

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2023 and 2022
(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, 2023	March 31, 2022	December 31, 2022
Assets			
Current:			
Cash and cash equivalents (Note 4)	\$ 4,828	\$ -	\$ 94,494
Accounts receivable	193,329	289,205	123,098
Inventories (Note 5)	225,028	247,349	226,350
Prepaid expenses	5,582	5,379	5,034
Current income tax assets	11,834	-	14,977
	440,601	541,933	463,953
Property, plant and equipment	120,463	119,530	122,144
Intangible assets	12,694	12,803	12,997
Goodwill	10,584	9,773	10,592
Long term investments	9,607	-	-
Deferred tax assets	6,777	10,815	8,146
	\$ 600,726	\$ 694,854	\$ 617,832
Liabilities and Shareholders' Equity			
Current:			
Revolving credit facility (Note 6)	\$ -	\$ 82,784	\$ -
Accounts payable and accrued liabilities	118,856	159,985	147,989
Income taxes payable	-	20,083	-
Current portion of long-term debt	-	626	-
Current portion of lease obligations	5,437	5,355	5,408
Subordinated notes	-	12,500	-
	124,293	281,333	153,397
Long-term debt	-	6,578	-
Lease obligations	90,882	93,081	92,034
Deferred gain	2,213	2,332	2,243
Deferred tax liabilities	6,495	6,248	6,647
Provisions	236	344	263
	224,119	389,916	254,584
Shareholders' Equity:			
Share capital (Note 8)	123,026	123,204	123,110
Accumulated other comprehensive income (Note 8)	11,042	1,839	11,115
Retained earnings	242,539	179,895	229,023
	376,607	304,938	363,248
	\$ 600,726	\$ 694,854	\$ 617,832

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 In (Unaudited)

	Three months ended March 31,	
<i>(in thousands of Canadian dollars, except per share amounts)</i>	2023	2022
Sales	\$ 408,492	\$ 612,704
Cost of sales	361,379	503,840
Gross margin	47,113	108,864
Expenses:		
Distribution	8,024	7,331
Selling and administration	19,640	45,810
Finance (Note 9)	1,117	1,871
Subordinated debt interest	-	219
Other expenses (income)	7	(53)
	28,788	55,178
Earnings before income tax	18,325	53,686
Income tax expense (Note 7)	4,809	14,186
Net earnings for the period	\$ 13,516	\$ 39,500
Other comprehensive income		
Exchange differences on translating foreign controlled entities	\$ (73)	\$ (1,617)
Total comprehensive income for the period	\$ 13,443	\$ 37,883
Basic and diluted net earnings per common share	\$ 0.12	\$ 0.37
Weighted average number of common shares outstanding	108,168	108,209

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 three months ended March 31, 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	-	39,500	-	39,500
Other comprehensive loss	-	-	(1,617)	(1,617)
Balance at March 31, 2022	\$ 123,204	\$ 179,895	\$ 1,839	\$ 304,938

For the three months ended March 31, 2023

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2022	\$ 123,110	\$ 229,023	\$ 11,115	\$ 363,248
Net earnings	-	13,516	-	13,516
Shares purchased under the NCIB and cancelled (Note 8)	(84)	-	-	(84)
Other comprehensive income	-	-	(73)	(73)
Balance at March 31, 2023	\$ 123,026	\$ 242,539	\$ 11,042	\$ 376,607

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)

	Three months ended March 31,	
<i>(in thousands of Canadian dollars)</i>	2023	2022
Cash provided by (used in):		
Operating:		
Net earnings	\$ 13,516	\$ 39,500
Adjustments for non-cash items		
Amortization	3,079	2,791
Income tax expense	4,809	14,186
Mark-to-market adjustment on financial instruments	(808)	(1,459)
Change in provisions	(27)	(26)
Loss (gain) on asset disposal	40	(22)
Amortization of deferred gain	(30)	(30)
Finance and subordinated debt interest expense	1,117	2,090
Interest paid	(1,062)	(1,601)
Income tax paid	(44)	(28,027)
Changes in non-cash working capital (Note 12)	(98,206)	(177,851)
Cash flows generated by operating activities	(77,616)	(150,449)
Investing:		
Purchase of property, plant and equipment	(920)	(652)
Proceeds from disposition of property, plant and equipment	-	38
Long term investment	(9,607)	-
Cash flows used in investing activities	(10,527)	(614)
Financing:		
Increase (decrease) in revolving credit facility	-	82,860
Repayment of long-term debt	-	(212)
Repayment of lease obligations	(1,384)	(1,258)
Repurchase of common shares	(84)	-
Cash flows used in financing activities	(1,468)	81,390
Effect of foreign exchange on cash	(55)	76
Cash (credit facility) - beginning of year	94,494	69,673
Cash (credit facility) - end of period	\$ 4,828	\$ (82,784)

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, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on May 5, 2023 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, 2022.

4. Cash

<i>(in thousands of dollars)</i>	March 31, 2023	March 31, 2022	December 31, 2022
Cash	3,711	-	93,545
Financing costs, net of amortization	1,117	-	949
Total	4,828	-	94,494

5. Inventories

<i>(in thousands of dollars)</i>	March 31, 2023	March 31, 2022	December 31, 2022
Allied building products	44,751	54,608	50,493
Lumber products	136,921	154,293	136,335
Panel products	41,033	38,124	38,146
Production consumables	2,750	2,324	2,376
Inventory provision	(427)	(2,000)	(1,000)
Total	225,028	247,349	226,350

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

6. Revolving Credit Facility

<i>(in thousands of dollars)</i>	March 31, 2023	March 31, 2022	December 31, 2022
Revolving credit facility	-	83,192	-
Financing costs, net of amortization	-	(408)	-
Total	-	82,784	-

On December 21, 2022, the Company entered into a new \$250 million senior secured revolving credit facility (the "Facility") with a syndicate of lenders led by the Bank of Montreal and including Scotiabank, Bank of America, TD Bank and CIBC. The Facility bears interest at variable rates plus variable margin, is secured by a first perfected security interest in all real and personal property of the Company and certain of its subsidiaries and matures on December 20, 2027. 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, 2023.

7. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended March 31, 2023	Three months ended March 31, 2022
Current	4,758	16,786
Deferred	51	(2,600)
Total	4,809	14,186

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 31, 2022, 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 5,410,448 of its then outstanding 108,208,963 common shares, representing 5% of the outstanding common shares. For the year ending December 31, 2022 the Company purchased 37,642 shares for \$94,007. These common shares purchased by the Company have been cancelled. During the three months ended March 31, 2023, the Company purchased 31,630 of its common shares for \$83,952 under the NCIB. These common shares purchased by the Company during this

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022 (in Canadian dollars)

time have been cancelled. At March 31, 2023 there were 5,341,176 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, 2022	108,171,321	123,110
Shares purchased under NCIB and cancelled	31,630	84
Balance, March 31, 2023	108,139,691	123,026

(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

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.

9. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended March 31, 2023	Three months ended March 31, 2022
Interest on revolving credit facility	-	459
Interest earned on cash balances	(196)	-
Interest on leases and long-term debt	1,256	1,330
Amortization of financing costs	57	82
Total	1,117	1,871

10. Commitments and Contingencies

Other Outstanding Legal Matters

The Company is involved in various non-material legal actions and claims arising in the course of its business. The financial impact individually or in aggregate resulting from these actions and claims is not expected to be significant. The individual and aggregate outcomes cannot be determined at this time.

11. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	March 31, 2023	March 31, 2022
Carrying amount	90,637	98,436
Fair value	90,437	98,437

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, 2023	March 31, 2022
Carrying amount	-	12,500
Fair value	-	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>	March 31, 2023	March 31, 2022
Lumber futures	116	1,263

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.

Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2023 and 2022:
(in thousands of dollars)

At March 31, 2023	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	193,329	-	-	193,329
Lumber futures ¹	-	116	-	116
Long term investment	-	9,607	-	9,607
Total financial assets:	193,329	9,723	-	203,052
Financial liabilities:				
Accounts payable & accrued liabilities	-	-	118,856	118,856
Current portion of lease obligation	-	-	5,437	5,437
Non-current portion of lease obligation	-	-	90,882	90,882
Total financial liabilities:	-	-	215,175	215,175

(in thousands of dollars)

At March 31, 2022	Amortized Cost (Financial assets)	FVTPL	Amortized Cost (Financial liabilities)	Total
Financial assets:				
Accounts receivable	289,205	-	-	289,205
Lumber futures ¹	-	1,263	-	1,263
Total financial assets:	289,205	1,263	-	290,468
Financial liabilities:				
Revolving credit facility	-	-	82,784	82,784
Accounts payable & accrued liabilities	-	-	159,985	159,985
Current portion of long-term debt	-	-	626	626
Non-current portion of long-term debt	-	-	6,578	6,578
Current portion of lease obligation	-	-	5,355	5,355
Non-current portion of lease obligation	-	-	93,081	93,081
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	-	-	360,909	360,909

⁽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, 2023	Three months ended March 31, 2022
(Increase) Decrease in accounts receivable	(69,412)	(148,367)
(Increase) Decrease in inventories	1,322	(29,651)
(Increase) Decrease in prepaid expenses and other	(805)	(615)
Effect of foreign exchange on working capital	282	(2,139)
(Decrease) Increase in accounts payable and accrued liabilities	(29,593)	2,920
Total	(98,206)	(177,852)

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 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, 2023		Three months ended March 31, 2022	
	Sales	Percentage	Sales	Percentage
Canada	340,897	83.5%	498,614	81.4%
United States	67,595	16.5%	114,090	18.6%

During the three months ended March 31, 2023, Taiga's Canadian operations had export sales of \$42.4 million (three months ended March 31, 2022 - \$89.5 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.