Management's Discussion and Analysis

For the year ended December 31, 2018 and the nine month period ended December 31, 2017

This Management's Discussion and Analysis ("MD&A") of Taiga Building Products Ltd. ("Taiga" or the "Company") has been prepared based on information available as at February 22, 2019 and should be read in conjunction with the audited consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2018 and the period ended December 31, 2017. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the twelve month fiscal period ended December 31, 2018.

The financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises, and is expressed in Canadian dollars.

Taiga's consolidated financial statements and the accompanying notes included within this report include the accounts of Taiga and its subsidiaries. Unless otherwise noted, all references in this MD&A to "dollars" or "$" are to Canadian dollars.

Additional information relating to the Company including the Company's Annual Information Form dated February 22, 2019 can be found on SEDAR at www.sedar.com.

Forward-Looking Information:

This MD&A contains certain forward-looking information relating, but not limited, to future events or performance and strategies and expectations of Taiga. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "likely", "may", "will", "should", "predict", "potential", "continue" or similar words suggesting future outcomes or statements regarding expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Examples of such forward-looking information within this document include statements relating to: the Company's perception of the building products industry and markets in which it participates and anticipated trends in such markets in any of the countries in which the Company does business; the Company's anticipated business operations, inventory levels and ability to meet order demand; the Company's anticipated ability to procure products and its relationship with suppliers; sufficiency of cash flows; and the anticipated outcome of legal and regulatory proceedings. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. Forward-looking information reflects management's current expectations or beliefs and is based on information currently available to Taiga and although Taiga believes it has a reasonable basis for providing the forward-looking information included in this document, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information of Taiga involves numerous assumptions and inherent risks and uncertainties, both general and specific that contribute to the possibility that the predictions, forecasts and other forward-looking information will not occur. These factors include, but are not limited to: changes in business strategies; the effects of legal or regulatory proceedings, competition and pricing pressures; changes in operational costs; changes in laws and regulations, including tax, environmental, employment, competition, anti-terrorism and trade laws and Taiga's anticipation of and success in managing the risks associated with the foregoing; and other risks detailed in this MD&A and Taiga's filings with the Canadian securities regulatory authorities available at www.sedar.com. Forward-looking information speaks only as of the date of this discussion and analysis. Taiga does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Non-IFRS Financial Measure:

In this MD&A, reference is made to EBITDA, which represents earnings before interest, taxes, and amortization. As there is no generally accepted method of calculating EBITDA, the measure as calculated by Taiga might not be comparable to similarly titled measures reported by other issuers. EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because management interprets trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS. Reconciliations of EBITDA to net earnings reported in accordance with IFRS are included in this MD&A.

Market and Industry Data:

Unless otherwise indicated, the market and industry data contained in this MD&A is based upon information of independent industry and government publications and management's knowledge of, and experience in, the markets in which the Company operates. While management believes this data to be reliable, market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third party sources referred to in this MD&A and no representation is given as to the accuracy of any of the data referred to in this MD&A obtained from third party sources.

1. Business Overview

Taiga is the largest independent wholesale distributor of building products in Canada. Taiga distributes building products in Canada, the United States and overseas. As a wholesale distributor, Taiga maintains substantial inventories of building products at fifteen strategically located distribution centres throughout Canada and two distribution centres in California and one in Washington. In addition, Taiga regularly distributes through the use of third party reload centres. Taiga also owns and operates four wood preservation plants that produce pressure-treated wood products. Factors that affect Taiga's year-over-year profitability include, among others, sales levels, price fluctuations and product mix.

Taiga's primary market is Canada. Taiga expects the Canadian housing market in calendar year 2019 to decline compared to calendar year 2018. Taiga's secondary market, the United States, is expected to stay flat in 2019 compared to calendar year 2018. The Company expects the United States housing market to continue to improve in the 2019 calendar year. See Item 12 "Outlook".

Selected Financial Information

(in millions of dollars, except for share amounts and per share amounts in dollars)	**Fiscal Year Ended December 31, 2018**	**Fiscal Period Ended[(1)] December 31, 2017**	**Fiscal Year Ended March 31, 2017**
Income Statement Data:			
Sales	1,451	1,106	1,224
Gross Margin	122.0	98.9	107.3
Net Earnings (loss)	20.3	(4.2)	8.0
Net Earnings (loss) per Share (Basic and Fully Diluted)[(2)]	0.17	(0.09)	0.25
Weighted Average Number of Shares Outstanding	116,254,818	46,226,632	32,414,278
EBITDA[(3)(4)]	42.7	21.3	40.0
Balance Sheet Data:			
Working Capital[(5)]	108.4	96.3	97.8
Total Assets	326.0	270.8	324.1
Total Long-Term Financial Liabilities[(6)]	66.5	35.9	154.5

Notes:

(1) The fiscal year end of the Company was changed from March 31 to December 31 in 2017. Accordingly, the prior period financial information was prepared for the 9 month transition year ended December 31, 2017.

(2) Net earnings per share is calculated using the weighted-average number of shares.

(3) Reconciliation of net earnings to EBITDA:

	Fiscal Year Ended	**Fiscal Period Ended**	**Fiscal Year Ended March 31,**		
(in millions of dollars)	**December 31, 2018**	**December 31, 2017**	**2017**	**2016**	**2015**
Net earnings	20.3	(4.2)	8.0	11.7	11.1
Income tax expense	8.7	6.6	5.8	7.3	6.2
Finance and subordinated debt interest expense	8.0	15.6	21.9	21.8	22.6
Amortization	5.7	3.3	4.3	4.2	4.2
EBITDA	42.7	21.3	40.0	45.0	44.1

(4) There was an $18.6 million non-cash loss on the settlement of debt due to the Exchange Offer. If this unusual item is excluded for the period ended December 31, 2017 than the EBITDA results would be:

	Fiscal Period Ended
(in millions of dollars)	**December 31, 2017**
Net earnings (adjusted for loss on the settlement of debt)	14.4
Income tax expense	6.6
Finance and subordinated debt interest expense	15.6
Amortization	3.3
Adjusted EBITDA	39.9

(5) Working capital is the excess of current assets over current liabilities.
(6) Total long-term financial liabilities are the total liabilities less current liabilities and deferred gain.

2. Results of Operations

Sales

The Company's consolidated net sales for the year ended December 31, 2018 were $1,451.0 million compared to $1,106.2 million for the last fiscal period. The increase in sales by $344.8 million or 31% was largely due to the three month longer reporting period for the current fiscal period.

Sales by segments are as follows:

	Revenue by Point of Sale			
	Year ended December 31, 2018		Period ended December 31, 2017	
	$000's	%	$000's	%
Canada	1,229,164	84.7	969,353	87.6
United States	221,821	15.3	136,858	12.4

For the year ended December 31, 2018, export sales totalled $238.6 million compared to $219.2 million in the previous fiscal period. These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 63.4% for the year ended December 31, 2018 and 67.6% for the previous fiscal period. Allied, engineered and treated wood product sales, as a percentage of total sales, was 36.6% for the year ended December 31, 2018 and 32.4% for the previous fiscal period.

Gross Margin

Gross margin for the year ended December 31, 2018 increased to $122.0 million from $98.9 million in the previous fiscal period. Gross margin percentage decreased to 8.4% in the current period compared to 8.9% in the previous fiscal period. The gross margin percentage worsened slightly in 2018 due to a decrease in commodity prices during the second half of the year.

Expenses

Distribution expense for the year ended December 31, 2017 increased to $25.5 million from $17.0 million in the prior fiscal period mainly due to acquisition of Exterior Wood as well as the longer reporting period by three months for the current fiscal year.

Selling and administration expense for the year ended December 31, 2018 increased to $59.9 million compared to $45.6 million in the previous fiscal period. Increased compensation expense due to the longer reporting period was the main cause for the difference.

Finance expense for the year ended December 31, 2018 increased to $7.2 million compared to $4.1 million for the last fiscal period. The longer reporting period by three months for the current period was the main cause for the difference.

Subordinated debt interest expense for the year ended December 31, 2018 was $0.8 million compared to $11.6 million in the previous fiscal period. During the period ended December 31, 2017, the Company exchanged or redeemed $128,834,218 of its outstanding 14% subordinated notes which significantly reduced its subordinated debt interest expense going forward. The transaction is discussed in further detail in Note 19(f) to the Company's audited consolidated financial statements for the period ended December 31, 2018.

Other income was $0.4 million for both the fiscal year ended December 31, 2018 and the nine month fiscal period ended 2017.

Net Earnings

Net earnings for the year ended December 31, 2018 increased to $20.3 million compared to a loss of $4.2 million in the prior fiscal period. This was primarily due to the loss on the settlement of debt in the prior fiscal period which is discussed in Note 20 to the Company's audited consolidated financial statements for the year ended December 31, 2018.

EBITDA

EBITDA for the year ended December 31, 2018 was $42.7 million compared to $21.3 million for the prior fiscal period. EBITDA would have been $39.9 million in the prior fiscal period if the $18.6 million loss on the settlement of debt were excluded.

3. Quarter Ended December 31st Results

A summary of the results for the three months ended December 31, 2018 and 2017 is as follows:

	Three months ended December 31,	
(in thousands of dollars except per share amount in dollars)	**2018**	**2017**
Sales	303,879	329,821
Gross margin	23,988	27,358
Distribution expense	6,826	5,753
Selling and administration expense	13,234	13,451
Loss on debt settlement	-	18,570
Finance expense	2,087	1,140
Subordinated debt interest expense	219	2,534
Other income	(105)	(132)
Earnings (loss) before income tax	1,727	(13,958)
Income tax expense	187	1,237
Net earnings (loss)	1,540	(15,195)
Net earnings (loss) per share	0.01	(0.20)
EBITDA[1]	5,795[1]	(9,142) [1]

Note:

(1) See “Third Quarter Results – EBITDA” for a reconciliation of net earnings to EBITDA.

Sales

The Company's consolidated net sales for the quarter ended December 31, 2018 were $303.9 million compared to $329.8 million over the same quarter last year. The decrease in sales by $25.9 million or 8.0% was largely due to decreased demand for the Company’s products in all segments and lower commodity prices. The decrease was partially offset by additional revenue resulting from the acquisition of Exterior Wood, Inc. (“Exterior Wood”) on July 31, 2018 (see Note 6 to the Company's audited consolidated financial statements for the year ended December 31, 2018).

The Company's sales of dimension lumber and panel, as a percentage of total sales, decreased to 60.1% for the quarter ended December 31, 2018 compared to 69.7% for the same quarter last year. Allied, engineered and treated wood product sales, as a percentage of total sales, increased to 39.9% this quarter from 30.3% during the same quarter last year.

Sales by segments are as follows:

	Revenue by Point of Sale			
	Three months ended December 31,		Three months ended December 31,	
	2018		2017	
	$000’s	%	$000’s	%
Canada	244,246	80.3	286,072	86.7
United States	59,633	19.7	43,749	13.3

During the quarter ended December 31, 2018, Taiga’s Canadian operations had export sales of $46.8 million compared to $65.8 million in the same quarter last year. These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.

Gross Margin

Gross margin for the quarter ended December 31, 2018 decreased to $24.0 million from $27.4 million over the same quarter last year. Gross margin percentage decreased to 7.9% in the current quarter compared to 8.3% in the same quarter last year. The decrease in gross margin percentage was primarily due to commodity prices depreciating in the current quarter.

Expenses

Distribution expense for the quarter ended December 31, 2018 increased to $6.8 million compared to $5.8 million over the same quarter last year. The increase was due to the additional expenses resulting from the acquisition of Exterior Wood.

Selling and administration expense for the quarter ended December 31, 2018 decreased to $13.2 million compared to $13.5 million over the same quarter last year.

Finance expense for the quarter ended December 31, 2018 increased to $2.1 million compared to $1.2 million for the same quarter last year. The increase was primarily due to the additional interest expense incurred on the term loans to acquire Exterior Wood.

Subordinated debt interest expense was $0.2 million for the quarter ended December 31, 2018 compared to $2.5 million for the same quarter last year. During the quarter ended December 31, 2017, the Company exchanged or redeemed $128,834,218 of its outstanding 14% subordinated notes which significantly reduced its subordinated debt interest expense for the quarter. The transaction is discussed in further detail in Note 19(f) to the Company's audited consolidated financial statements for the year ended December 31, 2018.

Other income was $0.1 million for both the quarter ended December 31, 2018 and the same quarter last year.

Net Earnings

Net earnings for the quarter ended December 31, 2018 increased to $1.5 million compared to a loss of $15.2 million over the same period last year. This was primarily due to the loss on the settlement of debt that occurred in the same quarter last year.

EBITDA

EBITDA for the quarter ended December 31, 2018 was $5.8 million compared to ($9.1) million for the same quarter last year. EBITDA for the same quarter last year would be $9.4 million if the $18.6 million loss on the debt settlement were excluded.

Reconciliation of net earnings to EBITDA:

(in thousands of dollars)	**Three months ended December 31, 2018**	**2017**
Net earnings	1,540	(15,195)
Income tax expense	187	1,237
Finance and subordinated debt interest expense	2,306	3,674
Amortization	1,762	1,142
EBITDA	5,795	(9,142)

There was an $18.6 million non-cash loss on the settlement of debt due to the Exchange Offer during the quarter ended December 31, 2017. If this unusual item is excluded for the quarter ended December 31, 2017 than the EBITDA results would be:

(in thousands of dollars)	**Three months ended December 31, 2017**
Net earnings	(15,195)
Loss on debt settlement	18,570
Income tax expense	1,237
Finance and subordinated debt interest expense	3,674
Amortization	1,142
Adjusted EBITDA	9,428

4. Summary of Quarterly Results

	Year ended December 31, 2018				**Period ended December 31, 2017**			**Year ended March 31, 2017**
(in thousands of dollars, except per share amount in dollars)	**Q4**	**Q3**	**Q2**	**Q1**	**Q3**	**Q2**	**Q1**	**Q4**
Sales	303,879	399,634	422,875	324,597	329,821	396,629	379,761	286,052
Net earnings (loss)	1,540	5,579	6,358	6,790	(15,195)	5,980	5,029	249
Net earnings (loss) per share(1)	0.01	0.05	0.05	0.06	(0.20)	0.18	0.16	0.01
EBITDA	5,795	9,228	16,128	11,519	(9,142)	16,242	14,280	7,784

Notes:

(1) The amounts are identical on a basic and fully-diluted per share basis. Earnings per share is calculated using the weighted-average number of shares.

Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the quarters ended June 30 and September 30 and reduced sales in the late fall and winter during its quarters ended December 31 and March 31 of each fiscal year.

5. Liquidity and Capital Resources

Revolving Credit Facility

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from $225 million to $250 million, with an option to increase the limit by up to $50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately $23 million at favourable rates, which Taiga utilized for the Business Acquisition referred to in Note 6 of the Notes to the Audited Consolidated Financial Statements. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at December 31, 2018.

Taiga expects to meet its future cash requirements through a combination of cash generated from operations and its credit facilities. However, any severe weakening of the Canadian housing market driving reduced product demand or a significant increase in bad debts in accounts receivable could adversely impact the Company's liquidity in the short term.

Working Capital

Working capital as at December 31, 2018 increased to $108.4 million from $96.3 million as at December 31, 2017 due to increased assets. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

(in thousands of dollars)	**December 31, 2018**	**December 31, 2017**
Current Assets	246,923	232,331
Current Liabilities (excluding Revolving Credit Facility)	(73,942)	(81,300)
Revolving Credit Facility	(64,551)	(54,723)
Working Capital	**108,430**	**96,308**
Long Term Assets	79,078	38,498
Long Term Liabilities (excluding Subordinated Notes)	(56,702)	(26,468)
Subordinated Notes	(12,500)	(12,500)
Shareholders' Equity	**118,306**	**95,838**

Assets

Total assets were $326.0 million as at December 31, 2018 compared to $270.8 million as at December 31, 2017. The increase was primarily the result of increased inventories property plant and equipment, intangible assets and goodwill offset by decreased accounts receivable. The overall increase in assets was due to the acquisition of Exterior Wood.

Inventories increased to $149.5 million as at December 31, 2018 compared to $123.3 million as at December 31, 2017 primarily due to acquisition of Exterior Wood. As well, the Company had greater inventories on hand.

Property, plant and equipment increased to $50.3 million as at December 31, 2018 compared to $38.3 million as at December 31, 2017 primarily due to the acquisition of Exterior Wood.

Liabilities

Total liabilities increased to $207.7 million as at December 31, 2018 from $175.0 million as at December 31, 2017. The increase was primarily the result of increased debt and deferred tax liabilities from the acquisition of Exterior Wood.

Contractual Obligations

(in thousands of dollars)	**Debt**	**Operating lease**	**Finance lease obligation**
No later than one year	7,723	4,348	3,990
Later than one year, but not later than five years	21,709	13,750	13,799
Later than five years	-	9,006	14,035

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On February 9th, 2019, there were 116,823,109 shares issued and 115,563,638 common shares outstanding.

On April 27, 2018, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,841,155 of its 116,823,109 outstanding Common Shares, representing 5% of the outstanding Common Shares. For the year ended December 31, 2018, the Company purchased 1,259,471 of its Common shares for cash payments of $1,658,175. These Common Shares purchased by the Company are being held as Treasury Stock. At December 31, 2018 there were 4,581,684 remaining Common Shares permitted to be purchased by the Company per the terms of the NCIB.

6. Commitments and Contingencies

(a) Contractual Commitments

The Company has obligations under various operating leases for occupied premises and equipment. For further discussion, refer to Note 22 to the Audited Consolidated Financial Statements for the period ended December 31, 2018.

(b) 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.

7. Risks and Uncertainties

The results of operations, business prospects and financial conditions of Taiga are subject to a number of risks and uncertainties, and are affected by a number of factors outside Taiga's control. Any of these risks and uncertainties could have a material adverse effect on the Company's operations, financial conditions and cash flow and, accordingly, should be carefully considered in evaluating Taiga's business. A comprehensive discussion of risk factors is included in Taiga's Annual Information Form dated February 22, 2019, available on SEDAR at www.sedar.com.

8. Critical Accounting Policies and Estimates, and Future Accounting Changes

The significant accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the period ended December 31, 2018.

In preparing these consolidated financial statements, Taiga's management was required to make estimates and assumptions that affect the amounts recorded. Financial results as determined by actual events could differ from such estimates. The estimates and assumptions of the Company's management are based on historical experience and other factors management considers to be reasonable, including expectations of future events. 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 and provision for bad debts. Taiga's allowance for doubtful accounts as at December 31, 2018 was $2.7 million (fiscal period ended December 31, 2017 – $0.8 million).

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 a provision as necessary for slow moving or obsolete inventory. Additionally, Taiga records a provision if the cost of inventories exceeds net realizable value based on commodity prices. Inventory provision as at December 31, 2018 was $0.8 million (fiscal period ended December 31, 2017 – $0.2 million).

Valuation and Estimated Life of Long-Lived Assets

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 the judgment of management and the best currently available information. Changes in circumstances can result in the actual useful lives differing from management's 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. 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 return.

Judgment is required in 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, joint ventures and associates 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. Judgment is also required about the application of income tax legislation. 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.

Goodwill

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination. Any resulting goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2018 relates to the Company's acquisition of Exterior Wood, Inc. Goodwill is not amortized, but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the fair value of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the fair value of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its fair value, the fair value of goodwill related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 11).

Accounting Changes

IFRS 16

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. Effective January 1, 2019, the Company will adopt IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application will be recognized in retained earnings at January 1, 2019. The expected impact of this change in accounting policy is noted below.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17 and IFRIC 4. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases warehouse locations, office space, land, equipment, and trucks.

On transition, the Company will elect to apply the practical expedient to grandfather the determination of which contract is or contains a lease and will apply IFRS 16 to those contracts that were previously identified as leases. Upon transition to the new standard, lease liabilities will be measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities will be recognized on the statement of financial position with the cumulative difference recognized in retained earnings.

At transition, lease liabilities of approximately $28 - $30 million will be recognized in the statement of financial position. The Company is finalizing its assessment of the transitional right-of-use assets with any difference between the lease liability and the right-of-use asset recognized as a reduction of retained earnings.

For contracts entered into subsequent to January 1, 2019 at inception of the contract, the Company will assess whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company will recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset will be initially measured at cost, which will comprise the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset will be subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of assets. This will replace the previous requirement to recognize a provision for onerous lease contacts.

The lease liability will initially be measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability will include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability will be measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability will be subsequently adjusted for interest and lease payments. Interest expenses will be included in the consolidated statement of earnings.

The Company will elect not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and will continue to recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16

9. Related Party Transactions

In accordance with IFRS requirements, related party transactions consist of remuneration of directors and other key management personnel with whom Taiga has entered into employment agreements. Further information is contained in our most recent Management Information Circular available on SEDAR at www.sedar.com and Note 28 to the Company's audited consolidated financial statements for the period ended December 31, 2018. The remuneration for key management, which includes the Company's directors and officers, were as follows:

(in thousands of dollars)	**Year ended December 31, 2018**	**Period ended December 31, 2017**
Salaries and other benefits	3,796	4,341

An amount of $1,566,421 is included in accounts payable and accrued liabilities relating to bonuses to key management.

10. Off-Balance Sheet Arrangements

Taiga does not have off-balance sheet arrangements except for commitments under operating leases as discussed under "Commitments and Contingencies" in this Management's Discussion and Analysis.

For a detailed description of financial instruments and their associated risks, see Note 24 to the Company's audited consolidated financial statements for the period ended December 31, 2018.

11. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Taiga's management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, Taiga's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the Company's disclosure controls and procedures and internal controls over financial reporting. Based on the evaluation, Taiga's CEO and CFO concluded that these controls were effective for the period ended December 31, 2018.

The CEO and CFO of Taiga acknowledge responsibility for the design of internal controls over financial reporting and confirm that there were no changes in these controls that occurred during the period ended December 31, 2018 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

12. Outlook

Taiga's financial performance is primarily dependent on the residential construction, renovation and repairs markets. These markets are affected by the strength or weakness in the general economy and as such are influenced by interest rates and other general market indicators.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") Housing Market Outlook, Canadian Edition for Fall 2018, housing starts are forecasted to range from 193,700 to 204,500 units in the 2019 calendar year. CMHC is reporting that housing starts will decline by the end of 2019 compared to 2018.

In the United States, the National Association of Home Builders reported in January 2019 that housing starts are forecasted to total 1,272,000 units in the 2019 calendar year compared to 1,262,000 units in calendar year 2018.