

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months and nine months ended September 30, 2020 and 2019
(in Canadian dollars)

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Taiga Building Products Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TAIGA BUILDING PRODUCTS LTD.
Condensed Interim Consolidated Balance Sheets
(Unaudited)

<i>(in thousands of Canadian dollars)</i>	September 30, 2020	September 30, 2019	December 31, 2019
Assets			
Current:			
Accounts receivable	\$ 202,419	\$ 127,513	\$ 85,334
Inventories (Note 4)	136,130	137,604	157,259
Prepaid expenses	3,512	2,229	2,814
	<u>342,061</u>	<u>267,346</u>	<u>245,407</u>
Property, plant and equipment	119,860	128,216	123,431
Intangible assets	15,398	16,433	15,836
Goodwill	10,432	10,357	10,158
Deferred tax assets	158	-	190
	<u>\$ 487,909</u>	<u>\$ 422,352</u>	<u>\$ 395,022</u>
Liabilities and Shareholders' Equity			
Current:			
Revolving credit facility (Note 5)	\$ 20,991	\$ 60,449	\$ 40,968
Accounts payable and accrued liabilities	135,886	72,383	64,650
Income taxes payable	10,048	11,859	13,977
Current portion of long-term debt	669	7,497	7,353
Current portion of lease obligations (Note 12)	4,675	4,776	4,431
	<u>172,269</u>	<u>156,964</u>	<u>131,379</u>
Long-term debt	7,969	12,605	10,524
Lease obligations (Note 12)	89,838	92,273	92,036
Deferred gain	2,511	2,630	2,600
Deferred tax liabilities	10,263	6,794	5,727
Provisions	1,644	600	572
Subordinated notes (Notes 7 and 12)	12,500	12,500	12,500
	<u>296,994</u>	<u>284,366</u>	<u>255,338</u>
Shareholders' Equity:			
Share capital (Note 8)	124,048	128,240	127,278
Accumulated other comprehensive income (Note 8)	6,792	8,624	5,522
Retained earnings	60,075	1,121	6,884
	<u>190,915</u>	<u>137,985</u>	<u>139,684</u>
	<u>\$ 487,909</u>	<u>\$ 422,352</u>	<u>\$ 395,022</u>

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

<i>(in thousands of Canadian dollars, except per share amounts)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Sales	\$ 500,667	\$ 358,875	\$ 1,177,840	\$ 1,000,997
Cost of sales	409,152	322,378	1,013,031	902,133
Gross margin	91,515	36,497	164,809	98,864
Expenses:				
Distribution	6,766	6,684	19,404	19,612
Selling and administration	36,898	15,415	69,046	42,874
Finance (Note 9)	1,910	2,385	6,393	7,455
Subordinated debt interest (Note 7)	218	218	656	656
Canada Emergency Wage Subsidy (Note 10)	(17)	-	(2,919)	-
Other income	174	(30)	91	(122)
	45,949	24,673	92,671	70,475
Earnings before income tax	45,566	11,824	72,138	28,389
Income tax expense (Note 6)	12,136	3,486	18,947	8,247
Net earnings for the period	\$ 33,430	\$ 8,338	\$ 53,191	\$ 20,142
Other comprehensive income				
Exchange differences on translating foreign controlled entities	\$ (1,171)	\$ 1,176	\$ 1,270	\$ 21
Total comprehensive income for the period	\$ 32,259	\$ 9,515	\$ 54,461	\$ 20,163
Basic and diluted net earnings per common share	\$ 0.31	\$ 0.07	\$ 0.48	\$ 0.18
Weighted average number of common shares outstanding	109,595	114,047	111,080	115,053

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the nine months ended September 30, 2019

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2018	\$ 131,432	\$ (21,729)	\$ 8,603	\$ 118,306
Net earnings	-	20,142	-	20,142
IFRS 16 adoption adjustment	-	2,708	-	2,708
Shares purchased under the NCIB and cancelled	(3,192)	-	-	(3,192)
Other comprehensive income	-	-	21	21
Balance at September 30, 2019	\$ 128,240	\$ 1,121	\$ 8,624	\$ 137,985

For the nine months ended September 30, 2020

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2019	\$ 127,278	\$ 6,884	\$ 5,522	\$ 139,684
Net earnings	-	53,191	-	53,191
Shares purchased under the NCIB and cancelled (Note 8)	(3,230)	-	-	(3,230)
Other comprehensive income	-	-	1,270	1,270
Balance at September 30, 2020	\$ 124,048	\$ 60,075	\$ 6,792	\$ 190,915

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

TAIGA BUILDING PRODUCTS LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Operating:				
Net earnings	\$ 33,430	\$ 8,338	\$ 53,191	\$ 20,142
Adjustments for non-cash items				
Amortization	2,795	2,809	8,307	8,300
Income tax expense	12,136	3,486	18,947	8,247
Mark-to-market adjustment on financial instruments	(778)	(117)	(438)	26
Change in provisions	1,120	(23)	1,072	(68)
Loss (Gain) on asset disposal	202	(59)	198	(67)
Amortization of deferred gain	(29)	(29)	(89)	(89)
Finance and subordinated debt interest expense	2,128	2,603	7,049	8,111
Interest paid	(1,651)	(3,320)	(5,327)	(7,180)
Income tax paid	(787)	(133)	(18,163)	(6,096)
Changes in non-cash working capital (Note 13)	24,126	53,126	(26,286)	(11,584)
Cash flows from (used in) operating activities	72,692	66,681	38,461	19,742
Investing:				
Purchase of property, plant and equipment	(424)	(361)	(2,122)	(970)
Proceeds from disposition of property, plant and equipment	11	3	15	56
Cash flows used in investing activities	(413)	(358)	(2,107)	(914)
Financing:				
Increase (Decrease) in revolving credit facility	(69,531)	(60,274)	(20,270)	(2,505)
Advance (Repayment) of long-term debt	(357)	(1,616)	(9,239)	(8,700)
Repayment of lease obligations	(898)	(1,241)	(3,180)	(3,997)
Subordinated notes interest paid	-	-	(435)	(434)
Repurchase of common shares	(1,493)	(3,192)	(3,230)	(3,192)
Cash flows from (used in) financing activities	(72,279)	(66,323)	(36,354)	(18,828)
Cash and cash equivalents - end of period	\$ -	\$ -	\$ -	\$ -

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

1. Nature of Operations

Taiga Building Products Ltd. ("Taiga" or the "Company") is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company's shares are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 20th floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

2. Basis of Preparation

(a) Statement of Compliance

These condensed interim consolidated financial statements (the "Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on November 11, 2020 by the board of directors of the Company.

(b) Basis of Consolidation

These 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 Financial Statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these Financial Statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

(a) Newly adopted accounting policies

The Company adopted IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20") to account for the Canada Emergency Wage Subsidy (CEWS) program created by the Government of Canada. The Company recognizes government subsidies on an accrual basis when there is reasonable assurance that it will comply with the conditions required to qualify for the subsidy and that the collection of the subsidy is also reasonably assured. Government subsidies are recognized on the consolidated statements of earnings and comprehensive income over the periods in which the expense that the subsidy is intended to offset are incurred.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2020 and 2019 (in Canadian dollars)

4. Inventories

<i>(in thousands of dollars)</i>	September 30, 2020	September 30, 2019	December 31, 2019
Allied building products	29,388	23,212	28,041
Lumber products	83,643	91,132	100,913
Panel products	22,106	22,204	27,575
Production consumables	1,048	1,123	885
Inventory provision	(55)	(67)	(155)
Total	136,130	137,604	157,259

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

5. Revolving Credit Facility

<i>(in thousands of dollars)</i>	September 30, 2020	September 30, 2019	December 31, 2019
Revolving credit facility	21,910	61,698	42,126
Financing costs, net of amortization	(919)	(1,249)	(1,158)
Total	20,991	60,449	40,968

On September 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 favorable rates, which Taiga utilized for the Business Acquisition referred to in Note 5 of the Company's audited 2018 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 September 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 September 30, 2020.

6. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Current	8,595	15,183	14,235	27,045
Deferred	3,541	(11,697)	4,712	(18,798)
Total	12,136	3,486	18,947	8,247

7. Subordinated Notes

Per the Trust Indenture dated November 17, 2017, the Company's subordinated notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The subordinated 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 notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the quarter ended September 30, 2020.

8. Shareholders' Equity

(a) Authorized Share Capital

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2020 and 2019 (in Canadian dollars)

Unlimited common shares without par value, unlimited class A common shares without par value, and unlimited class A and class B preferred shares without par value.

(b) Normal Course Issuer Bid

On August 13, 2019, 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 5,778,181 of its 115,563,638 then outstanding common shares, representing 5% of the outstanding common shares. This NCIB expired on August 12, 2020 and the Company purchased 5,778,181 shares during the NCIB.

On August 13, 2020, 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 5,489,272 of its 109,785,457 then outstanding common shares, representing 5% of the outstanding common shares. For the three months ended September 30, 2020, the Company purchased 1,243,900 of its common shares for cash payments of \$1,492,680. For the nine months ended September 30, 2020, the Company purchased 2,979,026 of its common shares for cash payments of \$3,230,202. These common shares purchased by the Company have been cancelled. At September 30, 2020 there were 4,245,372 remaining common shares permitted to be purchased by the Company per the terms of the NCIB.

(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2018	115,563,638	131,432
Shares purchased under NCIB and cancelled	4,043,055	4,154
Balance, December 31, 2019	111,520,583	127,278
Shares purchased under NCIB and cancelled	2,979,026	3,230
Balance, September 30, 2020	108,541,557	124,048

(d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of exchange differences arising on translation of entities that have a functional currency other than the Canadian dollar.

(e) Stock Options and Warrants

Taiga does not have stock options or warrants outstanding and has not granted or cancelled options or warrants during the current or prior period.

(f) Major Shareholder

Taiga's major shareholder is Avarga Limited, holding 71.6% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman, chief executive officer and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

9. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest on revolving credit facility and other short term liabilities	419	682	1,570	2,529
Interest on leases and long-term debt	1,407	1,620	4,571	4,677
Amortization of financing costs	84	83	252	249
Total	2,206	2,385	4,483	7,455

10. Canada Emergency Wage Subsidy

In response to COVID-19, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") program in April 2020. CEWS provides a wage subsidy on eligible remuneration, subject to a maximum per employee, to eligible employers based on meeting certain eligibility criteria. The Company determined that it qualified for this subsidy. The Company has recognized the government grant as a reduction to expenses as it has complied with the eligibility criteria and the subsidy has been received. Included in the statement of earnings and comprehensive income for the nine months ended September 30, 2020 is \$2,918,672 relating to the CEWS program. The subsidy is not required to be repaid.

11. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency in the amount of approximately \$42,000,000 (which includes interest) relating to the years from 2005 to 2013. The reassessment related to the amount of taxes withheld, by Taiga, on dividends paid or deemed to have been paid to what were then the Company's two largest shareholders in connection with and subsequent to Taiga's corporate reorganization in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its two former major shareholders. The Company, and the two former major shareholders, had previously entered into agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The indemnity agreements remain in effect and would apply in the event that CRA issues further reassessments relating to the amount of taxes withheld. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

12. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	September 30, 2020	September 30, 2019
Carrying amount	90,240	97,049
Fair value	90,217	97,049

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

The fair value of the 7% subordinated notes are as follows:

<i>(in thousands of dollars)</i>	September 30, 2020	September 30, 2019
Carrying amount	12,500	12,500

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020 and 2019 (in Canadian dollars)

Fair value	12,932	12,500
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The fair value of the 7% subordinated notes was determined using current borrowing rates for similar debt instruments.

The carrying amount of derivative financial instrument assets and liabilities are equal to their fair values as these instruments are re-measured to their fair values at each reporting date as follows:

<i>(in thousands of dollars)</i>	September 30, 2020	September 30, 2019
Lumber futures	306	30

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.

The following table summarizes the classification and carrying values of the Company's financial instruments at September 30, 2020 and 2019:

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020 and 2019 (in Canadian dollars)

(in thousands of dollars)

At September 30, 2020	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	202,419	-	-	202,419
Lumber futures ¹	-	306	-	306
Total financial assets:	202,419	-	-	202,725
Financial liabilities:				
Revolving credit facility	-	-	20,991	20,991
Accounts payable & accrued liabilities	-	-	135,886	135,886
Current portion of long-term debt	-	-	669	669
Non-current portion of long-term debt	-	-	7,969	7,969
Current portion of lease obligations	-	-	4,675	4,675
Non-current portion of lease obligations	-	-	89,838	89,838
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	272,528	272,528

(in thousands of dollars)

At September 30, 2019	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	127,513	-	-	127,513
Lumber futures ¹	-	30	-	30
Total financial assets:	127,513	30	-	127,543
Financial liabilities:				
Revolving credit facility	-	-	60,449	60,449
Accounts payable & accrued liabilities	-	-	72,383	72,383
Current portion of long-term debt	-	-	7,497	7,497
Non-current portion of long-term debt	-	-	12,605	12,605
Current portion of financial lease obligations	-	-	4,776	4,776
Non-current portion of lease obligations	-	-	92,273	92,273
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	262,483	262,483

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

13. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
(Increase) Decrease in Accounts receivable	(8,983)	33,484	(117,088)	(32,508)
(Increase) Decrease in Inventories	(6,496)	18,204	21,129	11,881
(Increase) Decrease in Prepaid expenses and other	1,489	(1,224)	(2,510)	(1,873)
Effect of foreign exchange on working capital	(2,765)	2,314	2,379	(2,226)
(Decrease) Increase in Accounts payable & accrued liabilities	40,881	348	69,804	13,142
Total	24,126	53,126	(26,286)	(11,584)

14. 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

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020 and 2019 (in Canadian dollars)

reduced sales in the late fall and winter during its quarters ended December 31 and March 31 of each fiscal year.

15. Segmented Information

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

	Revenue by Point of Sale							
	Three months ended September 30,				Nine months ended September 30,			
	2020		2019		2020		2019	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	389,773	77.9	284,537	79.3	913,628	77.6	806,536	80.6
United States	110,894	22.1	74,338	20.7	264,211	22.4	194,461	19.4

During the three months period ended September 30, 2020, Taiga's Canadian operations had export sales of \$75.3 million (2019 - \$50.4 million). For the nine months period ended September 30, 2020, export sales were \$174.4 million (2019 - \$134.3 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.

16. Covid-19 Pandemic

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the outbreak and the related mitigation measures have had the following impacts on the Company's operations, among others: sales decline of over 30% for the month of April. The Company's revenues recovered subsequent to this. However, the extent to which these events may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine the ultimate financial impacts at this time. However, the Company recognizes that there will be economic and financial challenges to be faced for the balance of the fiscal year