

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 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>	March 31, 2020	March 31, 2019	December 31, 2019
Assets			
Current:			
Accounts receivable	\$ 143,976	\$ 134,935	\$ 85,334
Inventories (Note 4)	168,913	172,085	157,259
Prepaid expenses	4,868	2,915	2,814
	<u>317,757</u>	<u>309,935</u>	<u>245,407</u>
Property, plant and equipment (Note 8)	124,525	128,699	123,431
Intangible assets	16,991	17,160	15,836
Goodwill	11,095	10,451	10,158
Deferred tax assets	201	280	190
	<u>\$ 470,569</u>	<u>\$ 466,525</u>	<u>\$ 395,022</u>
Liabilities and Shareholders' Equity			
Current:			
Revolving credit facility (Note 5)	\$ 112,744	\$ 116,170	\$ 40,968
Accounts payable and accrued liabilities	75,374	71,397	64,650
Income taxes payable	3,389	-	13,977
Current portion of long-term debt	711	7,565	7,353
Current portion of lease obligations	4,496	4,595	4,431
	<u>196,714</u>	<u>199,727</u>	<u>131,379</u>
Long-term debt	8,831	16,502	10,524
Lease obligations	91,798	93,474	92,036
Deferred gain	2,570	2,689	2,600
Deferred tax liabilities	6,325	14,129	5,727
Provisions	548	645	572
Subordinated notes (Note 7)	12,500	12,500	12,500
	<u>319,286</u>	<u>339,666</u>	<u>255,338</u>
Shareholders' Equity:			
Share capital (Note 8)	127,272	131,432	127,278
Accumulated other comprehensive income (Note 8)	10,514	9,787	5,522
Retained Earnings	13,497	(14,360)	6,884
	<u>151,283</u>	<u>126,859</u>	<u>139,684</u>
	<u>\$ 470,569</u>	<u>\$ 466,525</u>	<u>\$ 395,022</u>

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Earnings and Comprehensive (Unaudited)

<i>(in thousands of Canadian dollars, except per share amounts)</i>	For the three months ended	
	2020	March 31, 2019
Sales	\$ 320,279	\$ 287,399
Cost of sales	289,726	259,942
Gross margin	30,553	27,457
Expenses:		
Distribution	6,400	5,805
Selling and administration	13,764	13,329
Finance (Note 9)	2,277	2,230
Subordinated debt interest (Note 7)	219	219
Other income	(31)	(37)
	22,629	21,547
Earnings before income tax	7,924	5,910
Income tax expense (Note 6)	1,311	1,249
Net earnings for the period	\$ 6,613	\$ 4,661
Other comprehensive income		
Exchange differences on translating foreign controlled entities	\$ 4,992	\$ 1,184
Total comprehensive income for the period	\$ 11,605	\$ 5,845
Basic and diluted net earnings per common share	\$ 0.06	\$ 0.04
Weighted average number of common shares outstanding	111,517	115,564

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

TAIGA BUILDING PRODUCTS LTD.

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

For the three months ended March 31, 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	-	4,661	-	4,661
IFRS 16 adoption adjustment	-	2,708	-	2,708
Other comprehensive income	-	-	1,184	1,184
Balance at March 31, 2019	\$ 131,432	\$ (14,360)	\$ 9,787	\$ 126,859

For the three months ended March 31, 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	-	6,613	-	6,613
Shares purchased under the NCIB and cancelled (Note 8)	(6)	-	-	(6)
Other comprehensive income	-	-	4,992	4,992
Balance at March 31, 2020	\$ 127,272	\$ 13,497	\$ 10,514	\$ 151,283

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

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands of Canadian dollars)</i>	For the three months ended	
	2020	March 31, 2019
Cash provided by (used in):		
Operating:		
Net earnings	\$ 6,613	\$ 4,661
Adjustments for non-cash items		
Amortization	2,673	2,721
Income tax expense	1,311	1,249
Mark-to-market adjustment on financial instruments	(883)	(149)
Change in provisions	(24)	(23)
Loss (Gain) on asset disposal	-	3
Amortization of deferred gain	(30)	(30)
Finance and subordinated debt interest expense	2,496	2,449
Interest paid	(1,799)	(1,346)
Income tax paid	(12,888)	(4,460)
Changes in non-cash working capital (Note 12)	(55,451)	(51,152)
Cash flows from (used in) operating activities	(57,982)	(46,077)
Investing:		
Purchase of property, plant and equipment	(908)	(423)
Proceeds from disposition of property, plant and equipment	-	23
Cash flows used in investing activities	(908)	(400)
Financing:		
Increase (Decrease) in revolving credit facility	68,366	52,743
Advance (Repayment) of long-term debt	(8,335)	(4,735)
Repayment of lease obligations	(1,135)	(1,531)
Repurchase of common shares	(6)	-
Cash flows from (used in) financing activities	58,890	46,477
Cash and cash equivalents - end of period	\$ -	\$ -

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

1. Nature of Operations

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

Taiga is a Canadian corporation and its registered and records office is located at 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 May 6, 2020 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, 2019.

4. Inventories

<i>(in thousands of dollars)</i>	March 31, 2020	March 31, 2019	December 31, 2019
Allied building products	32,910	30,359	28,041
Lumber products	101,657	110,795	100,913
Panel products	32,680	29,896	27,575
Production consumables	2,069	1,229	885
Inventory provision	(403)	(194)	(155)
Total	168,913	172,085	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>	March 31, 2020	March 31, 2019	December 31, 2019
Revolving credit facility	113,855	117,587	42,126
Financing costs, net of amortization	(1,111)	(1,417)	(1,158)
Total	112,744	116,170	40,968

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from \$225 million to \$250 million, with an option to increase the limit by up to \$50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately \$23 million at favourable rates, which Taiga utilized for the Business Acquisition referred to in Note 6 of the Company's audited financial statements. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at March 31, 2020.

6. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended March 31,	
	2020	2019
Current	1,729	421
Deferred	(418)	828
Total	1,311	1,249

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 March 31, 2020.

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 8, 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. For the three months ended March 31, 2020, the Company purchased 8,140 of its common shares for cash payments of \$6,405. These common shares purchased by the Company have been cancelled. At March 31, 2020 there were 1,726,986 remaining common shares permitted to be purchased by the Company per the terms of the NCIB.

(c) Common Shares Issued

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2020 and 2019 (in Canadian dollars)

<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	8,140	6
Balance, March 31, 2020	111,512,443	127,272

(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.

(g) Major Shareholder

The Company's major shareholder is Avarga Limited ("Avarga"), holding 67.9% or 75,708,814 of the issued and outstanding common shares of the Company. The Company's current chairman, Ian Tong, is a director of Avarga. Another of the Company'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 March 31,	
	2020	2019
Interest on revolving credit facility and other short term liabilities	538	798
Interest on leases and long-term debt	1,655	1,349
Amortization of financing costs	84	83
Total	2,277	2,230

10. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, The Company received a notice of reassessment from the Canada Revenue Agency ("CRA") 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 the Company, 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 the Company'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. The Company's two former major shareholders may elect to assume any action or defense of the Company in connection with the foregoing pursuant to the terms of the indemnity agreements with the Company.

11. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	March 31, 2020	March 31, 2019
Carrying amount	96,294	98,069
Fair value	96,254	98,069

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>	March 31, 2020	March 31, 2019
Carrying amount	12,500	12,500
Fair value	12,932	12,500

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>	March 31, 2020	March 31, 2019
Lumber futures	939	205

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 March 31, 2020 and 2019:

Taiga Building Products Ltd.

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For the three months ended March 31, 2020 and 2019 (in Canadian dollars)

(in thousands of dollars)

At March 31, 2020	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	143,976	-	-	143,976
Lumber futures ¹	-	939	-	939
Total financial assets:	143,976	939	-	144,915
Financial liabilities:				
Revolving credit facility	-	-	112,744	112,744
Accounts payable & accrued liabilities	-	-	75,374	75,374
Current portion of long-term debt	-	-	711	711
Non-current portion of long-term debt	-	-	8,831	8,831
Current portion of lease obligation	-	-	4,496	4,496
Non-current portion of lease obligation	-	-	91,798	91,798
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	306,454	306,454

(in thousands of dollars)

At March 31, 2019	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	134,730	-	-	134,730
Lumber futures ¹	-	205	-	205
Total financial assets:	134,730	205	-	134,935
Financial liabilities:				
Revolving credit facility	-	-	116,170	116,170
Accounts payable & accrued liabilities	-	-	71,397	71,397
Current portion of long-term debt	-	-	7,565	7,565
Non-current portion of long-term debt	-	-	16,502	16,502
Current portion of financial lease obligation	-	-	4,595	4,595
Non-current portion of financial lease obligation	-	-	93,474	93,474
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	322,203	322,203

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

12. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	Three months ended March 31,	
	2020	2019
(Increase) Decrease in accounts receivable	(59,205)	(39,907)
(Increase) Decrease in inventories	(11,654)	(22,600)
(Increase) Decrease in prepaid expenses and other	(7,223)	1,272
Effect of foreign exchange on working capital	11,028	(2,025)
(Decrease) Increase in accounts payable and accrued liabilities	11,603	12,108
Total	(55,451)	(51,152)

13. 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 months ended March 31, 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.

14. Segmented Information

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

<i>(in thousands of dollars except %)</i>	Three months ended March 31, 2020		2019	
	Sales	%	Sales	%
Canada	250,828	78.3	237,629	82.7
United States	69,451	21.7	49,770	17.3

During the three months ended March 31, 2020, Taiga's Canadian operations had export sales of \$50.4 million (three months ended March 31, 2019 - \$39.1 million). These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.

15. Subsequent Event

Covid-19 Pandemic

The recent 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 approximately 30%. 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, 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.