

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended June 30, 2024 and 2023
(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)

	June 30, 2024	June 30, 2023	December 31, 2023
<i>(in thousands of Canadian dollars)</i>			
Assets			
Current:			
Cash and cash equivalents (Note 4)	\$ 83,237	\$ 51,227	\$ 152,760
Accounts receivable	208,547	217,266	119,429
Inventories (Note 5)	189,416	186,678	174,759
Prepaid expenses	4,295	5,799	5,412
Current income tax assets	14,405	13,213	14,270
	499,900	474,183	466,630
Property, plant and equipment	121,357	121,871	119,083
Intangible assets	11,358	12,133	11,548
Goodwill	10,704	10,355	10,344
Long term investments	11,718	10,046	11,254
Deferred tax assets	5,784	6,673	5,431
	\$ 660,821	\$ 635,261	\$ 624,290
Liabilities and Shareholders' Equity			
Current:			
Accounts payable and accrued liabilities	\$ 128,040	\$ 138,401	\$ 126,126
Current portion of lease obligations	6,015	5,871	5,527
	134,055	144,272	131,653
Lease obligations	92,331	91,558	89,848
Deferred gain	2,064	2,183	2,124
Deferred tax liabilities	5,041	6,374	5,096
Provisions	93	208	151
	233,584	244,595	228,872
Shareholders' Equity:			
Share capital (Note 7)	122,477	122,838	122,509
Accumulated other comprehensive income (Note 7)	12,744	8,298	7,587
Retained earnings	292,016	259,530	265,322
	427,237	390,666	395,418
	\$ 660,821	\$ 635,261	\$ 624,290

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 Income (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<i>(in thousands of Canadian dollars, except per share amounts)</i>				
Sales	\$ 427,824	\$ 446,902	\$ 821,454	\$ 855,394
Cost of sales	383,358	394,471	734,989	755,850
Gross margin	44,466	52,431	86,465	99,544
Expenses:				
Distribution	8,461	7,859	16,454	15,883
Selling and administration	16,784	19,558	34,014	39,198
Finance (Note 8)	857	1,512	199	2,629
Other expenses (income)	(36)	(40)	(74)	(33)
	26,066	28,889	50,593	57,677
Earnings before income tax	18,400	23,542	35,872	41,867
Income tax expense (recovery) (Note 6)	4,467	6,551	9,178	11,360
Net earnings for the period	\$ 13,933	\$ 16,991	\$ 26,694	\$ 30,507
Other comprehensive income (Item that may be reclassified to net earnings)				
Exchange differences on translating foreign controlled entities	\$ 1,563	\$ (2,744)	\$ 5,157	\$ (2,817)
Total comprehensive income for the period	\$ 15,496	\$ 14,247	\$ 31,851	\$ 27,690
Basic and diluted net earnings per common share	\$ 0.13	\$ 0.16	\$ 0.25	\$ 0.28
Weighted average number of common shares outstanding	107,953	108,100	107,953	108,134

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 six months ended June 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	-	30,507	-	30,507
Shares purchased under the NCIB and cancelled (Note 7)	(272)	-	-	(272)
Other comprehensive income	-	-	(2,817)	(2,817)
Balance at June 30, 2023	\$ 122,838	\$ 259,530	\$ 8,298	\$ 390,666

For the six months ended June 30, 2024

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2023	\$ 122,509	\$ 265,322	\$ 7,587	\$ 395,418
Net earnings	-	26,694	-	26,694
Shares purchased under the NCIB and cancelled (Note 16)	(32)	-	-	(32)
Other comprehensive income	-	-	5,157	5,157
Balance at June 30, 2024	\$ 122,477	\$ 292,016	\$ 12,744	\$ 427,237

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)

(in thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Cash provided by (used in):				
Operating:				
Net earnings	\$ 13,933	\$ 16,991	\$ 26,694	\$ 30,507
Adjustments for non-cash items				
Amortization	3,447	2,929	6,471	6,008
Income tax expense	4,467	6,551	9,178	11,360
Mark-to-market adjustment on financial instruments	(32)	554	(152)	(254)
Change in provisions	(30)	(28)	(58)	(55)
Loss (gain) on asset disposal	(6)	(10)	(10)	30
Amortization of deferred gain	(30)	(30)	(60)	(60)
Finance and subordinated debt interest expense	2,288	1,512	1,630	2,629
Interest paid	(609)	(1,769)	(1,431)	(2,831)
Income tax paid	(4,627)	(7,336)	(9,712)	(7,380)
Changes in non-cash working capital (Note 10)	3,872	30,693	(99,203)	(67,513)
Cash flows generated by operating activities	22,673	50,058	(66,654)	(27,559)
Investing:				
Purchase of property, plant and equipment	(465)	(1,781)	(1,390)	(2,701)
Proceeds from disposition of property, plant and equipment	6	10	19	10
Long term investment	-	(0)	-	(9,607)
Cash flows used in investing activities	(459)	(1,771)	(1,371)	(12,298)
Financing:				
Repayment of lease obligations	(971)	(1,154)	(2,605)	(2,538)
Repurchase of common shares	-	(188)	(32)	(272)
Cash flows used in financing activities	(971)	(1,342)	(2,637)	(2,810)
Effect of foreign exchange on cash	308	(545)	1,139	(600)
Cash - beginning of year	61,686	4,828	152,760	94,494
Cash - end of period	\$ 83,237	\$ 51,227	\$ 83,237	\$ 51,227

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, 2023, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on August 09, 2024 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, 2023.

4. Cash and Cash Equivalents

<i>(in thousands of dollars)</i>	June 30, 2024	June 30, 2023	December 31, 2023
Cash	82,393	50,142	151,796
Financing costs, net of amortization	844	1,085	964
Total	83,237	51,227	152,760

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

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2024 and 2023 (in Canadian dollars)

America, TD Bank and CIBC. The Facility bears interest at variable rates plus variable margin, is secured by 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 June 30, 2024.

Cash and cash equivalents include a short-term investment in a GIC of \$21 million bearing interest of 4.5%, maturing on July 20th, 2024, and auto renewing on a monthly basis.

5. Inventories

<i>(in thousands of dollars)</i>	June 30, 2024	June 30, 2023	December 31, 2023
Allied building products	36,714	37,276	34,667
Lumber products	114,852	108,885	105,080
Panel products	33,775	36,822	30,492
Production consumables	5,968	3,816	4,762
Inventory provision	(1,893)	(121)	(242)
Total	189,416	186,678	174,759

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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Current	4,929	6,777	9,424	11,535
Deferred	(462)	(226)	(246)	(175)
Total	4,467	6,551	9,178	11,360

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, 2023, 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 5,403,488 of its then outstanding 108,171,321 common shares, representing 5% of the outstanding common shares. For the year ending December 31, 2023 the Company purchased 216,310 shares for \$601,040. These common shares purchased by the Company have been cancelled. During the six months ended June 30, 2024, the Company purchased 10,488 of its common shares for \$32,405 under the NCIB. These common shares purchased by the Company during this time have been cancelled. At June 30, 2024 there were 5,386,738 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)
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(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2023	107,955,011	122,509
Shares purchased under NCIB and cancelled	10,488	32
Balance, June 30, 2024	107,944,523	122,477

(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 June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Interest earned on cash balances	(768)	162	(2,736)	(34)
Interest on leases and long-term debt	1,565	1,286	2,815	2,542
Amortization of financing costs	60	64	120	121
Total	857	1,512	199	2,629

9. Commitments and Contingencies

Other Outstanding Legal Matters

The Company is involved in various non-material legal actions and claims arising in the course of its business. The financial impact individually or in aggregate resulting from these actions and claims is not expected to be significant. The individual and aggregate outcomes cannot be determined at this time.

10. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	June 30, 2024	June 30, 2023
Carrying amount	93,205	91,671
Fair value	92,397	91,537

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

The Company acquired 7,000 units of shares for a private Asian Real Estate fund in March 2023. 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>	June 30, 2024	June 30, 2023
Carrying amount	9,546	9,607
Fair value	9,313	10,046

In December 2023, the Company invested in a private guaranteed bond bearing interest at 8% per annum, together with a share of revenues. The bond matures on December 29, 2026.

<i>(in thousands of dollars)</i>	June 30, 2024	June 30, 2023
Carrying amount	2,405	-
Fair value	2,405	-

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, 2024	June 30, 2023
Lumber futures	224	37

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.

Cash and cash equivalent are classified as level 1. Derivative financial instrument assets and liabilities are classified as level 1 and investments are classified as level 2 or 3.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2024 and 2023 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at June 30, 2024 and 2023:

(in thousands of dollars)

At June 30, 2024	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	208,547	-	-	208,547
Lumber futures ¹	-	224	-	224
Long term investment	-	11,718	-	11,718
Total financial assets:	208,547	11,942	-	220,489
Financial liabilities:				
Accounts payable & accrued liabilities	-	-	128,040	128,040
Current portion of lease obligation	-	-	6,015	6,015
Non-current portion of lease obligation	-	-	92,331	92,331
Total financial liabilities:	-	-	226,386	226,386

(in thousands of dollars)

At June 30, 2023	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	217,266	-	-	217,266
Lumber futures ¹	-	37	-	37
Long term investment	-	10,046	-	10,046
Total financial assets:	217,266	10,083	-	227,349
Financial liabilities:				
Accounts payable & accrued liabilities	-	-	138,401	138,401
Current portion of lease obligation	-	-	5,871	5,871
Non-current portion of lease obligation	-	-	91,558	91,558
Total financial liabilities:	-	-	235,830	235,830

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

11. Changes in Non-Cash Working Capital

	Three months ended June 30,		Six months ended June 30,	
(in thousands of dollars)	2024	2023	2024	2023
(Increase) Decrease in Accounts receivable	(3,608)	(24,660)	(89,516)	(94,072)
(Increase) Decrease in Inventories	10,261	38,350	(14,656)	39,672
(Increase) Decrease in Prepaid expenses and other	(156)	11	(102)	(794)
Effect of foreign exchange on working capital	(175)	(2,199)	3,363	(1,917)
(Decrease) Increase in Accounts payable & accrued liabilities	(2,450)	19,191	1,708	(10,402)
Total	3,872	30,693	(99,203)	(67,513)

12. 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.

13. 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,				Nine months ended June 30,			
	2024		2023		2024		2023	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	348,781	81.5	362,893	81.2	679,663	82.7	703,790	82.3
United States	79,043	18.5	84,009	18.8	141,791	17.3	151,604	17.7

For the quarter ended June 30, 2024, export sales totalled \$33.6 million compared to \$37.2 million in the previous year. For the six months period ended June 30, 2024 export sales were \$67.5 million compared to \$79.7 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.