



Three months ended
June 30, 2003

FINANCIAL HIGHLIGHTS

SALES:

Q1 - \$258.4 million

NET INCOME:

Q1 - \$569,000

EARNINGS PER SHARE:

Q1 - \$0.07

EBITDA:

Q1 - \$3.8 million

MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Results

During the three months ended June 30, 2003, which represents the first quarter of our fiscal 2003 year, Taiga's consolidated sales increased marginally to \$258.4 million, up from \$258.2 million during the same period last year. This sets another quarterly sales record for our company. Taiga's consolidated earnings for the quarter totalled \$569,742, or \$0.07 per share, compared to \$1.6 million, or \$0.20 per share, for the same period last year. Cash flow from operations for the quarter was \$1.3 million, or \$0.17 per share, compared to \$2.1 million, or \$0.27 per share, recorded during fiscal 2002.

Taiga's total quarterly expense increased by \$4.1 million, or 29%, on a year-over-year basis. This is principally due to the cost of new operations, together with increased interest costs, which resulted from higher investment in inventory than planned. Selling and administration costs increased due to growth within existing branches and the incremental expenses recorded at our new Rocklin, California operation.

Market Overview

Canada's spring building season, which is normally busy, got off to a slow start this year due to the unusually long winter recorded across most of North America. The prolonged season was marked by May snowstorms in Edmonton and Calgary, Alberta, a very wet April in Vancouver, and cold weather across Central and Eastern Canada, and in the U.S. This delayed the rise in demand for building products we usually see in April and May. The war in Iraq, SARS, and mad cow disease also contributed to uncertainty in our industry, as well as in other world markets.

When winter finally abated in May, demand picked up substantially, and the industry challenge became moving a massive volume of building materials through clogged distribution channels. Near record residential housing starts in both Canada and the U.S., combined with robust housing sales in the 'resale' markets (which spurs residential renovation and repairs spending) translated into the expected seasonal buying sprees. The vibrant building activity in North American markets reflects strong consumer confidence, which continued to be buoyed by low residential mortgage rates in Canada and the U.S., and strong employment in most markets.

In its June 2003 edition of “Wood & Building Products Quarterly”, the Bank of America noted, “Home buyers, and home builders are awash in cheap credit, and have happily embraced their good fortune and ignored recession, war, rising unemployment and increased property taxes to extend the current housing boom into a marvelous sixth consecutive year.” The Bank sees little likelihood that the current strength of the national housing market will dissipate, though sales activity is likely to decrease over the next three years, due to improvements in other sectors of the economy. The Bank of America forecast U.S. housing starts to increase by 65,000 units this year, to reach 1.71 million units for the 12 months ended December 2003. Subsequently, starts are expected to ease moderately to 1.6 million housing starts in 2004, and 1.55 million units in 2005.

In Canada, the forecast rise in 2003 housing starts marks the sixth consecutive year starts have increased. In a recent news release, Canada Mortgage and Housing Corporation (“CMHC”) stated that, “Continued employment and income growth will sustain current housing market expansion throughout this year, and construction will remain strong into 2004, with housing starts reaching approximately 193,000 units.” The seasonally adjusted annual rate of housing starts reported by CMHC for June 2003 was 210,400 units, up 6% from the 198,000 starts reported for May 2003. The slight decline in forecast starts for 2004 is due to expected increases in interest rates. CMHC further concludes that, “Given low inventories of completed units available for sale, new home sales have resulted in increased construction activity. Year-to-date actual starts have exceeded last year’s level by 2.6%.”

A key factor behind the positive housing outlook is low borrowing rates. In Canada, HSBC Bank Canada’s posted rate for a 5-year fixed term mortgage is 4.6%. On July 16, 2003, contrary to consensus expectations, the Bank of Canada reduced its key regulatory interest rate by a quarter of a percentage point, from 3.25% to 3.0%. This rate reduction should benefit the building materials industry two ways. If, in response, investment funds flow away from Canada, the Canadian dollar will weaken vis-à-vis the U.S. dollar. This, in turn, should promote the export of building materials to the U.S. from Canadian locations. In addition, lower borrowing rates are expected to spur already strong residential construction, as well as activity within industrial markets that consume building products.

The situation is similar in the U.S. In a July 2003 news release, the National Association of Home Builders (“NAHB”) estimates that long-term U.S. mortgage rates will average 5.5% for 2003. NAHB concludes that favourable interest rates will continue to fuel building materials markets, and that the expected marginal reductions in housing construction activity in 2004 and 2005 reflect a consensus that interest rates will rise.

Commodity Products

Taiga’s panelboard sales for the quarter ended June 30, 2003 increased by more than 30% compared to the same period last year. This was primarily due to unusually active Oriented Strandboard (“OSB”) markets in Canada and the U.S., together with increased OSB market penetration in Northern California and Western Nevada at our new Rocklin, California distribution centre. According to Crows, an industry panelboard price reporter, OSB prices for “7/16ths, OSB, delivered Toronto” took off in May 2003, rising from a low of Cdn \$270 per thousand square feet at April 7, 2003 to Cdn \$418 on June 27, 2003. This represents a price increase of 55%.

Taiga sells more than 600 million square feet (3/8ths inch basis) of panel products in North America annually. A significant percentage of our panel sales originate from OSB, but Taiga also distributes other panelboard products, including Canadian softwood plywood, Pourform (a concrete forming panel), engineered siding, medium density fibreboard, particleboard, and specialty softwood and hardwood panel products. ‘Smart Siding’, an engineered wood-based external cladding product produced by Louisiana Pacific, performed exceptionally well during the period ended June 30, 2003.

Lumber markets continued to be challenged by industry fragmentation during our first quarter. Following the May 2002 imposition of a 27.2% countervailing and anti-dumping duty by the U.S., Canadian lumber manufacturers ramped up production to improve unit costs. While the additional product was intended for the U.S., much of the extra lumber supply remained in Canadian markets, pushing prices down and squeezing margins. While these

downward pressures were partially offset by strong Canadian building markets, Taiga's dimension lumber sales for the first quarter were down by about 30% compared to the same period last year. Approximately 60% of this reduction is due to lower sales of softwood lumber to the U.S.

Recent discussions between Canadian and U.S. political and industry leaders show promise. However, the softwood lumber trade dispute continues to be a formidable barrier to North - South dimension lumber trade.

Other Building Materials

Taiga carries a focused line of allied building products, which complement our structural commodity and engineered wood product ("EWP") lines. During our first quarter, Taiga's unique mix of allied and other building materials performed well. All of our major lines, without exception, realized improved performance on a year-over-year basis. Sales of our EWP doubled, due in part to our increased market share in the U.S. Other notable performers include JM Johns Manville residential insulation, with sales growth of more than 20%; Taiga Select preserved wood products, which recorded sales growth in excess of 10%; and Emco's line of BP roofing products, which turned in consistent profit performance. Other allied lines, including pine and medium density fibreboard mouldings, Trex® composite decking products, Owens Corning rigid insulation, Grace roofing underlayment, polyethylene sheeting and nails, also performed well.

Key Developments

We are gearing up for the mandatory January 2004 switch in Canada and the U.S. from chromated copper arsenate ("CCA") to alternative preservatives approved for residential use at our two state-of-the-art "Envirofor" wood treating plants. We have completed the installation of the latest wood preservation equipment at our Edmonton, Alberta plant and are nearing the completion of similar modifications at our Langley, BC plant. Currently, our customers continue to purchase both CCA and alkaline copper quatarnary ("ACQ") products. In order to meet market demand, our Edmonton facility has been treating with CCA and ACQ since February 2003.

Recently, we became the exclusive Canadian representative for The Pas Lumber Company Ltd., Winton Brand Lumber Products. We believe the superior service provided at Taiga's coast-to-coast distribution centres, together with the high quality of Winton products, provides unbeatable value for our customers.

Financing Activities

In November 2002, Taiga added BMO Bank of Montreal to its informal banking group, which also includes HSBC Bank Canada and The Bank of Nova Scotia. At present, the three banks provide a revolving operating facility of \$135 million to Taiga. HSBC Bank Canada and The Bank of Nova Scotia each provide \$55 million and BMO Bank of Montreal provides \$25 million. At June 30, 2003, Taiga was utilizing \$109 million of the \$135 million revolving facility.

We are in the process of extending the term on our long-term debt, which matured on June 30, 2003. At June 30, 2003, Taiga's total long-term debt was \$23.1 million, which included \$9.8 million in current long-term debt. Negotiations with the banks are nearing completion and we expect to complete the refinancing before August 31, 2003.

In June 2003, we completed new banking arrangements for our Rocklin, California distribution centre with HSBC Bank USA in Seattle, Washington. This credit facility provides up to U.S. \$9.0 million revolving operating facility and U.S. \$7.0 million term debt facility. HSBC Bank USA replaces the Bank of America temporary credit facilities, which were used to finance the November 2002 acquisition and operation of Taiga Forest Products Inc., a California corporation wholly owned by Taiga Forest Products Ltd.

Investing Activities

Our expenditures for property, plant, and equipment for the quarter were \$12,000. Taiga's consolidated capital expenditure budget for the fiscal year ending March 31, 2004 is \$3.5 million. All capital acquisitions are approved in advance by Taiga's Board of Directors.

Financial Position

At June 30, 2003, shareholders' equity had increased to \$70.2 million from \$69.5 million at March 31, 2003. Working capital at the quarter-end was \$36.5 million, compared to \$33.2 million at March 31, 2003, and the current ratio is 1.21 to 1.0 compared to 1.18 to 1.0 at March 31, 2003.

Risk Factors

Taiga is subject to the usual business and financing risks associated with the wholesale distribution of building products. The reader is referred to our March 31, 2003 annual report, which describes these risk factors in more detail.

Outlook

Activity in our industry is linked directly to the strength or weakness of the general economy. It is influenced by product pricing trends, interest rates, employment and other economic factors. Looking ahead, current market and economic indicators support continued strength in the building materials markets. The Canadian economy continues to grow, interest rates remain at near historical lows, and employment levels are holding. These conditions have promoted consumer confidence and spending on new housing, and residential renovations and repairs.

The current strength of North American markets is expected to continue throughout the quarter ending September 30, 2003. In its July 18, 2003 weekly report on North American forest products markets, Random Lengths, an industry price reporter, reported that 30-year fixed rate mortgages hit a 45-year low in the quarter ending June 2003, helping to fuel a strong housing market amid weakness in other economic sectors.

In Canada, housing starts continue to trend upward. Recently, CMHC reported seasonally adjusted annual starts of 210,400 for June 2003, up 6% from the 198,000 starts reported for May 2003. For the calendar year ending December 2003, CMHC's forecast starts of 205,500, compared to actual 2002 starts of 205,034. In a recent news release, CMHC stated that, "With mortgage rates at a 47-year low and labour markets fairly tight, consumer confidence remains high and consumers continue to look positively at the future. These combined factors continue to support healthy levels of activity in the housing market. Rising housing prices, which have yielded higher returns on residential real estate than on bonds and equities in recent years, have also boosted demand for housing." In summary, demand in the Canadian building materials markets is expected to be strong throughout the summer.

In the U.S., low interest rates and solid home prices are keeping housing markets strong, and the residential building industry appears to be on track to exceed last year's new home construction activity. The U.S. Census Bureau recently reported seasonally adjusted annual housing starts of 1.803 million units for June 2003, which is up 5.5% from a year ago. During the 12 months ended December 2002, annual U.S. housing starts were 1.705 million units. This was the greatest annual housing production figure recorded in 16 years.

Taiga has benefited from recent strength in the OSB market, with the average monthly price of "OSB, 7/16ths inch, delivered Toronto" increasing from Cdn \$281 per thousand square feet during April 2003, to Cdn \$474 at July 18, 2003. This represents a price increase of 69%. Currently, we are closely monitoring our OSB inventory position in order to minimize the impact of the expected change in market momentum.

North American dimension lumber markets continue to be plagued by oversupply conditions, which exert pressure on profitability. On July 18, 2003, Random Lengths, Framing Lumber Composite Price Index reported an index of U.S. \$298, compared to U.S. \$308 the prior week, and U.S. \$313 a year ago. This index is a numerical representation of market activity, based on a ratio of western sawmill order files to inventories.

Other factors which may influence dimension lumber markets include the NAFTA rulings on anti-dumping and countervailing duties. Early reports are that the NAFTA anti-dumping ruling on July 17th favours the U.S. It is hoped that the NAFTA panel decisions will push Ottawa and Washington, and their respective country's timber industries, closer to a negotiated settlement in this long dispute. Unfortunately, the NAFTA decision on countervailing duty has been postponed to August 15, 2003. Therefore, we do not expect a possible settlement of the softwood lumber dispute to have a significant impact on our dimension lumber sales to the U.S. from Canada during the upcoming quarter.

In the U.S., we will continue building on the business base we have established with our Rocklin, California acquisition, and searching for new opportunities to increase our market penetration in the vibrant U.S. building markets.

As noted in our most recent annual report, Taiga expects the competitive market conditions affecting our commodity products to be offset by strength and growth in Taiga Select preserved wood, Louisiana Pacific 'Solid Start' engineered wood products, and all our complementary allied lines, as we push hard to fill the demand created by strength in the new home construction, and renovation and repairs markets.

Our Export division continues to generate positive results, with sales growing by more than 26% during each of the last two years. Moving forward, our export sales team will maintain its focus on building market share for our preserved wood, dimension lumber and panel products in Asia and the Pacific Rim region. We also expect to increase our penetration of foreign markets, and to expand existing markets for our value-added Taiga Select preserved wood products, following the conversion at both of our wood preservation plants.

Operationally, Taiga is well prepared for the forthcoming year. The modifications at both our Langley, BC, and Edmonton, Alberta treating plants position us to meet environmental and customer demands in the preserved wood markets. In addition, we are continually upgrading our distribution facilities to increase our efficiency, and to ensure we can continue to carry our complete line of building products. This enables us to provide "just-in-time" mixed truckload service in all our markets.

We believe our strategic, balanced and narrowly focused product mix is a key reason for our success. Taiga will continue to actively look for opportunities to create value within our areas of expertise and across all our market sectors. Going forward, our focus is to strategically improve our balance sheet and build stronger cash flow, in order to prepare for future growth opportunities.

Approved on behalf of the Board,



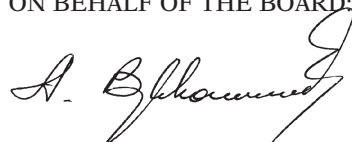
Arkadi G. Bykhovskiy,
President and
Chief Executive Officer

July 29, 2003

CONSOLIDATED BALANCE SHEETS*(in thousands of dollars) Unaudited*

	As at June 30, 2003	As at March 31, 2003
ASSETS		
CURRENT		
Accounts receivable	\$ 107,830	\$ 90,485
Inventories (Note 2)	92,343	117,012
Prepaid expenses	1,234	1,130
Income tax recoverable	2,114	—
Future income tax asset	5,150	5,150
	<u>\$ 208,671</u>	<u>\$ 213,777</u>
OTHER ASSETS AND INVESTMENTS	25	25
FIXED ASSETS LESS DEPRECIATION	46,197	47,807
FUTURE INCOME TAX ASSET	660	660
TOTAL ASSETS	<u>\$ 255,553</u>	<u>\$ 262,269</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 16,785	\$ 14,602
Credit facilities	108,829	116,227
Accounts payable	36,721	36,996
Current portion of long-term debt	9,793	12,335
Income taxes payable	—	446
	<u>\$ 172,128</u>	<u>\$ 180,606</u>
LONG-TERM DEBT	13,274	12,159
	<u>\$ 185,402</u>	<u>\$ 192,765</u>
SHAREHOLDERS' EQUITY		
Capital stock	12,655	12,547
Retained earnings	57,496	56,957
TOTAL SHAREHOLDERS' EQUITY	<u>70,151</u>	<u>69,504</u>
	<u>\$ 255,553</u>	<u>\$ 262,269</u>

ON BEHALF OF THE BOARD:



Arkadi Bykhovskiy, Director



J. Brian Aune, Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS*(in thousands of dollars) Unaudited*

	For the 3 months ended June 30, 2003	For the 3 months ended June 30, 2002
SALES	\$ 258,373	\$ 258,215
Cost of sales	239,235	241,928
GROSS PROFIT	\$ 19,138	\$ 16,287
EXPENSES		
Distribution, selling and administration	\$ 16,082	\$ 12,905
Interest		
Current	1,756	841
Long-term	343	304
	\$ 18,181	\$ 14,050
OPERATING INCOME	957	2,237
Non-operating expense	21	30
EARNINGS BEFORE INCOME TAXES	\$ 936	\$ 2,207
Income taxes	367	662
NET EARNINGS	\$ 569	\$ 1,545
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 56,967	\$ 50,693
Net earnings for the period	569	1,545
Cumulative translation adjustment	(40)	—
RETAINED EARNINGS, END OF PERIOD	\$ 57,496	\$ 52,238
Basic earnings per common share	\$ 0.07	\$ 0.20
Number of common shares outstanding	7,799,920	7,799,920

CONSOLIDATED STATEMENTS OF CASH FLOWS*(in thousands of dollars) Unaudited*

	For the 3 months ended June 30, 2003	For the 3 months ended June 30, 2002
OPERATING ACTIVITIES		
Net earnings	\$ 569	\$ 1,545
Items not requiring an outlay of funds		
Depreciation and amortization	785	635
Cumulative translation adjustment	(40)	—
Gain on sale of fixed assets	—	(70)
	<u>1,314</u>	<u>2,110</u>
Change in non-cash working capital	<u>4,405</u>	<u>(3,184)</u>
	<u>5,719</u>	<u>(1,074)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(600)	(1,105)
Issuance of capital stock	108	24
Net change in credit facilities	<u>(7,398)</u>	<u>89</u>
	<u>(7,890)</u>	<u>(992)</u>
INVESTING ACTIVITIES		
Proceeds from disposition of fixed assets	—	88
Purchase of fixed assets	(12)	(512)
Other	—	(1,228)
	<u>(12)</u>	<u>(1,652)</u>
DECREASE IN CASH	(2,183)	(3,718)
BANK INDEBTEDNESS, BEGINNING OF PERIOD	<u>(14,602)</u>	<u>(9,404)</u>
BANK INDEBTEDNESS, END OF PERIOD	<u>\$ (16,785)</u>	<u>\$ (13,122)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These unaudited interim financial statements follow the same accounting policies and methods of computation as used in the audited consolidated statements of the previous fiscal year ending March 31, 2003. However, these interim statements do not include all disclosures typical to the annual financial statements and accordingly, should be read in conjunction with the annual audited financial statements and notes included in Taiga's Annual Report for the year ended March 31, 2003.

2. INVENTORIES

	As at June 30, 2003	As at March 31, 2003
Lumber	\$ 65,508,098	\$ 80,884,354
Panel	13,537,532	22,483,877
Other	13,297,030	13,643,812
	\$ 92,342,660	\$ 117,012,043

3. SEGMENTED INFORMATION

Taiga operates primarily in the wholesale products distribution industry segment. During the period April 1, 2003 to June 30, 2003, we had foreign sales, primarily in the United States, of Cdn \$50,866,553 (Cdn \$48,837,920 for the corresponding period in the previous year).

Corporate Information

Board of Directors

J. Brian Aune
Montreal, Quebec

Jimmie Bradshaw
North Vancouver, British Columbia

Arkadi G. Bykhovsky
Millbrook, Ontario

Kok Kay (Alain) Lee
Pompano Beach, Florida

Robert Yong Kuen Loke
Kuala Lumpur, Malaysia

Douglas Morris
Toronto, Ontario

Saul Spears
Toronto, Ontario

Albert Foong Yap
Richmond, British Columbia

Chee Fong (Paul) Yeong
Kuala Lumpur, Malaysia

Officers

Arkadi G. Bykhovsky
*President,
Chief Executive Officer*

Jimmie Bradshaw
*Vice President,
National Accounts &
Supply Management*

Douglas Morris
*Vice President,
Eastern Operations*

Cam White
*Vice President,
Western Operations*

Lloyd R. Hansen
Chief Financial Officer

Patrick J. Furlong
Secretary

Taiga Forest Products Ltd.

Executive Offices

Suite 800
4710 Kingsway
Burnaby, BC
V5H 4M2

(604) 438-1471

Postal Address

P.O. Box 80329
Burnaby, BC
V5H 3X6

Transfer Agent

Computershare
Trust Company of Canada
Vancouver, BC

Auditors

Deloitte & Touche, LLP
Vancouver, BC

Stock Exchange

TSX

Trading Symbol : **TFP**

Solicitors

Davis & Company
Vancouver, BC

