Management's Discussion and Analysis

For the three months ended March 31, 2021 and 2020

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 May 7, 2021 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the corresponding notes thereto for the three months ended March 31, 2021 and 2020. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three months ended March 31, 2021

The financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises, and is expressed in Canadian dollars.

Taiga's consolidated financial statements and the accompanying notes included within this report include the accounts of Taiga and its subsidiaries. Unless otherwise noted, all references in this MD&A to "dollars" or "$" are to Canadian dollars.

Unless otherwise noted, there are no material changes to the Company's contractual obligations and risks and uncertainties as described in its management's discussion and analysis for the year ended December 31, 2020.

Additional information relating to the Company including the Company's Annual Information Form dated February 26, 2021 can be found on SEDAR at www.sedar.com.

Forward-Looking Information:

This MD&A contains certain forward-looking information relating, but not limited, to future events or performance and strategies and expectations of Taiga. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "likely", "may", "will", "should", "predict", "potential", "continue" or similar words suggesting future outcomes or statements regarding expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Examples of such forward-looking information within this document include statements relating to: the Company's perception of the building products industry and markets in which it participates and anticipated trends in such markets in any of the countries in which the Company does business; the Company's anticipated business operations, inventory levels and ability to meet order demand; the Company's anticipated ability to procure products and its relationship with suppliers; sufficiency of cash flows; and the anticipated outcome of legal and regulatory proceedings. Readers should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking information. Forward-looking information reflects management's current expectations or beliefs and is based on information currently available to Taiga and although Taiga believes it has a reasonable basis for providing the forward-looking information included in this document, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information of Taiga involves numerous assumptions and inherent risks and uncertainties, both general and specific that contribute to the possibility that the predictions, forecasts and other forward-looking information will not occur. These factors include, but are not limited to: changes in business strategies; the effects of legal or regulatory proceedings, competition and pricing pressures; changes in operational costs; changes in laws and regulations, including tax, environmental, employment, competition, anti-terrorism and trade laws and Taiga's anticipation of and success in managing the risks associated with the foregoing; and other risks detailed in this MD&A and Taiga's filings with the Canadian securities regulatory authorities available at www.sedar.com. Forward-looking information speaks only as of the date of this discussion and analysis. Taiga does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Non-IFRS Financial Measure:

In this MD&A, reference is made to EBITDA, which represents earnings before interest, taxes, 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 the Company's ability to meet debt service and capital expenditure requirements and because management interprets 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 IFRS. Reconciliations of EBITDA to net earnings reported in accordance with IFRS are included in this MD&A.

Market and Industry Data:

Unless otherwise indicated, the market and industry data contained in this MD&A is based upon information of independent industry and government publications and management's knowledge of, and experience in, the markets in which the Company operates. While management believes this data to be reliable, market and industry data is subject to variation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third party sources referred to in this MD&A and no representation is given as to the accuracy of any of the data referred to in this MD&A obtained from third party sources.

1. Business Overview

Taiga is the largest independent wholesale distributor of building products in Canada. Taiga distributes building products in Canada, the United States and overseas. As a wholesale distributor, Taiga maintains substantial inventories of building products at fifteen strategically located distribution centres throughout Canada and two distribution centres in California and one in Washington. In addition, Taiga regularly distributes through the use of third party reload centres. Taiga also owns and operates four wood preservation plants that produce pressure-treated wood products. Factors that affect Taiga's year-over-year profitability include, among others, sales levels, price fluctuations and product mix.

Taiga's primary market is Canada. Taiga expects the Canadian housing market in calendar year 2021 to improve significantly compared to 2020. Taiga's secondary market, the United States, is expected to improve in 2021 compared to calendar year 2020. See Item 9 "Outlook".

2. Results of Operations

Sales

The Company's consolidated net sales for the quarter ended March 31, 2021 were $535.9 million compared to $320.3 million over the same period last year. The increase in sales by $215.6 million or 67% was largely due to increased selling prices for commodity products.

Sales by segments are as follows:

	Revenue by point of sale			
	Three months ended March 31,			
	2021		2020	
	$000's	**%**	**$000's**	**%**
Canada	437,244	81.6	250,828	78.3
United States	98,674	18.4	69,451	21.7

For the quarter ended March 31, 2021, export sales totalled $84.7 million compared to $50.4 million in the same quarter in the previous year. These export sales were primarily to the United States and Asia and are included as part of the Canadian segment in the table above.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 63.3% for the quarter ended March 31, 2021 and 58.9% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 36.7% for 2021 and 41.1% over the same period last year.

Gross Margin

Gross margin for the quarter ended March 31, 2021 increased to $90.4 million from $30.6 million over the same period last year. The increase in gross margin was primarily due to rising commodity prices in the current quarter compared to the same quarter last year.

Expenses

Distribution expense for the quarter ended March 31, 2021 increased to $7.1 million compared to $6.4 million over the same period last year primarily due to higher delivery and warehousing costs.

Selling and administration expense for the quarter ended March 31, 2021 increased to $41.2 million compared to $13.8 million over the same period last year primarily due to higher compensation costs.

Finance expense for the quarter ended March 31, 2021 was $1.7 million compared to $2.3 million over the same period last year. The decrease was primarily due to lower interest expenses due to lower long term debt.

Subordinated debt interest expense was $0.2 million for both quarters ended March 31, 2021 and 2020.

Other income for the quarter ended March 31, 2021 was $0.05 million compared to $0.03 million last year.

Net Earnings

Net earnings for the quarter ended March 31, 2021 increased to $29.2 million from $6.6 million for the same period last year primarily due to increased gross margin.

EBITDA

EBITDA for the quarter ended March 31, 2021 was $45.1 million compared to $13.1 million for the same period last year.

Reconciliation of net earnings to EBITDA:

	Three Months Ended March 31,	
(in thousands of dollars)	**2021**	**2020**
Net earnings	29,176	6,613
Income tax expense	11,134	1,311
Finance and subordinated debt interest expense	1,891	2,495
Amortization	2,906	2,673
EBITDA	45,107	13,092

3. Cash Flows

Operating Activities

Cash flows from operating activities used cash of $80.7 million for the quarter ended March 31, 2021 compared to $58.0 million for the same period last year. Changes between the comparative periods were primarily due to changes in non-cash working capital and changes in income tax expense and income taxes payable.

Investing Activities

Investing activities used cash of $0.8 million for the quarter ended March 31, 2021 compared to $0.9 million over the same period last year.

Financing Activities

Financing activities generated cash of $81.5 million for the quarter ended March 31, 2021 compared to $58.9 million for the same period last year. The increase was due to more borrowing from the Company's revolving credit facility offset by a one-time special dividend payment.

4. Summary of Quarterly Results

	Year ending December 31							
	2021	2020				2019		
(in thousands of dollars, except per share amount in dollars)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	535,918	411,283	500,667	356,894	320,279	298,125	358,875	354,723
Net earnings	29,176	17,635	33,430	13,148	6,613	5,763	8,373	7,071
Net earnings per share(1)	0.27	0.16	0.31	0.12	0.06	0.05	0.07	0.06
EBITDA	45,107	29,410	50,489	23,862	13,143	12,874	17,272	16,412

Notes:

(1) The amounts are identical on a basic and fully-diluted per share basis. Earnings per share is calculated using the weighted-average number of shares.

Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the quarters ended June 30 and September 30 and reduced sales in the late fall and winter during its quarters ended December 31 and March 31 of each fiscal year.

5. Liquidity and Capital Resources

Revolving Credit Facility

On June 28, 2020, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from $225 million to $250 million, with an option to increase the limit by up to $50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately $23 million at favourable rates, which Taiga utilized for the Business Acquisition referred to in Note 5 of the Notes to the Audited Consolidated Financial Statements. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at March 31, 2021.

Taiga expects to meet its future cash requirements through a combination of cash generated from operations and its credit facilities. However, any severe weakening of the Canadian housing market driving reduced product demand or a significant increase in bad debts in accounts receivable could adversely impact the Company's liquidity in the short term.

Working Capital

Working capital as at March 31, 2021 decreased to $185.8 million from $189.1 million as at December 31, 2020 due to decreased liabilities. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

(in thousands of dollars)	**March 31, 2021**	**March 31, 2020**	**December 31, 2020**
Current Assets	474,139	317,757	330,138
Current Liabilities (excluding Revolving Credit Facility)	(167,254)	(83,970)	(132,282)
Revolving Credit Facility	(121,063)	(112,744)	(8,742)
Working Capital	**185,822**	**121,043**	**189,114**
Long Term Assets	146,653	152,812	144,026
Long Term Liabilities (excluding Subordinated Notes)	(116,896)	(110,072)	(115,621)
Subordinated Notes	(12,500)	(12,500)	(12,500)
Shareholders' Equity	**203,079**	**151,283**	**205,019**

Assets

Total assets were $620.9 million as at March 31, 2021 compared to $474.2 million as at December 31, 2020. The increase was primarily the result of additional accounts receivable and inventories.

Inventories increased to $221.4 million as at March 31, 2021 compared to $190.0 million as at December 31, 2020 primarily due to inventory build up in preparation for the busier spring season as well as higher commodity prices.

Accounts receivable increased to $248.7 million as at March 31, 2021 compared to $136.8 million as at December 31, 2020 primarily due to significantly higher commodity prices leading to higher selling prices on products.

Liabilities

Total liabilities increased to $417.7 million as at March 31, 2021 from $269.1 million as at December 31, 2020. The increase was primarily due to increased accounts payable and accrued liabilities, income taxes payable and revolving credit facility balance.

Accounts payable and accrued liabilities increased to $144.9 million as at March 31, 2021 compared to $122.8 million as at December 31, 2020 due to increased payroll liabilities and inventory purchases.

Revolving credit facility increased to $121.1 million as at March 31, 2021 compared to $8.7 million as at December 31, 2020. The increase was primarily due to the associated inventory build up in preparation for the busier spring season as well as due to the one-time special dividend paid during the quarter ended March 31, 2021.

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On March 31, 2021, there were 108,541,557 common shares issued and outstanding.

On August 13, 2020, the Company commenced a further NCIB for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,489,272 of its then outstanding 109,785,457 common shares, representing 5% of the outstanding common shares. For the year ended December 31, 2020, the Company purchased 2,979,026 of its common shares for cash payments of $3,230,202. These common shares purchased by the Company have been cancelled. At March 31, 2021 there were 4,245,372 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 31, 2021. The Company has not purchased any of its common shares under this NCIB during the three months ended March 31, 2021.

6. Critical Accounting Policies and Estimates, and Future Accounting Changes

The significant accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2020.

The preparation of financial statements in conformity with IFRS 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. These estimates are described in the management's discussion and analysis for the year ended December 31, 2020 and there have been no material changes to such policies and estimates since that time.

7. Off-Balance Sheet Arrangements

Taiga does not have off-balance sheet arrangements except for commitments under operating leases as discussed under "Commitments and Contingencies" in this Management's Discussion and Analysis.

For a detailed description of financial instruments and their associated risks, see Note 24 to the Company's audited consolidated financial statements for the period ended December 31, 2020.

8. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Taiga's management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

The CEO and CFO of Taiga acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the quarter ended March 31, 2021 which materially affected or are reasonably likely to materially affect the Company's ICFR.

9. Outlook

Taiga's financial performance is primarily dependent on the 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.

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the outbreak and the related mitigation measures have had the following impacts on the Company's operations, among others: sales declined by over 30% early on in the pandemic (April 2020) but have since recovered and exceeded expectations both in fiscal 2020 and so far in fiscal 2021. The pandemic has increased demand for detached housing which combined with record high commodity prices and low borrowing rates has had a positive impact on Taiga's business. The extent to which these events may continue to impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact the Company's financial performance in 2021.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") Housing Market Outlook, Canadian Edition for Fall 2020, housing starts are forecasted to range from 194,000 to 204,300 units in the 2021 calendar year. CMHC is reporting that housing starts are expected to recover after their forecasted decline in 2020.

In the United States, the National Association of Home Builders reported in March 2021 that housing starts are forecasted to total 1,431,000 units in the 2021 calendar year compared to 1,395,000 units in calendar year 2020.

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2021 and 2020
(in Canadian dollars)

NOTICE TO SHAREHOLDERS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), 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.

The accompanying unaudited interim consolidated financial statements of Taiga Building Products Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Balance Sheets
(Unaudited)

(in thousands of Canadian dollars)		March 31, 2021		March 31, 2020		December 31, 2020
Assets						
Current:						
Accounts receivable	$	248,651	$	143,976	$	136,786
Inventories (Note 4)		221,437		168,913		189,979
Prepaid expenses		4,051		4,868		3,373
		474,139		317,757		330,138
Property, plant and equipment		122,840		124,525		119,380
Intangible assets		13,972		16,991		14,422
Goodwill		9,835		11,095		9,957
Deferred tax assets		6		201		267
	$	620,792	$	470,569	$	474,164
Liabilities and Shareholders' Equity						
Current:						
Revolving credit facility (Note 5)	$	121,063	$	112,744	$	8,742
Accounts payable and accrued liabilities		144,875		75,374		122,845
Income taxes payable		16,774		3,389		4,369
Current portion of long-term debt		630		711		638
Current portion of lease obligations		4,975		4,496		4,430
		288,317		196,714		141,024
Long-term debt		7,197		8,831		7,447
Lease obligations		94,587		91,798		91,146
Deferred gain		2,451		2,570		2,481
Deferred tax liabilities		12,215		6,325		14,076
Provisions		446		548		471
Subordinated notes (Note 7)		12,500		12,500		12,500
		417,713		319,286		269,145
Shareholders' Equity:						
Share capital (Note 8)		124,048		127,272		124,048
Accumulated other comprehensive income (Note 8)		2,146		10,514		3,261
Retained earnings		76,885		13,497		77,710
		203,079		151,283		205,019
	$	620,792	$	470,569	$	474,164

The accompanying notes are an integral part of these consolidated interim financial statements.

TAIGA BUILDING PRODUCTS LTD.

Condensed Interim Consolidated Statements of Earnings and Comprehensive (Unaudited)

(in thousands of Canadian dollars, except per share amounts)	Three months ended March 31, 2021	2020
Sales	$ 535,918	$ 320,279
Cost of sales	445,560	289,726
Gross margin	90,358	30,553
Expenses:		
Distribution	7,054	6,400
Selling and administration	41,156	13,764
Finance (Note 9)	1,673	2,277
Subordinated debt interest (Note 7)	219	219
Other income	(54)	(31)
	50,048	22,629
Earnings before income tax	40,310	7,924
Income tax expense (Note 6)	11,134	1,311
Net earnings for the year	$ 29,176	$ 6,613
Other comprehensive income (loss)		
Exchange differences on translating foreign controlled entities	$ (1,115)	$ 4,992
Total comprehensive income for the year	$ 28,061	$ 11,605
Basic and diluted net earnings per common share	$ 0.27	$ 0.06
Weighted average number of common shares outstanding	108,542	111,517

The accompanying notes are an integral part of these consolidated interim financial statements.

TAIGA BUILDING PRODUCTS LTD.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the three months ended March 31, 2020

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2019	$ 127,278	$ 6,884	$ 5,522	$ 139,684
Net earnings	-	6,613	-	6,613
Shares purchased under the NCIB and cancelled	(6)	-	-	(6)
Other comprehensive income	-	-	4,992	4,992
Balance at March 31, 2020	$ 127,272	$ 13,497	$ 10,514	$ 151,283

For the three months ended March 31, 2021

(in thousands of Canadian dollars)	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2020	$ 124,048	$ 77,710	$ 3,261	$ 205,019
Net earnings	-	29,176	-	29,176
Dividend (Note 8)	-	(30,001)	-	(30,001)
Other comprehensive income	-	-	(1,115)	(1,115)
Balance at March 31, 2021	$ 124,048	$ 76,885	$ 2,146	$ 203,079

The accompanying notes are an integral part of these consolidated interim financial statements.

TAIGA BUILDING PRODUCTS LTD.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)	Three months ended March 31, 2021	2020
Cash provided by (used in):		
Operating:		
Net earnings	$ 29,176	$ 6,613
Adjustments for non-cash items		
Amortization	2,906	2,723
Income tax expense	11,134	1,311
Mark-to-market adjustment on financial instruments	530	(883)
Change in provisions	(25)	(24)
Loss (gain) on asset disposal	(25)	-
Amortization of deferred gain	(30)	(30)
Finance and subordinated debt interest expense	1,892	2,496
Interest paid	(1,488)	(1,799)
Income tax paid	(36)	(12,888)
Changes in non-cash working capital (Note 12)	(124,761)	(55,501)
Cash flows used in operating activities	(80,727)	(57,982)
Investing:		
Purchase of property, plant and equipment	(794)	(908)
Proceeds from disposition of property, plant and equipment	28	-
Cash flows used in investing activities	(766)	(908)
Financing:		
Increase in revolving credit facility	112,650	68,366
Repayment of long-term debt	(258)	(8,335)
Repayment of lease obligations	(898)	(1,135)
Dividends paid	(30,001)	-
Repurchase of common shares	-	(6)
Cash flows from financing activities	81,493	58,890
Cash and cash equivalents - end of period	$ -	$ -

The accompanying notes are an integral part of these consolidated interim financial statements.

1. Nature of Operations

Taiga Building Products Ltd. ("Taiga" or the "Company") is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company's shares are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 20th floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

Covid-19 Pandemic

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the outbreak and the related mitigation measures have had the following impacts on the Company's operations, among others: sales declined by over 30% early on in the pandemic (April 2020) but have since recovered and exceeded expectations both in fiscal 2020 and so far in fiscal 2021. The pandemic has increased demand for detached housing which combined with record high commodity prices and low borrowing rates has had a positive impact on Taiga's business. The extent to which these events may continue to impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact the Company's financial performance in 2021.

2. Basis of Preparation

(a) Statement of Compliance

These condensed interim consolidated financial statements (the "Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, these financial statements comply with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on May 6, 2021 by the board of directors of the Company.

(b) Basis of Consolidation

These consolidated financial statements include the accounts of Taiga Building Products Ltd. and its subsidiaries. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operational policies of the entity. Inter-company transactions and balances have been eliminated.

(c) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable.

3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2020.

4. Inventories

(in thousands of dollars)	**March 31, 2021**	**March 31, 2020**	**December 31, 2020**
Allied building products	35,784	32,910	36,290
Lumber products	145,477	101,657	120,114
Panel products	38,677	32,680	32,319
Production consumables	1,555	2,069	1,296
Inventory provision	(56)	(403)	(40)
Total	221,437	168,913	189,979

All of the Company’s inventories are pledged as security for the revolving credit facility.

5. Revolving Credit Facility

(in thousands of dollars)	**March 31, 2021**	**March 31, 2020**	**December 31, 2020**
Revolving credit facility	121,799	113,855	9,563
Financing costs, net of amortization	(736)	(1,111)	(821)
Total	121,063	112,744	8,742

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the “Facility”). The Facility was increased from $225 million to $250 million, with an option to increase the limit by up to $50 million. The Facility also features an ability to draw on additional term loans in an aggregate amount of approximately $23 million at favourable rates, which Taiga utilized for the Business Acquisition referred to in Note 6 of the Company’s audited financial statements. The Facility continues to bear interest at variable rates plus variable margins, is secured by a first perfected security interest in all personal property of the Company and certain of its subsidiaries, and will mature on June 28, 2023. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at March 31, 2021.

6. Income Taxes

Income tax expense is comprised of:

(in thousands of dollars)	**Three months ended March 31, 2021**	**Three months ended March 31, 2020**
Current	12,858	1,729
Deferred	(1,724)	(418)
Total	11,134	1,311

7. Subordinated Notes

Per the Trust Indenture dated November 17, 2017, the Company’s subordinated notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The subordinated notes are not listed on any stock exchange. Interest on the notes is payable on May 17 and November 17 of each year. The aggregate principal amount of the notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the quarter ended March 31, 2021.

8. Shareholders' Equity

(a) Authorized Share Capital

Unlimited common shares without par value, unlimited class A common shares without par value, and unlimited class A and class B preferred shares without par value.

(b) Normal Course Issuer Bid

On August 13, 2020, the Company commenced a Normal Course Issuer Bid ("NCIB") for its common shares. Under the terms of the NCIB, the Company may purchase up to 5,489,272 of its then outstanding 109,785,457 common shares, representing 5% of the outstanding common shares. For the year ended December 31, 2020, the Company purchased 2,979,026 of its common shares for cash payments of $3,230,202. These common shares purchased by the Company have been cancelled. At March 31, 2021 there were 4,245,372 remaining common shares permitted to be purchased by the Company per the terms of the NCIB wit the expiration on August 31, 2021. The Company has not purchased any of its common shares under this NCIB during the three months ended March 31, 2021.

(c) Common Shares Issued

(in thousands of dollars, except number of shares)	**Number of Shares**	**Amount**
Balance, December 31, 2019	111,520,583	127,278
Shares purchased under NCIB and cancelled	2,979,026	3,230
Balance, December 31, 2020 and March 31, 2021	108,541,557	124,048

(d) Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of exchange differences arising on translation of entities that have a functional currency other than the Canadian dollar.

(e) Stock Options and Warrants

Taiga does not have stock options or warrants outstanding and has not granted or cancelled options or warrants during the current or prior period.

(g) Major Shareholder

Taiga's major shareholder is Avarga Limited ("Avarga"), holding 71.6% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is the chief executive officer and a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

(h) Dividend

At the Company's board meeting on February 25, 2021, a special dividend of 27.64 cents per share was declared, payable to shareholders of record on March 5, 2021. The dividend was paid on March 19, 2021. This was a special, one-time dividend in light of the Company's strong results in fiscal year 2020.

9. Finance Expense

The finance expense is comprised of:

(in thousands of dollars)	**Three months ended March 31, 2021**	**Three months ended March 31, 2020**
Interest on revolving credit facility and other short term liabilities	460	538
Interest on leases and long-term debt	1,131	1,655
Amortization of financing costs	82	84
Total	1,673	2,277

10. Commitments and Contingencies

Canada Revenue Agency Reassessment

During the year ended March 31, 2017, The Company received a notice of reassessment from the Canada Revenue Agency ("CRA") in the amount of approximately $42,000,000 (which includes interest) relating to the years from 2005 to 2013. The reassessment related to the amount of taxes withheld, by the Company, on dividends paid or deemed to have been paid to what were then the Company's two largest shareholders in connection with and subsequent to the Company's corporate reorganization in 2005 involving a swap of then outstanding common shares for stapled units. Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its two former major shareholders. The Company, and the two former major shareholders, had previously entered into agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The indemnity agreements remain in effect and would apply in the event that CRA issues further reassessments relating to the amount of taxes withheld. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practically possible. The Company's two former major shareholders may elect to assume any action or defense of the Company in connection with the foregoing pursuant to the terms of the indemnity agreements with the Company.

11. Financial Instruments

The fair values of lease obligations are as follows:

(in thousands of dollars)	**March 31, 2021**	**March 31, 2020**
Carrying amount	99,562	96,294
Fair value	99,957	96,254

The fair value of the lease obligations was determined using current borrowing rates for similar debt instruments.

The fair value of the 7% subordinated notes are as follows:

(in thousands of dollars)	**March 31, 2021**	**March 31, 2020**
Carrying amount	12,500	12,500
Fair value	12,936	12,932

The fair value of the 7% subordinated notes was determined using current borrowing rates for similar debt instruments.

The carrying amount of derivative financial instrument assets and liabilities are equal to their fair values as these instruments are re-measured to their fair values at each reporting date as follows:

(in thousands of dollars)	**March 31, 2021**	**March 31, 2020**
Lumber futures	(662)	939

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – based on quoted prices in active markets for identical assets or liabilities;

Level 2 – based on inputs other than quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.
Derivative financial instrument assets and liabilities are classified as level 2.

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2021 and 2020:
(in thousands of dollars)

At March 31, 2021	**Amortized Cost** (Financial assets)	**FVTPL**	**Amortized Cost** (Financial liabilities)	**Total**
Financial assets:				
Accounts receivable	248,651	-	-	248,651
Total financial assets:	**248,651**	**-**	**-**	**248,651**
Financial liabilities:				
Lumber futures[1]	-	662	-	662
Revolving credit facility	-	-	121,063	121,063
Accounts payable & accrued liabilities	-	-	144,875	144,875
Current portion of long-term debt	-	-	630	630
Non-current portion of long-term debt	-	-	7,197	7,197
Current portion of lease obligation	-	-	4,975	4,975
Non-current portion of lease obligation	-	-	94,587	94,587
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	**-**	**662**	**385,827**	**386,489**

(in thousands of dollars)

At March 31, 2020	**Amortized Cost** (Financial assets)	**FVTPL**	**Amortized Cost** (Financial liabilities)	**Total**
Financial assets:				
Accounts receivable	143,976	-	-	143,976
Lumber futures[1]	-	939	-	939
Total financial assets:	**143,976**	**939**	**-**	**144,915**
Financial liabilities:				
Revolving credit facility	-	-	112,744	112,744
Accounts payable & accrued liabilities	-	-	75,374	75,374
Current portion of long-term debt	-	-	711	711
Non-current portion of long-term debt	-	-	8,831	8,831
Current portion of financial lease obligation	-	-	4,496	4,496
Non-current portion of financial lease obligation	-	-	91,798	91,798
Subordinates notes	-	-	12,500	12,500
Total financial liabilities:	**-**	**-**	**306,454**	**306,454**

(1)Included with accounts receivable or accounts payable and accrued liabilities on the balance sheet

12. Changes in Non-Cash Working Capital

(in thousands of dollars)	**Three months ended March 31, 2021**	**Three months ended March 31, 2020**
(Increase) Decrease in accounts receivable	(112,218)	(59,205)
(Increase) Decrease in inventories	(31,458)	(11,654)
(Increase) Decrease in prepaid expenses and other	(30,693)	(7,273)
Effect of foreign exchange on working capital	(1,726)	11,028
(Decrease) Increase in accounts payable and accrued liabilities	51,334	11,603
Total	(124,761)	(55,501)

13. Seasonality

Taiga's sales are subject to seasonal variances that fluctuate in accordance with the normal home building season. Taiga generally experiences higher sales in the quarters ended June 30 and September 30 and reduced sales in the late fall and winter during its quarters ended December 31 and March 31 of each fiscal year.

14. Segmented Information

Taiga operates within one business segment and has two reportable geographic areas as follows:

	Three months ended March 31, 2021		**Three months ended March 31, 2020**	
(in thousands of dollars except %)	**Sales**	**%**	**Sales**	**%**
Canada	437,244	81.6	250,828	78.3
United States	98,674	18.4	69,451	21.7

During the three months ended March 31, 2021, Taiga's Canadian operations had export sales of $84.7 million (three months ended March 31, 2020 - $50.4 million). These export sales were primarily to the United States and Asia and are included as part of the Canadian segment in the table above.