

Consolidated Financial Statements of

Taiga Building Products Ltd.

Three months ended December 31, 2006 and 2005

Nine months ended December 31, 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
(Unaudited)

	December 31, 2006 Restated	March 31, 2006 Restated
<i>(in thousands of Canadian dollars)</i>		
Assets		
Current:		
Accounts receivable	\$ 77,803	\$ 125,768
Income taxes recoverable	6,632	5,744
Inventories (Note 3)	118,651	135,862
Prepaid expenses	1,586	1,544
Future income taxes	-	332
	<u>204,672</u>	<u>269,250</u>
Land, buildings, equipment and leaseholds	31,551	27,317
Deferred financing fees	773	931
Future income taxes	4,339	8,074
	<u>\$ 241,335</u>	<u>\$ 305,572</u>
Liabilities and Shareholders' Equity		
Current:		
Bank indebtedness	\$ 1,063	\$ 2,013
Credit facilities	86,427	113,489
Accounts payable and accrued liabilities	63,326	60,363
Future income taxes	7,963	7,474
Current portion of long-term debt	146	-
Current portion of obligations under capital leases	266	266
	<u>159,191</u>	<u>183,605</u>
Long-term debt	2,768	-
Obligations under capital leases	11,377	11,574
Deferred gain	16,961	17,718
Subordinated notes (Note 2)	128,834	171,334
	<u>319,131</u>	<u>384,231</u>
Shareholders' Equity:		
Share capital	13,229	13,229
Cumulative translation adjustment	(937)	(1,193)
	<u>12,292</u>	<u>12,036</u>
Retained Earnings (Deficit)	(90,088)	(90,695)
	<u>(77,796)</u>	<u>(78,659)</u>
	<u>\$ 241,335</u>	<u>\$ 305,572</u>

TAIGA BUILDING PRODUCTS LTD.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2006 Restated	2005	2006 Restated	2005
<i>(in thousands of Canadian dollars)</i>				
Sales	\$ 232,157	\$ 257,362	\$ 865,536	\$ 898,268
Cost of sales	209,643	231,897	776,213	816,563
Gross Margin	22,514	25,465	89,323	81,705
Operating expenses:				
Distribution	7,396	6,455	24,624	20,597
Selling and administration	10,292	11,279	36,851	39,254
Interest				
Current	1,704	1,488	6,275	4,099
Long-term	-	68	-	1,010
	19,392	19,290	67,750	64,960
Earnings from operations	3,122	6,175	21,573	16,745
Non-operating expenses:				
Subordinated debt interest expense	3,946	5,173	15,044	6,898
Other income (expense) (Note 6(a))	4,555	3	5,449	131
Earnings before income taxes	3,731	1,005	11,978	9,978
Income taxes				
Current	(1,756)	626	473	4,670
Future	3,351	-	4,724	-
	1,595	626	5,197	4,670
Net Earnings	2,136	379	6,781	5,308
Retained Earnings, beginning	(90,166)	(85,252)	(90,695)	88,527
Net Earnings	2,136	379	6,781	5,308
Common share dividends	2,058	2,058	6,174	9,432
Retained Earnings before the undernoted	(90,088)	(86,930)	(90,088)	84,404
Issuance of subordinated notes		-		(171,334)
Retained Earnings (Deficit), end of period	\$ (90,088)	\$ (86,930)	\$ (90,088)	\$ (86,930)
Basic and diluted net earnings per unit/common share	\$0.07	\$0.01	\$0.21	\$0.17
Weighted average number of units/common shares outstanding	32,206	32,206	32,206	32,019

TAIGA BUILDING PRODUCTS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2006	2005	2006	2005
<i>(in thousands of Canadian dollars)</i>	Restated		Restated	
Cash provided by (used in):				
Operating:				
Net Earnings	\$ 2,136	\$ 379	\$ 6,781	\$ 5,308
Adjustments for				
Amortization	560	704	1,538	2,089
Cumulative translation adjustment	792	6	256	(447)
Loss (gain) on sale of assets	(32)	-	127	57
Loss (gain) on sale and leaseback	(273)	-	(757)	-
	3,183	1,089	7,945	7,007
Changes in non-cash working capital	15,634	2,617	71,166	46,794
Cash flows from operating activities	18,817	3,706	79,111	53,801
Investing:				
Purchase of land, buildings, equipment and leaseholds	(1,005)	(678)	(5,892)	(2,306)
Proceeds from sale of Emerwood	-	-	450	-
Proceeds from disposition of equipment	41	-	9	10
Cash flows from (used in) investing activities	(964)	(678)	(5,433)	(2,296)
Financing:				
Increase (Decrease) in credit facilities	(20,696)	(957)	(27,060)	(12,583)
Repurchase of subordinated notes	-	-	(42,500)	-
Increase (Decrease) in long-term debt	2,768	-	2,768	(28,452)
Capital lease payable	76	-	238	-
Issuance of share capital	-	-	-	1,415
Dividends paid	(2,058)	(2,058)	(6,174)	(9,433)
Cash flows from (used in) financing activities	(19,910)	(3,015)	(72,728)	(49,053)
Net Increase (Decrease) in Cash	(2,057)	13	950	2,452
Bank Indebtedness, beginning	994	(12,020)	(2,013)	(14,459)
Bank Indebtedness, ending	\$ (1,063)	\$ (12,007)	(1,063)	\$ (12,007)

Notes to the Consolidated Interim Financial Statements

For the three and nine months ended December 31, 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 at 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.

Notes to the Consolidated Interim Financial Statements

For the three and nine months ended December 31, 2006 and 2005

(Unaudited)

3. Inventories

(in thousands of Canadian dollars)

	As at December 31, 2006	As at March 31, 2006
Allied building products	\$ 30,570,528	\$ 26,519,720
Lumber products	70,770,372	85,451,504
Panel products	17,310,122	23,891,553
Total Inventories	\$ 118,651,022	\$ 135,862,777

4. 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. Another component that affected future income taxes in the current fiscal year was the purchase and retirement of \$42,500,000 of the 14% subordinated notes.

5. Segmented Information

Taiga operates primarily in the wholesale building products distribution industry.

During the period April 1, 2006 to December 31, 2006, Taiga had export sales of Cdn. \$63,108,879 (prior year Cdn. \$99,314,745) primarily to the United States.

6. 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.

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.

Notes to the Consolidated Interim Financial Statements

For the three and nine months ended December 31, 2006 and 2005

(Unaudited)

As a result of the SLA settlement and the Company's participation through EDC, the Company recognized a one time non-operating refund of \$4.2 million net of accrued provisions.

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 has proposed 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 judgments, if any, CRA will propose with respect to the audit, and as such, the amount of the potential liability, if any, cannot be determined at this time.

7. 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 nine months ended December 31, 2006.

Consolidated Balance Sheet as at December 31, 2006

(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Income taxes recoverable	\$ 4,664	\$ 1,968	\$ 6,632
Future tax asset (long-term)	6,070	(1,731)	4,339
Future tax liability (current)	6,216	1,747	7,963
Future tax liability (long-term)	3,914	(3,914)	-
Deficit	92,492	(2,404)	90,088

**Consolidated Statements of Earnings And Retained Earnings
for the three months ended December 31, 2006**

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

	Previously Reported	Increase (Decrease)	Restated
Income taxes	\$ 2,670	\$ (1,075)	\$ 1,595
Net earnings	1,061	1,075	2,136
Deficit	92,492	(2,404)	90,088
Basic and diluted earnings per share	0.03	0.04	0.07

**Consolidated Statements of Earnings And Retained Earnings
for the nine months ended December 31, 2006**

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

	Previously Reported	Increase (Decrease)	Restated
Income taxes	\$ 4,396	\$ 801	\$ 5,197
Net earnings	7,581	(800)	6,781
Deficit	92,492	(2,404)	90,088
Basic and diluted earnings per share	0.24	(0.03)	0.21

**Consolidated Statements of Cash Flows
for the three months ended December 31, 2006**

(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Net earnings	\$ 1,061	\$ 1,075	\$ 2,136
Change in non-cash working capital	16,709	(1,075)	15,634

**Consolidated Statements of Cash Flows
for the nine months ended December 31, 2006**

(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Net earnings	\$ 7,581	\$ (800)	\$ 6,781
Change in non-cash working capital	70,366	1,025	71,391

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
