

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months and six months ended June 30, 2021 and 2020
(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>	June 30, 2021	June 30, 2020	December 31, 2020
Assets			
Current:			
Accounts receivable	\$ 328,108	\$ 192,318	\$ 136,786
Inventories (Note 4)	245,640	129,634	189,979
Prepaid expenses	4,167	4,051	3,373
	<u>577,915</u>	<u>326,003</u>	<u>330,138</u>
Property, plant and equipment	122,943	122,170	119,380
Intangible assets	13,503	16,026	14,422
Goodwill	9,693	10,658	9,957
Deferred tax assets	-	165	267
	<u>\$ 724,054</u>	<u>\$ 475,022</u>	<u>\$ 474,164</u>
Liabilities and Shareholders' Equity			
Current:			
Revolving credit facility (Note 5)	\$ 94,523	\$ 91,477	\$ 8,742
Accounts payable and accrued liabilities	202,482	92,932	122,845
Income taxes payable	29,893	4,655	4,369
Current portion of long-term debt	621	683	638
Current portion of lease obligations	5,214	4,574	4,430
	<u>332,733</u>	<u>194,321</u>	<u>141,024</u>
Long-term debt	6,938	8,312	7,447
Lease obligations	95,448	90,766	91,146
Deferred gain	2,421	2,540	2,481
Deferred tax liabilities	13,226	5,910	14,076
Provisions	421	524	471
Subordinated notes (Note 7)	12,500	12,500	12,500
	<u>463,687</u>	<u>314,873</u>	<u>269,145</u>
Shareholders' Equity:			
Share capital (Note 8)	124,048	125,541	124,048
Accumulated other comprehensive income (Note 8)	966	7,963	3,261
Retained earnings	135,353	26,645	77,710
	<u>260,367</u>	<u>160,149</u>	<u>205,019</u>
	<u>\$ 724,054</u>	<u>\$ 475,022</u>	<u>\$ 474,164</u>

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

TAIGA BUILDING PRODUCTS LTD.

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

<i>(in thousands of Canadian dollars, except per share amounts)</i>	Three months ended June 30,		For the 6 months ended June 30,	
	2021	2020	2021	2020
Sales	\$ 786,732	\$ 356,894	\$ 1,322,650	\$ 677,173
Cost of sales	638,829	314,153	1,084,389	603,879
Gross margin	147,903	42,741	238,261	73,294
Expenses:				
Distribution	6,820	6,238	13,874	12,638
Selling and administration	58,938	18,384	100,094	32,148
Finance (Note 9)	2,267	2,206	3,940	4,483
Subordinated debt interest (Note 7)	219	219	438	438
Canada Emergency Wage Subsidy	-	(2,902)	-	(2,902)
Other (income) expense	344	(52)	290	(83)
	68,588	24,093	118,636	46,722
Earnings before income tax	79,315	18,648	119,625	26,572
Income tax expense (Note 6)	20,847	5,500	31,981	6,811
Net earnings for the period	\$ 58,468	\$ 13,148	\$ 87,644	\$ 19,761
Other comprehensive income (loss)				
Exchange differences on translating foreign controlled entities	\$ (1,180)	\$ (2,551)	\$ (2,295)	\$ 2,441
Total comprehensive income for the year	\$ 57,288	\$ 10,597	\$ 85,349	\$ 22,202
Basic and diluted net earnings per common share	\$ 0.54	\$ 0.12	\$ 0.81	\$ 0.18
Weighted average number of common shares outstanding	108,542	111,080	108,542	111,080

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

TAIGA BUILDING PRODUCTS LTD.

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

For the six months ended June 30, 2020

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2019	\$ 127,278	\$ 6,884	\$ 5,522	\$ 139,684
Net earnings	-	6,613	-	6,613
Shares purchased under the NCIB and cancelled	(6)	-	-	(6)
Other comprehensive income	-	-	4,992	4,992
Balance at June 30, 2020	\$ 127,272	\$ 13,497	\$ 10,514	\$ 151,283

For the six months ended June 30, 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	-	87,644	-	87,644
Dividend (Note 8)	-	(30,001)	-	(30,001)
Other comprehensive income	-	-	(2,295)	(2,295)
Balance at June 30, 2021	\$ 124,048	\$ 135,353	\$ 966	\$ 260,367

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash provided by (used in):				
Operating:				
Net earnings	\$ 58,468	\$ 13,148	\$ 87,644	\$ 19,761
Adjustments for non-cash items				
Amortization	2,688	2,789	5,594	5,512
Income tax expense	20,847	5,500	31,981	6,811
Mark-to-market adjustment on financial instruments	(1,483)	1,223	(953)	340
Change in provisions	(25)	(24)	(50)	(48)
Loss on asset disposal	374	(4)	350	(4)
Amortization of deferred gain	(30)	(30)	(60)	(60)
Finance and subordinated debt interest expense	2,486	2,425	4,378	4,921
Interest paid	(2,412)	(1,877)	(3,900)	(3,676)
Income tax paid	(4,444)	(4,488)	(4,480)	(17,376)
Changes in non-cash working capital (Note 13)	(47,279)	5,089	(172,040)	(50,412)
Cash flows used in operating activities	29,191	23,751	(51,537)	(34,231)
Investing:				
Purchase of property, plant and equipment	(713)	(790)	(1,507)	(1,698)
Proceeds from disposition of property, plant and equipment	(63)	4	(35)	4
Cash flows used in investing activities	(776)	(786)	(1,542)	(1,694)
Financing:				
Decrease (increase) in revolving credit facility	(26,540)	(19,105)	86,110	49,261
Repayment of long-term debt	(268)	(547)	(526)	(8,882)
Repayment of lease obligations	(1,169)	(1,147)	(2,066)	(2,282)
Subordinated notes interest paid	(438)	(435)	(438)	(435)
Dividends paid	-	-	(30,001)	-
Repurchase of common shares	-	(1,731)	-	(1,737)
Cash flows from (used in) financing activities	(28,415)	(22,965)	53,079	35,925
Cash and cash equivalents - end of period	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these consolidated interim 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 is impacting 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 fiscal 2020 and the first half of fiscal 2021. This is a direct result of the increased demand for detached housing, record high commodity prices and low borrowing rates experienced during the pandemic. 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 2021.

Third Quarter Outlook

As pandemic-related restrictions eased across North America in recent months, consumers diverted money away from home renovations and increased spending on travel and leisure activities. The resulting reduction in demand for renovation products led to a sharp decline in lumber and panel prices, beginning in mid-July. Taiga's third quarter earnings are expected to be negatively impacted by this recent development.

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, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on August 12, 2021 by the board of directors of the Company.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2021 and 2020 (in Canadian dollars)

(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, 2020.

4. Inventories

<i>(in thousands of dollars)</i>	June 30, 2021	June 30, 2020	December 31, 2020
Allied building products	29,131	30,967	36,290
Lumber products	171,038	71,420	120,114
Panel products	45,438	26,154	32,319
Production consumables	1,688	1,287	1,296
Inventory provision	(1,655)	(194)	(40)
Total	245,640	129,634	189,979

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

5. Revolving Credit Facility

<i>(in thousands of dollars)</i>	June 30, 2021	June 30, 2020	December 31, 2020
Revolving credit facility	95,174	92,487	9,563
Financing costs, net of amortization	(651)	(1,010)	(821)
Total	94,523	91,477	8,742

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 utilized for the Business Acquisition referred to in Note 6 of the Company's audited financial statements. 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, 2021.

6. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Current	19,519	5,640	32,377	7,369
Deferred	1,328	(140)	(396)	(558)
Total	20,847	5,500	31,981	6,811

7. 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 June 30, 2021.

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 August 13, 2020, 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 5,489,272 of its then outstanding 109,785,457 common shares, representing 5% of the outstanding common shares. For the year ended December 31, 2020, the Company purchased 2,979,026 of its common shares for cash payments of \$3,230,202. These common shares purchased by the Company have been cancelled. At June 30, 2021 there were 4,245,372 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with the expiration on August 31, 2021. The Company has not purchased any of its common shares under this NCIB during the three months and six months ended June 30, 2021.

(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2019	111,520,583	127,278
Shares purchased under NCIB and cancelled	2,979,026	3,230
Balance, December 31, 2020 and June 30, 2021	108,541,557	124,048

(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.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2021 and 2020 (in Canadian dollars)

(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.

(g) Major Shareholder

Taiga's major shareholder is Avarga Limited ("Avarga"), holding 71.6% 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.

(h) Dividend

At the Company's board meeting on February 25, 2021, a special dividend of 27.64 cents per share was declared, payable to shareholders of record on March 5, 2021. The dividend was paid on March 19, 2021. This was a special, one-time dividend in light of the Company's strong results in fiscal year 2020.

9. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Interest on revolving credit facility and other short term liabilities	844	613	1,304	1,151
Interest on leases and long-term debt	1,342	1,509	2,473	3,163
Amortization of financing costs	81	84	163	169
Total	2,267	2,206	3,940	4,483

10. Canada Emergency Wage Subsidy

In response to COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to a maximum per employee, to eligible employers based on meeting certain eligibility criteria. The Company determined that it qualified for this subsidy. The Company has recognized the government grant as a reduction to expenses as there is reasonable assurance that it will comply with the eligibility criteria and that the subsidy will be received. The Company included \$2,918,672 relating to CEWS in the statement of earnings and comprehensive income for the three and six months ended June 30, 2020. The subsidy is not required to be repaid.

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.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2021 and 2020 (in Canadian dollars)

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>	June 30, 2021	June 30, 2020
Carrying amount	100,662	95,340
Fair value	100,587	95,318

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>	June 30, 2021	June 30, 2020
Carrying amount	12,500	12,500
Fair value	12,932	12,933

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>	June 30, 2021	June 30, 2020
Lumber futures	758	(284)

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 six months ended June 30, 2021 and 2020 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at June 30, 2021 and 2020:
(in thousands of dollars)

At June 30, 2021	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	328,108	-	-	328,108
Lumber futures ¹	-	758	-	758
Total financial assets:	328,108	-	-	328,866
Financial liabilities:				
Revolving credit facility	-	-	94,523	94,523
Accounts payable & accrued liabilities	-	-	202,482	202,482
Current portion of long-term debt	-	-	621	621
Non-current portion of long-term debt	-	-	6,938	6,938
Current portion of lease obligation	-	-	5,214	5,214
Non-current portion of lease obligation	-	-	95,448	95,448
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	417,726	417,726

(in thousands of dollars)

At June 30, 2020	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	192,318	-	-	192,318
Total financial assets:	192,318	-	-	192,318
Financial liabilities:				
Revolving credit facility	-	-	91,477	91,477
Accounts payable & accrued liabilities	-	-	92,932	92,932
Lumber futures ¹	-	284	-	284
Current portion of long-term debt	-	-	683	683
Non-current portion of long-term debt	-	-	8,312	8,312
Current portion of financial lease obligation	-	-	4,574	4,574
Non-current portion of financial lease obligation	-	-	90,766	90,766
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	284	301,244	301,528

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

13. Changes in Non-Cash Working Capital

(in thousands of dollars)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
(Increase) Decrease in Accounts receivable	(77,771)	(48,900)	(189,990)	(108,105)
(Increase) Decrease in Inventories	(24,203)	39,279	(55,661)	27,625
(Increase) Decrease in Prepaid expenses and other	(446)	3,274	(31,139)	(3,999)
Effect of foreign exchange on working capital	(563)	(5,884)	(2,289)	5,144
(Decrease) Increase in Accounts payable & accrued liabilities	55,704	17,320	107,039	28,923
Total	(47,279)	5,089	(172,040)	(50,412)

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:

	Revenue by Point of Sale							
	Three months ended				Six months ended			
	June 30,				June 30,			
	2021		2020		2021		2020	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	647,354	82.3	273,028	76.5	1,084,598	82.0	523,856	77.4
United States	139,378	17.7	83,866	23.5	238,052	18.0	153,317	22.6

For the quarter ended June 30, 2021, export sales totalled \$116.6 million compared to \$47.6 million in the previous year. For the six months period ended June 30, 2021 export sales were \$198.9 million (2020 - \$98.0 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.