Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months and six months ended June 30, 2018 and 2017
(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 Consolidated Balance Sheets
(Unaudited)

(in thousands of Canadian dollars)	**June 30, 2018**	**June 30, 2017**	**December 31, 2017**
Assets			
Current:			
Accounts receivable	$ 200,162	$ 167,147	$ 106,839
Inventories (Note 4)	151,093	136,348	123,288
Prepaid expenses	2,458	2,045	2,204
	353,713	305,540	232,331
Property, plant and equipment	38,481	39,175	38,324
Deferred tax assets	707	1,635	174
	$ 392,901	$ 346,350	$ 270,829
Liabilities and Shareholders' Equity			
Current:			
Revolving credit facility (Note 5)	$ 139,283	$ 111,443	$ 54,723
Accounts payable and accrued liabilities	92,645	82,759	73,578
Income taxes payable	9,261	5,846	4,365
Current portion of long-term debt	942	253	1,019
Current portion of finance lease obligation	2,404	2,219	2,338
	244,535	202,520	136,023
Long-term debt	-	928	-
Finance lease obligation (Note 11)	21,451	23,226	22,380
Deferred gain	2,910	3,304	3,102
Deferred tax liabilities	-	-	199
Provisions	716	1,209	787
Subordinated notes (Note 7)	12,500	128,834	12,500
	282,112	360,021	174,991
Shareholders' Equity:			
Share capital (Note 8)	132,340	13,229	133,090
Accumulated other comprehensive income (Note 8)	7,297	5,881	4,744
	139,637	19,110	137,834
Deficit	(28,848)	(32,781)	(41,996)
	110,789	(13,671)	95,838
	$ 392,901	$ 346,350	$ 270,829

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	**Three months ended June 30, 2018**	**2017**	**Six months ended June 30, 2018**	**2017**
Sales	$ 422,875	$ 379,761	$ 747,472	$ 665,813
Cost of sales	383,447	346,084	677,286	607,972
Gross margin	39,428	33,677	70,186	57,841
Expenses:				
Distribution	6,012	5,480	11,895	11,200
Selling and administration	18,558	15,081	33,138	27,125
Finance (Note 9)	1,700	1,379	3,015	2,886
Subordinated debt interest (Note 7)	219	4,509	399	9,019
Other income	(104)	(84)	(200)	(325)
	26,385	26,365	48,247	49,905
Earnings before income tax	13,043	7,312	21,939	7,936
Income tax expense (Note 6)	6,685	2,283	8,791	2,658
Net earnings for the period	$ 6,358	$ 5,029	$ 13,148	$ 5,278
Other comprehensive income (loss) for the period				
(Item that may be reclassified to net earnings)				
Exchange differences on translating foreign controlled entities	$ 1,116	$ (829)	$ 2,553	$ (1,152)
Total comprehensive income for the period	$ 7,474	$ 4,200	$ 15,701	$ 4,126
Basic and diluted net earnings per common share	$ 0.05	$ 0.16	$ 0.11	$ 0.05
Weighted average number of common shares outstanding	116,573	32,414	116,696	32,414

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

TAIGA BUILDING PRODUCTS LTD.

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

For the six months ended June 30, 2017

(in thousands of Canadian dollars)	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2016	$ 13,229	$ (38,059)	$ 7,033	(17,797)
Net earnings	-	5,278	-	5,278
Other comprehensive loss	-	-	(1,152)	(1,152)
Balance at June 30, 2017	$ 13,229	$ (32,781)	$ 5,881	$ (13,671)

For the six months ended June 30, 2018

(in thousands of Canadian dollars)	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2017	$ 133,090	$ (41,996)	$ 4,744	$ 95,838
Net earnings	-	13,148	-	13,148
Treasury Stock	(750)	-	-	(750)
Other comprehensive income	-	-	2,553	2,553
Balance at June 30, 2018	$ 132,340	$ (28,848)	$ 7,297	$ 110,789

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash provided by (used in):				
Operating:				
Net earnings	$ 6,358	5,029	$ 13,148	$ 5,278
Adjustments for non-cash items				
Amortization	1,166	1,080	2,294	2,223
Income tax expense	6,685	2,283	8,791	2,658
Mark-to-market adjustment on financial instruments	200	(152)	135	(71)
Change in provisions	(22)	(48)	(71)	(276)
Gain on asset disposal	(9)	-	(9)	(146)
Amortization of deferred gain	(96)	(85)	(192)	(180)
Finance and subordinated debt interest expense	1,919	5,888	3,414	11,905
Interest paid	(470)	(1,304)	(1,775)	(2,632)
Income tax paid	(3,023)	(1,467)	(3,061)	(1,664)
Changes in non-cash working capital (Note 12)	(33,009)	(16,817)	(102,771)	(70,917)
Cash flows from operating activities	(20,301)	(5,593)	(80,097)	(53,822)
Investing:				
Purchase of property, plant and equipment	(938)	(185)	(1,752)	(1,087)
Proceeds from disposition of property, plant and equipment	18	629	18	906
Cash flows used in investing activities	(920)	444	(1,734)	(181)
Financing:				
Repayment of long-term debt	(63)	(66)	(125)	(130)
Repayment of obligations under finance leases	(589)	(548)	(1,169)	(1,073)
Subordinated notes interest paid	(434)	(4,509)	(434)	(9,019)
Purchase of treasury stock	(750)	-	(750)	-
Cash flows used in financing activities	(1,836)	(5,123)	(2,478)	(10,222)
Effect of changes in foreign currency on Revolving Credit Facility	(212)	195	(251)	202
Net increase in Revolving Credit Facility	(23,269)	(10,077)	(84,560)	(64,023)
Revolving Credit Facility, beginning	(116,014)	(101,366)	(54,723)	(47,420)
Revolving Credit Facility, ending	$ (139,283)	$ (111,443)	$ (139,283)	$ (111,443)

The accompanying notes are an integral part of these 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 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2.

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, save for the adoption of IFRS 9 and 15 for the 2018 fiscal year starting on January 1, 2018. The adoption of these IFRS and their impact on these Financial Statements are covered in Note 3. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on August 9, 2018 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.

(d) Revolving Credit Facility

Revolving credit facility consists of cash on hand less cheques issued and the Company's outstanding revolving credit facility balance. Taiga's cash flow statement reflects the net change in its revolving credit facility. The revolving credit facility forms an integral part of Taiga's cash management and fluctuates directly as a result of cash flows from operating, investing and financing activities.

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, 2017.

(a) Changes in Accounting Policies – Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Revolving credit facility	Amortized cost	Amortized cost
Accounts receivables	Amortized cost	Amortized cost
Lumber futures	FVTPL	FVTPL
Interest swap	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Finance lease obligation	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Subordinated notes	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income.

(b) Changes in Accounting Policies – Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as of January 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The following is the Company's new accounting policy for revenue from contracts with customers under IFRS 15:

The Company distributes building products to supply yards, building product retailers and industrial manufacturers. Sales are recognised when control of the products has transferred to the Company's customers, being when the products are shipped to the customer in instances where the customer arranges for shipment or upon delivery for instances in which the Company arranges for shipment. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. A portion of the Company's sales take place on a consignment basis, where the Company will deliver inventory to customer locations that has not yet been purchased. The revenue from these sales is recognized when the customer purchases the inventory.

The Company's products are sold with volume discounts based on aggregate sales over set periods. Revenue from these sales is recognised based on the price agreed upon for each order, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with credit terms standard for the market. The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Historically, the Company's annual returns for products sold have been negligible. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

(c) Accounting Standards Issued not yet Applied

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Upon adoption of IFRS 16, the Company's operating leases, which are principally comprised of its warehouse facilities and select equipment, will be recorded in the statement of financial position with a corresponding lease obligation. The Company continues to assess the impact of adopting this standard on its consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

4. Inventories

(in thousands of dollars)	**June 30, 2018**	**June 30 2017**	**December 31, 2017**
Allied building products	30,007	31,421	24,935
Lumber products	82,396	79,518	73,694
Panel products	38,282	24,854	24,290
Production consumables	661	782	568
Inventory provision	(253)	(227)	(199)
Total	151,093	136,348	123,288

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

5. Revolving Credit Facility

(in thousands of dollars)	**June 30, 2018**	**June 30, 2017**	**December 31, 2017**
Revolving credit facility	140,991	111,865	54,995
Financing costs, net of amortization	(1,708)	(422)	(272)
Total	139,283	111,443	54,723

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, which Taiga may utilize for future growth or expansion opportunities. 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 June 30, 2018.

6. Income Taxes

Income tax expense is comprised of:

	Three months ended June 30,		**Six months ended June 30,**	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Current	7,327	1,926	10,462	1,710
Future	(642)	357	(1,671)	948
Total	6,685	2,283	8,791	2,658

7. Subordinated Notes

Per the Trust Indenture dated November 17, 2017 (the “Indenture”) 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 New 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 June 30, 2018.

8. 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 April 27, 2018, 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 5,841,155 of its 116,823,109 outstanding Common Shares, representing 5% of the outstanding Common Shares. For the three months ended June 30, 2018, the Company purchased 500,300 of its Common shares for cash payments of $750,435. These Common Shares purchased by the Company are being held as Treasury Stock. At June 30, 2018 there were 5,340,855 remaining Common Shares permitted to be purchased by the Company per the terms of the NCIB.

(c) Common Shares Issued

(in thousands of dollars, except number of shares)	**Number of Shares**	**Amount**
Balance, March 31, 2017	32,414,278	13,229
Issue of new shares as a result of the Exchange Offer	84,408,831	119,861
Balance, December 31, 2017	116,823,109	133,090
Shares purchased under NCIB and held as Treasury Stock	500,300	750
Balance, June 30, 2018	116,322,809	132,340

(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) Exchange Offer

On November 17, 2017, the Company completed an exchange offer (the “Exchange Offer”). Pursuant to the terms and conditions set forth in the Company’s Exchange Offer and Consent Solicitation Statement dated September 29, 2017 (the “Exchange Offer Circular”), to purchase any and all of its outstanding 14% subordinated unsecured notes (the “Existing Notes”) in exchange for new 7% senior notes of Taiga (the “New Notes”) due five years from the date of issuance, common shares of Taiga (“Common Shares”) at a rate of 833.33 Common Shares for each $1,000 principal amount of Existing Notes, or any combination of the foregoing at the option of the holder. As a result of the Exchange Offer, the Company exchanged an aggregate of $113,791,000 principal amount of Existing Notes, representing approximately 88.4% of the Existing Notes outstanding. Holders of Existing Notes who participated in the Exchange Offer elected to exchange their Existing Notes for an aggregate of $12,500,000 principal amount of New Notes and 84,408,831 Common Shares.

(g) Major Shareholder

On January 31, 2017, Taiga paid the full amount owing to the CRA (The Reassessment) in relation to Note 10 through the use of proceeds provided by its two former major shareholders. The Reassessment Amount was fully funded by the two former major shareholders in accordance with their obligations under their indemnity agreements with Taiga. The payment of the Reassessment Amount was made in connection with two transactions (the "Transactions") involving Taiga’s two former major shareholders, and Avarga Limited (formerly known as UPP Holdings Limited), and certain of its affiliates and subsidiaries (collectively, "Avarga"), which resulted in Avarga holding approximately 58% of the issued and outstanding common shares of the Company. As a result of the Exchange Offer described at Note 8(f), Avarga’s ownership interest decreased to 49% of the common shares and Avarga continues to be Taiga’s largest shareholder. Taiga’s current chairman, Ian Tong, is a director of Avarga. Another of Taiga’s directors, Dr. Kooi Ong Tong is also Avarga’s executive chairman, chief executive officer and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

9. Finance Expense

The finance expense is comprised of:

	Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Interest on revolving credit facility and other short term liabilities	1,203	850	2,022	1,822
Interest on finance leases and long-term debt	423	453	846	913
Amortization of financing costs	74	76	147	151
Total	1,700	1,379	3,015	2,886

10. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency 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 Taiga, 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 Taiga'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. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

11. Financial Instruments

(a) Accounting for financial instruments

The carrying amounts of accounts receivable and accounts payable approximate their fair values due to the short term to maturity of these instruments. The carrying amounts of the revolving credit facility and long-term debt approximate their fair values as these liabilities bear interest at variable market rates.

The fair values of finance lease obligations are as follows:

(in thousands of dollars)	**June 30, 2018**	**June 30, 2017**
Fair value	23,804	25,353

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

The fair value of the 7% subordinated notes are as follows:

(in thousands of dollars)	**June 30, 2018**	**June 30,2017**
Fair value	12,935	-

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:

(in thousands of dollars)	**June 30, 2018**	**June 30, 2017**
Lumber futures	(170)	98
Interest swap	-	(16)

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.

The following table summarizes the classification and carrying values of the Company's financial instruments at June 30, 2018 and 2017:

(in thousands of dollars)

At June 30, 2018	**Amortized Cost** (Financial assets)	**FVTPL**	**Amortized Cost** (Financial liabilities)	**Total**
Financial assets:				
Accounts receivable	200,162	-	-	200,162
Total financial assets:	**200,162**	**-**	**-**	**200,162**
Financial liabilities:				
Revolving credit facility	-	-	139,283	139,283
Accounts payable & accrued liabilities	-	-	92,645	92,645
Lumber futures[1]	-	170	-	170
Interest swap	-	-	-	-
Current portion of long-term debt	-	-	942	942
Non-current portion of long-term debt	-	-	-	-
Current portion of financial lease obligation	-	-	2,404	2,404
Non-current portion of financial lease obligation	-	-	21,451	21,451
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	**-**	**-**	**269,225**	**269,395**

(in thousands of dollars)

At June 30, 2017	**Amortized Cost** (Financial assets)	**FVTPL**	**Amortized Cost** (Financial liabilities)	**Total**
Financial assets:				
Accounts receivable	167,147	-	-	167,147
Long-term receivable	-	-	-	-
Total financial assets:	**167,147**	**-**	**-**	**167,147**
Financial liabilities:				
Revolving credit facility	-	-	111,443	111,443
Accounts payable & accrued liabilities	-	-	82,759	82,759
Lumber futures[1]	-	(98)	-	(98)
Interest swap[1]	-	16	-	16
Current portion of long-term debt	-	-	253	253
Non-current portion of long-term debt	-	-	928	928
Current portion of financial lease obligation	-	-	2,219	2,219
Non-current portion of financial lease obligation	-	-	23,226	23,226
Subordinates notes	-	-	128,834	128,834
Total financial liabilities:	**-**	**(82)**	**349,662**	**349,580**

(1)Included with accounts payable and accrued liabilities on the statement of financial position

12. Changes in Non-Cash Working Capital

	Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Decrease (Increase) in accounts receivable	(48,810)	(27,745)	(93,458)	(37,678)
Decrease (Increase) in inventories	1,668	4,450	(27,805)	(14,657)
Decrease (Increase) in prepaid expenses and other	(557)	183	(1,062)	615
Effect of foreign exchange on working capital	1,528	(1,258)	3,258	(1,698)
Increase (Decrease) in AP & accrued liabilities	13,162	7,553	16,296	(17,499)
Total	(33,009)	(16,817)	(102,771)	(70,917)

13. 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.

14. Segmented Information

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

	Revenue by Point of Sale							
	Three months ended June 30,				Six months ended June 30,			
	2018		2017		2018		2017	
	$000's	**%**	**$000's**	**%**	**$000's**	**%**	**$000's**	**%**
Canada	371,011	87.7	333,749	87.9	653,817	87.5	586,587	88.1
United States	51,864	12.3	46,012	12.1	93,655	12.5	79,226	11.9

During the three months ended June 30, 2018, Taiga's Canadian operations had export sales of $71.5 million (2017 - $82.0 million). For the six month period ended June 30, 2018, export sales were $128.3 million (2017 - $149.3 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.

15. Subsequent Events

(a) Business acquisition

On July 31, 2018, the Company completed the acquisition of all the shares of Exterior Wood, Inc. ("Exterior Wood"), a wood treatment facility and distribution centre in Washougal, Washington. Total purchase consideration comprised of $42,000,000 USD in exchange for all issued and outstanding common shares of Exterior Wood. The Company is in the process of determining the fair values of assets acquired and liabilities assumed, and the provisional purchase price allocation as at the acquisition date.