Taiga Building Products Ltd.

Consolidated Financial Statements

For the nine months ended December 31, 2017 and the year ended March 31, 2017
(in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Taiga Building Products Ltd.

We have audited the accompanying consolidated financial statements of Taiga Building Products Ltd., which comprise the consolidated balance sheets as at December 31, 2017 and March 31, 2017, and the consolidated statements of earnings and comprehensive income, changes in shareholders' deficiency and cash flows for the nine month period ended December 31, 2017 and the year ended March 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Taiga Building Products Ltd. as at December 31, 2017 and March 31, 2017, and its financial performance and its cash flows for the nine month period ended December 31, 2017 and the year ended March 31, 2017 in accordance with International Financial Reporting Standards.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 22, 2018

TAIGA BUILDING PRODUCTS LTD.
Consolidated Balance Sheets

(in thousands of Canadian dollars)		**December 31, 2017**		**March 31, 2017**
Assets				
Current:				
Accounts receivable (Note 5)	$	106,839	$	139,250
Inventories (Note 6)		123,288		140,798
Prepaid expenses		2,204		1,816
		232,331		281,864
Property, plant and equipment (Note 7)		38,324		39,799
Long-term receivable (Note 5)		-		629
Deferred tax assets (Note 10)		174		1,766
	$	270,829	$	324,058
Liabilities and Shareholders' Deficiency				
Current:				
Revolving credit facility (Note 8)	$	54,723	$	101,366
Accounts payable and accrued liabilities (Note 9)		73,578		74,765
Income taxes payable		4,365		5,527
Current portion of long-term debt (Note 11)		1,019		259
Current portion of finance lease obligation (Note 12)		2,338		2,113
		136,023		184,030
Long-term debt (Note 11)		-		1,016
Finance lease obligation (Note 12)		22,380		23,403
Deferred gain		3,102		3,389
Deferred tax liabilities (Note 10)		199		-
Provisions (Note 13)		787		1,257
Subordinated notes (Note 14)		12,500		128,834
		174,991		341,929
Shareholders' Equity:				
Share capital (Note 15)		133,090		13,229
Accumulated other comprehensive income (Note 15)		4,744		6,710
		137,834		19,939
Deficit		(41,996)		(37,810)
		95,838		(17,871)
	$	270,829	$	324,058

Commitments and contingencies (Note 12 and 18)

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

Approved by the Directors

/s/ Kooi Ong Tong	/s/ Peter Buecking
Chairman	Director

TAIGA BUILDING PRODUCTS LTD.

Consolidated Statements of Earnings and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)		For the nine months ended December 31, 2017		For the year ended March 31, 2017
Sales	$	1,106,211	$	1,223,978
Cost of sales (Note 16)		1,007,355		1,116,711
Gross margin		98,856		107,267
Expenses:				
Distribution (Note 16)		17,014		22,344
Selling and administration (Note 16)		45,574		49,767
Loss on settlement of debt (Note 16)		18,570		-
Finance (Note 17)		4,093		5,204
Subordinated debt interest (Note 14)		11,552		16,772
Other income		(362)		(619)
		96,441		93,468
Earnings before income tax		2,415		13,799
Income tax expense (Note 10)		6,601		5,809
Net earnings (loss) for the period	$	(4,186)	$	7,990
Other comprehensive loss for the period				
(Item that may be reclassified to net earnings)				
Exchange differences on translating foreign controlled entities	$	(1,966)	$	682
Total comprehensive income (loss) for the period	$	(6,152)	$	8,672
Basic and diluted net earnings (loss) per common share	$	(0.09)	$	0.25
Weighted average number of common shares outstanding		46,227		32,414

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

TAIGA BUILDING PRODUCTS LTD.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended March 31, 2017

(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	-	7,990	-	7,990
Other comprehensive income	-	-	682	682
Balance at March 31, 2017	$ 13,229	$ (37,810)	$ 6,710	$ (17,871)

For the nine months ended December 31, 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)
Issuance of new shares to settle debt (Note 15)	119,861			119,861
Net loss	-	(4,186)	-	(4,186)
Other comprehensive loss	-	-	(1,966)	(1,966)
Balance at December 31, 2017	$ 133,090	$ (41,996)	$ 4,744	$ 95,838

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

TAIGA BUILDING PRODUCTS LTD.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	For the nine months ended December 31, 2017	For the year ended March 31, 2017
Cash provided by (used in):		
Operating:		
Net (loss) earnings	$ (4,186)	$ 7,990
Adjustments for non-cash items		
Amortization	3,320	4,254
Income tax expense	6,601	5,809
Loss on settlement of debt	18,570	-
Mark-to-market adjustment on financial instruments	(35)	(309)
Change in provisions	(470)	(372)
Gain on asset disposal	(55)	(237)
Amortization of deferred gain	(287)	(383)
Finance and subordinated debt interest expense	15,645	21,976
Interest paid	(4,131)	(4,882)
Income tax paid	(5,521)	(10,476)
Changes in non-cash working capital (Note 21)	46,305	(21,848)
Cash flows from operating activities	75,756	1,522
Investing:		
Purchase of property, plant and equipment	(1,458)	(2,341)
Proceeds from disposition of property, plant and equipment	671	457
Cash flows used in investing activities	(787)	(1,884)
Financing:		
Repayment of long-term debt	(15,232)	(256)
Repayment of obligations under finance leases	(1,674)	(2,509)
Subordinated notes interest paid	(11,552)	(16,772)
Cash flows used in financing activities	(28,458)	(19,537)
Effect of changes in foreign currency on Revolving Credit Facility	132	(121)
Net (increase) decrease in Revolving Credit Facility	46,643	(20,020)
Revolving Credit Facility, beginning	(101,366)	(81,346)
Revolving Credit Facility, ending	$ (54,723)	$ (101,366)

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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue on February 22, 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.

(e) Change in Fiscal Year End Date

The fiscal year end of the Company was changed from March 31 to December 31 so as to align its financial disclosure with its largest shareholder for operational and administrative efficiency. Accordingly, the current financial statements are prepared for the 9 month transition year ended December 31, 2017 and the comparative figures stated in the balance sheets, statements of earnings and comprehensive income, statement of changes in shareholders' deficiency, statements of cash flows and related notes are not comparable.

3. Significant Accounting Policies

(a) Inventories

Inventories consist of allied building products, lumber products, panel products and production consumables. Inventories include other costs, such as transportation and processing that are directly incurred to bring the inventories to their present location and condition. The cost of treated wood includes the cost of lumber, direct labour and an allocation of fixed and variable overhead expenses. Inventories are stated at the lower of average cost and net realizable value, except for production consumables which are recorded at the lower of cost and replacement cost which approximates net realizable value.

(b) Property, Plant and Equipment

The following assets are recorded at cost and amortization is provided using the following methods and annual rates:

Declining Balance Method	
Buildings	4% - 10%
Furniture and office equipment	8% - 30%
Warehouse equipment	10% - 30%
Straight-line Method	
Leasehold improvements	Over term of lease
Treating equipment	20 - 25 Years
Computer system and license	3 - 10 Years

The carrying values of the buildings and equipment are reviewed for indications of impairment on a regular basis by reference to their estimated recoverable amount. Assets that are not yet available for use are not being amortized.

(c) Deferred Gain

Deferred gains on sale and leaseback transactions are amortized over the terms of the lease contracts.

(d) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Company are classified as finance leases. Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

(e) Income Taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the relevant taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the jurisdictions where the Company operates and generates taxable income. Current income taxes relating to items recognized directly in other comprehensive income or equity are recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Foreign Currency Translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of controlled entities that have operations in the United States is the United States dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of earnings and comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of earnings and comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial position and results of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date; and
- income and expenses are translated at monthly average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in accumulated other comprehensive income in the statement of earnings and comprehensive income. These differences are recognized in profit or loss in the period in which the operation is disposed.

(g) Revenue Recognition

Revenue is recognized, net of discounts and customer rebates, upon the transfer of significant risks and rewards of ownership, provided collectability is reasonably assured.

(h) Earnings Per Share

Earnings per share is calculated using the weighted-average number of shares outstanding for the period. The weighted-average number of common shares is determined by relating the portion of time during the reporting period that the shares have been outstanding to the total time in the period.

Diluted earnings per share is calculated based on the weighted-average number of common shares outstanding during the period including, if applicable, the effects of potentially dilutive common share equivalents. Taiga's basic and diluted earnings per share are equal as Taiga has no potentially dilutive instruments.

(i) Accounting by a Customer for Certain Consideration Received from a Vendor

Consideration received from a vendor, that represents a reduction in the purchase price, is recorded as a reduction in cost of sales.

(j) Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for where these are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the date the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to be an indication of impairment.

(k) Impairment of Assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset, or its cash generating unit, is estimated in order to determine the extent of impairment. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of earnings and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Reversal cannot increase the carrying value of an asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(l) Provisions

Provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate.

(m) 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. Critical Accounting Estimates, Assumptions and Judgements

(a) Significant Estimates and Assumptions

In preparing these consolidated financial statements, the Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below.

Allowance for doubtful accounts

While significant bad debts have not been experienced in prior years the provision is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance for bad debts.

Valuation of inventories

Inventories are valued at the lower of average cost and net realizable value. Taiga evaluates inventory balances at each balance sheet date and records an allowance as necessary for slow moving or obsolete inventory. Additionally, Taiga records an allowance if the cost of inventories exceeds net realizable value based on commodity prices.

Valuation and estimated life of long-lived assets

If indicators of an impairment exist, an impairment test is performed by comparing the carrying amount of the asset or its cash generating unit to the recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates.

The estimated useful lives and recoverable amounts of long-lived assets are based on judgement and the best currently available information. Changes in circumstances can result in the actual useful lives differing from the current estimates.

Customer rebates

Customer rebates are commonly offered as industry practice and are generally based on achievement of specified volume sales levels. Taiga accrues for the payment of customer rebates as a reduction of revenue based on management's estimates.

Valuation of warranty provisions

A provision for future potential warranty costs is calculated using historical trends and future expectations of future claims. Adjustments to the warranty provision are included in cost of sales. Actual future warranty costs may differ from those estimates.

Current and deferred taxes

The Company calculates current and deferred tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities and ultimately until they are statute barred from reassessment. This occurs subsequent to the issuance of financial statements. Therefore, results in subsequent periods will be affected by the amount that estimates differ from the final tax filings, resolution of uncertain tax positions, open years or tax disputes that may arise.

The Company must make estimates and assumptions when assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Taiga also evaluates the recoverability of deferred tax assets based on an assessment of the likelihood of using the underlying future tax deductions against future taxable income before they expire. Deferred tax liabilities arising from temporary differences on investments in subsidiaries are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future sales volumes and housing starts, commodity prices, operating costs, capital expenditures, dividends and other capital transactions. These estimates and judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to income.

(b) Significant Judgements in Applying Accounting Policies

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of leases as either operating or finance type leases;
- the determination of the functional currency of the parent company and its controlled entities; and
- the assessment of continually changing tax interpretations, regulations and legislation, to ensure that deferred income tax assets and liabilities are complete and fairly stated.

5. Accounts Receivable

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Current	105,119	138,298
Past due over 60 days	1,760	26
Trade accounts receivable	106,879	138,324
Other receivables	792	1,662
Allowance for doubtful accounts	(832)	(107)
Total	106,839	139,879
Less: Current portion	(106,839)	(139,250)
Non-Current portion	-	629

All of the Company's trade accounts receivables are pledged as security for the revolving credit facility.

6. Inventories

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Allied building products	24,935	33,473
Lumber products	73,694	79,692
Panel products	24,290	27,114
Production consumables	568	665
Inventory provision	(199)	(146)
Total	123,288	140,798

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

7. Property, Plant and Equipment

(in thousands of dollars)	Land	Buildings	Furniture and office equipment	Warehouse and treating equipment	Leasehold improvements	Computer system and license	Total
Cost							
Balance, March 31, 2016	3,712	45,434	3,151	15,350	7,675	6,956	82,278
Additions	-	5	227	1,041	443	1,187	2,903
Disposals	-	-	(413)	(1,470)	(575)	(125)	(2,583)
Exchange effect	90	227	10	8	9	-	344
Balance, March 31, 2017	3,802	45,666	2,975	14,929	7,552	8,018	82,942
Additions	-	-	295	1,002	557	510	2,364
Disposals	-	-	-	(236)	-	-	(236)
Exchange effect	(215)	(554)	(24)	(15)	(26)	4	(830)
Balance, December 31, 2017	3,587	45,112	3,246	15,680	8,083	8,532	84,240
Accumulated amortization							
Balance, March 31, 2016	-	(18,405)	(2,539)	(11,598)	(5,272)	(3,064)	(40,878)
Amortization	-	(2,099)	(173)	(936)	(286)	(760)	(4,254)
Disposals	-	-	365	1,162	476	125	2,128
Exchange effect	-	(118)	(8)	(6)	(7)	-	(139)
Balance, March 31, 2017	-	(20,622)	(2,355)	(11,378)	(5,089)	(3,699)	(43,143)
Amortization	-	(1,558)	(142)	(768)	(247)	(605)	(3,320)
Disposals	-	-	-	230	-	-	230
Exchange effect	-	296	20	12	19	(30)	317
Balance, December 31, 2017	-	(21,884)	(2,477)	(11,904)	(5,317)	(4,334)	(45,916)
Carrying amounts							
Balance, March 31, 2017	3,802	25,044	620	3,551	2,463	4,319	39,799
Balance, December 31, 2017	3,587	23,228	769	3,776	2,766	4,198	38,324

The computer system and license assets include costs associated with upgrade projects that relate to the computer system placed into service in February 2011. As of December 31, 2017, the development costs of the upgrade projects that are not ready for use were $651,043 (March 31, 2017 - $874,238). No amortization has been recognized on the components not ready for use.

The net book value of property, plant and equipment held under finance lease at December 31, 2017 is $20,415,544 (March 31, 2017 - $22,335,698). Title of leased assets remains with the lessor.

8. Revolving Credit Facility

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Revolving credit facility	54,995	101,864
Financing costs, net of amortization	(272)	(498)
Total	54,723	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 December 31, 2017.

9. Accounts Payable and Accrued Liabilities

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Trade payables and accrued liabilities	57,035	71,633
Payroll related liabilities	16,062	2,699
Provisions (Note 13)	446	363
Financial instrument liabilities (Note 20)	35	70
Total	73,578	74,765

10. Income Taxes

Income tax expense is comprised of:

(in thousands of dollars)	**Period ended December 31, 2017**	**Year ended March 31, 2017**
Current:		
Current taxes for the year	4,199	5,070
Adjustments to tax provisions recorded in prior periods	95	186
Total current tax expense	4,294	5,256
Deferred:		
Origination and reversal of temporary differences	2,254	654
Adjustments to tax provisions recorded in prior periods	73	(80)
Effect of change in tax rates	(87)	(19)
Change in valuation allowance	67	(2)
Total deferred tax expense	2,307	553
Income tax expense	6,601	5,809

A reconciliation of the income taxes calculated at the statutory rate to the actual income tax expense is as follows:

(in thousands of dollars)	**Period ended December 31, 2017**	**Year ended March 31, 2017**
Net earnings before income tax	**2,415**	**13,799**
Statutory income tax rate	26.69%	26.71%
Expected income tax expense based on statutory rate	645	3,712
Tax effect of:		
Non-deductible interest and other permanent differences	5,158	1,375
Difference in foreign tax rates	660	528
Adjustments to tax provisions recorded in prior periods	102	106
Other taxes	56	109
Effect of change in tax rate	(87)	(19)
Change in valuation allowance	67	(2)
Income tax provision	6,601	5,809

For the period ended December 31, 2017, income tax expense credited to other comprehensive income was $413,761 (year ended March 31, 2017 – charged $1,697,753).

Deferred income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components of the future tax assets and liabilities are as follows:

Deferred tax assets (liabilities):

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Other reserves	793	896
Deferred gain on sale and leaseback	774	774
Property, plant and equipment	100	91
Non-capital losses	2	5
Deferred income from partnership	(1,694)	-
Net deferred tax asset (liability)	(25)	1,766

Deferred income tax assets and liabilities are offset to the extent that they relate to the same taxable entity and the same jurisdiction as follows:

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Deferred tax assets	174	1,766
Deferred tax liabilities	(199)	-
Net deferred tax asset (liability)	(25)	1,766

The movement on the net deferred income tax assets and liabilities is as follows:

(in thousands of dollars)	**Period ended December 31, 2017**	**Year ended March 31, 2017**
Beginning	1,766	2,379
Deferred tax expense recorded in profit or loss	(2,307)	(553)
Movement recognized in other comprehensive income	516	(60)
Ending	(25)	1,766

The Company no longer has any accumulated United States non-capital losses while the Company does have other deductible temporary differences of $646,020 available to be carried forward to apply against future years' income for tax purposes of certain United States subsidiaries. The non-capital losses expire on or after December 31, 2034 and the other deductible temporary differences may be carried forward indefinitely.

The Company, in the normal course of business, is subject to ongoing examination by tax authorities in each jurisdiction in which it has operations. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for current and deferred income taxes, as well as the provision for indirect, withholding and other taxes and related penalties and interest. This assessment relies on estimates and assumptions, which involves judgments about future events. It also relies on interpretations of tax law, including general anti-avoidance provisions (GAAR), and prior experience. New information may become available that causes the Company to change its judgment and estimates regarding the adequacy of provisions related to income and other taxes. Any changes will be recorded prospectively in the period that such determinations are made.

11. Long-term Debt

In February 2012, the Company entered into a mortgage agreement for US$1,950,000 with JPMorgan Chase Bank to refinance the Company's long-term debt. In November 2013, the Company entered into an amendment to extend the maturity date to November 22, 2018, which is consistent with the maturity of the Facility. The long-term debt bears interest at variable base rates plus variable margins tied to the Company's existing Facility (Note 8). The monthly installment is US$16,250 and the remaining balance becomes due on the maturity date. The long-term debt is secured by the real property of one of the Company's US subsidiaries.

12. Finance Lease Obligations

A continuity of the finance lease obligations is as follows:

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Total minimum lease payments payable	35,153	37,166
Portion representing interest to be expensed over the remaining term of the leases	10,435	11,650
Principal Outstanding	24,718	25,516
Less: Current portion	2,338	2,113
Non-Current portion	22,380	23,403

Finance leases include buildings and operating equipment. Lease payments represent blended payments consisting of principal and interest based on interest rates ranging from 2.5% to 8.4%.

The following is a schedule of future minimum lease payments over the lives of the finance leases:

(in thousands of dollars)	
No later than one year	3,957
Later than one year, but not later than five years	14,068
Later than five years	17,128

A summary of changes in the period follows:

	December 31, 2017	**March 31, 2017**
Balance, beginning	25,516	27,463
Additions	875	562
Payments made	(2,969)	(4,332)
Interest expense	1,295	1,823
Balance, ending	24,718	25,516

The deferred gain relates to proceeds in excess of the net book value of certain buildings sold in the sale and leaseback transactions completed during the years ended March 31, 2014 and 2006. The deferred gain is amortized over the lease terms of the buildings, which are being accounted for as finance leases. Amortization is included in other income.

13. Provisions

Continuity of Provisions

The following table summarizes the movement in this provision for the period ended December 31, 2017:

(in thousands of dollars)	**Lease provision**	**Other**	**Total**
Balance, beginning	907	713	1,620
Used during the year	(96)	(326)	(422)
Unwinding of discount	34	-	34
Total	846	387	1,233
Included in accounts payable and accrued liabilities (Note 9)	(87)	(359)	(446)
Non-current provisions	759	28	787

Lease Provision

During September 2009, the Company consolidated its warehouse operations in the Greater Toronto Area by closing a warehouse in Brampton and migrating this operation into its warehouse in Milton. The Brampton warehouse was a leased property, and the land component was accounted for as an operating lease. The Company recorded a provision relating to this property, being the present value of the unavoidable net costs to the Company of exiting the lease. The final transaction to exit the lease was completed on May 31, 2012; however, there is a requirement to make ongoing payments to the lessor relating to this transaction which is reflected in the provision. The present value was determined using a pre-tax discount rate of 5.14%.

14. Subordinated Notes

As part of the Exchange Offer in Note 15(f), $113,791,000 of Taiga's outstanding 14% subordinated unsecured notes (the "Existing Notes") were exchanged for 84,408,831 common shares and $12,500,000 new 7% senior notes of Taiga (the "New Notes").

On December 23, 2017 the Company redeemed all of its remaining 14% Existing Notes in the aggregate principal amount of $15,043,218 for a redemption price of 100% of the principal amount of the Notes, plus accrued and unpaid interest.

A discretionary trust whose beneficiary is a Taiga director indirectly held 17.20% (year ended March 31, 2017 - 17.20%) of the Existing Notes of Taiga throughout the period but exchanged them for shares as part of the Exchange Offer in note 15(f). UPP Holdings Limited held 35.71% of the Existing Notes (year ended March 31, 2017 – 35.71%) which were also exchanged for shares as part of the Exchange Offer in note 15(f).

During the period ended December 31, 2017, the amount of interest incurred for these related parties from the Existing Notes was $1,947,090 (year ended March 31, 2017 - $3,101,568) for the discretionary trust and $4,043,662 (year ended March 31, 2017 - $1,610,312) for UPP Holdings Limited. None of these related parties hold any of the New Notes.

Per the Trust Indenture dated November 17, 2017 (the "Indenture") the Company's New Notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The New 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 year ended December 31, 2017.

15. 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) Common Shares Issued

(in thousands of dollars, except number of shares)	**Number of Shares**	**Amount**
Balance, March 31, 2017 and 2016	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

(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

Taiga's board has rescinded Taiga's dividend policy set on October 15, 2008. Taiga's board has adopted a new corporate strategy to focus on reinvesting capital into innovation and other growth opportunities as they arise.

(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 18(c) 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. As a result of the

Exchange Offer described at Note 15(f), UPP's ownership interest decreased to 49% of the common shares and UPP continues to be Taiga's largest shareholder. 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.

16. Expenses by Nature

(in thousands of dollars)	**Period ended December 31, 2017**	**Year ended March 31, 2017**
Product and treating costs	975,970	1,075,635
Freight costs	24,606	31,970
Inventory write down	867	1,229
Warehouse costs	10,534	13,951
Salaries and benefits	44,298	50,710
Employee reimbursements and general office expenses	6,528	8,158
Foreign exchange expense	890	1,373
Loss on settlement of debt	18,570	-
Other miscellaneous costs	2,930	1,542
Amortization	3,320	4,254
Total	1,088,513	1,188,822

As part of the Exchange Offer described in Note 15(f), the Company issued 84,408,831 common shares valued at $119,860,540 through the settlement of $101,291,000 outstanding 14% subordinated notes, resulting in a loss on the settlement of debt of $18,569,540.

17. Finance Expense

The finance expense is comprised of:

(in thousands of dollars)	**Period ended December 31, 2017**	**Year ended March 31, 2017**
Interest on revolving credit facility and other short term liabilities	2,528	3,020
Interest on finance leases and long-term debt	1,338	1,888
Amortization of financing costs	227	296
Total	4,093	5,204

18. Commitments and Contingencies

(a) Contractual Commitments

The Company has obligations under various operating leases for occupied premises and equipment. The following table shows the separation of minimum lease payments by period resulting from sale and leaseback transactions completed in 2006 and 2014 and from other operating leases consisting of vehicle, warehouse equipment and the Company's head office.

(in thousands of dollars)	**Sale and Leaseback Operating Leases**	**Other Operating Leases**	**Total Operating Leases**
No later than one year	1,793	1,756	3,549
Later than one year, but not later than five years	7,057	4,464	11,521
Later than five years	5,870	2,284	8,154

The sale and leaseback operating leases completed in February 2014 expire in February 2034. Rental rates are subject to adjustments starting March 2016 and every five years thereafter based on consumer price index. For each property, Taiga has two options to renew for five years each.

The sale and leaseback operating leases completed in the fiscal year ended March 31, 2006 expire in February 2021 or February 2026 depending on the property. Rental rates are subject to adjustments every five years based on consumer price index. For each property, Taiga has three options to renew for five years each.

Total operating lease payments recognized as an expense during the period ended December 31, 2017 were $2,859,997 (year ended March 31, 2017 - $3,377,035).

(b) 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.

(c) 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.

19. Capital Disclosures

The Company's objectives for managing capital are to safeguard Taiga's ability to operate and grow its business, to provide a sufficient return to its shareholders, and to meet internal capital expenditure requirements and credit facility covenants. The revolving credit facilities and share capital are considered as the Company's capital.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets or consider other strategies to reduce debt. During the period ended December 31, 2017, Taiga's board rescinded Taig's existing dividend policy (Note 15(e)).

The Company manages its capital by monitoring the balance between working capital and the revolving credit facility's borrowing base, which is a combination of accounts receivable and inventories less certain provisions. If the company's borrowing availability falls below a certain percentage of the borrowing base, the company is then required to maintain a certain interest coverage ratio. At December 31, 2017, the company was in compliance with this requirement.

20. Financial Instruments

(a) Accounting for financial instruments

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

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Held for trading	(35)	(70)
Loans and receivables	106,839	139,879
Other financial liabilities	(166,503)	(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)	**December 31, 2017**	**March 31, 2017**
Carrying amount	24,718	25,516
Fair value	24,647	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 7% subordinated notes are as follows:

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Carrying amount	12,500	-
Fair value	12,500	-

The fair value of the 7% subordinated notes is the same as their carrying value as the interest rate was determined by management to approximate the market rate.

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)	**December 31, 2017**	**March 31, 2017**
Lumber futures	35	(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.

(b) Nature and extent of risks arising from financial instruments

The Company's activities result in exposure to a variety of financial risks, including risks related to credit, market, interest, currency, liquidity, and commodity prices.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Taiga is exposed to credit risk on accounts receivable from customers. Taiga extends to its customers credit, which is generally unsecured. Taiga has credit management procedures in place to mitigate the risk of losses due to the insolvency or bankruptcy of customers. Taiga regularly reviews customer credit limits, monitors the financial status of customers and assesses the collectability of accounts receivable. However, risk exists that some customers may not be able to meet their obligations and the loss of a large receivable could have a significant negative impact on Taiga's profitability.

The Company is also exposed to credit risk from the potential default by any of its counterparties on the interest swap ((ii) below) and lumber futures contracts ((iv) below). The Company mitigates this credit risk by dealing with counterparties that are established major financial institutions. Taiga evaluates potential counterparties in advance of entering into such agreements and deals only with parties it anticipates will satisfy their obligations under the contracts.

(ii) Market risk

Market risk refers to the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Taiga utilizes significant leverage to finance day-to-day operations. The interest cost of Taiga's revolving credit facility is predominately based on the prime rate. For the period ended December 31, 2017, if interest rates had been 100 basis points higher, based on the Company's average borrowing level related to its Facility, interest expense would have increased by approximately $609,000.

Foreign exchange risk refers to the risk that the fair value or future cash flow of a financial instrument denominated in a currency other than the functional currency in which they are measured will fluctuate because of changes in foreign exchange rates. Taiga does not hedge its foreign exchange risk. Financial instruments denominated in US dollars subject to foreign exchange risk are as follows:

(in thousands of dollars)	**December 31, 2017**	**March 31, 2017**
Accounts Receivable	4,287	7,399
Accounts Payable	(2,742)	(11,727)
Revolving Credit Facility	(708)	(859)
Total	837	(5,187)

As at December 31, 2017, with other variables unchanged, a one percentage point decline in the year end value of the Canadian dollar would have decreased the foreign exchange loss by $8,000 (year ended March 31, 2017 – increased loss by $52,000).

(iii) Liquidity risk

Liquidity risk arises through the excess of financial obligations over financial assets due at any point in time. Taiga's ability to make scheduled payments or refinance its obligations depends on Taiga's successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors.

Taiga's ability to maintain compliance with certain of its debt covenants under the Facility depends on meeting the required interest coverage ratio, which is subject to the Company's future financial and operating performance. The Company's ability to repay or refinance its indebtedness will also depend on its future financial and operating performance. The Company's performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond Taiga's control. The Company's ability to meet its future debt service and other obligations may depend in significant part on the extent to which the Company can implement successfully its business growth and cost reduction strategies. The Company cannot provide any assurance that it will be able to implement its strategy fully or that the anticipated results of its strategy will be realized.

(iv) Commodity Price risk

Taiga does not generally hedge its commodity price risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and anticipated customer demand. Although Taiga strives to reduce the risk associated with price changes by maximizing inventory turnover, Taiga maintains significant quantities of inventory, which is affected by fluctuating prices.

Taiga selectively utilizes Chicago Mercantile Exchange Random Length lumber futures contracts. Each contract calls for mill delivery of 110,000 board feet (plus or minus 5000 board feet) of random length 8-foot to 20-foot nominal 2-inch x 4-inch pieces. The contracts can be settled in cash or by delivery of a commodity. These positions are immaterial relative to the Company's consolidated inventories.

21. Changes in Non-Cash Working Capital

(in thousands of dollars)	**Period ended December 31, 2017**	**Year ended March 31, 2017**
(Increase) Decrease in Accounts receivable	32,446	(3,195)
(Increase) Decrease in Inventories	17,510	(16,708)
(Increase) Decrease in Prepaid expenses and other	627	(623)
Effect of foreign exchange on working capital	(2,678)	1,041
(Decrease) Increase in Accounts payable and accrued liabilities	(1,600)	(2,363)
Total	46,305	(21,848)

22. 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.

23. Segmented Information

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

Period ended December 31, 2017

(in thousands of dollars)	**Canada**	**United States**	**Total**
Revenue	969,353	136,858	1,106,211
Property, plant and equipment	30,426	7,898	38,324

Year ended March 31, 2017

(in thousands of dollars)	**Canada**	**United States**	**Total**
Revenue	1,076,734	147,244	1,223,978
Property, plant and equipment	31,259	8,540	39,799

During the period ended December 31, 2017, Taiga's Canadian operations had export sales of $219.2 million (year ended March 31, 2017 - $258.1 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.

24. Management Compensation

Compensation of key management is recorded on the accrual basis of accounting consistent with the amounts recognized in the consolidated statements of earnings and comprehensive income. Compensation expenses for key management, which includes the Company's Board of Directors and Officers, were as follows:

(in thousands of dollars)	**Period ended December 31, 2017**	**Year ended March 31, 2017**
Salaries and other benefits	4,341	3,015

An amount of $3,158,310 is included in accounts payable and accrued liabilities relating to bonuses to key management.