



Six months ended
September 30, 2003

FINANCIAL HIGHLIGHTS

SALES:

Q2 - \$306.2 million

NET INCOME:

Q2 - \$4.4 million

EARNINGS PER SHARE:

Q2 - \$0.56

EBITDA:

Q2 - \$9.3 million

MANAGEMENT'S DISCUSSION & ANALYSIS

Results from Operations

We are pleased to report that the sales momentum which commenced in late spring 2003 continued throughout the summer. As a result, Taiga set a new quarterly sales record. For the three months ended September 2003, our consolidated sales increased by 27% compared to the same period last year, growing from \$241.6 million to \$306.2 million. Cash flow from operations for the quarter was \$5.8 million, or \$0.73 per share, compared to \$7.2 million, or \$0.91 per share, during the same period last year, and net earnings were \$4.4 million, or \$0.56 per share, compared to \$6.6 million, or \$0.83 per share, last year.

For the six months ended September 30, 2003, Taiga's consolidated sales were \$564.6 million. This represents an increase of \$64.8 million, or 13%, over the same period last year. Net earnings were \$5.0 million, or \$0.63 per share, compared to \$8.1 million, or \$1.03 per share, for the same period last year, and cash flow from operations was \$7.1 million, or \$0.90 per share, compared to \$9.3 million, or \$1.18 per share, last year.

Taiga's prior year operating profit before income tax included a net adjustment of approximately \$7.6 million to reverse countervailing and anti-dumping duty accruals. This increased our quarterly net profit after income tax for the three months ended September 30, 2002 by about \$5.3 million, or \$0.67 per share.

Market Overview

North America's summer building season, which is traditionally busy, got off to a slow start this year due to an unseasonably long winter, which stretched into April and May in many parts of Canada and the US. However, building activity took off in June and went on to set records throughout the summer, creating strong, consistent demand for building materials across our markets. As a result, we achieved record-breaking sales and trading profits at all our Canadian and US operations.

Despite the impact of Severe Acute Respiratory Syndrome ("SARS") on many economic sectors, and the strengthening of the loonie, which adversely affects Canadian exports, consumer spending in Canada remained strong throughout the quarter, especially in the new home construction markets. In Canada, seasonally adjusted annual housing starts

averaged 231,700 for the three months ended September 30, 2003, up from an average of 208,000 starts for the three months ended July 31, 2003. Single family housing starts in Canada for the 12 months ended December 31, 2002 totaled 205,034.

Commodity Products

Commodity softwood lumber and panel products performed exceptionally well during our second quarter, due to low dealer inventory levels leading into the summer; strong end-use in new home construction, renovation and repairs, and industrial markets; and production curtailments related to summer forest fires in BC's Interior.

In its September 2003 Structural Panel Commentary, Resource Information Systems Inc. ("RISI") reported that US structural panel consumption reached record levels during the quarter, hitting 10.64 billion square feet. This is up by 2.9% from the same period last year. The strong demand resulted in record high price levels in Canada and the US, with Oriented Strandboard ("OSB") peaking at Cdn \$700 per thousand square feet (7/16ths, delivered Toronto) on September 29, 2003. The monthly average price of OSB for the 12 months ended December 31, 2002 was Cdn \$266 per thousand square feet. In addition, the October 10, 2003 edition of the Random Lengths Panel Report lists the current Structural Panel Composite Price at US \$557 for the week, compared to US \$245 a year ago. Taiga benefited from the commodity markets' strength during the period, achieving a quarter-over-quarter increase in panel sales of \$54 million, or approximately 25%, as well as record profit levels for the product line.

Lumber prices also surged during the summer, due to the same strong market fundamentals. RISI reported that North American demand for softwood grew by 2% compared to the same three-month period last year, peaking at 18.3 billion board feet for the quarter ended September 30, 2003. This represents an increase of about one billion board feet, or 5%, compared to average peak levels recorded during the last four years. This heightened demand, together with production curtailments, pushed lumber prices up. For the week ending October 10, 2003, the Random Lengths Framing Lumber Composite Index was US \$326, compared to US \$282 a year ago. While Taiga's total softwood lumber sales declined on a quarter-over-quarter basis, due to reduced lumber sales from Canada to the US, demand for softwood lumber in Canada was strong, with favourable margins.

Other Building Materials

We believe our strategic, balanced and narrowly focused product mix is key to our success. In addition to our structural commodity products, Taiga carries a complementary line of allied building products, and a comprehensive engineered wood product (“EWP”) line. All these products performed well during our second quarter. Sales of Louisiana Pacific’s “Solid Start” EWP were 1.5 times higher than the same period last year, JM Johns Manville residential insulation posted a sales increase of 29% on a quarter-over-quarter basis, and sales of our own Taiga Select preserved wood products rose by 5% for the period. Our other allied lines, which include pine and medium density fibreboard (“MDF”) mouldings, Trex® composite decking products, Owens Corning rigid insulation, Grace roofing underlayment, polyethylene sheeting and nails, also turned in a strong performance.

Key Developments

Taiga completed a major component of our “Strategic Thinking” program during the quarter ended September 30, 2003. Every employee has now participated in a short developmental seminar, which sought to align the way our employees think and feel about Taiga. A shared corporate vision aids us in mapping our future direction, and influences how we do business on a day-to-day basis.

Financing Activities

Three Canadian banks provide Taiga with a combined revolving operating credit facility of \$135.0 million. The Bank of Nova Scotia and HSBC Bank Canada each provide \$55.0 million and BMO Bank of Montreal provides \$25.0 million. At September 30, 2003, Taiga was using \$102.9 million of this credit facility.

On June 30, 2003, we established a new banking relationship with HSBC Bank USA in Seattle, Washington. This New York-based US bank provides up to US \$9.0 million revolving operating facility, and a US \$7.0 million term facility.

During the quarter, we increased our Canadian term debt facility by \$10.0 million, divided proportionately between our three Canadian banks. This facility will be utilized to repay our operating line for capital acquisitions funded from the revolving line over the last two years.

Investing Activities

Expenditures for property, plant, and equipment during the three months ended September 30, 2003 were \$959,000. This brings our fiscal year-to-date spending to \$970,000. 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. This year, major expenditures include the paving and fencing of property at our Langley, BC, and Milton, Ontario facilities, and the ongoing conversion of our two wood treatment plants, so they can employ alternative chemical preservatives.

Financial Position

At September 30, 2003, shareholders' equity had increased to \$73.1 million, from \$69.5 million at March 31, 2003. This includes net earnings after income tax of \$5.0 million for the six months ended September 30, 2003, less the dividend paid in the amount of \$2.0 million and the \$60,000 cumulative translation adjustment, plus the \$588,000 increase in share capital upon the exercise of stock options. Working capital at quarter-end was \$39.6 million, compared to \$33.2 million at March 31, 2003, and the current ratio is 1.22 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 annual report for the year ended March 31, 2003, which describes these risk factors in more detail.

Outlook

As we begin our third quarter, key indicators for the building materials market remain strong. In Canada, the chartered bank prime rate is 4.5%, with mortgage rates at historical lows. The Canada Mortgage and Housing Corporation is forecasting housing starts for the 12 months ending December 31, 2003 to exceed 200,000 units. In the US, the National Association of Home Builders is forecasting total 2003 housing starts to increase marginally to 1.8 million units from 1.71 million units in 2002. With the US prime lending rate at 4.1%, and fixed-rate mortgages at 5.8%, strong demand for building products should continue into October and November, before subsiding in December, as winter weather conditions and the Christmas season commence.

We expect commodity prices to drift downwards during the next quarter. However, while it is likely that lumber and panel prices at December 31, 2003 will be substantially lower than they were at the end of September, we believe prices will remain higher than the monthly averages recorded during the past 12 to 18 months. If dealers view this price level as a new base, our customers may choose to start rebuilding their inventory in anticipation of escalating prices in 2004. This would benefit Taiga by providing some added momentum during the latter half of the quarter.

Looking ahead, we believe the Canadian economy will continue to benefit from the growing strength of the US economy for the remainder of 2003, and into 2004. Aggressive fiscal and monetary policies in the US, which include increased government spending on defense and non-defense related projects, and income tax cuts, are expected to continue driving that country's economic recovery in the months ahead. In addition, the weakening US dollar is expected to boost demand for building materials, as the US industrial manufacturing sector gears up to meet increased export opportunities.

Operationally, Taiga is well prepared for the coming quarters. The ongoing modifications at our Langley, BC, and Edmonton, Alberta treating plants will enable us to meet environmental and consumer demand in the preserved wood markets. We continue to upgrade our distribution facilities to increase our efficiency, so we can meet, or exceed, customer expectations.

With increased penetration of foreign markets, and expansion within existing markets for our value-added Taiga Select preserved wood products, we expect to see continued sales growth from our Export Division.

As Taiga begins the second half of fiscal 2003, we continue to focus on our core business; providing just-in-time mixed truckloads of building materials to our retail customers at competitive prices. We will also continue to seek niche market opportunities in Canada, the US, and abroad, with the ultimate goal of creating excellent shareholder value, while improving our cash flow and strengthening our balance sheet.

Approved on behalf of the Board,



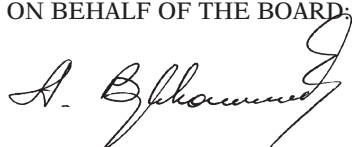
Arkadi G. Bykhovskiy,
President and
Chief Executive Officer

October 20, 2003

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

	As at September 30, 2003	As at March 31, 2003
ASSETS		
CURRENT		
Accounts receivable	\$ 124,688	\$ 90,485
Inventories (Note 2)	84,760	117,012
Prepaid expenses	2,053	1,130
Income tax recoverable	2,354	—
Future income tax asset	5,150	5,150
	<u>\$ 219,005</u>	<u>\$ 213,777</u>
OTHER ASSETS AND INVESTMENTS	25	25
FIXED ASSETS LESS DEPRECIATION	45,746	47,807
FUTURE INCOME TAX ASSET	660	660
TOTAL ASSETS	<u>\$ 265,436</u>	<u>\$ 262,269</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 9,298	\$ 14,602
Credit facilities	106,811	116,227
Accounts payable	54,087	36,996
Current portion of long-term debt	9,186	12,335
Income taxes payable	—	446
	<u>\$ 179,382</u>	<u>\$ 180,606</u>
LONG-TERM DEBT	13,001	12,159
	<u>\$ 192,383</u>	<u>\$ 192,765</u>
SHAREHOLDERS' EQUITY		
Capital stock	13,135	12,547
Retained earnings	59,918	56,957
TOTAL SHAREHOLDERS' EQUITY	<u>73,053</u>	<u>69,504</u>
	<u>\$ 265,436</u>	<u>\$ 262,269</u>

ON BEHALF OF THE BOARD:



Arkadi Bykhovskiy, Director



Albert Foong Yap, Director

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

	For the 3 months ended September 30, 2003	For the 3 months ended September 30, 2002
SALES	\$ 306,210	\$ 241,621
Cost of sales	275,143	212,019
GROSS PROFIT	\$ 31,067	\$ 29,602
EXPENSES		
Distribution, selling and administration	\$ 22,456	\$ 18,941
Interest		
Current	1,347	885
Long-term	284	242
	\$ 24,087	\$ 20,068
OPERATING INCOME	6,980	9,534
Non-operating expense	5	154
EARNINGS BEFORE INCOME TAXES	\$ 6,975	\$ 9,380
Income taxes	2,551	2,814
NET EARNINGS	\$ 4,424	\$ 6,566
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 57,496	\$ 52,238
Net earnings for the period	4,424	6,566
Cumulative translation adjustment	(30)	—
Common share dividends	(1,972)	(1,554)
RETAINED EARNINGS, END OF PERIOD	\$ 59,918	\$ 57,250
Basic earnings per common share	\$ 0.56	\$ 0.83
Number of common shares outstanding	7,899,920	7,899,920

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

	For the 3 months ended September 30, 2003	For the 3 months ended September 30, 2002
OPERATING ACTIVITIES		
Net earnings	\$ 4,424	\$ 6,566
Items not requiring an outlay of funds		
Depreciation and amortization	736	659
Cumulative translation adjustment	(30)	—
Foreign exchange translation on acquisition	663	—
Gain on sale of fixed assets	(34)	—
	5,759	7,225
Change in non-cash working capital	7,052	8,978
	12,811	16,203
FINANCING ACTIVITIES		
Repayment of long-term debt	(897)	(773)
Dividends paid to common shareholders	(1,972)	(1,554)
Issuance of capital stock	480	—
Net change in credit facilities	(2,018)	(12,439)
	(4,407)	(14,766)
INVESTMENT ACTIVITIES		
Proceeds on disposition of fixed assets	42	—
Purchase of fixed assets	(959)	(216)
	(917)	(216)
INCREASE IN CASH	7,487	1,221
BANK INDEBTEDNESS, BEGINNING OF PERIOD	(16,785)	(13,122)
BANK INDEBTEDNESS, END OF PERIOD	\$ (9,298)	\$ (11,901)

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

	For the 6 months ended September 30, 2003	For the 6 months ended September 30, 2002
SALES	\$ 564,583	\$ 499,835
Cost of sales	514,378	453,946
GROSS PROFIT	\$ 50,205	\$ 45,889
EXPENSES		
Distribution, selling and administration	\$ 38,538	\$ 31,845
Interest		
Current	3,103	1,726
Long-term	627	546
	\$ 42,268	\$ 34,117
OPERATING INCOME	7,937	11,772
Non-operating expense	26	184
EARNINGS BEFORE INCOME TAXES	\$ 7,911	\$ 11,588
Income taxes	2,918	3,477
NET EARNINGS	\$ 4,993	\$ 8,111
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 56,957	\$ 50,693
Net earnings for the period	4,993	8,111
Cumulative translation adjustment	(60)	-
Common share dividends	(1,972)	(1,554)
RETAINED EARNINGS, END OF PERIOD	\$ 59,918	\$ 57,250
Basic earnings per common share	\$ 0.63	\$ 1.03
Number of common shares outstanding	7,899,920	7,899,920

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

	For the 6 months ended September 30, 2003	For the 6 months ended September 30, 2002
OPERATING ACTIVITIES		
Net earnings	\$ 4,993	\$ 8,111
Items not requiring an outlay of funds		
Depreciation and amortization	1,521	1,293
Cumulative translation adjustment	(60)	-
Foreign exchange translation on acquisition	691	-
Gain on sale of fixed assets	(34)	(70)
	<u>7,111</u>	<u>9,334</u>
Change in non-cash working capital	11,416	5,794
	<u>18,527</u>	<u>15,128</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,496)	(1,878)
Dividends paid to common shareholders	(1,972)	(1,554)
Issuance of capital stock	588	24
Net change in credit facilities	(9,415)	(12,350)
	<u>(12,295)</u>	<u>(15,758)</u>
INVESTMENT ACTIVITIES		
Proceeds on disposition of fixed assets	42	88
Purchase of fixed assets	(970)	(727)
Other assets and investments	-	(1,228)
	<u>(928)</u>	<u>(1,867)</u>
INCREASE (DECREASE) IN CASH	5,304	(2,497)
BANK INDEBTEDNESS, BEGINNING OF PERIOD	(14,602)	(9,404)
BANK INDEBTEDNESS, END OF PERIOD	\$ (9,298)	\$ (11,901)

NOTES TO CONSOLIDATED INTERIM 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 the Company's Annual Report for the year ended March 31, 2003.

2. INVENTORIES

	As at September 30, 2003	As at March 31, 2003
Lumber	\$ 58,348,395	\$ 80,884,354
Panel	14,086,080	22,483,877
Other	12,325,806	13,643,812
	\$ 84,760,281	\$ 117,012,043

3. SEGMENTED INFORMATION

The Company operates primarily in the wholesale products distribution industry segment. During the period April 1, 2003 to September 30, 2003, the Company had foreign sales, primarily in the United States, of Cdn \$117,274,628 (Cdn \$78,716,055 for the corresponding period in the previous year).

Corporate Information

Board of Directors

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

Tong Kooi Ong
Vancouver, British Columbia

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.

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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