# Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months ended September 30, 2017 and 2016
(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)* | September 30, 2017 | September 30, 2016 | March 31, 2017 |
|---|---|---|---|
| **Assets** | | | |
| **Current:** | | | |
| Accounts receivable | $ 147,616 | 170,567 | $ 139,250 |
| Inventories (Note 3) | 117,967 | 109,282 | 140,798 |
| Prepaid expenses | 1,542 | 1,042 | 1,816 |
| | 267,125 | 280,891 | 281,864 |
| Property, plant and equipment | 39,287 | 40,600 | 39,799 |
| Long-term receivable | - | 658 | 629 |
| Deferred tax assets | 1,809 | 2,192 | 1,766 |
| | $ 308,221 | $ 324,341 | $ 324,058 |
| **Liabilities and Shareholders' Deficiency** | | | |
| **Current:** | | | |
| Revolving credit facility (Note 4) | $ 62,514 | $ 59,788 | $ 101,366 |
| Accounts payable and accrued liabilities | 90,461 | 117,340 | 74,765 |
| Income taxes payable | 4,893 | 3,839 | 5,527 |
| Current portion of long-term debt | 243 | 256 | 259 |
| Current portion of finance lease obligation | 2,257 | 2,501 | 2,113 |
| | 160,368 | 183,724 | 184,030 |
| Long-term debt | 831 | 1,130 | 1,016 |
| Finance lease obligation (Note 10) | 22,838 | 23,906 | 23,403 |
| Deferred gain | 3,197 | 3,580 | 3,389 |
| Provisions | 1,160 | 1,534 | 1,257 |
| Subordinated notes (Note 6) | 128,834 | 128,834 | 128,834 |
| | 317,228 | 342,708 | 341,929 |
| **Shareholders' Deficiency:** | | | |
| Share capital (Note 7) | 13,229 | 13,229 | 13,229 |
| Accumulated other comprehensive income (Note 7) | 4,565 | 6,303 | 6,710 |
| | 17,794 | 19,532 | 19,939 |
| Deficit | (26,801) | (37,899) | (37,810) |
| | (9,007) | (18,367) | (17,871) |
| | $ 308,221 | $ 324,341 | $ 324,058 |

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 September 30, 2017** | **2016** | **Six months ended September 30, 2017** | **2016** |
|---|---|---|---|---|
| **Sales** | $ 396,629 | $ 335,052 | $ 776,390 | $ 660,518 |
| **Cost of sales** | 358,808 | 305,559 | 704,892 | 599,617 |
| **Gross margin** | 37,821 | 29,493 | 71,498 | 60,901 |
| Expenses: | | | | |
| Distribution | 5,781 | 5,633 | 11,261 | 11,064 |
| Selling and administration | 17,042 | 13,668 | 32,123 | 27,287 |
| Finance (Note 8) | 1,574 | 1,228 | 2,953 | 2,547 |
| Subordinated debt interest (Note 6) | 4,509 | 4,088 | 9,018 | 8,175 |
| Other income | (146) | (118) | (230) | (233) |
| | 28,760 | 24,499 | 55,125 | 48,840 |
| **Earnings before income tax** | 9,061 | 4,994 | 16,373 | 12,061 |
| Income tax expense (Note 5) | 3,081 | 1,855 | 5,364 | 4,160 |
| **Net earnings for the period** | $ 5,980 | $ 3,139 | $ 11,009 | $ 7,901 |
| **Other comprehensive loss for the period** | | | | |
| **(Item that may be reclassified to net earnings)** | | | | |
| Exchange differences on translating foreign controlled entities | $ (1,316) | $ 468 | $ (2,145) | $ 275 |
| **Total comprehensive income for the period** | $ 4,664 | $ 3,607 | $ 8,864 | $ 8,176 |
| Basic and diluted net earnings per common share | $ 0.18 | $ 0.10 | $ 0.34 | $ 0.24 |
| Weighted average number of common shares outstanding | 32,414 | 32,414 | 32,414 | 32,414 |

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

# TAIGA BUILDING PRODUCTS LTD.

## Condended Consolidated Statements of Changes in Shareholders' Deficiency (Unaudited)

### For the six months ended September 30, 2016

| *(in thousands of Canadian dollars)* | Share Capital | Deficit | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|
| **Balance at March 31, 2016** | $ 13,229 | $ (45,800) | $ 6,028 | $ (26,543) |
| Net earnings | - | 7,901 | - | 7,901 |
| Other comprehensive income | - | - | 275 | 275 |
| **Balance at September 30, 2016** | $ 13,229 | $ (37,899) | $ 6,303 | $ (18,367) |

### For the six months ended September 30, 2017

| *(in thousands of Canadian dollars)* | Share Capital | Deficit | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|
| **Balance at March 31, 2017** | $ 13,229 | $ (37,810) | $ 6,710 | $ (17,871) |
| Net earnings | - | 11,009 | - | 11,009 |
| Other comprehensive loss | - | - | (2,145) | (2,145) |
| **Balance at September 30, 2017** | $ 13,229 | $ (26,801) | $ 4,565 | $ (9,007) |

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 September 30, 2017 | Three months ended September 30, 2016 | Six months ended September 30, 2017 | Six months ended September 30, 2016 |
|---|---|---|---|---|
| **Cash provided by (used in):** | | | | |
| **Operating:** | | | | |
| Net earnings | $ 5,980 | 3,139 | $ 11,009 | $ 7,901 |
| Adjustments for non-cash items | | | | |
| Amortization | 1,098 | 1,019 | 2,178 | 2,037 |
| Income tax expense | 3,081 | 1,855 | 5,364 | 4,160 |
| Mark-to-market adjustment on financial instruments | 307 | (19) | 155 | (296) |
| Change in provisions | (49) | (48) | (97) | (95) |
| Gain on asset disposal | (39) | (21) | (39) | (41) |
| Amortization of deferred gain | (107) | (96) | (192) | (192) |
| Finance and subordinated debt interest expense | 6,083 | 5,316 | 11,971 | 10,722 |
| Interest paid | (1,702) | (1,201) | (3,006) | (2,446) |
| Income tax paid | (3,988) | (9,752) | (5,455) | (10,237) |
| Changes in non-cash working capital (Note 11) | 44,447 | 27,268 | 27,882 | 20,525 |
| Cash flows from operating activities | 55,111 | 27,460 | 49,770 | 32,038 |
| **Investing:** | | | | |
| Purchase of property, plant and equipment | (1,326) | (547) | (1,511) | (829) |
| Proceeds from disposition of property, plant and equipment | 42 | 50 | 671 | 69 |
| Cash flows used in investing activities | (1,284) | (497) | (840) | (760) |
| **Financing:** | | | | |
| Repayment of long-term debt | (61) | (64) | (127) | (126) |
| Repayment of obligations under finance leases | (555) | (698) | (1,103) | (1,383) |
| Subordinated notes interest paid | (4,509) | (4,088) | (9,018) | (8,175) |
| Cash flows used in financing activities | (5,125) | (4,850) | (10,248) | (9,684) |
| Effect of changes in foreign currency on Revolving Credit Facility | 227 | (131) | 170 | (36) |
| **Net decrease in Revolving Credit Facility** | 48,929 | 21,983 | 38,852 | 21,558 |
| **Revolving Credit Facility, beginning** | (111,443) | (81,771) | (101,366) | (81,346) |
| **Revolving Credit Facility, ending** | $ (62,514) | $ (59,788) | $ (62,514) | $ (59,788) |

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 and subordinated notes (the "Notes") 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. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB. These Financial Statements were authorized for issue on November 3, 2017 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 March 31, 2017.

(a) Accounting Standards issued not yet applied

*Financial instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements. The Company does not expect the adoption of this standard will have a material impact on its consolidated financial statements

*Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued by the IASB on May 28, 2014. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect the adoption of this standard will have a material impact on the measurement of revenue generated from the sale of its products to customers, however, the Company will continue to assess the extent of the impact as the mandatory adoption date approaches.

*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)* | **September 30, 2017** | **September 30, 2016** | **March 31, 2017** |
|---|---|---|---|
| Allied building products | 25,560 | 25,047 | 33,473 |
| Lumber products | 67,379 | 64,601 | 79,692 |
| Panel products | 24,350 | 18,997 | 27,114 |
| Production consumables | 718 | 776 | 665 |
| Inventory provision | (40) | (139) | (146) |
| Total | 117,967 | 109,282 | 140,798 |

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

# 5. Revolving Credit Facility

| *(in thousands of dollars)* | **September 30, 2017** | **September 30, 2016** | **March 31, 2017** |
|---|---|---|---|
| Revolving credit facility | 62,859 | 60,434 | 101,864 |
| Financing costs, net of amortization | (345) | (646) | (498) |
| Total | 62,514 | 59,788 | 101,366 |

On November 25, 2013, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from $200 million to $225 million, with an option to increase the limit by up to $50 million. 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 November 25, 2018. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at September 30, 2017.

# 6. Income Taxes

Income tax expense is comprised of:

| | **Three months ended September 30,** | | **Six months ended September 30,** | |
|---|---|---|---|---|
| *(in thousands of dollars)* | **2017** | **2016** | **2017** | **2016** |
| Current | 2,581 | 2,015 | 4,507 | 3,928 |
| Future | 500 | (160) | 857 | 232 |
| Total | 3,081 | 1,855 | 5,364 | 4,160 |

# 7. Subordinated Notes

Under the terms of a notes indenture dated September 1, 2005 (the "Indenture") the Company's Notes are unsecured, bear interest at 14% per annum and mature on September 1, 2020. Interest on the Notes is payable on the 15th day following the end of each month as an annual interest sum divided by twelve. 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 period ended September 30, 2017.

The Company's major shareholder, UPP Holdings Limited, holds 35.71% (2016 – nil) of the outstanding Notes at September 30, 2017. Two executives of this company are also members of Taiga's Board of Directors. A discretionary trust whose beneficiary is a Taiga director indirectly holds 17.20% (2016 - 17.20%) of the outstanding Notes of Taiga at September 30, 2017.

During the three months ended September 30, 2017, the amount of interest incurred for these related parties was $1,073,542 (2016 - nil) and $775,392 (2016 - $775,392), respectively. For the six months ended September 30, 2017, interest incurred for these related parties were $3,220,625 (2016 - Nil) and $1,550,784 (2016 - $1,550,784), respectively.

# 8. Shareholders' Deficiency

(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) Common Shares Issued

| *(in thousands of dollars, except number of shares)* | **Number of Shares** | **Amount** |
|---|---|---|
| Balance, September 30, 2017, September 30, 2016 and March 31, 2017 | 32,414,278 | 13,229 |

(c) 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.

(d) 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.

(e) Dividends

In accordance with Taiga's dividend policy set on October 15, 2008, the Company generally intends to pay dividends each year on its common shares equal to 25% of the prior fiscal year's net earnings. These dividends would be payable in two instalments of 12.5% on each July 15 (or first business day thereafter) and each January 15 (or first business day thereafter) to the shareholders of record on June 30 and December 31 (or first business day thereafter). The payment of any dividends by the Company is subject to the discretion of its board of directors and subject to its determination of the Company's capital and operational requirements, adequacy of reserves and compliance with contractual and legal requirements.

(f) 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 UPP Holdings Limited, and certain of its affiliates and subsidiaries (collectively, "UPP"), which resulted in UPP holding approximately 58% of the issued and outstanding common shares of the Company. Taiga's current chairman, Dr. Kooi Ong Tong, is UPP's executive chairman, chief executive officer and a significant shareholder. Another of Taiga's directors, Ian Tong, is also a director of UPP. UPP is an investment holding company listed on the Singapore Exchange.

# 9. Finance Expense

The finance expense is comprised of:

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| *(in thousands of dollars)* | **2017** | **2016** | **2017** | **2016** |
| Interest on revolving credit facility and other short term liabilities | 1,052 | 679 | 1,902 | 1,439 |
| Interest on finance leases and long-term debt | 445 | 476 | 898 | 960 |
| Amortization of financing costs | 77 | 73 | 153 | 148 |
| Total | 1,574 | 1,228 | 2,953 | 2,547 |

# 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 following table summarizes the carrying values of the Company's financial instruments:

| *(in thousands of dollars)* | **September 30, 2017** | **March 31, 2017** |
|---|---|---|
| Held for trading | 225 | (70) |
| Loans and receivables | 147,616 | 139,879 |
| Other financial liabilities | (307,978) | (331,686) |

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 carrying amount and fair values of finance lease obligations are as follows:

| *(in thousands of dollars)* | **September 30, 2017** | **March 31, 2017** |
|---|---|---|
| Carrying amount | 25,095 | 25,516 |
| Fair value | 25,013 | 25,413 |

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

The carrying amount and fair values of the subordinated notes are as follows:

| *(in thousands of dollars)* | **September 30, 2017** | **March 31, 2017** |
|---|---|---|
| Carrying amount | 128,834 | 128,834 |
| Fair value | 130,767 | 148,159 |

The fair value of the subordinated notes was determined based on closing price of the notes which are traded on the Toronto Stock Exchange.

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)* | **September 30, 2017** | **March 31, 2017** |
|---|---|---|
| Lumber futures | 225 | (38) |
| Interest swap | - | (32) |

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.

# 12. Changes in Non-Cash Working Capital

| | **Three months ended September 30,** | | **Six months ended September 30,** | |
|---|---|---|---|---|
| *(in thousands of dollars)* | **2017** | **2016** | **2017** | **2016** |
| Decrease (Increase) in accounts receivable | 19,224 | (26,501) | (8,521) | (34,525) |
| Decrease in inventories | 18,381 | 6,146 | 22,831 | 14,808 |
| Decrease in prepaid expenses and other | 1,139 | 120 | 1,322 | 91 |
| Effect of foreign exchange on working capital | (1,907) | 754 | (2,913) | 422 |
| Increase in AP & accrued liabilities | 7,610 | 46,749 | 15,163 | 39,729 |
| Total | 44,447 | 27,268 | 27,882 | 20,525 |

# 13. Seasonality

The Company operates in a seasonal industry that generally experiences higher sales in the first and second quarters and reduced sales in the late fall and winter during its third and fourth quarters 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 September 30, | | | | Six months ended September 30, | | | |
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | $000's | % | $000's | % | $000's | % | $000's | % |
| Canada | 349,532 | 88.1 | 293,762 | 87.7 | 683,281 | 88.0 | 582,060 | 88.1 |
| United States | 47,097 | 11.9 | 41,290 | 12.3 | 93,109 | 12.0 | 78,458 | 11.9 |

During the three months ended September 30, 2017, Taiga's Canadian operations had export sales of $71.2 million (2016 - $65.9 million). For the six month period ended September 30, 2017, Canadian operations had export sales of $153.4 million (2016 - $131.0 million).These export sales were primarily to the United States, Asia and Mexico, and are included as part of the Canadian segment in the table above.

# 15. Subsequent Event

Taiga Building Products Ltd. ("Taiga" or the "Company") (TSX: TBL & TBL.NT) held a special meeting of shareholders of the Company on October 26, 2017 (the "Meeting"), in which disinterested shareholders approved the issuance (the "Share Issuance") of up to 107,361,848 common shares of the Company in respect of the share option component of the previously announced exchange offer that commenced on October 2, 2017. The resolution approving the Share Issuance received the approval of a majority of shareholders at the Meeting after excluding the votes of certain "interested parties" as more particularly described in the Company's news release dated October 2, 2017.

The exchange offer is subject to the terms and conditions set forth in the Exchange Offer and Consent Solicitation Statement dated September 29, 2017 (the "Exchange Offer Circular"), which was mailed to holders (the "Noteholders") of the Company's outstanding 14% subordinated unsecured notes (the "Existing Notes"). The Company has offered to purchase any and all of its outstanding Existing Notes in exchange for:

- an equivalent principal amount of new 7% senior notes of Taiga (the "New Notes") due five years from the date of issuance (the "Note Option");
- common shares of Taiga at a rate of 833.33 Common Shares (the "Share Exchange Price") for each $1,000 principal amount of Existing Notes (the "Share Option"), representing an issue price of $1.20 per common share; or
- any combination of the Note Option and the Share Option as determined by the Noteholders.

Conditions to completing the exchange offer are more particularly described in the Exchange Offer Circular. The exchange offer is scheduled to expire at 5:00 p.m. (Vancouver time) on November 8, 2017 unless extended or earlier terminated by the Company (the "Expiration Time"). Tendered Existing Notes may be withdrawn at any time on or prior to the Expiration Time, unless extended by the Company. These documents can be found on the Company's website and on www.sedar.com.