

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2022 and 2021
(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 Balance Sheets (Unaudited)

<i>(in thousands of Canadian dollars)</i>	March 31, 2022	March 31, 2021	December 31, 2021
Assets			
Current:			
Cash and cash equivalents (Note 4)	\$ -	\$ -	\$ 69,673
Accounts receivable	289,205	248,651	139,193
Inventories (Note 5)	247,349	221,437	217,698
Prepaid expenses	5,379	4,051	4,025
	<u>541,933</u>	<u>474,139</u>	<u>430,589</u>
Property, plant and equipment	119,530	122,840	121,271
Intangible assets	12,803	13,972	13,263
Goodwill	9,773	9,835	9,915
Deferred tax assets	10,815	6	7,966
	<u>\$ 694,854</u>	<u>\$ 620,792</u>	<u>\$ 583,004</u>
Liabilities and Shareholders' Equity			
Current:			
Revolving credit facility (Note 6)	\$ 82,784	\$ 121,063	\$ -
Accounts payable and accrued liabilities	159,985	144,875	155,877
Income taxes payable	20,083	16,774	31,675
Current portion of long-term debt	626	630	636
Current portion of lease obligations	5,355	4,975	5,270
Subordinated notes (Note 8)	12,500	-	12,500
	<u>281,333</u>	<u>288,317</u>	<u>205,958</u>
Long-term debt	6,578	7,197	6,780
Lease obligations	93,081	94,587	94,132
Deferred gain	2,332	2,451	2,362
Deferred tax liabilities	6,248	12,215	6,347
Provisions	344	446	370
Subordinated notes (Note 8)	-	12,500	-
	<u>389,916</u>	<u>417,713</u>	<u>315,949</u>
Shareholders' Equity:			
Share capital (Note 9)	123,204	124,048	123,204
Accumulated other comprehensive income (Note 9)	1,799	2,146	3,456
Retained earnings	179,935	76,885	140,395
	<u>304,938</u>	<u>203,079</u>	<u>267,055</u>
	<u>\$ 694,854</u>	<u>\$ 620,792</u>	<u>\$ 583,004</u>

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

TAIGA BUILDING PRODUCTS LTD.

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

<i>(in thousands of Canadian dollars, except per share amounts)</i>	Three months ended March 31,	
	2022	2021
Sales	\$ 612,704	\$ 535,918
Cost of sales	503,840	445,560
Gross margin	108,864	90,358
Expenses:		
Distribution	7,291	7,054
Selling and administration	45,810	41,156
Finance (Note 10)	1,871	1,673
Subordinated debt interest (Note 8)	219	219
Other income	(53)	(54)
	55,138	50,048
Earnings before income tax	53,726	40,310
Income tax expense (Note 7)	14,186	11,134
Net earnings for the period	\$ 39,540	\$ 29,176
Other comprehensive income (loss)		
Exchange differences on translating foreign controlled entities	\$ (1,657)	\$ (1,115)
Total comprehensive income for the period	\$ 37,883	\$ 28,061
Basic and diluted net earnings per common share	\$ 0.37	\$ 0.27
Weighted average number of common shares outstanding	108,209	108,542

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 three months ended March 31, 2021

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2020	\$ 124,048	\$ 77,710	\$ 3,261	\$ 205,019
Net earnings	-	29,176	-	29,176
Dividend	-	(30,001)	-	(30,001)
Other comprehensive income	-	-	(1,115)	(1,115)
Balance at March 31, 2021	\$ 124,048	\$ 76,885	\$ 2,146	\$ 203,079

For the three months ended March 31, 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	-	39,540	-	39,540
Other comprehensive income	-	-	(1,657)	(1,657)
Balance at March 31, 2022	\$ 123,204	\$ 179,935	\$ 1,799	\$ 304,938

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	
	2022	March 31, 2021
Cash provided by (used in):		
Operating:		
Net (loss) earnings	\$ 39,540	\$ 29,176
Adjustments for non-cash items		
Amortization	2,752	2,906
Income tax expense	14,186	11,134
Mark-to-market adjustment on financial instruments	(1,459)	530
Change in provisions	(26)	(25)
Loss on asset disposal	(22)	(25)
Amortization of deferred gain	(30)	(30)
Finance and subordinated debt interest expense	2,090	1,892
Interest paid	(1,601)	(1,488)
Income tax paid	(28,027)	(36)
Changes in non-cash working capital (Note 13)	(177,852)	(124,761)
Cash flows used in operating activities	(150,449)	(80,727)
Investing:		
Purchase of property, plant and equipment	(652)	(794)
Proceeds from disposition of property, plant and equipment	38	28
Cash flows used in investing activities	(614)	(766)
Financing:		
Increase (decrease) in revolving credit facility	82,860	121,392
Repayment of long-term debt	(212)	(258)
Repayment of lease obligations	(1,258)	(898)
Dividends paid	-	(30,001)
Cash flows provided by financing activities	81,390	90,235
Effect of foreign exchange on cash	76	329
Cash (credit facility) - beginning of year	69,673	(8,742)
Cash (credit facility) - end of period	\$ (82,784)	\$ (121,063)

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.

Covid-19 Pandemic

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and continues to impact worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the pandemic has had a positive impact on Taiga's business and financial performance in the first quarter of fiscal 2022. This is a direct result of the increased demand for detached housing, high commodity prices and low borrowing rates experienced during the period. However, commodity prices have been volatile at times during the pandemic including a drastic decline in the third quarter of fiscal year 2021 although prices did recover in the subsequent quarter. The extent to which these events may continue to impact the Company's business activities in the same manner in future periods will depend on a number of factors, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease, the demand for detached housing in North America, future commodity prices, interest rates and the strength of the general economy. These events are highly uncertain and as such, the Company cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact the Company's financial performance in 2022.

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, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on May 5, 2022 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

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2022 and 2021 (in Canadian dollars)

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, 2021.

4. Cash

<i>(in thousands of dollars)</i>	March 31, 2022	March 31, 2021	December 31, 2021
Cash	-	-	69,181
Financing costs, net of amortization	-	-	492
Total	-	-	69,673

5. Inventories

<i>(in thousands of dollars)</i>	March 31, 2022	March 31, 2021	December 31, 2021
Allied building products	54,608	35,784	50,979
Lumber products	154,293	145,477	134,948
Panel products	38,124	38,677	29,984
Production consumables	2,324	1,555	1,987
Inventory provision	(2,000)	(56)	(200)
Total	247,349	221,437	217,698

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

6. Revolving Credit Facility

<i>(in thousands of dollars)</i>	March 31, 2022	March 31, 2021	December 31, 2021
Revolving credit facility	83,192	121,799	-
Financing costs, net of amortization	(408)	(736)	-
Total	82,784	121,063	-

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from \$225 million to \$250 million, with an option to increase the limit by up to \$50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately \$23 million at favourable rates. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. 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 March 31, 2022.

7. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended March 31, 2022	Three months ended March 31, 2021
Current	16,786	12,858
Deferred	(2,600)	(1,724)
Total	14,186	11,134

8. Subordinated Notes

Per the Trust Indenture dated November 17, 2017, the Company's subordinated notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The subordinated notes are not listed on any stock exchange. Interest on the notes is payable on May 17 and November 17 of each year. The aggregate principal amount of the notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the quarter ended March 31, 2022.

9. 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 18, 2021, 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 5,427,077 of its then outstanding 108,541,557 common shares, representing 5% of the outstanding common shares. For the year ending December 31, 2021 the Company purchased 332,594 of its common shares for cash payments \$843,752. These common shares purchased by the Company have been cancelled. At March 31, 2022 there were 5,094,484 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 17, 2022. The Company has not purchased any of its common shares under this NCIB during the three months ended March 31, 2022.

(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2020	108,541,557	124,048
Shares purchased under NCIB and cancelled	332,594	844
Balance, December 31, 2021 and March 31, 2022	108,208,963	123,204

(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.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2022 and 2021 (in Canadian dollars)

(g) 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.

10. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest on revolving credit facility and other short term liabilities	459	460
Interest on leases and long-term debt	1,330	1,131
Amortization of financing costs	82	82
Total	1,871	1,673

11. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, The Company received a notice of reassessment from the Canada Revenue Agency ("CRA") in the amount of approximately \$42,000,000 (which includes interest) relating to the years from 2005 to 2013. The reassessment related to the amount of taxes withheld, by the Company, on dividends paid or deemed to have been paid to what were then the Company's two largest shareholders in connection with and subsequent to the Company's corporate reorganization in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its two former major shareholders. The Company, and the two former major shareholders, had previously entered into agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The indemnity agreements remain in effect and would apply in the event that CRA issues further reassessments relating to the amount of taxes withheld. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible. The Company's two former major shareholders may elect to assume any action or defense of the Company in connection with the foregoing pursuant to the terms of the indemnity agreements with the Company.

12. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	March 31, 2022	March 31, 2021
Carrying amount	98,436	99,562
Fair value	98,437	99,957

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 are as follows:

<i>(in thousands of dollars)</i>	March 31, 2022	March 31, 2021
Carrying amount	12,500	12,500
Fair value	12,936	12,936

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2022 and 2021 (in Canadian dollars)

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

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

<i>(in thousands of dollars)</i>	March 31, 2022	March 31, 2021
Lumber futures	1,263	(662)

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 months ended March 31, 2022 and 2021 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2022 and 2021:

(in thousands of dollars)

At March 31, 2022	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	289,205	-	-	289,205
Lumber futures ¹	-	1,263	-	1,263
Total financial assets:	289,205	1,263	-	290,468
Financial liabilities:				
Revolving credit facility	-	-	82,784	82,784
Accounts payable & accrued liabilities	-	-	159,985	159,985
Current portion of long-term debt	-	-	626	626
Non-current portion of long-term debt	-	-	6,578	6,578
Current portion of lease obligation	-	-	5,355	5,355
Non-current portion of lease obligation	-	-	93,081	93,081
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	360,909	360,909

(in thousands of dollars)

At March 31, 2021	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	248,651	-	-	248,651
Total financial assets:	248,651	-	-	248,651
Financial liabilities:				
Lumber futures ¹	-	662	-	662
Revolving credit facility	-	-	121,063	121,063
Accounts payable & accrued liabilities	-	-	144,875	144,875
Current portion of long-term debt	-	-	630	630
Non-current portion of long-term debt	-	-	7,197	7,197
Current portion of lease obligation	-	-	4,975	4,975
Non-current portion of lease obligation	-	-	94,587	94,587
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	662	385,827	386,489

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

13. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	Three months ended March 31, 2022	Three months ended March 31, 2021
(Increase) Decrease in accounts receivable	(148,367)	(112,218)
(Increase) Decrease in inventories	(29,651)	(31,458)
(Increase) Decrease in prepaid expenses and other	(615)	(30,693)
Effect of foreign exchange on working capital	(2,139)	(1,726)
(Decrease) Increase in accounts payable and accrued liabilities	2,920	51,334
Total	(177,852)	(124,761)

14. 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.

15. Segmented Information

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

<i>(in thousands of dollars except %)</i>	Three months ended March 31, 2022		Three months ended March 31, 2021	
	Sales	Percentage	Sales	Percentage
Canada	498,614	81.4%	437,244	81.6%
United States	114,090	18.6%	98,674	18.4%

During the three months ended March 31, 2022, Taiga's Canadian operations had export sales of \$89.5 million (three months ended March 31, 2021 - \$84.7 million). These export sales were primarily to the United States and Asia and are included as part of the Canadian segment in the table above.