

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2023 and 2022
(in Canadian dollars)

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Taiga Building Products Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TAIGA BUILDING PRODUCTS LTD.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(in thousands of Canadian dollars, except per share amounts)</i>				
Sales	\$ 456,615	\$ 533,066	\$ 1,312,009	\$ 1,791,892
Cost of sales	400,212	469,220	1,156,062	1,550,170
Gross margin	56,403	63,846	155,947	241,722
Expenses:				
Distribution	8,135	7,333	24,018	22,008
Selling and administration	23,447	29,658	62,645	106,312
Finance (Note 8)	98	1,494	2,727	5,498
Subordinated debt interest	-	218	-	656
Other expenses (income)	263	(11)	230	(160)
	31,943	38,692	89,620	134,314
Earnings before income tax	24,460	25,154	66,327	107,408
Income tax expense (recovery) (Note 6)	3,056	6,534	14,416	28,493
Net earnings for the period	\$ 21,404	\$ 18,620	\$ 51,911	\$ 78,915
Other comprehensive income				
Exchange differences on translating foreign controlled entities	\$ 2,605	\$ 7,296	\$ (212)	\$ 9,046
Total comprehensive income for the period	\$ 24,009	\$ 25,916	\$ 51,699	\$ 87,961
Basic and diluted net earnings per common share	\$ 0.20	\$ 0.17	\$ 0.48	\$ 0.73
Weighted average number of common shares outstanding	107,970	108,200	108,079	108,206

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Balance Sheets (Unaudited)

<i>(in thousands of Canadian dollars)</i>	September 30, 2023	September 30, 2022	December 31, 2022
Assets			
Current:			
Cash and cash equivalents (Note 4)	\$ 136,586	\$ 105,589	\$ 94,494
Accounts receivable	198,014	200,016	123,098
Inventories (Note 5)	156,500	198,962	226,350
Prepaid expenses	6,000	4,097	5,034
Current income tax assets	11,385	3,476	14,977
	<u>508,485</u>	<u>512,140</u>	<u>463,953</u>
Property, plant and equipment	121,174	120,782	122,144
Intangible assets	12,097	13,450	12,997
Goodwill	10,574	10,720	10,592
Long term investments	9,633	-	-
Deferred tax assets	5,815	11,010	8,146
	<u>\$ 667,778</u>	<u>\$ 668,102</u>	<u>\$ 617,832</u>
Liabilities and Shareholders' Equity			
Current:			
Accounts payable and accrued liabilities	\$ 148,260	\$ 185,269	\$ 147,989
Current portion of long-term debt	-	687	-
Current portion of lease obligations	5,895	5,701	5,408
Subordinated notes	-	12,500	-
	<u>154,155</u>	<u>204,157</u>	<u>153,397</u>
Long-term debt	-	6,815	-
Lease obligations	90,354	92,820	92,034
Deferred gain	2,153	2,272	2,243
Deferred tax liabilities	6,560	6,826	6,647
Provisions	180	290	263
	<u>253,402</u>	<u>313,180</u>	<u>254,584</u>
Shareholders' Equity:			
Share capital (Note 7)	122,539	123,110	123,110
Accumulated other comprehensive income (Note 7)	10,903	12,502	11,115
Retained earnings	280,934	219,310	229,023
	<u>414,376</u>	<u>354,922</u>	<u>363,248</u>
	<u>\$ 667,778</u>	<u>\$ 668,102</u>	<u>\$ 617,832</u>

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the nine months ended September 30, 2022

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2021	\$ 123,204	\$ 140,395	\$ 3,456	\$ 267,055
Net earnings	-	78,915	-	78,915
Shares purchased under the NCIB and cancelled (Note 7)	(94)	-	-	(94)
Other comprehensive income	-	-	9,046	9,046
Balance at September 30, 2022	\$ 123,110	\$ 219,310	\$ 12,502	\$ 354,922

For the nine months ended September 30, 2023

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2022	\$ 123,110	\$ 229,023	\$ 11,115	\$ 363,248
Net earnings	-	51,911	-	51,911
Shares purchased under the NCIB and cancelled (Note 7)	(571)	-	-	(571)
Other comprehensive income	-	-	(212)	(212)
Balance at September 30, 2023	\$ 122,539	\$ 280,934	\$ 10,903	\$ 414,376

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cash provided by (used in):				
Operating:				
Net earnings	\$ 21,404	\$ 18,620	\$ 51,911	\$ 78,915
Adjustments for non-cash items				
Amortization	3,059	2,898	9,067	8,517
Income tax expense	3,056	6,534	14,416	28,493
Mark-to-market adjustment on financial instruments	439	(357)	185	(1,035)
Change in provisions	(28)	(27)	(83)	(80)
Loss (gain) on asset disposal	(4)	25	26	(65)
Amortization of deferred gain	(30)	(30)	(90)	(90)
Finance and subordinated debt interest expense	98	1,712	2,727	6,154
Interest paid	(1,513)	(1,611)	(4,344)	(5,277)
Income tax paid	(653)	(34,304)	(8,032)	(65,545)
Changes in non-cash working capital (Note 10)	62,457	110,382	(5,056)	(9,281)
Cash flows generated by operating activities	88,286	103,842	60,727	40,706
Investing:				
Purchase of property, plant and equipment	(1,697)	(1,289)	(4,398)	(2,719)
Proceeds from disposition of property, plant and equipment	17	17	27	123
Long term investment	-	-	(9,607)	-
Cash flows used in investing activities	(1,680)	(1,272)	(13,978)	(2,596)
Financing:				
Increase (decrease) in revolving credit facility	-	-	-	-
Repayment of long-term debt	-	288	-	86
Repayment of lease obligations	(1,525)	(1,410)	(4,063)	(3,860)
Subordinated notes interest paid	-	-	-	(434)
Repurchase of common shares	(299)	(94)	(571)	(94)
Cash flows used in financing activities	(1,824)	(1,216)	(4,634)	(4,302)
Effect of foreign exchange on cash	578	1,787	(23)	2,108
Cash - beginning of year	51,227	2,448	94,494	69,673
Cash - end of period	\$ 136,586	\$ 105,589	\$ 136,586	\$ 105,589

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

1. Nature of Operations

Taiga Building Products Ltd. ("Taiga" or the "Company") is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company's shares are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 20th floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

2. Basis of Preparation

(a) Statement of Compliance

These condensed interim consolidated financial statements (the "Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on November 10, 2023 by the board of directors of the Company.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of Taiga Building Products Ltd. and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. Inter-company transactions and balances have been eliminated.

(c) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

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 consolidated financial statements for the year ended December 31, 2022.

4. Cash

<i>(in thousands of dollars)</i>	September 30, 2023	September 30, 2022	December 31, 2022
Cash	135,562	105,336	93,545
Financing costs, net of amortization	1,024	253	949
Total	136,586	105,589	94,494

On December 21, 2022, the Company entered into a new \$250 million senior secured revolving credit facility (the "Facility") with a syndicate of lenders led by the Bank of Montreal and including Scotiabank, Bank of America, TD Bank and CIBC. The Facility bears interest at variable rates plus variable margin, is secured by

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023 and 2022 (in Canadian dollars)

a first perfected security interest in all real and personal property of the Company and certain of its subsidiaries and matures on December 20, 2027. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at September 30, 2023.

5. Inventories

<i>(in thousands of dollars)</i>	September 30, 2023	September 30, 2022	December 31, 2022
Allied building products	35,803	52,755	50,493
Lumber products	88,466	115,279	136,335
Panel products	27,920	28,846	38,146
Production consumables	3,894	2,618	2,376
Inventory provision	417	(536)	(1,000)
Total	156,500	198,962	226,350

All of the Company's inventories are pledged as security for the revolving credit facility.

6. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Current	3,966	4,175	15,501	25,435
Deferred	(910)	2,359	(1,085)	(3,058)
Total	3,056	6,534	14,416	28,493

7. Shareholders' Equity

(a) Authorized Share Capital

Unlimited common shares without par value, unlimited class A common shares without par value, and unlimited class A and class B preferred shares without par value.

(b) Normal Course Issuer Bid

On August 31, 2022, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,410,448 of its then outstanding 108,208,963 common shares, representing 5% of the outstanding common shares. The NCIB expired on August 30, 2023 and the Company purchased 139,208 shares during the NCIB.

On August 31, 2023, the Company commenced a further NCIB for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,403,488 of its then outstanding 108,171,321 common shares, representing 5% of the outstanding common shares. During the nine months ended September 30, 2023, the Company purchased 205,966 of its common shares for \$570,867 under the NCIB. These common shares purchased by the Company during this time have been cancelled. At September 30, 2023 there were 5,299,088 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 30, 2024.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023 and 2022 (in Canadian dollars)

(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2022	108,171,321	123,110
Shares purchased under NCIB and cancelled	205,966	571
Balance, September 30, 2023	107,965,355	122,539

(d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of exchange differences arising on translation of entities that have a functional currency other than the Canadian dollar.

(e) Stock Options and Warrants

Taiga does not have stock options or warrants outstanding and has not granted or cancelled options or warrants during the current or prior period.

(f) Major Shareholder

Taiga's major shareholder is Avarga Limited ("Avarga"), holding 71.8% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is the chief executive officer and a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

8. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest on revolving credit facility	-	50		1,225
Interest earned on cash balances	(1,231)	-	(1,265)	-
Interest on leases and long-term debt	1,269	1,361	3,811	4,026
Amortization of financing costs	60	83	181	247
Total	98	1,494	2,727	5,489

9. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	September 30, 2023	September 30, 2022
Carrying amount	90,867	92,237
Fair value	90,799	92,239

The fair value of the lease obligations was determined using current borrowing rates for similar debt instruments.

The fair value of the 7% subordinated notes was determined using current borrowing rates for similar debt instruments. The notes matured in November 2022.

<i>(in thousands of dollars)</i>	September 30, 2023	September 30, 2022
Carrying amount	-	12,500
Fair value	-	12,500

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023 and 2022 (in Canadian dollars)

The Company acquired 7,000 units of MapleTree China Logistics Investment LP (“MCLIP”) shares. The investment is stated at fair value at each reporting date. The change in value represents the unrealized gains and losses on the portfolio investment.

<i>(in thousands of dollars)</i>	September 30, 2023	September 30, 2022
Carrying amount	9,607	-
Fair value	9,633	-

The carrying amount of derivative financial instrument assets and liabilities are equal to their fair values as these instruments are marked-to-market at each reporting date as follows:

<i>(in thousands of dollars)</i>	September 30, 2023	September 30, 2022
Lumber futures	12	226

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – based on quoted prices in active markets for identical assets or liabilities;

Level 2 – based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Derivative financial instrument assets and liabilities are classified as level 2.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023 and 2022 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at September 30, 2023 and 2022:
(in thousands of dollars)

At September 30, 2023	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Cash and cash equivalents	136,586	-	-	136,586
Accounts receivable	198,014	-	-	198,014
Lumber futures ¹	-	12	-	12
Long term investment	-	9,633	-	9,633
Total financial assets:	334,600	9,645	-	344,245
Financial liabilities:				
Accounts payable & accrued liabilities	-	-	148,260	148,260
Current portion of lease obligation	-	-	5,895	5,895
Non-current portion of lease obligation	-	-	90,354	90,354
Total financial liabilities:	-	-	244,509	244,509

(in thousands of dollars)

At September 30, 2022	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Cash and cash equivalents	105,589	-	-	105,589
Accounts receivable	200,016	-	-	200,016
Lumber futures ¹	-	226	-	226
Total financial assets:	305,605	226	-	305,831
Financial liabilities:				
Accounts payable & accrued liabilities	-	-	185,269	185,269
Current portion of long-term debt	-	-	687	687
Non-current portion of long-term debt	-	-	6,815	6,815
Current portion of lease obligation	-	-	5,701	5,701
Non-current portion of lease obligation	-	-	92,820	92,820
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	303,792	303,792

⁽¹⁾Included with accounts receivable or accounts payable and accrued liabilities on the balance sheet

10. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
(Increase) Decrease in Accounts receivable	18,972	64,211	(75,100)	(60,808)
(Increase) Decrease in Inventories	30,178	24,376	69,850	18,736
(Increase) Decrease in Prepaid expenses and other	(106)	(2,529)	(901)	(4,741)
Effect of foreign exchange on working capital	1,671	7,347	(245)	9,247
(Decrease) Increase in Accounts payable & accrued liabilities	11,742	16,977	1,340	28,285
Total	62,457	110,382	(5,056)	(9,281)

11. Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the quarters ended June 30 and September 30 and reduced sales in the late fall and winter during its quarters ended December 31 and March 31 of each fiscal year.

12. Segmented Information

Taiga operates within one business segment and has two reportable geographic areas as follows:

	Revenue by Point of Sale							
	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	371,552	81.4	439,792	82.5	1,075,342	82.0	1,470,358	82.1
United States	85,064	18.6	93,274	17.5	236,668	18.0	321,534	17.9

For the quarter ended September 30, 2023, export sales totalled \$37.3 million compared to \$56.4 million in the previous year. For the nine months period ended September 30, 2023 export sales were \$116.9 million compared to \$222.7 million in the previous year. These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.