

Consolidated Financial Statements of

Taiga Building Products Ltd.

Three months ended September 30, 2006 and 2005

Six months ended September 30, 2006 and 2005

(Unaudited)

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.

Taiga Building Products Ltd.

Consolidated Balance Sheets

As at September 30, 2006 and March 31, 2006

<i>(in thousands of Canadian dollars)</i>	September 30, 2006 Restated	March 31, 2006 Restated
Assets		
Current:		
Accounts receivable	\$ 116,044	\$ 125,768
Income taxes recoverable	4,328	5,744
Inventories (Note 4)	103,211	135,862
Prepaid expenses	1,536	1,544
Future income taxes (Note 5)	-	332
	225,119	269,250
Land, buildings, equipment and leaseholds	30,839	27,317
Deferred financing fees	824	931
Future income taxes (Note 5)	4,413	8,074
	\$ 261,195	\$ 305,572
Liabilities and Unitholders' Equity		
Current:		
Bank indebtedness	\$ (994)	\$ 2,013
Credit facilities	107,122	113,489
Accounts payable and accrued liabilities	71,227	60,363
Future income taxes (Note 5)	4,743	7,474
Current portion of obligations under capital leases	266	266
	182,364	183,605
Obligations under capital leases	11,444	11,574
Deferred gain	17,219	17,718
Subordinated notes owned by unitholders (Note 2)	128,834	171,334
	339,861	384,231
Unitholders' Equity:		
Share capital	13,229	13,229
Cumulative translation adjustment	(1,729)	(1,193)
	11,500	12,036
Retained Earnings (Deficit)	(90,166)	(90,695)
	(78,666)	(78,659)
	\$ 261,195	\$ 305,572

Taiga Building Products Ltd.

Consolidated Statements of Earnings And Retained Earnings

For The Three and Six Months Ended September 30, 2006 and 2005

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
<i>(in thousands of Canadian dollars)</i>	Restated		Restated	
Sales	\$ 305,264	\$ 315,961	\$ 633,379	\$ 640,906
Cost of sales	272,251	285,798	566,570	584,666
Gross Margin	33,013	30,163	66,809	56,240
Operating expenses:				
Distribution	8,576	6,998	17,228	14,142
Selling and administration	13,654	16,892	26,559	27,975
Interest				
Current	2,319	1,265	4,571	2,611
Long-term	-	503	-	941
	24,549	25,658	48,358	45,669
Earnings from operations	8,464	4,505	18,451	10,571
Non-operating expenses:				
Subordinated debt interest expense	3,946	1,725	11,098	1,725
Other income (expense)	660	186	894	128
Earnings before income taxes	5,178	2,966	8,247	8,974
Income taxes				
Current	(566)	1,710	2,229	4,044
Future and Withholding	2,668	-	1,373	-
	2,102	1,710	3,602	4,044
Net Earnings	3,076	1,256	4,645	4,930
Retained Earnings, beginning	(91,184)	85,512	(90,695)	88,527
Net Earnings	3,076	1,256	4,645	4,930
Common share dividends	2,058	686	4,116	7,375
Retained Earnings before the undernoted	(90,166)	86,082	(90,166)	86,082
Issuance of subordinated notes		(171,334)		(171,334)
Retained Earnings (Deficit), end of period	\$ (90,166)	\$ (85,252)	\$ (90,166)	\$ (85,252)
Basic and diluted net earnings per unit/common share	\$0.10	\$0.04	\$0.14	\$0.15
Weighted average number of units/common shares outstanding	32,206	32,006	32,206	31,926

Taiga Building Products Ltd.

Consolidated Statements of Cash Flows

For The Three and Six Months Ended September 30, 2006 and 2005

	Three months ended September 30,		Six months ended September 30,	
	2006	2005	2006	2005
<i>(in thousands of Canadian dollars)</i>	Restated		Restated	
Cash provided by (used in):				
Operating:				
Net Earnings	\$ 3,076	\$ 1,256	\$ 4,645	\$ 4,931
Adjustments for				
Amortization	497	692	979	1,381
Cumulative translation adjustment	(296)	(549)	(536)	(441)
Loss (gain) on sale of assets	159	-	159	57
Loss (gain) on sale and leaseback	(228)	-	(484)	-
	3,208	1,399	4,763	5,928
Changes in non-cash working capital	27,120	35,755	55,533	44,177
Cash flows from operating activities	30,328	37,154	60,296	50,105
Investing:				
Purchase of land, buildings, equipment and leaseholds	(4,071)	(877)	(4,929)	(1,628)
Proceeds from sale of Emerwood	450	-	450	-
Proceeds from disposition of equipment	9	2	9	10
Cash flows from (used in) investing activities	(3,612)	(875)	(4,470)	(1,618)
Financing:				
Increase (Decrease) in credit facilities	(25,764)	(11,447)	(6,365)	(11,625)
Repurchase of subordinated notes	-	-	(42,500)	-
Repayment of long-term debt	-	(27,685)	-	(28,463)
Capital lease payable	79	-	162	-
Issuance of share capital	1	1,415	-	1,415
Dividends paid	(2,058)	(686)	(4,116)	(7,375)
Cash flows from (used in) financing activities	(27,742)	(38,403)	(52,819)	(46,048)
Net Increase (Decrease) in Cash	(1,026)	(2,124)	3,007	2,439
Bank Indebtedness, beginning	2,020	(9,896)	(2,013)	(14,459)
Bank Indebtedness, ending	\$ 994	\$ (12,020)	\$ 994	\$ (12,020)
Supplemental Disclosure of Cash Flow Information:				
Interest	\$ 6,264	\$ 3,493	\$ 15,668	\$ 5,277
Income taxes	\$ 1,179	\$ 1,710	\$ 1,726	\$ 4,044

Notes to the Consolidated Interim Financial Statements

For the three and six months ended September 30, 2006 and 2005

(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, 2006. 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, 2006. 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.

(b) Distribution

Taiga 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. Taiga 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, except for adjustments relating to the new legal form of the equity interests.

2. Repurchase and Retirement of Subordinated Notes

Taiga purchased and retired \$42,500,000 of the 14% subordinated notes at a purchase price of 105% of the principal amount outstanding per Note plus accrued and unpaid interest to the date of acceptance, leaving a principal value of \$128,834,217 of the Notes outstanding.

3. Fresno County - Sanger, California Real Estate Purchase

On September 29, 2006 Taiga purchased a property containing a 109,250 sq. ft. warehouse and 12.6 acre yard in Sanger, California. This property will facilitate further growth in the western United States

Notes to the Consolidated Interim Financial Statements

For the three and six months ended September 30, 2006 and 2005

(Unaudited)

4. Inventories

(in thousands of Canadian dollars)

	As at September 30, 2006	As at March 31, 2006
Allied building products	\$ 28,396,123	\$ 26,519,720
Lumber products	57,467,404	85,451,504
Panel products	17,347,394	23,891,553
Total Inventories	\$ 103,210,921	\$ 135,862,777

5. Future Income Taxes

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components that affect future tax assets and liabilities are deferred income from Partnership, deferred gain on sale and leaseback, Non-capital losses, property, plant and equipment. Other components that affected future income taxes in the current fiscal year was the purchase and retirement of \$42,500,000 of the 14% subordinated notes and the estimated refund of countervailing and anti-dumping duties.

6. Segmented Information

Taiga operates primarily in the wholesale building products distribution industry.

During the period April 1, 2006 to September 30, 2006, Taiga had export sales of Cdn. \$45,915,084 (prior year Cdn. \$71,849,510) primarily to the United States.

7. Discontinued Operations

On August 30, 2006 Taiga sold its 100% share ownership of Emerwood Home Products Ltd. for an aggregate purchase price of \$0.45 million. Emerwood Home Products Ltd. was a start-up business, selling to small contractors and retail end users.

8. Commitments and Contingences

a) Countervailing and Anti-Dumping Duties

The U.S. Department of Commerce (“USDOC”) has conducted countervailing and anti-dumping investigations against Canadian interests on softwood lumber. The USDOC’s investigations have resulted in a countervailing duty (“CVD”) and an anti-dumping duty (“ADD”) on U.S. imports of Canadian lumber, both to be posted by cash deposits.

As a result of these duties, the company added, to the cost of sales, ADD and CVD expenses of \$162,238 in the six months ended September 30, 2006 (2005-\$409,651). The combined total CVD and ADD paid during the period from May 22, 2002 to September 30, 2006 is \$10,711,198.

On April 27, 2006, Canada and the United States reached a framework agreement which called for the U.S. to return about 80% or \$4 billion of the \$5 billion of countervailing duties and dumping fees on Canadian lumber collected since May 2002. Under the terms of the agreement, no border measures would be imposed on Canadian lumber shipments when the Random Lengths Framing Lumber Composite Price is higher than \$355 per 1000 board feet. If price falls below \$355 per 1000 board feet, a tiered export tax would be imposed.

On October 12, 2006, the 2006 Canada-US Softwood Lumber Agreement (“SLA”) entered into force. In connection with the SLA, the Government of Canada has designated Export Development Canada (“EDC”) as its agent to facilitate a deposit refund mechanism in order to accelerate the return of duties and interest owed to Canadian companies by the U.S. Government.

For companies that participate in the deposit refund mechanism, EDC will purchase the rights to the duties and interest owed to them, eliminating the waiting period expected for U.S. Customs to process refunds, which may take up to two years. EDC has stated that they will be in a position to purchase the rights to duties and interest and deliver all payments to the participating companies within four to eight weeks after the companies have fulfilled all the conditions in EDC’s Purchase and Sale Agreement. Taiga has elected to participate in the EDC deposit refund program and is working towards meeting all the requirements. The agreement provides for the return of 81% of the duties paid in addition to interest accrued.

b) Contingent Liability

Canada Revenue Agency (“CRA”) and the Ontario Ministry of Finance are auditing the 2002, 2003, and 2004 taxation years for Taiga Building Products Ltd. (formerly Taiga Forest Products Ltd.) and the formation and financing of Taiga Building Products General Partnership (formerly Taiga Forest Products General Partnership). They have questioned the provincial income tax payable as a result of the financing structure, as well as the provincial abatement deducted by the financing subsidiary. Taiga Building Products Ltd. and its subsidiary have proposal letters in which the CRA is proposing to increase the provincial income tax payable and related arrears interest as a result of the financing. The CRA has indicated to the company and other taxpayers in similar financing structures that it will accept a settlement which would disallow any benefits from the financing. Given the settlement offer made by the CRA to Taiga Building Products Ltd and to other taxpayers in similar situations, Taiga considers the proposal letters punitive in nature and intends to fully dispute the proposal made by the CRA. At present, it is not known what final judgement, if any, CRA will propose with respect to the audit, and as such, the amount of the potential liability, if any, cannot be determined.

9. Restatement

The Company has determined that the future income taxes were calculated incorrectly during the year ended March 31, 2006. As such, the Company has adjusted its 2006 future tax assets to recognize, principally, the future tax benefits associated with the capital lease obligations arising from the sale-leaseback transaction and finance costs associated with the stapled unit conversion, as well to reflect the appropriate tax rate related to the future tax assets associated with the deferred gain arising from the sales-leaseback transaction. There have been adjustments related to the above made to future and current taxes that reflect actual tax rates and losses carried forward since the original calculations were based on estimates.

The following presents the effect on the previously issued consolidated financial statements for the three and six months ended September 30, 2006.

Consolidated Balance Sheet as at September 30, 2006

(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Income taxes recoverable	\$ 5,732	\$ (1,404)	\$ 4,328
Future tax asset (long-term)	6,070	(1,657)	4,413
Future tax liability (current)	5,219	(476)	4,743
Future tax liability (long-term)	3,914	(3,914)	-
Deficit	91,495	(1,329)	90,166

**Consolidated Statements of Earnings And Retained Earnings
for the three months ended September 30, 2006**

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

	Previously Reported	Increase (Decrease)	Restated
Income taxes	\$ 1,179	\$ 923	\$ 2,102
Net Earnings	3,999	(923)	3,076
Deficit	91,495	(1,329)	90,166
Basic and diluted earnings per share	0.12	(0.02)	0.10

**Consolidated Statements of Earnings And Retained Earnings
for the six months ended September 30, 2006**

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

	Previously Reported	Increase (Decrease)	Restated
Income taxes	\$ 1,726	\$ 1,876	\$ 3,602
Net Earnings	6,520	(1,875)	4,645
Deficit	91,495	(1,329)	90,166
Basic and diluted earnings per share	0.20	(0.06)	0.14

Consolidated Statements of Cash Flows
for the three months ended September 30, 2006
(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Net Earnings	\$ 3,999	\$ (923)	\$ 3,076
Change in non cash working capital	26,197	923	27,120

Consolidated Statements of Cash Flows
for the six months ended September 30, 2006
(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Net Earnings	\$ 6,520	\$ (1,875)	\$ 4,645
Change in non cash working capital	53,658	2,099	55,757

Consolidated Balance Sheet as at March 31, 2006
(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Income taxes recoverable	\$ 5,488	\$ 256	\$ 5,744
Future tax asset (current)	850	(518)	332
Future tax asset (long-term)	5,329	2,745	8,074
Future tax liability (current)	8,195	(721)	7,474
Deficit	93,899	(3,204)	90,695