

**MANAGEMENT'S DISCUSSION AND ANALYSIS****FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004**

This Management's Discussion and Analysis ("MD&A") of Taiga Building Products Ltd. ("Taiga" or the "Company") has been prepared based on information available as at October 30, 2005 and should be read in conjunction with the consolidated financial statements and the corresponding notes thereto for the quarter ended September 30, 2005 and year ended March 31, 2005. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the second quarter and year to date of 2005. Comparative information is not provided in the consolidated financial statements of Taiga, as Taiga did not exist for the comparative quarter of 2004. Consequently, the comparative figures presented are to the consolidated financial statements of Taiga Building Products Ltd. (Taiga's predecessor company).

Taiga's unaudited interim consolidated financial statements and the accompanying notes included within this interim report include the accounts of Taiga and its subsidiaries. The unaudited financial information reported herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and is expressed in Canadian dollars. This MD&A complements and supplements the unaudited financial statements, but does not form part of the financial statements.

This discussion and analysis contains forward-looking statements concerning the future performance of our business, its operations, and its financial performance and condition. These forward-looking statements are based on our current expectations and judgment. These statements are subject to risks affected by known and unknown risks and uncertainties that may cause the actual future results of the Company to be materially different than those expressed or implied in this discussion. These risks and uncertainties are described herein and in the MD&A contained in Taiga Building Products Ltd. Information circular dated May 27, 2005. No forward-looking statement is a guarantee of future results.

In this discussion, reference is made to EBITDA, which represents earnings before interest, taxes, depreciation and amortization. As there is no generally accepted method of calculating EBITDA, the measure as calculated by Taiga might not be comparable to similarly titled measures reported by other issuers. EBITDA is presented as Management believes it is a useful indicator of a company's ability to meet debt service and capital expenditure requirements and because we interpret trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with GAAP.

Additional information relating to the Company including the Annual Information Form of Taiga Building Products Ltd. can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

**FINANCIAL HIGHLIGHTS****SALES**

Q2 \$316.0 million

YTD \$640.9 million

**NET INCOME**

Q2 \$ 1.3 million

YTD \$ 4.9 million

**EARNINGS****PER SHARE**

Q2 \$0.04

YTD \$0.15

**EBITDA**

Q2 \$ 7.2 million

YTD \$15.6 million

## BUSINESS OVERVIEW

Taiga is the largest, by revenue, independent wholesale distributor of building products in Canada. Taiga distributes building products in Canada, the United States and elsewhere. As a wholesale distributor, Taiga maintains substantial inventories of building products at 15 strategically located distribution centres throughout Canada and one at a distribution centre in Northern California. In addition, Taiga regularly distributes through the use of third party reload centres. Taiga also owns and operates three wood preservation plants that produce pressure-treated wood products and one remanufacturing facility that produces building materials such as fence products and custom-cut lumber. Factors that affect Taiga's year-over-year profitability include sales levels, price fluctuations and product mix.

### **Conversion to Income Fund-Like Structure using Stapled Units**

At the annual and special meeting of Taiga Building Products Ltd. held on June 27, 2005, shareholders of Taiga Building Products Ltd. passed a resolution in support of the previously announced proposed arrangement (the "Arrangement") involving Taiga Building Products Ltd. ("New Taiga"), Taiga Building Products Ltd. ("Old Taiga") and the shareholders of the Old Taiga, under which the Old Taiga was to be converted into an income fund-like structure through the exchange of shares of the Old Taiga for Stapled Units of New Taiga (the "reorganization"). One hundred percent of the shares voted at the meeting were voted in favour of the resolution. Subsequently, on July 6, 2005 Old Taiga announced that its Board of Directors had approved a process for the conversion of Old Taiga into an income fund-like structure using Stapled Units.

The principal elements of the conversion transaction as previously announced included the exchange of all outstanding Old Taiga common shares for Stapled Units of New Taiga and the concurrent treasury offering of Stapled Units by New Taiga and secondary offering of Stapled Units by Old Taiga's two significant shareholders. The Boards of Directors decided, based on current market conditions, not to proceed with the treasury offering of Stapled Units by New Taiga. The Boards of Directors believed that it was in the best interest of shareholders of Old Taiga not to proceed with the treasury offering at a price that would cause an unacceptable dilution to existing shareholders.

The Board of Directors had also decided, based on a recommendation of its special committee that the conversion to a Stapled Unit structure on this basis would continue to enhance shareholder value, to proceed with the conversion of Old Taiga into an income fund-like structure. Old Taiga received a revised fairness opinion from BMO Nesbitt Burns Inc. that the consideration to be received under the conversion, with the changes proposed, was fair from a financial point of view to the minority shareholders of Old Taiga.

On September 1, 2005, Old Taiga converted to an income fund-like structure using Stapled Units. The transaction was effected through a plan of arrangement (the "reorganization") approved by the shareholders of Old Taiga on June 27, 2005. Under the reorganization, the issued and outstanding common shares of Old Taiga were exchanged for Stapled Units of New Taiga on the basis of four Stapled Units for each Old Taiga common share. Each Stapled Unit consists of one common share of New Taiga and a 14% unsecured Subordinated Note of New Taiga in the principal amount of \$5.32. A total of 32,205,680 Stapled Units of the New Taiga were issued. Stapled Units of New Taiga commenced trading on September 1, 2005 under the symbol "TBL.UN" on the Toronto Stock Exchange. As the reorganization results in the shareholders of Old Taiga owning directly all of the equity interests of the Company, the reorganization did not result in any change in beneficial ownership of the Company.

In addition, New Taiga has also adopted a distribution policy under which it will distribute its available cash to the maximum extent possible (subject to New Taiga retaining such reasonable working capital reserves as determined by the Board of Directors) by way of monthly cash distributions of dividends on its common shares and interest on its Subordinated Notes.

As a result, the comparative figures presented are the same as those included in the previously issued consolidated financial statements of Old Taiga, except for adjustments relating to the new legal form of the equity interests. Further, for the benefit of converting shareholders, Taiga had extended the date by which shareholders electing to file section 85 tax elections must provide the tax elections to the Company, to November 30, 2005. Information relating to section 85 tax elections is detailed on the Company's website.

In connection with the conversion reorganization, the following wholly owned subsidiaries, Elmira Wood Products Ltd., Envirofor Preservers (BC) Ltd., Envirofor Preservers (AB) Ltd., 0732161 British Columbia Ltd. (formerly Dynamic Forest Products Ltd.), Taiga Logistics Ltd. And Taiga Building Products Ltd., were amalgamated into New Taiga to form the Company. The name of Taiga Forest Products general partnership will change to Taiga Building Products general partnership upon completion of the extra-provincial registration process. In addition, two new US entities were created, Taiga Holdings, Inc. and Taiga Building Products, LLC.

## RESULTS OF OPERATIONS

### Comparison of the Quarters ended September 30, 2005 and September, 2004

#### Sales

Taiga's sales for the quarter ended September 30, 2005 were \$316.0 million, down \$67.5 million or 17.6%, compared to \$383.5 million for the same period a year ago. Volumes remained similar this year to last so that the decrease in sales revenue is due to lower prices for commodity lumber, panel products and interior decorative mouldings. Dimension lumber sales decreased \$43.5 million (29.2%) over the prior year primarily due to declining commodity prices, particularly in August. The average price for SPF 2 x 4, #2 and better, delivered to Toronto (Random Length Weekly Report) was 27% lower during the current quarter compared to the same period a year ago.

Panel products sales decreased \$33.1 million (26.6%) over the prior year mainly as a result of declining OSB and plywood prices. The average price for OSB 7/16", delivered to Vancouver (source: Crow's Canadian Panel Report) was 24% lower during the current quarter compared to the same period a year ago.

Treated wood sales decreased by \$3.1 million (7.2%) over the prior year due to lower exports of chromative copper arsenate fixative (CCA) treated wood.

Engineered wood sales increased \$3.2 million (8.7%) compared to the same period last year. Strong demand and stable pricing helped this product line mitigate the effect of the pricing decline of commodity lumber and panels. Allied products sales increased \$4.8 million (13.5%) over last year. Within this category, insulation sales increased \$5.2 million, or 32.3%, and mouldings sales decreased \$1.4 million, or 19.1%, over the same period last year. Trex® composite decking also showed positive results with sales increasing 24.2% over last year. On June 27, 2005, Taiga announced that it has signed an agreement with Supra Floors Inc. to be the exclusive national distributor of Subflor ADVANCE and Subflor SUPREME in Canada, as well as an agreement to distribute the product on a non-exclusive basis in the U.S. The addition of this innovative new flooring product compliments Taiga's strategy of expanding sales and market share of higher-margin allied products.

#### Gross Margin

Gross margin was \$30.2 million, a decrease of \$2.9 million (8.6%) from the prior year. Gross margin, as a percentage of sales, increased from 8.6% last year to 9.5% this year. The improvement in gross margin percentage is primarily due to efforts in expanding sales in higher-margin products. Gross Margins on plywood siding increased by 31.9%, on insulation increased by 28.9% and on engineered wood increased by 8.9%.

Total gross margin for lumber stayed constant at 7.1% compared to a year ago. Within this group, commodity lumber margin declined from 4.9% to 3.6%, treated lumber increased slightly from 9.1% to 9.6% and engineered

wood increased slightly from 13.9% to 14.0%. Gross margin for commodity lumber declined as a result of falling commodity prices due to healthy supply existing at a time when demand was weakened as a result of poor spring weather in many areas of Canada.

Total gross margin for panel products increased from 4.9% to 6.8%. Within this product group, gross margin for OSB improved from 2.3% to 4.3%, plywood margins increased from 6.0% to 6.2% while the remaining products within this group saw margins rise from 12.4% to 15.4%. The increased margin on OSB and plywood was a result of the hurricane season and our ability to move products quickly off the ground through having Vendor Managed Inventory.

Total gross margin for allied products declined from 15.1% to 12.4%. While insulation gross margin declined slightly from 8.7% to 8.5%, margins of interior decorative mouldings declined from last year's record high of 31.9% to 24.0%. Roofing margins increased slightly from 10.4% to 10.8% while Trex® composite decking margins decreased from 23.5% to 21.8%.

### **Expenses**

Total distribution, selling and administration expenses measured as a percent of sales increased from 5.9% to 7.6% this quarter. Total expenses increased by \$1.4 million or 6.0% to \$23.9 million. Distribution expenses increased \$0.3 million (4.5%) over the prior year. However, when one time integration and conversion costs for issuance of Stapled Units of \$3.8 million (\$4.6 million total) relating to the re-organization of the Company are deducted from the current year expenses, the comparable adjusted expenses are \$2.4 million less than that of the prior year. Selling and administration expenses declined mostly due to lower pay-for-performance accruals in relation to lower sales year over year.

### **Interest Income and Expense**

Total interest expense increased \$2.0 million to \$3.5 million as compared to \$1.5 million in the same period last year. This increase is primarily attributable to the interest portion of \$1.7 million on the subordinated note indenture for monthly distribution to Stapled Unit holders for September.

### **Operating Income**

Operating income for the quarter before one time integration and Staple Unit conversion costs of \$4.6 million would have been \$7.4 million, however operating income decreased \$6.2 million, to \$2.8 million or 0.9% of sales from \$9.0 million in the same period in 2004.

### **Net Income**

Net income for the quarter before one time integration and Staple Unit conversion costs of \$4.6 million would have been \$5.9 million, however net income decreased to \$1.3 million from \$5.5 million in the previous year. This decrease is primarily the result of low commodity pricing this year for both lumber and panel products.

### **EBITDA**

EBITDA for the quarter before one time integration and staple unit conversion costs of \$4.6 million would have been \$11.8 million, however EBITDA decreased by \$4.0 million, to \$7.2 million from \$11.2 million in the prior year.

## Segmented Revenue

Taiga operates within one business segment and has two reportable geographic segments as follows:  
(in thousands of dollars)

	Quarters ended September 30			
	2005 Sales	%	2004 Sales	%
Canada	\$281,359	89.1	\$349,436	91.1
US	34,602	10.9	34,049	8.9

## Distributable Cash

Distributable cash is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, the distributable cash of the Company is unlikely to be comparable to the distributable cash measures presented by other issuers. However, distributable cash is commonly used by Canadian open-ended trusts as an indicator of financial performance and we believe that distributable cash is a useful supplemental measure that may assist in assessing the potential return on an investment in our Stapled Units.

Our calculation of distributable cash is based on cash flows from operating activities before changes in non-cash operating working capital, adjusted for sustaining capital expenditures and proceeds from disposition of equipment. Certain expenditures that are incurred as part of earnings-enhancing capital projects and acquisitions may be excluded from the determination of distributable cash flow if the project or acquisition is funded by term debt or equity financing.

On September 15, 2005 the company declared a cash distribution for the period from September 1 to September 30, 2005 of \$0.0834 per Stapled Unit, comprised of a dividend of \$0.0213 per Common Share underlying the Stapled Unit and \$0.0621 in interest payable on the 14% Subordinated Note underlying the Stapled Unit.

## Statement of Distributable Cash

(in thousands of dollars except per Stapled unit amounts)  
(Unaudited)

	For the 3 months ended September 30	
	2005	2004
Cash flows from operating activities before change in non-cash operating working capital	\$ 1,399	\$ 5,996
Adjustments		
Sustaining capital expenditures	(877)	(601)
Proceeds from disposition of equipment	2	44
Distributable Cash	\$ 524	\$ 5,439
Distributable Cash per Stapled Unit - Dividend (1)	\$ 0.0213	-
Distributable Cash per Stapled Unit - Interest (1)	\$ 0.0621	-
Total Distributed (1)	\$ 0.0834	-

### Notes:

- (1) Cash distributions declared for the period from September 1 to September 30, 2005 of \$0.0834 per Stapled Unit, comprised of a dividend of \$0.0213 per Common Share underlying the Stapled Unit and \$0.0621 in interest payable on the 14% Subordinated Note underlying the Stapled Unit.

## Summary of Quarterly Results

(in thousands of dollars, except per share amount in dollars)

	Dec-2003	Mar-2004	Jun-2004	Sep-2004	Dec-2004	Mar-2005	Jun-2005	Sep-2005
Sales, reclassified (1)	\$244,366	\$274,309	\$385,386	\$383,998	\$278,027	\$282,440	\$324,945	\$315,961
Net income (2)	\$1,818	\$3,725	\$5,778	\$5,533	\$763	\$14,593	\$3,674	\$1,256
Earnings per share/per Stapled Unit – before interest distribution (3)	\$0.23	\$0.48	\$0.73	\$0.70	\$0.10	\$1.82	\$0.46	\$0.09
Earnings per share/per Stapled Unit – after interest distribution (3)	\$0.23	\$0.48	\$0.73	\$0.70	\$0.10	\$1.82	\$0.46	\$0.04

### Notes:

(1) Impact of Accounting Policy Changes on Sales

Taiga contemplated revised Section 1100, Generally Accepted Accounting Principles of the CICA Handbook and determined that it was necessary to revise the presentation of antidumping and countervailing duties. These items are now recorded as an addition to cost of sales as opposed to a deduction from revenue.

(2) The amounts are derived from Taiga's audited historical financial statements which have been adjusted for a prior-period adjustment as a result of a tax audit conducted by the Canada Revenue Agency. For further information on the adjustment, see note 14 (c) 'Subsequent Events' in the audited statements for the fiscal year ended March 31, 2005 included in Taiga Forest Ltd.'s 2005 annual report.

(3) This reflects the same for basic and fully-diluted per share basis.

Taiga operates in a seasonal industry that generally experiences higher sales in the first and second quarters and reduced sales in the late fall and winter during its third and fourth quarters of each fiscal year.

## LIQUIDITY AND CAPITAL REQUIREMENTS

### Summary of Financial Position

	Mar. 31, 2005	Jun. 30, 2005	Sep. 30, 2005
Current Assets - \$ thousands	\$ 276,754	\$ 250,594	\$ 230,904
Current Liabilities - \$ thousands	205,504	183,032	186,546
Working Capital - \$ thousands	71,250	67,562	44,358
Subordinated notes owned by unitholders - \$ thousands	-	-	171,334
Total Long Term Liabilities - \$ thousands	25,518	24,831	-
Total Assets - \$ thousands	332,150	306,084	286,203
Shareholders' Equity - \$ thousands (1)	101,128	98,221	(71,677)
<b>Ratios</b>			
Current Ratio	1.35:1	1.37:1	1.24:1
Total Liabilities to Shareholders' Equity (1)	2.28:1	2.12:1	(4.99):1

**Notes:****(1) Impact of Stapled Unit conversion**

Pursuant to an Indenture dated September 1, 2005, the Company issued 32,205,680 Subordinated Notes (the "Notes") with a principal amount of \$5.32 for an aggregate carrying amount of \$171,334,217. Under the terms of the Indenture, the Notes are unsecured, bear interest at 14% per annum and mature on September 1, 2020. Interest on the Notes (except defaulted interest) at a rate of 14% per annum is payable monthly in arrears, and calculated as an annual interest sum divided by twelve, on or about the 15th day following the end of each month commencing October 17, 2005. The aggregate principal amount of Notes that may be issued under the Indenture is unlimited. The Notes are guaranteed by certain of the Company's subsidiary and affiliated companies.

As a result of the Stapled Unit conversion, the aggregate issue price of the Notes in the amount of \$171,334,217 is charged against Retained Earnings during the current period.

**Assets**

Total assets were \$286.2 million at September 30, 2005 and \$332.1 at March 31, 2005. The decrease of \$45.9 million is primarily the result of decreased inventories.

Accounts receivable increased slightly by \$1.5 million to \$128.8 million at June 30, 2005, compared to \$127.3 million at March 31, 2005.

Inventory decreased by \$48.9 million to \$96.3 million at September 30, 2005, compared to \$145.2 million at March 31, 2005 due to improved inventory management programs.

The net balance of land, buildings, equipment and leaseholds increased by \$0.09 million to \$49.2 million at September 30, 2005. Purchases of land, buildings, equipment and leaseholds during the current quarter were \$0.9 million and amortization was \$0.7 million.

In connection with the purchase of fixed assets, \$0.2 million of the total amount purchased is related to the purchase of computer software and hardware. Taiga is currently upgrading its computer systems and anticipates that an additional \$0.5 million will be required to complete the upgrade this fiscal year. Taiga also expended \$0.1 million on upgrades to the wood preservation plant in Ontario. The computer and treating plant upgrades are over and above typical maintenance capital expenditures. Annual maintenance capital expenditures average approximately \$1.0 million per year and management estimates that this amount represents the amount that Taiga will incur in each of the next three years. Capital expenditures are financed from operational cash flows.

Income taxes recoverable increased by \$1.6 million to \$4.2 million at September 30, 2005, compared to \$2.6 million at March 31, 2005.

**Liabilities**

Total liabilities increased from \$231.0 million at March 31, 2005 to \$357.9 million at the end of September 30, 2005. The \$126.9 million increase is mainly the result of the addition of the subordinated note payable in the amount of \$171.3 million and is partially offset by repayment of all long-term debt.

Credit facilities and bank indebtedness decreased by \$14.0 million to \$118.0 million at September 30, 2005, compared to \$132.0 million at March 31, 2005 as a result of lower inventories.

Prior credit facilities consisting of long-term debt decreased by \$25.5 million from \$25.5 million at March 31, 2005 to nil at September 30, 2005 as a result of financing arrangements with GE Capital Markets ("GE") to refinance the Company's existing senior credit facilities.

Accounts payable and accrued liabilities decreased by \$6.7 million from \$66.6 million at March 31, 2005 to \$59.9 million at September 30, 2005 due to carrying lower inventory on hand.

## Changes in Non Cash Working Capital Items

Changes in Non-cash Working Capital:  
(in thousands of dollars)

	Three months ended		Six months ended	
	September		September	
	2005	2004	2005	2004
	\$	\$	\$	\$
(Increase) Decrease in accounts receivable	(4,318)	19,273	(1,459)	(3,770)
(Increase) Decrease in income taxes recoverable/payable	4,048	735	3,372	1,988
(Increase) Decrease in inventories	24,020	(2,122)	48,874	20,179
(Increase) Decrease in prepaid expenses	928	(3,567)	52	(3,362)
Increase (Decrease) in accounts payable and accrued liabilities	11,077	3,501	(6,662)	(4,341)
	35,755	17,820	44,177	10,694

### Working Capital

Working capital decreased by \$26.9 million to \$44.4 million at September 30, 2005 compared to \$71.3 million at March 31, 2005. The decrease was primarily due to lower inventories and to a lesser extent accounts receivables being offset by a reduction in accounts payable and accrued liabilities, and bank indebtedness.

### Contractual Obligations

There are no material changes to the contractual obligations except for the new GE credit facilities and Subordinated Notes as reported in the Management's Discussion and Analysis and audited consolidated financial statements and notes thereto included in the Company's 2005 annual report and information circular dated May 27, 2005.

### Financing

Taiga had utilized three Canadian banks and one US bank to finance its operations. As of September 1, 2005 the Company successfully secured up to CDN \$250 million senior secured revolving credit facility with GE to accommodate the Company's new corporate structure and payment of interest on the Subordinated Notes.

Under the new GE credit facility, the Company can obtain a maximum revolving loan commitment of \$200 million from April through September and \$160 million from October through March. The credit arrangement also has an accordion feature to permanently increase the maximum limit by an additional \$50 million. As of September 30, 2005, Taiga was utilizing \$119 million of the \$200 million facility. Taiga's main source of liquidity will be cash provided by operations and the GE credit facilities. Management believes that such sources of liquidity will be sufficient to fund the new corporate structure, future working capital requirements, capital expenditures and Taiga's planned growth.

### Outstanding Share Data

The company has only one class of shares outstanding, its common shares without par value. Each common share is 'stapled' to a 14% subordinate note in the principle amount of \$5.32, to form a Stapled Unit. On November 1, 2005, there were 32,205,680 Stapled Units issued and outstanding. The Company declared on September 15, 2005, a cash distribution for the period from September 1 to September 30, 2005 of \$0.0834 per stapled unit, comprised of a dividend of \$0.0213 per common share and \$0.0621 in interest payable on the 14% Subordinated Note to all holders of record on September 30, 2005. . The distribution payment totalling \$2,685,954 was paid on October 17, 2005. On October 19, 2005, the Company announced a cash distribution for the period from October 1 to October 31, 2005 of \$0.0834 per Stapled Unit, comprised of a dividend of \$0.0213 per Common Share underlying the Stapled Unit and \$0.0621 in interest payable on the 14% Subordinated Note underlying the Stapled Unit. The distribution will be made to unitholders of record at the close of business on October 31, 2005 and will be payable on November 15, 2005

As a result of the reorganization, there are no outstanding options remaining to be exercised and no new options have been granted during the quarter.

## Risks and Uncertainties

The results of operations, business prospects and financial condition of Taiga are subject to a number of risks and uncertainties, and are affected by a number of factors outside of Taiga's control.

### Inventory Risk

The wholesale building products distribution industry is characterized by large sales volumes and low gross margins. It is highly sensitive to price, quality, timeliness of delivery and continuity of supply. In addition, the demand for some of Taiga's products is cyclical and prices can change rapidly.

Taiga's buying practices are designed to minimize the risk of rapidly changing prices, although there can be no assurance that such practices will actually reduce risk. Taiga does not generally hedge its inventory risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and optimal customer service. Although Taiga strives to reduce the risk associated with price changes by maximizing inventory turnover, Taiga maintains significant quantities of inventory, which is effected by changing prices.

### Currency Risk

The performance of the Canadian dollar compared to the US dollar presents a certain valuation risk for inventories purchased specifically for US markets. Taiga does not generally hedge these inventories with US exchange forwards, relying instead on rapid inventory turnover. Taiga continually monitors exchange trends and sells most US receipts into the spot market at the most advantageous rates possible. Taiga does make limited use of US exchange forward contracts. At September 30, 2005, Taiga did not have any outstanding obligations to purchase or sell US dollars.

### Credit Risk

Taiga extends to its customers credit, which is generally unsecured. Taiga has credit management procedures in place to mitigate the risk of losses due to the insolvency or bankruptcy of customers. However, risk exists that some customers may not be able to meet their obligations and the loss of a large receivable would have a significant negative impact on Taiga's profitability.

### Interest Risk

Taiga utilizes significant leverage to finance day-to-day operations. The interest cost of Taiga's revolving credit facility is predominately prime-based. Increased interest rates will increase Taiga's operating costs and may reduce net profit after income tax. Taiga monitors current interest rates and selectively utilizes interest rate swap agreements to mitigate the risk. As at September 30, 2005, Taiga had the following interest rate swap arrangements.

Counterparty	Maturity Date	Notional Amount	Fixed Interest Rate
HSBC Bank Canada	October 26, 2005	\$ 1,500,000	4.25
HSBC Bank Canada	August 27, 2007	\$10,000,000	3.90
HSBC Bank Canada	August 25, 2009	\$10,000,000	4.50

## RELATED PARTY TRANSACTIONS

During the current quarter, the Company paid \$nil (2004 - \$21,186) to a subsidiary company of Berjaya Group Berhad. Berjaya Group Berhad's wholly-owned subsidiary, Berjaya Forest Products (Luxembourg) s.à.r.l., owns 39.8% of Taiga's outstanding voting securities. The payment was for purchases, made at fair market value, of building materials for resale within the Canadian market.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. Significant areas requiring such estimates are accounting valuations, inventory, the composition of future income taxes, and volume rebates. Although management believes the estimates used while preparing its financial statements are reasonable, actual results may be different from these estimates.

The significant accounting policies of Taiga are described in Note 1 of the March 31, 2005 audited financial statements contained in the Taiga Building Products Ltd. 2005 annual report. The policies which Taiga believes are the most critical to assist with understanding and evaluating its reported financial results include the following:

### Revenue Recognition

Revenue is recognized at the time of shipment at agreed prices to credit-approved customers, consistent with common forest industry terms of trade. At the time of shipment, the significant risks and rewards of ownership have been transferred.

### Valuation of long-lived assets

Taiga reviews the carrying values of its buildings and equipment on a regular basis by reference to estimated future operation results and undiscounted net cash flows. If the carrying value of these assets exceeds estimated net recoverable amounts, a provision for impairment will be made unless the decline is temporary.

### Inventory Valuation

Inventories are valued at the lower of average cost and net realizable value.

### Foreign Currency Translation

Transactions denominated in US dollars have been translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate. Exchange gains and losses are included in earnings.

The accounts of the self-sustaining foreign operation are accounted for by the current rate method. Under this method, assets and liabilities are translated into Canadian dollars at prevailing rates of exchange at each balance sheet date, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Foreign currency gains and losses are deferred as a component of additional paid-in capital as a cumulative translation adjustment.

## FINANCIAL INSTRUMENTS

Taiga has financial instruments which include accounts receivable, bank indebtedness, credit facilities, accounts payable and accrued liabilities, and long-term debt, the carrying values of which approximate fair values at September 30, 2005.

### Hedging

The Company may enter into foreign exchange contracts with financial institutions to hedge the value of foreign currency denominated sales and purchases. Gains and losses arising from these contracts offset the gains and losses from the underlying foreign currency transactions. As at September 30, 2005 & 2004, Taiga did not have any foreign exchange contracts outstanding to purchase or sell US dollars.

### Off-balance Sheet Arrangements

There are no material off-balance sheet arrangements.

For a detailed description of financial instruments and their associated risks, see Note 3 'Financial Instruments' in the audited statements for the fiscal year ended March 31, 2005 contained in the Taiga Building Products Ltd. 2005 annual report.

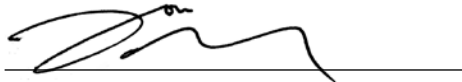
### OUTLOOK

Taiga's financial performance is primarily dependent on the industrial and residential construction, renovation and repairs markets. These markets are affected by the strength or weakness in the general economy and as such are influenced by interest rates and other general market indicators. Ideal economic conditions for Taiga would include reasonable levels of economic growth, moderate interest rates and low unemployment. These conditions generally promote consumer confidence and spending on new housing, or renovation and repairs.

In Canada, Canada Mortgage and Housing Corporation reported the seasonally adjusted annual rate of housing starts was 230,500 units in September 2005, up from 206,200 units in August 2005, but down from 230,200 in June 2005. In midst of growing pressure that the Federal Reserve will decide to boost its federal funds rate by one-quarter of a percentage point at each of its next three meetings. The National Association of Home Builders is forecasting a decline in total housing starts from 2.032 million this year to 1.92 million in 2006 and a further drop to 1.883 million in 2007.

Hurricane Katrina, the most expensive natural catastrophe to hit the US in recent history and is likely to be the largest property loss ever recorded in the global property insurance market. Estimates of insured losses from leading modeling firms range from US \$40 billion to US \$60 billion. Coastal towns and cities were left under water with parts of Mississippi completely devastated and no buildings left standing in some towns. New Orleans, which escaped the worst of the windstorm itself, was deluged by flood water. Given these recent developments in the home and commercial building products sector, Taiga expects to continue building on its strong financial results and solid fiscal position.

### BY ORDER OF THE BOARD OF DIRECTORS



Dr. Kooi Ong Tong  
*Executive Chairman and CEO*

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102 “Continuous Disclosure Obligations”, Part 4, Subsection 4.3 (3a), 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.

Taiga’s independent auditors, HLB Cinnamon Jang Willoughby, has not performed a review of these interim statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

**CONSOLIDATED BALANCE SHEETS**

(in thousands of Canadian dollars)

	September 30 2005 (Unaudited)	March 31 2005 (Audited)
<b>Assets</b>		
Current Assets:		
Accounts receivable	\$128,755	\$127,293
Income taxes recoverable	4,245	2,637
Inventories (note 5)	96,333	145,201
Prepaid expenses	1,571	1,623
	230,904	276,754
Other Assets:		
Investments	25	25
Land, buildings, equipment and leaseholds	49,197	49,293
Future Income Taxes	6,077	6,078
	\$286,203	\$332,150
<b>Liabilities and Unitholders' Equity</b>		
Current liabilities:		
Bank indebtedness	\$12,020	\$14,459
Credit facilities	105,953	117,578
Accounts payable and accrued liabilities	59,914	66,576
Withholding taxes payable	4,987	-
Future Income Taxes	3,618	3,618
Current portion of long-term debt	54	3,273
	186,546	205,504
Long-term debt	-	25,518
Subordinated notes owned by unitholders (notes 3(a) and 4)	171,334	-
	357,880	231,022
Unitholders' equity (deficiency):		
Share Capital (notes 2 and 4)	14,857	13,442
Cumulative translation adjustment	(1,282)	(841)
(Deficit) / Retained earnings (note 3(b))	(85,252)	88,527
	(71,677)	101,128
	\$286,203	\$332,150

See accompanying notes to interim consolidated financial statements

## CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three months ended September 30		Six months ended September 30	
(in thousands of Canadian dollars)	2005	2004	2005	2004
<b>Sales</b>	\$315,961	\$383,485	\$640,906	\$767,873
Cost of sales	285,798	350,471	584,666	704,894
<b>Gross Margin</b>	30,163	33,014	56,240	62,979
<b>Expenses:</b>				
Distribution	6,998	6,695	14,142	13,379
Selling and administration	16,892	15,844	27,975	28,576
Interest				
Current	1,265	1,068	2,611	2,185
Subordinated debt	1,725	-	1,725	-
Long-term	503	397	941	765
	27,383	24,004	47,394	44,905
<b>Operating Income</b>	2,780	9,010	8,846	18,074
Non-operating expense (income)	(186)	18	(128)	75
<b>Earnings before Income Taxes</b>	2,966	8,992	8,974	17,999
Income taxes	1,710	3,459	4,044	6,688
<b>Net Earnings</b>	1,256	5,533	4,930	11,311
<b>Retained Earnings, Beginning of Period</b>	85,512	71,451	88,527	65,673
Net Earnings for the Period	1,256	5,533	4,930	11,311
Issuance of subordinated notes (note 3(a))	(171,334)	-	(171,334)	-
Common Share Dividends	(686)	(2,787)	(7,375)	(2,787)
<b>Retained Earnings, End of Period</b>	\$(85,252)	\$74,197	\$(85,252)	\$74,197
Basic and diluted earnings per common share	\$0.04	\$0.17	\$0.15	\$0.35
Number of common share outstanding (note 4(b))	32,205,680	32,205,680	32,205,680	32,205,680

See accompanying notes to interim consolidated financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

	Three months ended September 30		Six months ended September 30	
(in thousands of Canadian dollars)	2005	2004	2005	2004
<b>Cash provided by (used in):</b>				
<b>Operations:</b>				
Net Income	\$1,256	\$5,533	\$4,931	\$11,31
Adjustments for -				
Amortization	692	725	1,381	1,453
Cumulative translation adjustment	(549)	(393)	(441)	(301)
Loss on disposal of equipment	-	131	57	131
	1,399	5,996	5,928	12,594
Change in non-cash working capital	35,755	17,820	44,177	10,694
Cash flows from operating activities	37,154	23,816	50,105	23,288
<b>Investments:</b>				
Purchase of land, buildings, equipment and leaseholds	(877)	(601)	(1,628)	(739)
Proceeds from disposition of equipment	2	44	10	44
Cash flows (used in) investment activities	(875)	(557)	(1,618)	(695)
<b>Financing:</b>				
Net change in credit facilities	(11,447)	(18,657)	(11,625)	(21,299)
Repayment of long-term debt	(27,685)	(810)	(28,463)	(1,627)
Dividends paid	(686)	(2,787)	(7,375)	(2,787)
Issuance of share capital	1,415	-	1,415	-
Cash flows (used in) financing activities	(38,403)	(22,254)	(46,048)	(25,713)
<b>Net Increase (Decrease) in Cash</b>	<b>(2,124)</b>	<b>1,005</b>	<b>2,439</b>	<b>(3,120)</b>
Bank Indebtedness, beginning	(9,896)	(12,705)	(14,459)	(8,580)
<b>Bank Indebtedness, ending</b>	<b>\$(12,020)</b>	<b>\$(11,700)</b>	<b>\$(12,020)</b>	<b>\$(11,700)</b>
<b>Supplemental Information:</b>				
Non-cash financing activities				
Issuance of subordinated notes (note 3(a))	\$ (171,334)	-	\$ (171,334)	-

See accompanying notes to interim consolidated financial statements

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended September 30, 2005 and 2004  
(Unaudited)

### 1. Significant accounting policies:

These interim consolidated financial statements follow the same accounting policies and methods of application as our annual financial statements.

#### (a) Basis of presentation:

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, 2005. 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 Taiga Building Products Ltd. Annual Report for the year ended March 31, 2005. In management's opinion, these unaudited interim consolidated financial statements include all adjustments necessary to present fairly such information. The results of operations for the interim periods are not necessarily indicative of the results to be expected in future periods.

On May 20, 2005, a new company named Taiga Building Products Ltd. (the "Company") was incorporated as a wholly-owned subsidiary of Taiga Building Products Ltd. ("Taiga Forest"). Following completion of a plan of arrangement effective September 1, 2005 (see Note 2.), the Company amalgamated with Taiga Forest, Envirofor Preservers (B.C.) Ltd., Envirofor Preservers (Alta.) Ltd.; 0732161 B.C. Ltd. (formerly, "Dynamic Forest Products Ltd."); Elmira Wood Products Ltd. and Taiga Logistics Ltd. pursuant to the Business Corporations Act and continued as Taiga Building Products Ltd. In addition, two new US entities were created, Taiga Holdings, Inc. and Taiga Building Products, LLC.

#### (b) Distribution Policy:

The Company will pay interest on the subordinated notes and dividends on common shares (if declared) to holders of record as of the close of business on the last business day of the preceding month. Interest on the subordinated notes and dividends on the common shares (if declared) will be paid on or about the 15th day of each month. The Company may make additional distributions in excess of monthly distributions during the year, as the Board of Directors may determine in its sole discretion.

#### (c) Comparative Figures:

The comparative figures presented are the same as those included in the previously issued consolidated financial statements of Taiga Building Products Ltd., except for adjustments relating to the new legal form of the equity interests.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended September 30, 2005 and 2004  
(Unaudited)

### 2. Reorganization:

On September 1, 2005, Taiga Forest converted to an income fund-like structure using Stapled Units. The transaction was effected through a plan of arrangement (the "reorganization") approved by the shareholders of Taiga Forest on June 27, 2005. Under the reorganization, the issued and outstanding common shares of Taiga Forest were exchanged for Stapled Units of the Company on the basis of four Stapled Units for each Taiga Forest common share. Each Stapled Unit consists of one common share and a 14% unsecured Subordinated Note of the Company in the principal amount of \$5.32. A total of 32,205,680 Stapled Units of the Company were issued. Stapled Units of the Company commenced trading on September 1, 2005 on the under the symbol "TBL.UN" on the Toronto Stock Exchange.

As the reorganization results in the shareholders of Taiga Forest owning directly all of the equity interests of the Company, the reorganization does not result in any change in beneficial ownership of the Company.

### 3. Subordinated Notes:

(a) Terms:

Pursuant to an Indenture dated September 1, 2005, the Company issued 32,205,680 Subordinated Notes (the "Notes") with a principal amount of \$5.32 for an aggregate carrying amount of \$171,334,217. Under the terms of the Indenture, the Notes are unsecured, bear interest at 14% per annum and mature on September 1, 2020. Interest on the Notes (except defaulted interest) at a rate of 14% per annum is payable monthly in arrears, and calculated as an annual interest sum divided by twelve, on the 15th day following the end of each month commencing October 17, 2005. The aggregate principal amount of Notes that may be issued under the Indenture is unlimited. The Notes are guaranteed by certain of the Company's subsidiary and affiliated companies.

(b) Impact of conversion:

As a result of the Stapled Unit conversion, the aggregate issue price of the Notes in the amount of \$171,334,217 is charged against Retained Earnings during the current period.

### 4. Stapled Units:

(a) Authorized share capital:

No maximum number of common shares

(b) Stapled Units:

The Company issues equity by way of Stapled Units, each Stapled Unit consisting of one common share and one Subordinated Note with a principal amount of \$5.32. The securities comprising a Stapled Unit trade together as Stapled Units and the ratio of Common Shares to the principal amount of Subordinated Notes represented by a Stapled Unit is subject to change in the event of a stock split, consolidation or reclassification, or upon a partial redemption or repurchase of the Subordinated Notes.

At any time after 45 days from the date of original issuance or upon the occurrence of a change of control, holders of Stapled Units may separate their Stapled Units into the Common Shares and Subordinated Notes. Similarly, any holder of Common Shares and Subordinated Notes may recombine the applicable number of Common Shares and principal amount of Subordinated Notes to form Stapled Units at any time after 90 days from the issue date of the Subordinated Notes.

The Company issued 32,205,680 Stapled Units under the reorganization. As the reorganization did not result in any change in beneficial ownership of the Company, the 32,205,680 issued common shares have been recorded at \$13,442,135, being the previously stated value in Taiga Forest.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended September 30, 2005 and 2004  
(Unaudited)

### 5. Inventories:

(in thousands of Canadian dollars)	As at September 30 2005	March 31 2005
Allied building products	\$ 15,386	\$ 20,433
Lumber products	64,638	92,461
Panel products	16,309	32,308
Total Inventories	\$ 96,333	\$ 145,201

### 6. Segmented information:

The Company operates primarily in the wholesale building products distribution industry.

During the period April 1, 2005 to September 30, 2005, the Company had export sales of Cdn. \$71,849,510 (prior year Cdn. \$167,076,537) primarily to the United States.

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## CORPORATE INFORMATION

### Board of Directors

Kooi Ong Tong  
Executive Chairman and CEO  
Vancouver, BC

Rayvin Tan  
Kuala Lumpur, Malaysia

John Bell  
Vancouver, BC

Sherwin John Y. Lim  
West Vancouver, BC

Daniel McDonald  
Mission, BC

### Officers

Kooi Ong Tong  
Executive Chairman and CEO

Bill Kushlick  
President and COO

Albert Yap  
VP, Finance  
and Support Services

Cam White  
VP, Western Operations

Jimmie Bradshaw  
VP, National Accounts  
and Supply Management

Doug Morris  
VP, Eastern Operations

Patrick J. Furlong  
Secretary

### Taiga Building Products Ltd. Executive Offices

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Burnaby, BC V5H 4M2

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### Postal Address

PO Box 80329  
Burnaby, BC V5H 3X6

### Transfer Agent

Computershare  
Trust Company of Canada  
Vancouver, BC

### Auditors

Cinnamon Jang Willoughby  
Burnaby, BC

**Stock Exchange TSX**  
Trading Symbol: **TBL.UN**

### Solicitors

Davis and Company  
Vancouver, BC

Borden Ladner Gervais LLP  
Vancouver, BC