TAIGA BUILDING PRODUCTS LTD

FORM 51-102F4

BUSINESS ACQUISITION REPORT

ITEM 1 IDENTITY OF COMPANY

1.1 Name and Address of Company

Taiga Building Products Ltd (the "**Corporation**")
#800-4710 Kingsway
Burnaby, British Columbia
V5H 4M2

1.2 Executive Officer

The following is the name, business telephone number and email of an executive officer of the Corporation who is knowledgeable about the acquisition described in this Report:

Mark Schneidereit-Hsu
VP, Finance and Administration and
CFO Tel: (604) 438-1471
Email: mschneidereit@taigabuilding.com

ITEM 2 DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

On July 31, 2018, the Corporation, through its wholly-owned subsidiary, Taiga Building Products USA Ltd. ("**Taiga USA**"), acquired all of the issued and outstanding common shares of Exterior Wood, Inc. ("**EW**").

The acquisition was completed pursuant to a share purchase agreement (the "**Agreement**") dated June 29, 2018 among Taiga USA, as purchaser, Dave Perry, Larry Draper, the Estate of Stan Bishoprick and Nancy Bishoprick, as vendors, the Corporation and EW. A copy of the Agreement has been filed under the Corporation's profile on SEDAR at www.sedar.com.

EW manufactures pressure-treated wood and related products for indoor and outdoor use in building construction material, farm and agriculture, decks, fences and highway material at its wood treatment facility and distribution centre located in Washougal, Washington.

2.2 Date of Acquisition

July 31, 2018

2.3 Consideration

Pursuant to the terms of the Agreement, the aggregate purchase price for all of the issued and outstanding common shares of EW consisted of USD$42 million in cash, subject to certain adjustments (the "**Purchase Price**"). The Corporation financed the Purchase Price primarily using its existing senior credit facility.

2.4 Effect on Financial Position

The effect of the acquisition on the Corporation's financial position is outlined in the unaudited pro forma consolidated financial statements of the Corporation included in Appendix "A" of this Report.

The Corporation presently does not have any plans or proposals for material changes to its business affairs or the affairs of the acquired business, which may have a significant effect on its financial performance and financial position.

2.5 Prior Valuations

None.

2.6 Parties to Transaction

Not applicable.

2.7 Date of Report

October 12, 2018

ITEM 3 FINANCIAL STATEMENTS

The following financial statements are attached as Appendix "A" hereto and form an integral part of this Report:

(a) Audited statements of earnings, comprehensive earnings and changes in equity, and cash flows of EW for the year ended July 31, 2018 and the audited statement of financial position of EW as at July 31, 2018, together with the auditor's report thereon and the notes thereto;

(b) Unaudited statements of earnings, comprehensive earnings and changes in equity, and cash flows of EW for the year ended July 31, 2017 and the unaudited statement of financial position of EW as at July 31, 2017, together with the notes thereto; and

(c) Unaudited pro forma consolidated statement of financial position of the Corporation as at June 30, 2018 and the unaudited pro forma consolidated statements of earnings and comprehensive earnings of the Corporation for the six months ended June 30, 2018 and the year ended December 31, 2017, together with the notes thereto.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Directors and Shareholder of Exterior Wood, Inc.

We have audited the accompanying consolidated financial statements of Exterior Wood, Inc. and its subsidiary, which comprise the consolidated balance sheet as at July 31, 2018, and the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, 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 audit. We conducted our audit 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 that we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the financial performance and cash flows and our unmodified opinion on the financial position.

Basis for Qualified Opinion on the Results of Operations and Cash Flows

Because we were appointed auditors of Exterior Wood, Inc. during 2018, we were not able to observe the counting of the physical inventories at the beginning of that year or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the financial performance and cash flows, we were unable to determine whether adjustments to the financial performance and cash flows might be necessary for the year ended July 31, 2018. Our audit opinion on the financial statements for the year ended July 31, 2018 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figures and the comparative information.

Qualified Opinion on the Financial Performance and Cash Flows

In our opinion, except for the possible effects on the financial performance, cash flows and comparative information of the matter described in the Basis for Qualified Opinion on the Financial Performance and Cash Flows paragraph, the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial performance and cash flows of Exterior Wood, Inc. and its subsidiary for the year ended July 31, 2018 in accordance with International Financial Reporting Standards.

Opinion on the Financial Position

In our opinion, the consolidated balance sheet presents fairly, in all material respects, the financial position of Exterior Wood, Inc. and its subsidiary as at July 31, 2018 in accordance with International Financial Reporting Standards.

Other Matter

The corresponding figures for the year ended July 31, 2017 are unaudited.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 12, 2018

Exterior Wood, Inc.

Consolidated Financial Statements

For the years ended July 31, 2018 and 2017
(in US dollars)

EXTERIOR WOOD, INC.

Consolidated Balance Sheets

(in thousands of US dollars)		**July 31, 2018**		**July 31, 2017 (unaudited)**
Assets				
Current:				
Cash	$	2,209	$	110
Accounts receivable (Note 6)		7,583		6,530
Inventories (Note 7)		15,793		10,784
Prepaid expenses		285		315
		25,870		17,739
Property, plant and equipment (Note 8)		4,571		3,584
	$	30,441	$	21,323
Liabilities and Shareholders' Equity				
Current:				
Due to Taiga Building Products USA Ltd (Note 5)	$	5,065	$	-
Accounts payable and accrued liabilities (Note 9)		3,051		2,635
		8,116		2,635
Shareholders' Equity:				
Share capital (Note 11)		236		236
Share premium (Note 11)		220		220
		456		456
Retained Earnings		21,869		18,232
		22,325		18,688
	$	30,441	$	21,323

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

EXTERIOR WOOD, INC.

Consolidated Statements of Earnings and Comprehensive Income

(in thousands of US dollars)		July 31, 2018		July 31, 2017 (unaudited)
Sales	$	76,689	$	62,642
Cost of sales (Note 14)		64,226		52,607
Gross margin		12,463		10,035
Expenses:				
Distribution (Note 14)		1,524		1,421
Selling and administration (Note 14)		4,654		3,517
Finance		98		67
Other income		(50)		(31)
		6,226		4,974
Net earnings and comprehensive income for the year	$	6,237	$	5,061

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

EXTERIOR WOOD, INC.
Consolidated Statements of Changes in Shareholders' Equity

For the year ended July 31, 2017 (unaudited)

(in thousands of US dollars)		**Share Capital**		**Share Premium**		**Retained Earnings**		**Total**
Balance at July 31, 2016	$	236	$	220	$	16,035		16,491
Net earnings		-		-		5,061		5,061
Dividends paid to shareholders		-		-		(2,864)		(2,864)
Balance at July 31, 2017	$	236	$	220	$	18,232	$	18,688

For the year ended July 31, 2018

(in thousands of US dollars)		**Share Capital**		**Share Premium**		**Retained Earnings**		**Total**
Balance at July 31, 2017	$	236	$	220	$	18,232	$	18,688
Net earnings		-		-		6,237		6,237
Dividends paid to shareholders		-		-		(2,600)		(2,600)
Balance at July 31, 2018	$	236	$	220	$	21,869	$	22,325

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

EXTERIOR WOOD, INC.
Consolidated Statements of Cash Flows

(in thousands of US dollars)		July 31, 2018		July 31, 2017 (unaudited)
Cash provided by (used in):				
Operating:				
Net earnings	$	6,237	$	5,061
Adjustments for non-cash items				
Amortization		576		541
Loss on asset disposal		4		-
Finance expense		98		67
Interest paid		(98)		(67)
Changes in non-cash working capital (Note 15)		(5,581)		1,803
Cash flows from operating activities		1,236		7,405
Investing:				
Purchase of property, plant and equipment		(1,603)		(502)
Proceeds from disposition of property, plant and equipment		16		1
Cash flows used in investing activities		(1,588)		(501)
Financing:				
Repayment (advance) from line of credit payable, net				(4,001)
Repayment (advance) from Taiga Building Products USA Ltd		5,065		
Repayment (advance) of shareholder advances payable, net		(182)		71
Distributions to shareholders		(2,432)		(2,864)
Cash flows used in financing activities		2,451		(6,795)
Net change in Cash		2,099		110
Cash, beginning		110		-
Cash, ending	$	2,209	$	110

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

1. Nature of Operations and Purpose of Consolidated Financial Statements

Exterior Wood, Inc. (the Company) was incorporated in the State of Washington and commenced operations in 1977 at its manufacturing plant in Washougal, Washington. The Company's registered office and principal place of business is located at 2685 Index St, Washougal, Washington. The Company manufactures pressure-treated wood and related products for indoor and outdoor use in building construction material, farm and agriculture, decks, fences and highway material. The Company's customers are primarily retail and wholesale lumberyards and stores located in the Pacific Northwest, California and Mountain States. B&G Trucking, Inc. (the Subsidiary), a Washington licensed motor carrier, is a 100% owned subsidiary.

On July 31, 2018, the shares of Exterior Wood, Inc were acquired by Taiga Building Products USA Ltd ("The Company USA"), a wholly owned subsidiary of Taiga Building Products Ltd., a Canadian-based company which is publicly traded on the Toronto Stock Exchange ("TSX") (the "Acquisition"). The purpose of these consolidated financial statements is to satisfy the requirements of the British Columbia Securities Act for the preparation of acquired business financial statements.

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 October 12, 2018 by the board of directors of the Company.

(b) Functional and Presentation Currency

These consolidated financial statements are presented in US dollars, which is the Company's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, except per share amounts.

(c) Basis of Consolidation

These consolidated financial statements include the accounts of Exterior Wood, Inc. and its subsidiary. Its subsidiary is an entity 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.

(d) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

3. Significant Accounting Policies

(a) Inventories

Inventories consist of pressure treated, untreated, in process lumber 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 pressure 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.

(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

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no federal portion of current or deferred income tax expense has been included in these consolidated financial statements.

(f) Revenue Recognition

Revenue from the sale of products and from pressure treating services is recognized, net of discounts and customer rebates, upon the transfer of significant risks and rewards of ownership, provided collectability is reasonably assured.

(g) 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. The Company's basic and diluted earnings per share are equal as the Company has no potentially dilutive instruments.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(b) Accounting Standards Issued not yet Applied

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. The Company evaluates inventory balances at each balance sheet date and records an allowance as necessary for slow moving or obsolete inventory. Additionally, the Company 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.

(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; and
- the classification of leases as either operating or finance type leases;

5. Due to Taiga Building Products USA Ltd.

(in thousands of US dollars)	**July 31, 2018**	**July 31, 2017**
Total	5,065	-

On July 31, 2018, the Company's line of credit was repaid from an advance from Taiga Building Products USA Ltd and closed as a result of the Acquisition referred to in Note 1.

6. Accounts Receivable

(in thousands of US dollars)	**July 31, 2018**	**July 31, 2017 (unaudited)**
Current	7,031	6,770
Past due over 60 days	792	-
Trade accounts receivable	7,823	6,770
Allowance for doubtful accounts	(240)	(240)
Total	7,583	6,530

7. Inventories

(in thousands of US dollars)	July 31, 2018	July 31, 2017 (unaudited)
Pressure treated lumber	9,551	7,016
Untreated lumber	4,992	2,902
In process lumber	920	550
Chemicals	330	316
Total	15,793	10,784

8. Property, Plant and Equipment

(in thousands of US dollars)	Warehouse and treating equipment	Buildings	Furniture and office equipment	Leasehold improvements	Total
Cost					
Balance, July 31, 2016 (unaudited)	11,619	2,494	410	3,593	18,116
Additions	409	42	5	46	502
Reclassifications	48	20	-	(68)	-
Disposals	(104)	-	(77)	-	(249)
Balance, July 31, 2017 (unaudited)	11,972	2,556	338	3,571	18,437
Additions	299	20	-	1,285	1,604
Reclassifications	162	-	-	(162)	-
Disposals	(120)	-	(2)	-	(122)
Balance, July 31, 2018	12,313	2,576	336	4,694	19,919
Accumulated amortization					
Balance, July 31, 2016 (unaudited)	(9,774)	(1,625)	(267)	(2,817)	(14,483)
Amortization	(368)	(65)	(44)	(64)	(541)
Disposals	95	-	76	-	171
Balance, July 31, 2017 (unaudited)	(10,047)	(1,690)	(235)	(2,881)	(14,853)
Amortization	(402)	(68)	(42)	(64)	(576)
Disposals	79	-	2	-	81
Balance, July 31, 2018	(10,370)	(1,758)	(275)	(2,945)	(15,348)
Carrying amounts					
Balance, July 31, 2017 (unaudited)	1,925	866	103	690	3,584
Balance, July 31, 2018	1,943	818	61	1,749	4,571

9. Accounts Payable and Accrued Liabilities

(in thousands of dollars)	July 31, 2018	July 31, 2017 (unaudited)
Trade payables and accrued liabilities	2,541	2,385
Provision for environment remediation	435	-
Shareholder note payable (Note 16)	-	182
Payroll related liabilities	75	68
Total	3,051	2,635

10. Operating Lease Commitments

The Company leases certain buildings and equipment under operating leases. The Company has a non-cancelable operating lease with Bishoprick Properties, Inc. which is wholly owned by the Company's former majority shareholder. The lease is for a plant site and office building with monthly payments starting at $43,588. This lease expires December 31, 2023 with an option to extend for two five-year periods. The other leases expire in 2020 and 2022.

Future minimum lease payments are as follows:
(in US dollars)

Year Ending July 31,	Bishoprick Properties, Inc.	Other	Total
2019	$ 553,568	$ 46,152	$ 599,720
2020-2024	2,301,446	68,292	2,369,738
2024-2035	263,707	-	263,707
Total	$ 3,118,721	$ 144,444	$ 3,233,165

Rent expense was approximately $544,536 and $540,000 for the years ended July 31, 2018 and 2017, respectively. Rent expense to the related entity was approximately $521,768 and $521,291 for the years ended July 31, 2018 and 2017, respectively.

11. Shareholders' Equity

Authorized and Issued Share Capital

250,000 common shares authorized at $1 par value, with 236,221 shares issued and outstanding.

12. Capital Disclosures

The Company's objectives for managing capital are to safeguard the Company's ability to operate and grow its business, to provide a sufficient return to its shareholders, and to meet internal capital expenditure requirements. The cash balance 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.

The Company manages its capital by monitoring the balance between working capital and its cash balance.

13. Financial Instruments

(a) Accounting for financial instruments

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

(in thousands of US dollars)	**July 31, 2018**	**July 31, 2017 (unaudited)**
Cash and receivables	9,792	6,640
Due to Taiga Building Products USA Ltd. and other financial liabilities	(8,116)	(2,635)

The carrying amounts of cash, accounts receivable and accounts payable approximate their fair values due to the short term to maturity of these instruments. The carrying amount of the amount due to Taiga Building Products USA Ltd. approximates its fair value as it bears interest at variable market rates.

(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. The Company is exposed to credit risk on accounts receivable from customers. The Company extends to its customers credit, which is generally unsecured. The Company has credit management procedures in place to mitigate the risk of losses due to the insolvency or bankruptcy of customers. The Company 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 The Company's profitability.

(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.

(iii) Liquidity risk

Liquidity risk arises through the excess of financial obligations over financial assets due at any point in time. The Company's ability to make scheduled payments or refinance its obligations depends on the Company'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.

(iv) Commodity Price risk

The Company 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 the Company strives to reduce the risk associated with price changes by maximizing inventory turnover, the Company maintains significant quantities of inventory, which is affected by fluctuating prices.

14. Expenses by Nature

(in thousands of US dollars)	**July 31, 2018**	**July 31, 2017 (unaudited)**
Product and treating costs	55,642	44,805
Salaries and benefits	7,672	7,334
General office expenses	3,565	2,344
Freight expense	2,949	2,521
Amortization	576	541
Total	70,404	57,545

15. Changes in Non-Cash Working Capital

(in thousands of US dollars)	**July 31, 2018**	**July 31, 2017 (unaudited)**
(Increase) Decrease in Accounts receivable	(1,053)	(645)
(Increase) Decrease in Inventories	(5,177)	2,335
(Increase) Decrease in Prepaid expenses and other	30	(67)
(Decrease) Increase in Accounts payable and accrued liabilities	619	181
Total	(5,581)	1,803

16. Related Party Transactions

a) Shareholder Note Payable

All amounts owing to former shareholders were paid as of the closing date of the acquisition on July 31, 2018. For the year ended July 31, 2017, two former shareholders had advanced the Company $94,693 and $87,211, respectively. The advances accrued interest at 6%, had no set repayment terms, and were unsecured. These amounts were repaid during the year ended July 31, 2018.

For the year ended July 31, 2018 a total of $2,600,000 (2017 – $2,864,000) was distributed to the former shareholders, of which $168,000 (2017 – $nil) was settled by way of non-cash consideration.

b) Transactions and commitments with related parties

The Company leases certain buildings and equipment under operating leases. The Company has a non-cancelable operating lease with Bishoprick Properties, Inc. which is wholly owned by the Company's former majority shareholder. The lease is for a plant site and office building with monthly payments starting at $43,588. This lease expires December 31, 2023 with an option to extend for two five-year periods. The other leases expire in 2020 and 2022.

Future minimum lease payments are as follows:
(in US dollars)

Year Ending July 31,	Bishoprick Properties, Inc.
2019	$ 553,568
2020-2023	2,301,446
2024-2035	263.707
Total	$ 3,118,721

Rent expense was approximately $544,536 and $540,000 for the years ended July 31, 2018 and 2017, respectively. Rent expense to the related entity was approximately $521,768 and $521,291 for the years ended July 31, 2018 and 2017, respectively.

c) Compensation of key management personnel

Key management personnel include the directors of the Company, which also include the President and Vice President of Sales. These parties are also shareholders and their combined compensation was $414,000 for the year ended July 31, 2018 and $440,000 for the year ended July 31, 2017

17. Major Supplier and Customers

The Company purchases all of its chemicals used to pressure treat its products from a single supplier. Management believes that other suppliers could provide similar chemicals on comparable terms, and that a change in suppliers would not result in significant manufacturing delays or loss of sales.

For the year ended July 31, 2018, the Company had sales to two customers totaling approximately 34% of net sales. These two customers represented approximately 7% of accounts receivable as of July 31, 2018. For the year ended July 31, 2017, the Company had sales to two customers totaling approximately 32% of net sales. These two customers represented approximately 25% of accounts receivable as of July 31, 2017.

18. Subsequent Event

On July 31, 2018, the shares of Exterior Wood, Inc were acquired by Taiga Building Products USA Ltd ("The Company USA"), a wholly owned subsidiary of Taiga Building Products Ltd., a Canadian-based company which is publicly traded on the Toronto Stock Exchange ("TSX") (the "Acquisition"). The purpose of these consolidated financial statements is to satisfy the requirements of the British Columbia Securities Act for the preparation of acquired business financial statements.

Taiga Building Products Ltd.

Pro Forma Consolidated Financial Statements
(Unaudited)

(in Canadian dollars)

TAIGA BUILDING PRODUCTS LTD.

Pro Forma Condensed Consolidated Balance Sheets
As at June 30, 2018
(Unaudited)

(in thousands of Canadian dollars)	Notes	Taiga Building Products Ltd. $	Exterior Wood, Inc. $	Pro Forma Adjustments $	Taiga Building Products Ltd. Pro Forma Consolidated $
Assets					
Current:					
Cash	2(c)	-	2,909	(2,909)	-
Accounts receivable		200,162	9,985	-	210,147
Inventories		151,093	20,796	-	171,889
Prepaid expenses		2,458	376	-	2,834
		353,713	34,066	(2,909)	384,870
Property, plant and equipment		38,481	6,019	-	44,500
Intangible Assets	2(a)	-	-	23,518	23,518
Goodwill	2(a)	-	-	8,063	8,063
Deferred tax assets		707	-	-	707
		392,901	40,085	28,672	461,658
Liabilities and Shareholders' Equity					
Current:					
Due to Taiga Building Products USA Ltd.	2(c)	-	6,670	(6,670)	-
Revolving credit facility	2(b),(c)	139,283	-	29,515	168,798
Accounts payable and accrued liabilities	2(a)	92,645	4,018	-	96,663
Income taxes payable		9,261	-	-	9,261
Current portion of long-term debt	2(b)	942	-	7,455	8,397
Current portion of finance lease obligation		2,404	-	-	2,404
		244,535	10,688	30,299	285,522
Finance lease obligation		21,451	-	-	21,451
Long-term debt	2(b)	-	-	22,831	22,831
Deferred gain		2,910	-	-	2,910
Deferred tax liabilities	2(a)	-	-	4,939	4,939
Provisions		716	-	-	716
Subordinated notes		12,500	-	-	12,500
		282,112	10,688	58,069	350,869
Shareholders' Equity:					
Share capital	2(a)	132,340	310	(310)	132,340
Share premium	2(a)	-	290	(290)	-
Accumulated other comprehensive income		7,297	-		7,297
		139,637	600	(600)	139,637
(Deficit) Retained Earnings	2(a)	(28,848)	29,370	(29,370)	(28,848)
		110,789	29,970	(29,970)	110,789
		392,901	40,658	28,099	461,658

TAIGA BUILDING PRODUCTS LTD.

Pro Forma Consolidated Statements of Earnings and Comprehensive Income
For the six months ended June 30, 2018
(Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Notes	Taiga Building Products Ltd. $	Exterior Wood, Inc. $	Pro Forma Adjustments $	Taiga Building Products Ltd. Pro Forma Consolidated $
Sales		747,472	54,770		802,242
Cost of sales		677,286	46,088		723,374
Gross margin		70,186	8,682		78,868
Expenses:					
Distribution		11,895	1,035	-	12,930
Selling and administration	3(a)	33,138	3,520	784	37,442
Finance	3(b)	3,015	117	1,088	4,220
Subordinated debt interest		399	-	-	399
Other income		(200)	(56)	-	(256)
		48,247	4,616	1,872	54,734
Earnings before income tax		21,939	4,066	(1,872)	24,134
Income tax expense (Note 10)	3(c)	8,791	-	461	9,252
Net earnings (loss) for the period		13,148	4,066	(2,333)	14,882
Other comprehensive loss for the period					
(Item that may be reclassified to net earnings)					
Exchange differences on translating foreign controlled entities	3(d)	2,553	-	153	2,706
Total comprehensive income (loss) for the period		15,701	4,066	(2,179)	17,588
Basic and diluted net earnings (loss) per common share		0.11	N/A		0.13
Weighted average number of common shares outstanding		116,696	N/A	116,696	116,696

TAIGA BUILDING PRODUCTS LTD.

Pro Forma Consolidated Statements of Earnings and Comprehensive Income
For the nine months ended December 31, 2017
(Unaudited)

(in thousands of Canadian dollars, except per share amounts	Notes	Taiga Building Products Ltd. $	Exterior Wood, Inc. $	Pro Forma Adjustments $	Taiga Building Products Ltd. Pro Forma Consolidated $
Sales		1,106,211	72,725		1,178,936
Cost of sales		1,007,355	59,348		1,066,703
Gross margin		98,856	13,377		112,233
Expenses:					
Distribution		17,014	1,292	-	18,306
Selling and administration	3(a)	45,574	4,012	1,176	50,762
Loss on settlement of debt		18,570	-		18,570
Finance	3(b)	4,093	49	1,647	5,789
Subordinated debt interest		11,552	-	-	11,552
Other income		(362)	(57)	-	(419)
		96,441	5,297	2,822	104,560
Earnings before income tax		2,415	8,080	-	7,673
Income tax expense (Note 10)	3(c)	6,601	-	1,104	7,705
Net earnings (loss) for the period		(4,186)	8,080	(1,104)	(32)
Other comprehensive loss for the period					
(Item that may be reclassified to net earnings)					
Exchange differences on translating foreign controlled entitie	3(d)	(1,966)	-	472	(1,494)
Total comprehensive income (loss) for the period		(6,152)	8,080	(632)	(1,527)
Basic and diluted net earnings (loss) per common share		(0.09)	N/A		-
Weighted average number of common shares outstanding		46,227	N/A	46,227	46,227

1. Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements of Taiga Building Products Ltd. ("Taiga" or the "Company") have been prepared to reflect the acquisition of Exterior Wood, Inc. (the "Acquired Business") from the Sellers (as defined below) (the "Acquisition").

Taiga is an independent wholesale distributor of building products in 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 head office is located at #800-4710 Kingsway, Burnaby, BC.

Prior to the Acquisition, the Acquired Business was owned by Dave Perry, Larry Draper, Nancy Bishoprick and the estate of Stan Bishoprick (collectively the "Sellers"). The Acquired Business' manufactures pressure-treated wood and related products for indoor and outdoor use in building construction material, farm and agriculture, decks, fences and highway material and its head office is located at 2685 Index St, Washougal, Washington.

The accompanying unaudited pro forma consolidated balance sheet as at June 30, 2018 and the unaudited pro forma consolidated statements of earnings and comprehensive income for the six months ended June 30, 2018 and the nine month period ended December 31, 2017 have been prepared by the management of the Company and the Acquired Business to give effect to the Acquisition. They have been prepared using the accounting policies disclosed in the consolidated financial statements of the Company.

The unaudited pro forma consolidated balance sheet has been prepared as if the Acquisition had occurred on June 30, 2018 and based on the following information:

a) the unaudited consolidated balance sheet of the Company as at June 30, 2018 derived from its unaudited interim condensed financial statements for the six month period ended June 30, 2018; and

b) the audited consolidated balance sheet of the Acquired Business as at July 31, 2018 derived from its audited consolidated financial statements for the year ended July 31, 2018. The balance sheet was translated from US dollars to Canadian dollars using the June 30, 2018 exchange rate of CAD 1.3168 / USD 1.00.

The unaudited pro forma statement of earnings and comprehensive income for the six months ended June 30, 2018 has been prepared as if the Acquisition had occurred on April 1, 2017 and based on the following information:

c) the unaudited consolidated statement of earnings and comprehensive income of the Company for the six months ended June 30, 2018 derived from its unaudited interim condensed financial statements for the six month period ended June 30, 2018; and

d) the constructed unaudited statement of earnings and comprehensive income of the Acquired Business for the six months ended July 31, 2018. The statement of earnings and comprehensive income was translated from US dollars to Canadian dollars using the average exchange rate for the six month period ended June 30, 2018 which was determined to be CAD 1.2780 / USD 1.00.

The unaudited pro forma statement of earnings and comprehensive income for the nine months ended December 31, 2017 has been prepared as if the Acquisition had occurred on April 1, 2017 and based on the following information:

e) the audited consolidated statement of earnings and comprehensive income for the Company for the nine month period ended December 31, 2017 derived from its audited annual consolidated financial statements for the nine month period ended December 31, 2017. Note that the fiscal year end of the Company was changed from March 31 to December 31 in 2017, so as to align its financial disclosure with its largest shareholder for operational and administrative efficiency. Accordingly, the audited financial statements of the Company for the year ended December 31, 2017 were prepared as a 9-month transition year.

f) the constructed unaudited statement of earnings and comprehensive income of the Acquired Business for the nine months ended December 31, 2017. The statement of earnings and comprehensive income was translated from US dollars to Canadian dollars using the average exchange rate for the nine month period ended December 31, 2017 which was determined to be CAD 1.2897 / USD 1.00.

The unaudited pro forma information is based on preliminary estimates and assumptions set forth in the notes to such information. It does not reflect any cost savings that may be realized from the elimination of certain expenses nor from any synergies that may be created or the cost to implement such savings and synergies. There is no assurance that any such cost savings and synergies will be achieved.

The pro forma adjustments, including the determination of the fair value of the purchase consideration and the fair value of the assets acquired and liabilities assumed, are preliminary and are based on management's best estimate. The final determination of the fair value of the purchase consideration, identifiable assets acquired and liabilities assumed will be completed as at the Acquisition date and after asset and liability valuations have been finalized. Fair values preliminarily assigned to the net tangible and intangible assets may change significantly, which could result in a material change in the amortization associate with the net tangible and intangible assets.

The unaudited pro forma consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company, and with the consolidated financial statements of the Acquired Business included elsewhere in the Business Acquisition Report.

The unaudited pro forma consolidated financial statements may not be indicative of the financial position and financial performance that would have occurred if the Acquisition had been completed on the dates indicated or of the financial position or financial performance that may be obtained in the future.

2. Unaudited Pro Forma Consolidated Balance Sheet Assumptions and Adjustments

The unaudited pro forma consolidated balance sheet of the Company is based on the consolidated balance sheet of the Company as at June 30, 2018 and the consolidated balance sheet of the Acquired Business as at July 31, 2018 and is adjusted to reflect the transactions described in Note 1 as if they had occurred on June 30, 2018. These transactions resulted in the following adjustments:

a) To reflect the acquisition of certain assets and liabilities of the Sellers, which has been accounted for using the acquisition method of accounting, the total purchase consideration transferred to the Sellers was US$42,557,000 cash. For the purposes of the unaudited pro forma consolidated financial statements, the fair value of the consideration transferred is estimated to be $56,040,000 Canadian dollars based on the exchange rate on that date.

For the six months ended June 30, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

The following table sets out the estimated fair value of the consideration transferred and the estimated fair value of the assets acquired and the liabilities assumed on July 31, 2018:

	$
Fair value of purchase consideration	
Cash	56,040
Fair value of assets acquired and liabilities assumed	
Current assets	34,066
Current liabilities	(10,687)
Property, plant and equipment	6,019
Intangibles	23,518
Goodwill	8,063
Deferred tax liabilities	(4,939)
	56,040
Adjustment to equity to eliminate pre-acquisition equity of the Acquired Business	
Shares	(310)
Share Premium	(290)
Retained Earnings	(28,797)
	(29,397)

The difference between the fair value of the consideration transferred and the fair value of assets acquired and liabilities assumed has been recorded as goodwill. The fair values above are based on management's current best estimate and on information furnished by the management of the Acquired Business. Changes are expected as a result of a complete valuation, and additional information as it becomes available. As a result, actual fair values could materially differ from those presented in the unaudited pro forma consolidated financial statements. Directly attributable acquisition-related costs were estimated at $500,000, and were accrued in accounts payable and accrued liabilities as at June 30, 2018, with a corresponding decrease in retained earnings.

b) To reflect the funding of the purchase price of the Acquisition through a corresponding increases in the current portion of long-term debt, long-term debt and the 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 $30 million at favourable rates, which the Company utilized to partially fund the Acquisition.

c) To reflect the settlement of the Acquired Business' due to Taiga Building Products USA Ltd. and bank accounts concurrent with the Acquisition.

3. Unaudited Pro Forma Consolidated Statements of Earnings and Comprehensive Income

The unaudited pro forma consolidated statements of earnings and comprehensive income of the Company for the six months ended June 30, 2018 and the nine months ended December 31, 2017 have been prepared as if the Acquisition described in Note 1 had been completed on April 1, 2017. The pro forma consolidated statement of earnings and comprehensive income of the Company reflects the following assumptions:

a) To adjust amortization expense as a result of a fair value adjustment on intangible assets at the Acquisition date. The primary identifiable intangible asset initially recognized is customer relationship and is being amortized over a period of 15 years.

b) To reflect additional interest expense on the funding of the purchase price of the Acquisition through increases in debt and the revolving credit facility.

c) To reflect additional taxes payable by the company on earnings from the Acquired Business at the US federal income tax rate of 21%.

d) To reflect foreign exchange translation adjustment, net of tax, on the translation of the Acquired Business into Canadian dollars.