

# Management's Discussion and Analysis

## For the three months ended March 31, 2023 and 2022

*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 5, 2023 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, 2023 and 2022. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three months ended March 31, 2023.*

*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, 2022.*

*Additional information relating to the Company including the Company's Annual Information Form dated February 24, 2023 can be found on SEDAR at [www.sedar.com](http://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](http://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 2023 to worsen compared to calendar year 2022. Taiga's secondary market, the United States, is expected to worsen in 2023 compared to calendar year 2022. See Item 9 "Outlook".

## 2. Results of Operations

### Sales

The Company's consolidated net sales for the quarter ended March 31, 2023 were \$408.5 million compared to \$612.7 million over the same period last year. The decrease in sales by \$204.2 million or 33% was largely due to decreased selling prices for commodity products.

Sales by segments are as follows:

	Revenue by point of sale			
	Three months ended March 31,			
	2023		2022	
	\$000's	%	\$000's	%
Canada	340,897	83.5	498,614	81.4
United States	67,595	16.5	114,090	18.6

For the quarter ended March 31, 2023, export sales totalled \$42.4 million compared to \$89.5 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 53.6% for the quarter ended March 31, 2023 and 61.6% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 46.4% for 2022 and 38.4% over the same period last year.

### Gross Margin

Gross margin for the quarter ended March 31, 2023 decreased to \$47.1 million from \$108.9 million over the same period last year. The decrease in gross margin was primarily due to lower commodity prices in the current quarter compared to the same quarter last year.

### Expenses

Distribution expense for the quarter ended March 31, 2023 increased to \$8.0 million compared to \$7.3 million over the same period last year primarily due to increased depreciation, warehousing expenses and wages.

Selling and administration expense for the quarter ended March 31, 2023 decreased to \$19.6 million compared to \$45.8 million over the same period last year primarily due to lower compensation costs.

Finance expense for the quarter ended March 31, 2023 was \$1.1 million compared to \$1.9 million over the same period last year. The decrease was primarily due to lower borrowing levels leading to lower interest costs.

Other expenses for the quarter ended March 31, 2023 was \$0.01 compared to other income of \$0.05 million over the same period last year.

## Net Earnings

Net earnings for the quarter ended March 31, 2023 decreased to \$13.5 million from \$39.5 million for the same period last year primarily due to decreased gross margin.

## EBITDA

EBITDA for the quarter ended March 31, 2023 was \$22.5 million compared to \$58.6 million for the same period last year.

Reconciliation of net earnings to EBITDA:

<i>(in thousands of dollars)</i>	Three months ended March 31,	
	2023	2022
Net earnings	13,516	39,500
Income tax expense	4,809	14,186
Finance and subordinated debt interest expense	1,117	2,090
Amortization	3,079	2,790
EBITDA	22,521	58,568

## 3. Cash Flows

### Operating Activities

Cash flows from operating activities used cash of \$77.7 million for the quarter ended March 31, 2023 compared to \$150.4 million for the same period last year. Changes between the comparative periods were primarily due to changes in non-cash working capital primarily due to a decrease in accounts receivable and a decrease in accounts payable.

### Investing Activities

Investing activities used cash of \$10.5 million for the quarter ended March 31, 2023 compared to \$0.6 million over the same period last year. The increase was primarily due to a \$9.6 million long term investment the Company made during the quarter.

### Financing Activities

Financing activities used cash of \$1.5 million for the quarter ended March 31, 2023 compared to generating \$81.4 million for the same period last year. The difference was caused primarily by decreased borrowing from the credit facility.

## 4. Summary of Quarterly Results

<i>(in thousands of dollars, except per share amount in dollars)</i>	Year ending December 31,							
	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	408,492	400,813	533,066	646,122	612,704	412,461	484,563	786,732
Net earnings	13,516	9,713	18,620	20,755	39,500	10,282	(5,240)	58,468
Net earnings per share <sup>(1)</sup>	0.12	0.09	0.17	0.19	0.37	0.10	(0.05)	0.54
EBITDA	22,521	17,221	29,764	33,748	58,568	17,425	(1,841)	84,539

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 December 21, 2022, the Company entered into a new \$250 million senior secured revolving credit facility (the "Facility") with a syndicate of lenders led by the Bank of Montreal and including Scotiabank, Bank of America, TD Bank and CIBC. The Facility bears interest at variable rates plus variable margin, is secured by a first perfected security interest in all real and personal property of the Company and certain of its subsidiaries, and matures on December 20, 2027. 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, 2023.

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, 2023 increased to \$316.3 million from \$310.6 million as at December 31, 2022 due to decreased liabilities. Taiga believes that current levels are adequate to meet its working capital requirements.

## Summary of Financial Position

<i>(in thousands of dollars)</i>	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</b>
Current Assets	440,601	541,933	463,953
Current Liabilities (excluding Revolving Credit Facility)	(124,293)	(198,549)	(153,397)
Revolving Credit Facility	-	(82,784)	-
<b>Working Capital</b>	<b>316,308</b>	<b>260,600</b>	<b>310,556</b>
Long Term Assets	160,125	152,921	153,879
Long Term Liabilities	(99,826)	(108,583)	(101,187)
<b>Shareholders' Equity</b>	<b>376,607</b>	<b>304,938</b>	<b>363,248</b>

### Assets

Total assets were \$600.7 million as at March 31, 2023 compared to \$617.8 million as at December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents.

Cash decreased to \$4.8 million as at March 31, 2023 compared to \$94.5 million as at December 31, 2022. This is primarily due to changes in non-cash working capital.

### Liabilities

Total liabilities decreased to \$224.1 million as at March 31, 2023 from \$254.6 million as at December 31, 2022. The decrease was primarily due to decreased accounts payable and accrued liabilities.

Accounts payable and accrued liabilities decreased to \$118.9 million as at March 31, 2023 compared to \$148.0 million as at December 31, 2022 due to decreased payroll liabilities.

### Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On March 31, 2023, there were 108,139,691 common shares issued and outstanding.

On August 31, 2022, 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 5,410,448 of its then outstanding 108,208,963 common shares, representing 5% of the outstanding common shares. For the year ending December 31, 2022 the Company purchased 37,642 shares for \$94,007. These common shares purchased by the Company have been cancelled. During the three months ended March 31, 2023, the Company purchased 31,630 of its common shares for \$83,952 under the NCIB. These common shares purchased by the Company during this time have been cancelled. At March 31, 2023 there were 5,341,176 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 30, 2023.

## 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, 2022.

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, 2022 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 22 to the Company's audited consolidated financial statements for the period ended December 31, 2022.

## **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, 2023 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.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") in their Spring 2023 Housing Market Outlook, housing starts in Canada are expected to range between 176,890 and 211,917 in 2023 compared to 261,849 in 2022.

In the United States, the National Association of Home Builders reported in March 2023 that housing starts are forecasted to total 1,241,000 units in the 2023 calendar year compared to 1,554,000 units in calendar year 2022.

# **Taiga Building Products Ltd.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

For the three months ended March 31, 2023 and 2022  
(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)

<i>(in thousands of Canadian dollars)</i>	March 31, 2023	March 31, 2022	December 31, 2022
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents (Note 4)	\$ 4,828	\$ -	\$ 94,494
Accounts receivable	193,329	289,205	123,098
Inventories (Note 5)	225,028	247,349	226,350
Prepaid expenses	5,582	5,379	5,034
Current income tax assets	11,834	-	14,977
	<u>440,601</u>	<u>541,933</u>	<u>463,953</u>
Property, plant and equipment	120,463	119,530	122,144
Intangible assets	12,694	12,803	12,997
Goodwill	10,584	9,773	10,592
Long term investments	9,607	-	-
Deferred tax assets	6,777	10,815	8,146
	<u>\$ 600,726</u>	<u>\$ 694,854</u>	<u>\$ 617,832</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current:</b>			
Revolving credit facility (Note 6)	\$ -	\$ 82,784	\$ -
Accounts payable and accrued liabilities	118,856	159,985	147,989
Income taxes payable	-	20,083	-
Current portion of long-term debt	-	626	-
Current portion of lease obligations	5,437	5,355	5,408
Subordinated notes	-	12,500	-
	<u>124,293</u>	<u>281,333</u>	<u>153,397</u>
Long-term debt	-	6,578	-
Lease obligations	90,882	93,081	92,034
Deferred gain	2,213	2,332	2,243
Deferred tax liabilities	6,495	6,248	6,647
Provisions	236	344	263
	<u>224,119</u>	<u>389,916</u>	<u>254,584</u>
<b>Shareholders' Equity:</b>			
Share capital (Note 8)	123,026	123,204	123,110
Accumulated other comprehensive income (Note 8)	11,042	1,839	11,115
Retained earnings	242,539	179,895	229,023
	<u>376,607</u>	<u>304,938</u>	<u>363,248</u>
	<u>\$ 600,726</u>	<u>\$ 694,854</u>	<u>\$ 617,832</u>

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

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Interim Consolidated Statements of Earnings and Comprehensive In (Unaudited)

	Three months ended March 31,	
	2023	2022
<i>(in thousands of Canadian dollars, except per share amounts)</i>		
<b>Sales</b>	\$ 408,492	\$ 612,704
<b>Cost of sales</b>	361,379	503,840
<b>Gross margin</b>	47,113	108,864
Expenses:		
Distribution	8,024	7,331
Selling and administration	19,640	45,810
Finance (Note 9)	1,117	1,871
Subordinated debt interest	-	219
Other expenses (income)	7	(53)
	28,788	55,178
<b>Earnings before income tax</b>	18,325	53,686
Income tax expense (Note 7)	4,809	14,186
<b>Net earnings for the period</b>	\$ 13,516	\$ 39,500
<b>Other comprehensive income</b>		
Exchange differences on translating foreign controlled entities	\$ (73)	\$ (1,617)
<b>Total comprehensive income for the period</b>	\$ 13,443	\$ 37,883
Basic and diluted net earnings per common share	\$ 0.12	\$ 0.37
Weighted average number of common shares outstanding	108,168	108,209

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

# TAIGA BUILDING PRODUCTS LTD.

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

For the three months ended March 31, 2022

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balance at December 31, 2021</b>	\$ 123,204	\$ 140,395	\$ 3,456	\$ 267,055
Net earnings	-	39,500	-	39,500
Other comprehensive loss	-	-	(1,617)	(1,617)
<b>Balance at March 31, 2022</b>	<b>\$ 123,204</b>	<b>\$ 179,895</b>	<b>\$ 1,839</b>	<b>\$ 304,938</b>

For the three months ended March 31, 2023

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balance at December 31, 2022</b>	\$ 123,110	\$ 229,023	\$ 11,115	\$ 363,248
Net earnings	-	13,516	-	13,516
Shares purchased under the NCIB and cancelled (Note 8)	(84)	-	-	(84)
Other comprehensive income	-	-	(73)	(73)
<b>Balance at March 31, 2023</b>	<b>\$ 123,026</b>	<b>\$ 242,539</b>	<b>\$ 11,042</b>	<b>\$ 376,607</b>

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

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

<i>(in thousands of Canadian dollars)</i>	Three months ended March 31,	
	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Net earnings	\$ 13,516	\$ 39,500
Adjustments for non-cash items		
Amortization	3,079	2,791
Income tax expense	4,809	14,186
Mark-to-market adjustment on financial instruments	(808)	(1,459)
Change in provisions	(27)	(26)
Loss (gain) on asset disposal	40	(22)
Amortization of deferred gain	(30)	(30)
Finance and subordinated debt interest expense	1,117	2,090
Interest paid	(1,062)	(1,601)
Income tax paid	(44)	(28,027)
Changes in non-cash working capital (Note 12)	(98,206)	(177,851)
<b>Cash flows generated by operating activities</b>	<b>(77,616)</b>	<b>(150,449)</b>
<b>Investing:</b>		
Purchase of property, plant and equipment	(920)	(652)
Proceeds from disposition of property, plant and equipment	-	38
Long term investment	(9,607)	-
<b>Cash flows used in investing activities</b>	<b>(10,527)</b>	<b>(614)</b>
<b>Financing:</b>		
Increase (decrease) in revolving credit facility	-	82,860
Repayment of long-term debt	-	(212)
Repayment of lease obligations	(1,384)	(1,258)
Repurchase of common shares	(84)	-
<b>Cash flows used in financing activities</b>	<b>(1,468)</b>	<b>81,390</b>
Effect of foreign exchange on cash	(55)	76
Cash (credit facility) - beginning of year	94,494	69,673
<b>Cash (credit facility) - end of period</b>	<b>\$ 4,828</b>	<b>\$ (82,784)</b>

The accompanying notes are an integral part of these condensed consolidated 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 20<sup>th</sup> floor, 250 Howe Street, Vancouver, British Columbia, Canada V6C 3R8.

## 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, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on May 5, 2023 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, 2022.

## 4. Cash

<i>(in thousands of dollars)</i>	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</b>
Cash	3,711	-	93,545
Financing costs, net of amortization	1,117	-	949
Total	4,828	-	94,494

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022 (in Canadian dollars)

### 5. Inventories

<i>(in thousands of dollars)</i>	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</b>
Allied building products	44,751	54,608	50,493
Lumber products	136,921	154,293	136,335
Panel products	41,033	38,124	38,146
Production consumables	2,750	2,324	2,376
Inventory provision	(427)	(2,000)	(1,000)
Total	225,028	247,349	226,350

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

### 6. Revolving Credit Facility

<i>(in thousands of dollars)</i>	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</b>
Revolving credit facility	-	83,192	-
Financing costs, net of amortization	-	(408)	-
Total	-	82,784	-

On December 21, 2022, the Company entered into a new \$250 million senior secured revolving credit facility (the "Facility") with a syndicate of lenders led by the Bank of Montreal and including Scotiabank, Bank of America, TD Bank and CIBC. The Facility bears interest at variable rates plus variable margin, is secured by a first perfected security interest in all real and personal property of the Company and certain of its subsidiaries and matures on December 20, 2027. 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, 2023.

### 7. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	<b>Three months ended March 31, 2023</b>	<b>Three months ended March 31, 2022</b>
Current	4,758	16,786
Deferred	51	(2,600)
Total	4,809	14,186

### 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 31, 2022, 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 5,410,448 of its then outstanding 108,208,963 common shares, representing 5% of the outstanding common shares. For the year ending December 31, 2022 the Company purchased 37,642 shares for \$94,007. These common shares purchased by the Company have been cancelled. During the three months ended March 31, 2023, the Company purchased 31,630 of its common shares for \$83,952 under the NCIB. These common shares purchased by the Company during this

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022 (in Canadian dollars)

time have been cancelled. At March 31, 2023 there were 5,341,176 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 30, 2023.

### (c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	<b>Number of Shares</b>	<b>Amount</b>
Balance, December 31, 2022	108,171,321	123,110
Shares purchased under NCIB and cancelled	31,630	84
Balance, March 31, 2023	108,139,691	123,026

### (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 71.8% 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.

## 9. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	<b>Three months ended March 31, 2023</b>	<b>Three months ended March 31, 2022</b>
Interest on revolving credit facility	-	459
Interest earned on cash balances	(196)	-
Interest on leases and long-term debt	1,256	1,330
Amortization of financing costs	57	82
Total	1,117	1,871

## 10. Commitments and Contingencies

### Other Outstanding Legal Matters

The Company is involved in various non-material legal actions and claims arising in the course of its business. The financial impact individually or in aggregate resulting from these actions and claims is not expected to be significant. The individual and aggregate outcomes cannot be determined at this time.



## 11. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Carrying amount	90,637	98,436
Fair value	90,437	98,437

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:

<i>(in thousands of dollars)</i>	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Carrying amount	-	12,500
Fair value	-	12,936

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:

<i>(in thousands of dollars)</i>	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Lumber futures	116	1,263

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.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at March 31, 2023 and 2022:  
(in thousands of dollars)

<b>At March 31, 2023</b>	<b>Amortized Cost</b> (Financial assets)	<b>FVTPL</b>	<b>Amortized Cost</b> (Financial liabilities)	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	193,329	-	-	193,329
Lumber futures <sup>1</sup>	-	116	-	116
Long term investment	-	9,607	-	9,607
<b>Total financial assets:</b>	<b>193,329</b>	<b>9,723</b>	<b>-</b>	<b>203,052</b>
<b>Financial liabilities:</b>				
Accounts payable & accrued liabilities	-	-	118,856	118,856
Current portion of lease obligation	-	-	5,437	5,437
Non-current portion of lease obligation	-	-	90,882	90,882
<b>Total financial liabilities:</b>	<b>-</b>	<b>-</b>	<b>215,175</b>	<b>215,175</b>

(in thousands of dollars)

<b>At March 31, 2022</b>	<b>Amortized Cost</b> (Financial assets)	<b>FVTPL</b>	<b>Amortized Cost</b> (Financial liabilities)	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	289,205	-	-	289,205
Lumber futures <sup>1</sup>	-	1,263	-	1,263
<b>Total financial assets:</b>	<b>289,205</b>	<b>1,263</b>	<b>-</b>	<b>290,468</b>
<b>Financial liabilities:</b>				
Revolving credit facility	-	-	82,784	82,784
Accounts payable & accrued liabilities	-	-	159,985	159,985
Current portion of long-term debt	-	-	626	626
Non-current portion of long-term debt	-	-	6,578	6,578
Current portion of lease obligation	-	-	5,355	5,355
Non-current portion of lease obligation	-	-	93,081	93,081
Subordinates notes	-	-	12,500	12,500
<b>Total financial liabilities:</b>	<b>-</b>	<b>-</b>	<b>360,909</b>	<b>360,909</b>

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

## 12. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	<b>Three months ended</b> <b>March 31, 2023</b>	<b>Three months ended</b> <b>March 31, 2022</b>
(Increase) Decrease in accounts receivable	(69,412)	(148,367)
(Increase) Decrease in inventories	1,322	(29,651)
(Increase) Decrease in prepaid expenses and other	(805)	(615)
Effect of foreign exchange on working capital	282	(2,139)
(Decrease) Increase in accounts payable and accrued liabilities	(29,593)	2,920
<b>Total</b>	<b>(98,206)</b>	<b>(177,852)</b>

## 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.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2023 and 2022 (in Canadian dollars)

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### 14. Segmented Information

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

<i>(in thousands of dollars except %)</i>	<b>Three months ended March 31, 2023</b>		<b>Three months ended March 31, 2022</b>	
	<b>Sales</b>	<b>Percentage</b>	<b>Sales</b>	<b>Percentage</b>
Canada	340,897	83.5%	498,614	81.4%
United States	67,595	16.5%	114,090	18.6%

During the three months ended March 31, 2023, Taiga's Canadian operations had export sales of \$42.4 million (three months ended March 31, 2022 - \$89.5 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.