

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2022 and 2021
(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)

	September 30, 2022	September 30, 2021	December 31, 2021
<i>(in thousands of Canadian dollars)</i>			
Assets			
Current:			
Cash and cash equivalents (Note 4)	\$ 105,589	\$ 56,723	\$ 69,673
Accounts receivable	200,016	179,249	139,193
Inventories (Note 5)	198,962	204,141	217,698
Prepaid expenses	4,097	5,200	4,025
Current income tax assets	3,476	-	-
	512,140	445,313	430,589
Property, plant and equipment	120,782	122,612	121,271
Intangible assets	13,450	13,605	13,263
Goodwill	10,720	9,964	9,915
Deferred tax assets	11,010	3,918	7,966
	\$ 668,102	\$ 595,412	\$ 583,004
Liabilities and Shareholders' Equity			
Current:			
Accounts payable and accrued liabilities	\$ 185,269	\$ 176,943	\$ 155,877
Income taxes payable	-	38,269	31,675
Current portion of long-term debt	687	639	636
Current portion of lease obligations	5,701	5,278	5,270
Subordinated notes (Note 7)	12,500	-	12,500
	204,157	221,129	205,958
Long-term debt	6,815	6,973	6,780
Lease obligations	92,820	94,661	94,132
Deferred gain	2,272	2,392	2,362
Deferred tax liabilities	6,826	48	6,347
Provisions	290	395	370
Subordinated notes (Note 7)	-	12,500	-
	313,180	338,098	315,949
Shareholders' Equity:			
Share capital (Note 8)	123,110	123,204	123,204
Accumulated other comprehensive income (Note 8)	12,502	3,997	3,456
Retained earnings	219,310	130,113	140,395
	354,922	257,314	267,055
	\$ 668,102	\$ 595,412	\$ 583,004

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

TAIGA BUILDING PRODUCTS LTD.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<i>(in thousands of Canadian dollars, except per share amounts)</i>				
Sales	\$ 533,066	\$ 484,563	\$ 1,791,892	\$ 1,807,213
Cost of sales	469,220	476,917	1,550,170	1,561,306
Gross margin	63,846	7,646	241,722	245,907
Expenses:				
Distribution	7,333	6,834	22,008	20,708
Selling and administration	29,658	5,399	106,312	105,493
Finance (Note 9)	1,494	1,855	5,498	5,795
Subordinated debt interest (Note 7)	218	218	656	656
Other expenses (income)	(11)	12	(160)	302
	38,692	14,318	134,314	132,954
Earnings (loss) before income tax	25,154	(6,672)	107,408	112,953
Income tax expense (recovery) (Note 6)	6,534	(1,432)	28,493	30,549
Net earnings (loss) for the period	\$ 18,620	\$ (5,240)	\$ 78,915	\$ 82,404
Other comprehensive income				
Exchange differences on translating foreign controlled entities	\$ 7,296	\$ 3,031	\$ 9,046	\$ 736
Total comprehensive income (loss) for the period	\$ 25,916	\$ (2,209)	\$ 87,961	\$ 83,140
Basic and diluted net earnings (loss) per common share	\$ 0.17	\$ (0.05)	\$ 0.73	\$ 0.76
Weighted average number of common shares outstanding	108,200	108,375	108,206	108,486

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

TAIGA BUILDING PRODUCTS LTD.

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

For the nine months ended September 30, 2021

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2020	\$ 124,048	\$ 77,710	\$ 3,261	\$ 205,019
Net earnings	-	82,404	-	82,404
Dividend (Note 8)	-	(30,001)	-	(30,001)
Shares purchased under the NCIB and cancelled (Note 8)	(844)	-	-	(844)
Other comprehensive income	-	-	736	736
Balance at September 30, 2021	\$ 123,204	\$ 130,113	\$ 3,997	\$ 257,314

For the nine months ended September 30, 2022

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2021	\$ 123,204	\$ 140,395	\$ 3,456	\$ 267,055
Net earnings	-	78,915	-	78,915
Shares purchased under the NCIB and cancelled (Note 8)	(94)	-	-	(94)
Other comprehensive income	-	-	9,046	9,046
Balance at September 30, 2022	\$ 123,110	\$ 219,310	\$ 12,502	\$ 354,922

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(in thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cash provided by (used in):				
Operating:				
Net (loss) earnings	\$ 18,620	\$ (5,240)	\$ 78,915	\$ 82,404
Adjustments for non-cash items				
Amortization	2,898	2,758	8,517	8,352
Income tax expense (recovery)	6,534	(1,432)	28,493	30,549
Mark-to-market adjustment on financial instruments	(357)	939	(1,035)	(14)
Change in provisions	(27)	(26)	(80)	(76)
Loss (gain) on asset disposal	25	41	(65)	391
Amortization of deferred gain	(30)	(29)	(90)	(89)
Finance and subordinated debt interest expense	1,712	2,073	6,154	6,451
Interest paid	(1,611)	(1,611)	(5,277)	(5,511)
Income tax paid	(34,304)	(10,017)	(65,545)	(14,497)
Changes in non-cash working capital (Note 12)	110,382	167,103	(9,281)	(4,937)
Cash flows used in operating activities	103,842	154,560	40,706	103,023
Investing:				
Purchase of property, plant and equipment	(1,289)	(1,180)	(2,719)	(2,687)
Proceeds from disposition of property, plant and equipment	17	-	123	(35)
Cash flows used in investing activities	(1,272)	(1,180)	(2,596)	(2,722)
Financing:				
Increase (decrease) in revolving credit facility	-	(94,233)	-	(8,742)
Repayment of long-term debt	288	53	86	(473)
Repayment of lease obligations	(1,410)	(1,270)	(3,860)	(3,336)
Subordinated notes interest paid	-	-	(434)	(438)
Dividends paid	-	-	-	(30,001)
Repurchase of common shares	(94)	(844)	(94)	(844)
Cash flows provided by financing activities	(1,216)	(96,294)	(4,302)	(43,834)
Effect of foreign exchange on cash	1,787	(363)	2,108	256
Cash (credit facility) - beginning of year	2,448	-	69,673	-
Cash (credit facility) - end of period	\$ 105,589	\$ 56,723	\$ 105,589	\$ 56,723

The accompanying notes are an integral part of these condensed 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, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on November 4, 2022 by the board of directors of the Company.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of Taiga Building Products Ltd. and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. Inter-company transactions and balances have been eliminated.

(c) Basis of Measurement

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

3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

4. Cash

<i>(in thousands of dollars)</i>	September 30, 2022	September 30, 2021	December 31, 2021
Cash	105,336	56,148	69,181
Financing costs, net of amortization	253	575	492
Total	105,589	56,723	69,673

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

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2022 and 2021 (in Canadian dollars)

an aggregate amount of approximately \$23 million at favourable rates. 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 September 30, 2022.

5. Inventories

<i>(in thousands of dollars)</i>	September 30, 2022	September 30, 2021	December 31, 2021
Allied building products	52,755	40,011	50,979
Lumber products	115,279	151,425	134,948
Panel products	28,846	23,965	29,984
Production consumables	2,618	2,095	1,987
Inventory provision	(536)	(13,355)	(200)
Total	198,962	204,141	217,698

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

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,	
	2022	2021	2022	2021
Current	4,175	16,289	25,435	48,666
Deferred	2,359	(17,721)	(3,058)	(18,117)
Total	6,534	(1,432)	28,493	30,549

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, 2022.

8. Shareholders' Equity

(a) Authorized Share Capital

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

(b) Normal Course Issuer Bid

On August 18, 2021, 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 5,427,077 of its then outstanding 108,541,557 common shares, representing 5% of the outstanding common shares. This NCIB expired on August 17, 2022 and the Company purchased 332,594 shares during the NCIB.

On August 31, 2022, the Company commenced a further NCIB for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,410,448 of its then outstanding 108,208,963 common shares, representing 5% of the outstanding common shares. For the period ending September 30, 2022 the Company

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purchased 37,642 shares for \$94,007. These common shares purchased by the Company have been cancelled. At September 30, 2022 there were 5,372,806 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 30, 2023.

(c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2021	108,208,963	123,204
Shares purchased under NCIB and cancelled	37,642	94
Balance, September 30, 2022	108,171,321	123,110

(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 ("Avarga"), holding 71.8% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is the chief executive officer and a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

(h) Dividend

At the Company's board meeting on February 25, 2021, a special dividend of 27.64 cents per share was declared, payable to shareholders of record on March 5, 2021. The dividend was paid on March 19, 2021. This was a special, one-time dividend in light of the Company's strong results in fiscal year 2020.

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,	
	2022	2021	2022	2021
Interest on revolving credit facility and other short term liabilities	50	416	1,225	1,720
Interest on leases and long-term debt	1,361	1,357	4,026	3,830
Amortization of financing costs	83	82	247	245
Total	1,494	1,855	5,489	5,795

10. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	September 30, 2022	September 30, 2021
Carrying amount	92,237	99,939
Fair value	92,239	99,862

The fair value of the 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, 2022	September 30, 2021
Carrying amount	12,500	12,500
Fair value	12,500	12,936

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, 2022	September 30, 2021
Lumber futures	226	(181)

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.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2022 and 2021 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at September 30, 2022 and 2021:
(in thousands of dollars)

At September 30, 2022	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Cash and cash equivalents	105,589	-	-	105,589
Accounts receivable	200,016	-	-	200,016
Lumber futures ¹	-	226	-	226
Total financial assets:	305,605	226	-	305,831
Financial liabilities:				
Revolving credit facility	-	-	-	-
Accounts payable & accrued liabilities	-	-	185,269	185,269
Lumber futures ¹	-	-	-	-
Current portion of long-term debt	-	-	687	687
Non-current portion of long-term debt	-	-	6,815	6,815
Current portion of lease obligation	-	-	5,701	5,701
Non-current portion of lease obligation	-	-	92,820	92,820
Subordinated notes	-	-	12,500	12,500
Total financial liabilities:	-	-	303,792	303,792

(in thousands of dollars)

At September 30, 2021	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Cash and cash equivalents	56,723	-	-	56,723
Accounts receivable	179,249	-	-	179,249
Total financial assets:	235,972	-	-	235,972
Financial liabilities:				
Lumber futures ¹	-	181	-	181
Revolving credit facility	-	-	-	-
Accounts payable & accrued liabilities	-	-	176,943	176,943
Current portion of long-term debt	-	-	639	639
Non-current portion of long-term debt	-	-	6,973	6,973
Current portion of lease obligation	-	-	5,278	5,278
Non-current portion of lease obligation	-	-	94,661	94,661
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	181	296,994	297,175

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

11. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
(Increase) Decrease in Accounts receivable	64,211	147,546	(60,808)	(42,444)
(Increase) Decrease in Inventories	24,376	41,499	18,736	(14,162)
(Increase) Decrease in Prepaid expenses and other	(2,529)	(1,448)	(4,741)	(32,587)
Effect of foreign exchange on working capital	7,347	2,779	9,247	490
(Decrease) Increase in Accounts payable & accrued liabilities	16,977	(23,272)	28,285	83,766
Total	110,382	167,103	(9,281)	(4,937)

12. 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.

13. 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,			
	2022		2021		2022		2021	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	439,792	82.5	392,818	81.1	1,470,358	82.1	1,477,416	81.8
United States	93,274	17.5	91,745	18.9	321,534	17.9	329,797	18.2

For the quarter ended September 30, 2022, export sales totalled \$56.4 million compared to \$58.0 million in the previous year. For the nine months period ended September 30, 2022 export sales were \$222.7 million compared to \$257.0 million in the previous 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.