operates six facilities in the following states: Missouri, Kansas, Illinois, and Iowa.

The acquisition was accounted for as a business combination using the acquisition method, with the Company being the acquirer and Mid-Am being the acquiree, and where the assets acquired and liabilities assumed were recorded at their fair values at the acquisition date.

In connection with the acquisition, the Company incurred $0.9 million in transaction costs which were included in administration expenses in the consolidated statements of comprehensive income for the year ended December 31, 2022.

Fair value of assets acquired and liabilities assumed

The Company engaged a valuations expert to assist with the determination of estimated fair value for acquired working capital, property, plant and equipment and intangible assets.

The Company applied the multi-period excess earnings model in determining the fair value of the customer relationship intangible asset recognized in the Mid-Am acquisition. The multi-period excess earnings model considers the present value of incremental after-tax cash flows expected to be generated by the customer relationship after deducting contributory asset charges. The significant assumptions used in applying the valuation technique include: the revenue forecasts relating to Mid-Am's existing customers at the time of the acquisition, the estimated customer attrition rates, forecasted earnings before interest, tax, depreciation and amortization ("EBITDA") margin and the discount rate.

The Company applied the royalty method in determining the fair value of the trademarks intangible asset recognized in the Mid-Am acquisition. The royalty method determines the future economic benefit of owning a trademark by determining the amount that a company would have to pay as royalty to a third party to license it. The amount is estimated by applying a fair market royalty rate to the projected revenue stream associated with the trademark intangible asset. The significant assumptions used in applying the valuation technique include: the forecasted revenues related to trademark, royalty rate, and discount rate.

The intangible assets are deductible for US income tax purposes.

4. Acquisitions (continued)

Fair value of assets acquired and liabilities assumed (continued)

		US$
Cash consideration	$	273,651
Assets acquired and liabilities assumed:		
Accounts and other receivables		40,268
Inventories		30,888
Prepaid and other assets		128
Property plant and equipment		9,473
Right of use assets		19,762
Accounts payable and accrued liabilities		(22,450)
Lease obligation		(19,762)
Identifiable net assets acquired		58,307
Goodwill		66,237
Customer relationships		133,000
Trademarks and other intangible assets		16,107
Net assets acquired	$	273,651

The goodwill of $66.2 million represents the excess of purchase price compared to the estimate of fair values of the identifiable assets and liabilities assumed. The goodwill recognized is primarily attributed to expected synergies arising from the Mid-Am acquisition and the expertise and reputation of the assembled management and workforce. Goodwill is expected to be deductible for US income tax purposes.

The Company financed the Mid-Am acquisition through an increase in its credit facilities.

5. Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth of the business. The Company considers its capital to be bank indebtedness (net of cash) and shareholders' equity.

The Company's capitalization is as follows:

	June 30, 2023	December 31, 2022
Cash	$ (10,433)	$ (65,068)
Bank indebtedness	485,319	616,290
Shareholder's equity	513,960	506,972
Total capitalization	$ 988,846	$ 1,058,194

The terms of the Company's credit facilities are described in note 8. The terms of the agreements with the Company's lenders provide that distributions cannot be paid by its subsidiaries in the event that its subsidiaries do not meet certain credit ratios. The Company's operating subsidiaries were compliant with all required credit ratios under their credit facilities as at June 30, 2023 and December 31, 2022. Accordingly, there were no restrictions on distributions arising from non-compliance with financial covenants.

Dividends and share repurchases are some of the ways the Company manages its capital. Dividends are declared and shares are repurchased after consideration of a variety of factors including the outlook for the business and financial leverage.

The Company declared the following common share dividends during the six months ended June 30, 2023:

Declaration date	Record date	Payment date	Cash dividend per common share	Total common dividend amount
April 17, 2023	April 17, 2023	April 28, 2023	C$ 0.13	$ 2,104
July 17, 2023	July 17, 2023	July 28, 2023	C$ 0.13	$ 2,155

On August 10, 2023, the Company declared a cash dividend of CAD$0.13 per common share to shareholders of record as of October 16, 2023, to be paid on October 27, 2023.

6. Receivables and investments

The following is a breakdown of the Company's current and non-current receivables and investments and represents the Company's principal exposure to credit risk.

		June 30, 2023		December 31, 2022
Trade accounts receivable - Canada	$	16,460	$	14,445
Trade accounts receivable - United States		190,696		160,556
Sundry receivable		13,786		15,591
Current portion of non-current receivables		686		814
		221,628		191,406
Less:				
Allowance for credit loss		2,907		3,284
	$	218,721	$	188,122
Non-current receivables:				
Customer notes	$	94	$	121
Security deposits		2,843		2,936
		2,937		3,057
Less:				
Current portion, included in accounts receivable		686		814
		2,251		2,243
Investments		6,134		4,627
	$	8,385	$	6,870

The aging of trade accounts receivables is:

		June 30, 2023		December 31, 2022
Current	$	176,502	$	137,619
1 - 30 days past due		20,652		24,801
31 - 60 days past due		4,789		5,961
60+ days past due		5,213		6,620
	$	207,156	$	175,001

The Company determines its allowance for credit loss using both specific identification of customer accounts and the expected credit loss model. The Company uses an estimate of the net recoverable amount for specific customer accounts it has identified and the expected credit loss model for the remaining customer accounts based on historical experience of uncollectible amounts. Accounts that are considered uncollectible are written off. The total allowance at June 30, 2023 was $2.9 million (December 31, 2022 - $3.3 million). The amount of the allowance is determined based on the past experience of the business, current and expected collection trends, the security the Company has in place for past due accounts and management's regular review and assessment of customer accounts and credit risk.

Bad debt expense, net of recoveries, for the three month period ended June 30, 2023 was $nil (for the three month period ended June 30, 2022 - $0.4 million). For the six month period ended June 30, 2023, net bad debt expense was $nil (for the six month period ended June 30, 2022 - $0.2 million)

Investments classified as cash equivalents

At June 30, 2023, the Company held $3.6 million (December 31, 2022 - $11.9 million) of highly liquid investments with original maturity dates of three months or less when acquired, classified within cash and cash equivalents.

7. Inventories

	June 30, 2023	December 31, 2022
Raw materials	$ 7,735	$ 6,731
Work in process	400	585
Goods in-transit	14,255	15,970
Finished goods	379,148	462,472
	$ 401,538	$ 485,758

The Company regularly reviews and assesses the condition and value of its inventories and records write-downs to net realizable value as necessary. Inventory related expenses are included in the condensed consolidated interim statements of comprehensive income for the three and six month periods ended June 30, 2023 and 2022, as follows:

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Inventory write-downs, net of recoveries, included in cost of goods sold	$ 2,301	$ 4,300	$ 6,385	$ 5,289
Cost of inventory sold	443,481	525,025	884,055	1,000,696
Other cost of goods sold	23,005	21,409	45,295	42,842
Total cost of goods sold	$ 466,486	$ 546,434	$ 929,350	$ 1,043,538

8. Bank indebtedness

	June 30, 2023	December 31, 2022
Credit Facility		
Revolving credit loan	$ 117,418	$ 240,153
Term A-1 loan	366,250	376,250
Deferred financing fees	(5,642)	(6,003)
Checks issued in excess of funds on deposit	7,293	5,890
	$ 485,319	$ 616,290
Less: Current portion of bank indebtedness	$ 142,881	$ 264,368
Total long-term bank indebtedness	$ 342,438	$ 351,922

Renegotiated Credit Facility (the "Credit Facility")

In connection with the closing of the Mid-Am acquisition (note 4(b)), certain subsidiaries of the Company amended the existing credit arrangement with Bank of America, N.A. and a syndicate of lenders (the "Lender"). The Credit Facility consists of (i) a revolving credit facility of up to $500 million with a maturity date of July 2026, and (ii) a term loan of $400 million with an amortizing balance and maturity date of July 2026. The Company incurred $1.9 million in fees which have been recorded as deferred financing fees. A letter of credit is also available under the Credit Facility on customary terms for facilities of this nature.

The Credit Facility bears interest at a rate equal to the Secured Overnight Financing Rate ("SOFR") plus up to 2.25% or the base rate of interest charged by the Lender from time to time plus up to 1.25%. The SOFR and base rate margins for the Credit Facility are subject to performance pricing adjustments, from time to time, based on the Company's then applicable leverage ratio.

The financial covenants under the Credit Facility include, among others: (i) a consolidated interest coverage ratio (a ratio of adjusted EBITDA to total interest expense, determined on a consolidated basis of the Company), and (ii) a consolidated leverage ratio (a ratio of total funded debt to adjusted EBITDA, determined on a consolidated basis of the Company). As at June 30, 2023, the Company is in compliance with these financial covenants.

Effective May 9, 2023, the Company amended the Credit Facility so that it will exclude potential duties paid or payable relating to the import of hardwood plywood from Vietnam (as further described in note 13). In addition, and as a risk mitigation strategy, the Company also amended the interest coverage ratio to 2.25:1 from 3.00:1 for the quarters ending June 30, 2023 through to March 31, 2024.

In addition to the financial covenants, the ability of the Company to pay dividends, complete acquisitions, make additional investments, take on additional indebtedness, allow its assets to become subject to liens, complete affiliate transactions and make capital expenditures are limited and subject to the satisfaction of certain conditions. The Credit Facility can be prepaid at any time, with no prepayment penalty.

On July 11, 2023, the Company entered into an interest rate swap with a notional value of $200 million to offset the variability in the expected interest cash flows related to the Term A-1 Loan. The fixed rate provided to the Company by the interest rate swap is approximately 120 basis less than the current borrowing rate. The Company will be adopting *IFRS 9 Financial Instruments* hedge accounting principles, accordingly the effective portion of any gains or losses related to the mark to market of the interest rate swap will be recorded in other comprehensive income.

9. Share capital

(a) Share capital

At June 30, 2023, the authorized share capital of the Company comprised an unlimited number of common shares without par value (“Shares”).

A continuity of share capital is as follows:

	Shares		Total
Balance at December 31, 2021	23,698,634	$	175,651
Issued pursuant to long term incentive plan	240,482		1,424
Shares repurchased	(1,245,028)		(8,624)
Balance at December 31, 2022	22,694,088	$	168,451
Issued pursuant to long term incentive plan	71,586		482
Shares repurchased	(421,811)		(2,853)
Balance at June 30, 2023	22,343,863	$	166,080

On December 29, 2022, the Company announced a notice to renew the normal course issuer bid ("NCIB") to provide the Company with the option to purchase up to a maximum of 1,735,401 of its common shares during the period from January 3, 2023 to December 31, 2023 through the facilities of the TSX and on alternative trading systems in accordance with the requirements of the TSX. The purpose of the purchase of common shares under the NCIB is to enable the Company to acquire shares for cancellation. The maximum number of shares that may be purchased under the current NCIB represents approximately 10% of the Company's Public Float (as defined in the policies of the TSX) as at December 20, 2022. During the six month period ended June 30, 2023, the Company purchased 421,811 shares for a total purchase price of $9.2 million under this renewed NCIB.

(b) Long Term Incentive Plan (“LTIP”)

A continuity of the LTIP awards outstanding is as follows:

	Performance Shares	Restricted Shares
Balance at December 31, 2021	187,833	240,343
LTIP awards issued during the period	120,961	151,093
LTIP shares settled during the period	(79,469)	(177,452)
Balance at December 31, 2022	229,325	213,984
LTIP awards issued during the period	100,302	178,733
LTIP shares settled during the period	(101,582)	—
Balance at June 30, 2023	228,045	392,717

9. Share capital (continued)

(b) Long Term Incentive Plan ("LTIP") (continued)

LTIP compensation expense of $3.4 million was recognized in the consolidated statements of comprehensive income for the three months ended June 30, 2023 (June 30, 2022 - $1.2 million). The equity classified portion of the LTIP compensation expense was $0.9 million for the three months ended June 30, 2023 (June 30, 2022 - $0.7 million) and the liability classified expense was $2.5 million (June 30, 2022 - $0.5 million). For the six month period ended June 30, 2023, LTIP compensation expense of $4.7 million (June 30, 2022 - $1.9 million) was recognized. The equity classified portion of the LTIP compensation expense was $1.5 million for the six months ended June 30, 2023 (June 30, 2022 - $0.9 million) and the liability classified expense was $3.2 million (June 30, 2022 - $1.0 million).

The key estimate in determining the compensation in any period is whether or not the performance criteria were met and the resulting amount of the payout multiplier on the Performance Shares. The payout multiplier is reviewed and approved by the Company's compensation committee on an annual basis. The liability associated with the cash-settled awards is recorded in accounts payable and accrued liabilities for amounts expected to be settled within one year, and in other liabilities for amounts to be settled after one year.

(c) Weighted average shares

Basic net earnings per share is calculated by dividing the net income for the three months ended June 30, 2023 of $9.4 million (June 30, 2022 - $41.9 million) and six months ended June 30, 2023 of $19.0 million (June 30, 2022 - $85.4 million) over the weighted average number of common shares outstanding in each of the reporting periods. Diluted net earnings per share is calculated by dividing the net income over the weighted average number of common shares outstanding if the potentially dilutive securities had been issued. Basic and diluted weighted average common shares in each of the reporting periods were as follows:

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Issued ordinary shares at beginning of period	22,343,886	23,818,425	22,694,088	23,698,634
Effect of shares repurchased	—	(79,933)	(304,521)	(47,240)
Effect of shares issued during the period:				
Pursuant to long-term incentive plan	—	—	36,386	67,941
Weighted average common shares - basic	22,343,886	23,738,492	22,425,953	23,719,335
Effect of dilutive securities:				
Long-term incentive plan	187,207	135,333	205,124	162,860
Weighted average common shares - diluted	22,531,093	23,873,825	22,631,077	23,882,195

10. Finance income and expense

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Finance income (expense):				
Interest income on trade receivables and customer notes	$ 164	$ 177	$ 390	$ 355
Interest expense	(11,029)	(4,746)	(22,058)	(8,490)
Accretion of lease obligation	(1,412)	(912)	(2,834)	(2,369)
Foreign exchange gain (loss)	172	(230)	178	(511)
Unrealized loss on investments	—	(78)	—	(156)
Net finance expense	$ (12,105)	$ (5,789)	$ (24,324)	$ (11,171)

11. Segment reporting

Information about geographic areas is as follows:

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue from external customers:				
Canada	$ 44,947	$ 54,364	$ 88,620	$ 108,028
United States	540,988	645,899	1,077,172	1,237,121
	$ 585,935	$ 700,263	$ 1,165,792	$ 1,345,149

	June 30, 2023	December 31, 2022
Non-current assets[(1)]:		
Canada	$ 5,693	$ 6,011
United States	$ 631,936	$ 651,216
	$ 637,629	$ 657,227

(1) Excludes financial instruments and deferred income taxes.

12. Seasonality:

The Company's operations are subject to seasonal influences. Historically, the first and fourth quarters are seasonally slower periods for construction activity, which impacts demand for architectural building products.

13. Provisions

Legal

The Company and its subsidiaries are subject to legal proceedings from time to time that arise in the ordinary course of its business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for or insured, would be material in relation to the Company's condensed consolidated interim financial statements as at June 30, 2023.

Trade

On July 14, 2023, the U.S Department of Commerce ("Commerce") issued its final determination ("Final Determination") with respect to certain hardwood plywood products produced in Vietnam that they believe are circumventing a previously established anti-dumping and countervailing duty order against hardwood plywood from China (the "Circumventing Products").

As a result of the Final Determination, the Company estimates the value of products it imported from Vietnam subject to potential duties is approximately $7.6 million. The duty rate in this trade case is 206%, which will be applied against the $7.6 million of imports from Vietnam. With the issuance of this Final Determination, the Company expects to accrue duties of $15.7 million and record the related impact in net income in the third quarter of 2023.

The Circumventing Products are specifically defined by Commerce and the Company believes that the products it imports from Vietnam do not meet Commerce's definition of Circumventing Products, and should therefore not be subject duties. There are well established legal avenues to appeal Commerce's Final Determination and the Company intends to vigorously pursue recovery of any duties paid. The appeal process is typically a multi-year procedures however and the timing and ultimate outcome of the Company's efforts is not estimable at this time.