

## Management's Discussion and Analysis

**For the year ended December 31, 2018 and the nine month period ended December 31, 2017**

*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 February 22, 2019 and should be read in conjunction with the audited consolidated financial statements and the corresponding notes thereto for the year ended December 31, 2018 and the period ended December 31, 2017. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the twelve month fiscal period ended December 31, 2018.*

*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.*

*Additional information relating to the Company including the Company's Annual Information Form dated February 22, 2019 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 2019 to decline compared to calendar year 2018. Taiga's secondary market, the United States, is expected to stay flat in 2019 compared to calendar year 2018. The Company expects the United States housing market to continue to improve in the 2019 calendar year. See Item 12 "Outlook".

## Selected Financial Information

	Fiscal Year Ended	Fiscal Period Ended <sup>(1)</sup>	Fiscal Year Ended
<i>(in millions of dollars, except for share amounts and per share amounts in dollars)</i>	December 31, 2018	December 31, 2017	March 31, 2017
<b>Income Statement Data:</b>			
Sales	1,451	1,106	1,224
Gross Margin	122.0	98.9	107.3
Net Earnings (loss)	20.3	(4.2)	8.0
Net Earnings (loss) per Share (Basic and Fully Diluted) <sup>(2)</sup>	0.17	(0.09)	0.25
Weighted Average Number of Shares Outstanding	116,254,818	46,226,632	32,414,278
EBITDA <sup>(3)(4)</sup>	42.7	21.3	40.0
<b>Balance Sheet Data:</b>			
Working Capital <sup>(5)</sup>	108.4	96.3	97.8
Total Assets	326.0	270.8	324.1
Total Long-Term Financial Liabilities <sup>(6)</sup>	66.5	35.9	154.5

Notes:

- (1) The fiscal year end of the Company was changed from March 31 to December 31 in 2017. Accordingly, the prior period financial information was prepared for the 9 month transition year ended December 31, 2017.
- (2) Net earnings per share is calculated using the weighted-average number of shares.
- (3) Reconciliation of net earnings to EBITDA:

	Fiscal Year Ended	Fiscal Period Ended	Fiscal Year Ended March 31,		
<i>(in millions of dollars)</i>	December 31, 2018	December 31, 2017	2017	2016	2015
Net earnings	20.3	(4.2)	8.0	11.7	11.1
Income tax expense	8.7	6.6	5.8	7.3	6.2
Finance and subordinated debt interest expense	8.0	15.6	21.9	21.8	22.6
Amortization	5.7	3.3	4.3	4.2	4.2
EBITDA	42.7	21.3	40.0	45.0	44.1

- (4) There was an \$18.6 million non-cash loss on the settlement of debt due to the Exchange Offer. If this unusual item is excluded for the period ended December 31, 2017 than the EBITDA results would be:

<i>(in millions of dollars)</i>	Fiscal Period Ended
	December 31, 2017
Net earnings (adjusted for loss on the settlement of debt)	14.4
Income tax expense	6.6
Finance and subordinated debt interest expense	15.6
Amortization	3.3
Adjusted EBITDA	39.9

- (5) Working capital is the excess of current assets over current liabilities.  
(6) Total long-term financial liabilities are the total liabilities less current liabilities and deferred gain.

## 2. Results of Operations

### Sales

The Company's consolidated net sales for the year ended December 31, 2018 were \$1,451.0 million compared to \$1,106.2 million for the last fiscal period. The increase in sales by \$344.8 million or 31% was largely due to the three month longer reporting period for the current fiscal period.

Sales by segments are as follows:

	Revenue by Point of Sale			
	Year ended December 31,		Period ended December 31,	
	2018		2017	
	\$000's	%	\$000's	%
Canada	1,229,164	84.7	969,353	87.6
United States	221,821	15.3	136,858	12.4

For the year ended December 31, 2018, export sales totalled \$238.6 million compared to \$219.2 million in the previous fiscal period. 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 63.4% for the year ended December 31, 2018 and 67.6% for the previous fiscal period. Allied, engineered and treated wood product sales, as a percentage of total sales, was 36.6% for the year ended December 31, 2018 and 32.4% for the previous fiscal period.

### Gross Margin

Gross margin for the year ended December 31, 2018 increased to \$122.0 million from \$98.9 million in the previous fiscal period. Gross margin percentage decreased to 8.4% in the current period compared to 8.9% in the previous fiscal period. The gross margin percentage worsened slightly in 2018 due to a decrease in commodity prices during the second half of the year.

### Expenses

Distribution expense for the year ended December 31, 2017 increased to \$25.5 million from \$17.0 million in the prior fiscal period mainly due to acquisition of Exterior Wood as well as the longer reporting period by three months for the current fiscal year.

Selling and administration expense for the year ended December 31, 2018 increased to \$59.9 million compared to \$45.6 million in the previous fiscal period. Increased compensation expense due to the longer reporting period was the main cause for the difference.

Finance expense for the year ended December 31, 2018 increased to \$7.2 million compared to \$4.1 million for the last fiscal period. The longer reporting period by three months for the current period was the main cause for the difference.

Subordinated debt interest expense for the year ended December 31, 2018 was \$0.8 million compared to \$11.6 million in the previous fiscal period. During the period ended December 31, 2017, the Company exchanged or redeemed \$128,834,218 of its outstanding 14% subordinated notes which significantly reduced its subordinated debt interest expense going forward. The transaction is discussed in further detail in Note 19(f) to the Company's audited consolidated financial statements for the period ended December 31, 2018.

Other income was \$0.4 million for both the fiscal year ended December 31, 2018 and the nine month fiscal period ended 2017.

## Net Earnings

Net earnings for the year ended December 31, 2018 increased to \$20.3 million compared to a loss of \$4.2 million in the prior fiscal period. This was primarily due to the loss on the settlement of debt in the prior fiscal period which is discussed in Note 20 to the Company's audited consolidated financial statements for the year ended December 31, 2018.

## EBITDA

EBITDA for the year ended December 31, 2018 was \$42.7 million compared to \$21.3 million for the prior fiscal period. EBITDA would have been \$39.9 million in the prior fiscal period if the \$18.6 million loss on the settlement of debt were excluded.

## 3. Quarter Ended December 31<sup>st</sup> Results

A summary of the results for the three months ended December 31, 2018 and 2017 is as follows:

<i>(in thousands of dollars except per share amount in dollars)</i>	<b>Three months ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Sales	303,879	329,821
Gross margin	23,988	27,358
Distribution expense	6,826	5,753
Selling and administration expense	13,234	13,451
Loss on debt settlement	-	18,570
Finance expense	2,087	1,140
Subordinated debt interest expense	219	2,534
Other income	(105)	(132)
Earnings (loss) before income tax	1,727	(13,958)
Income tax expense	187	1,237
Net earnings (loss)	1,540	(15,195)
Net earnings (loss) per share	0.01	(0.20)
EBITDA <sup>(1)</sup>	5,795 <sup>(1)</sup>	(9,142) <sup>(1)</sup>

Note:

(1) See "Third Quarter Results – EBITDA" for a reconciliation of net earnings to EBITDA.

## Sales

The Company's consolidated net sales for the quarter ended December 31, 2018 were \$303.9 million compared to \$329.8 million over the same quarter last year. The decrease in sales by \$25.9 million or 8.0% was largely due to decreased demand for the Company's products in all segments and lower commodity prices. The decrease was partially offset by additional revenue resulting from the acquisition of Exterior Wood, Inc. ("Exterior Wood") on July 31, 2018 (see Note 6 to the Company's audited consolidated financial statements for the year ended December 31, 2018).

The Company's sales of dimension lumber and panel, as a percentage of total sales, decreased to 60.1% for the quarter ended December 31, 2018 compared to 69.7% for the same quarter last year. Allied, engineered and treated wood product sales, as a percentage of total sales, increased to 39.9% this quarter from 30.3% during the same quarter last year.

Sales by segments are as follows:

	Revenue by Point of Sale			
	Three months ended		Three months ended	
	December 31,		December 31,	
	2018		2017	
	\$000's	%	\$000's	%
Canada	244,246	80.3	286,072	86.7
United States	59,633	19.7	43,749	13.3

During the quarter ended December 31, 2018, Taiga's Canadian operations had export sales of \$46.8 million compared to \$65.8 million in the same quarter last 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.

## Gross Margin

Gross margin for the quarter ended December 31, 2018 decreased to \$24.0 million from \$27.4 million over the same quarter last year. Gross margin percentage decreased to 7.9% in the current quarter compared to 8.3% in the same quarter last year. The decrease in gross margin percentage was primarily due to commodity prices depreciating in the current quarter.

## Expenses

Distribution expense for the quarter ended December 31, 2018 increased to \$6.8 million compared to \$5.8 million over the same quarter last year. The increase was due to the additional expenses resulting from the acquisition of Exterior Wood.

Selling and administration expense for the quarter ended December 31, 2018 decreased to \$13.2 million compared to \$13.5 million over the same quarter last year.

Finance expense for the quarter ended December 31, 2018 increased to \$2.1 million compared to \$1.2 million for the same quarter last year. The increase was primarily due to the additional interest expense incurred on the term loans to acquire Exterior Wood.

Subordinated debt interest expense was \$0.2 million for the quarter ended December 31, 2018 compared to \$2.5 million for the same quarter last year. During the quarter ended December 31, 2017, the Company exchanged or redeemed \$128,834,218 of its outstanding 14% subordinated notes which significantly reduced its subordinated debt

interest expense for the quarter. The transaction is discussed in further detail in Note 19(f) to the Company's audited consolidated financial statements for the year ended December 31, 2018.

Other income was \$0.1 million for both the quarter ended December 31, 2018 and the same quarter last year.

## Net Earnings

Net earnings for the quarter ended December 31, 2018 increased to \$1.5 million compared to a loss of \$15.2 million over the same period last year. This was primarily due to the loss on the settlement of debt that occurred in the same quarter last year.

## EBITDA

EBITDA for the quarter ended December 31, 2018 was \$5.8 million compared to (\$9.1) million for the same quarter last year. EBITDA for the same quarter last year would be \$9.4 million if the \$18.6 million loss on the debt settlement were excluded.

Reconciliation of net earnings to EBITDA:

<i>(in thousands of dollars)</i>	Three months ended December 31,	
	2018	2017
Net earnings	1,540	(15,195)
Income tax expense	187	1,237
Finance and subordinated debt interest expense	2,306	3,674
Amortization	1,762	1,142
EBITDA	5,795	(9,142)

There was an \$18.6 million non-cash loss on the settlement of debt due to the Exchange Offer during the quarter ended December 31, 2017. If this unusual item is excluded for the quarter ended December 31, 2017 then the EBITDA results would be:

<i>(in thousands of dollars)</i>	Three months ended December 31, 2017
Net earnings	(15,195)
Loss on debt settlement	18,570
Income tax expense	1,237
Finance and subordinated debt interest expense	3,674
Amortization	1,142
Adjusted EBITDA	9,428

## 4. Summary of Quarterly Results

<i>(in thousands of dollars, except per share amount in dollars)</i>	Year ended December 31, 2018				Period ended December 31, 2017			Year ended March 31, 2017
	Q4	Q3	Q2	Q1	Q3	Q2	Q1	Q4
Sales	303,879	399,634	422,875	324,597	329,821	396,629	379,761	286,052
Net earnings (loss)	1,540	5,579	6,358	6,790	(15,195)	5,980	5,029	249
Net earnings (loss) per share <sup>(1)</sup>	0.01	0.05	0.05	0.06	(0.20)	0.18	0.16	0.01
EBITDA	5,795	9,228	16,128	11,519	(9,142)	16,242	14,280	7,784

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, 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 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 December 31, 2018.

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 December 31, 2018 increased to \$108.4 million from \$96.3 million as at December 31, 2017 due to increased assets. Taiga believes that current levels are adequate to meet its working capital requirements.

### Summary of Financial Position

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Current Assets	246,923	232,331
Current Liabilities (excluding Revolving Credit Facility)	(73,942)	(81,300)
Revolving Credit Facility	(64,551)	(54,723)
<b>Working Capital</b>	<b>108,430</b>	<b>96,308</b>
Long Term Assets	79,078	38,498
Long Term Liabilities (excluding Subordinated Notes)	(56,702)	(26,468)
Subordinated Notes	(12,500)	(12,500)
<b>Shareholders' Equity</b>	<b>118,306</b>	<b>95,838</b>

### Assets

Total assets were \$326.0 million as at December 31, 2018 compared to \$270.8 million as at December 31, 2017. The increase was primarily the result of increased inventories property plant and equipment, intangible assets and goodwill offset by decreased accounts receivable. The overall increase in assets was due to the acquisition of Exterior Wood.

Inventories increased to \$149.5 million as at December 31, 2018 compared to \$123.3 million as at December 31, 2017 primarily due to acquisition of Exterior Wood. As well, the Company had greater inventories on hand.



Property, plant and equipment increased to \$50.3 million as at December 31, 2018 compared to \$38.3 million as at December 31, 2017 primarily due to the acquisition of Exterior Wood.

## Liabilities

Total liabilities increased to \$207.7 million as at December 31, 2018 from \$175.0 million as at December 31, 2017. The increase was primarily the result of increased debt and deferred tax liabilities from the acquisition of Exterior Wood.

## Contractual Obligations

<i>(in thousands of dollars)</i>	<b>Debt</b>	<b>Operating lease</b>	<b>Finance lease obligation</b>
No later than one year	7,723	4,348	3,990
Later than one year, but not later than five years	21,709	13,750	13,799
Later than five years	-	9,006	14,035

## Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On February 9th, 2019, there were 116,823,109 shares issued and 115,563,638 common shares outstanding.

On April 27, 2018, 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 5,841,155 of its 116,823,109 outstanding Common Shares, representing 5% of the outstanding Common Shares. For the year ended December 31, 2018, the Company purchased 1,259,471 of its Common shares for cash payments of \$1,658,175. These Common Shares purchased by the Company are being held as Treasury Stock. At December 31, 2018 there were 4,581,684 remaining Common Shares permitted to be purchased by the Company per the terms of the NCIB.

## 6. Commitments and Contingencies

### (a) Contractual Commitments

The Company has obligations under various operating leases for occupied premises and equipment. For further discussion, refer to Note 22 to the Audited Consolidated Financial Statements for the period ended December 31, 2018.

### (b) Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency 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 Taiga, 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 Taiga'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. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

## **7. Risks and Uncertainties**

The results of operations, business prospects and financial conditions of Taiga are subject to a number of risks and uncertainties, and are affected by a number of factors outside Taiga's control. Any of these risks and uncertainties could have a material adverse effect on the Company's operations, financial conditions and cash flow and, accordingly, should be carefully considered in evaluating Taiga's business. A comprehensive discussion of risk factors is included in Taiga's Annual Information Form dated February 22, 2019, available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **8. 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 period ended December 31, 2018.

In preparing these consolidated financial statements, Taiga's management was required to make estimates and assumptions that affect the amounts recorded. Financial results as determined by actual events could differ from such estimates. The estimates and assumptions of the Company's management are based on historical experience and other factors management considers to be reasonable, including expectations of future events. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below.

### **Allowance for Doubtful Accounts**

While significant bad debts have not been experienced in prior years the provision is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance and provision for bad debts. Taiga's allowance for doubtful accounts as at December 31, 2018 was \$2.7 million (fiscal period ended December 31, 2017 – \$0.8 million).

### **Valuation of Inventories**

Inventories are valued at the lower of average cost and net realizable value. Taiga evaluates inventory balances at each balance sheet date and records a provision as necessary for slow moving or obsolete inventory. Additionally, Taiga records a provision if the cost of inventories exceeds net realizable value based on commodity prices. Inventory provision as at December 31, 2018 was \$0.8 million (fiscal period ended December 31, 2017 – \$0.2 million).

### **Valuation and Estimated Life of Long-Lived Assets**

An impairment test is performed by comparing the carrying amount of the asset or its cash generating unit to the recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates.

The estimated useful lives and recoverable amounts of long-lived assets are based on the judgment of management and the best currently available information. Changes in circumstances can result in the actual useful lives differing from management's estimates.

## **Customer Rebates**

Customer rebates are commonly offered as industry practice and are generally based on achievement of specified volume sales levels. Taiga accrues for the payment of customer rebates as a reduction of revenue based on management's estimates.

## **Valuation of Warranty Provisions**

A provision for future potential warranty costs is calculated using historical trends and future expectations of future claims. Adjustments to the warranty provision are included in cost of sales. Actual future warranty costs may differ from those estimates.

## **Current and Deferred Taxes**

The Company calculates current and deferred tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of financial statements. Therefore, results in subsequent periods will be affected by the amount that estimates differ from the final tax return.

Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Taiga also evaluates the recoverability of deferred tax assets based on an assessment of the likelihood of using the underlying future tax deductions against future taxable income before they expire. Deferred tax liabilities arising from temporary differences on investments in subsidiaries, joint ventures and associates are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future sales volumes and housing starts, commodity prices, operating costs, capital expenditures, dividends and other capital transactions. Judgment is also required about the application of income tax legislation. These estimates and judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to income.

## **Goodwill**

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination. Any resulting goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2018 relates to the Company's acquisition of Exterior Wood, Inc. Goodwill is not amortized, but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the fair value of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the fair value of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its fair value, the fair value of goodwill related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 11).

## **Accounting Changes**

### **IFRS 16**

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. Effective January 1, 2019, the Company will adopt IFRS 16 using the modified retrospective approach under which

the cumulative effect of initial application will be recognized in retained earnings at January 1, 2019. The expected impact of this change in accounting policy is noted below.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17 and IFRIC 4. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases warehouse locations, office space, land, equipment, and trucks.

On transition, the Company will elect to apply the practical expedient to grandfather the determination of which contract is or contains a lease and will apply IFRS 16 to those contracts that were previously identified as leases. Upon transition to the new standard, lease liabilities will be measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities will be recognized on the statement of financial position with the cumulative difference recognized in retained earnings.

At transition, lease liabilities of approximately \$28 - \$30 million will be recognized in the statement of financial position. The Company is finalizing its assessment of the transitional right-of-use assets with any difference between the lease liability and the right-of-use asset recognized as a reduction of retained earnings.

For contracts entered into subsequent to January 1, 2019 at inception of the contract, the Company will assess whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company will recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset will be initially measured at cost, which will comprise the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset will be subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

The lease liability will initially be measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability will include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability will be measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability will be subsequently adjusted for interest and lease payments. Interest expenses will be included in the consolidated statement of earnings.

The Company will elect not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and will continue to recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16

## 9. Related Party Transactions

In accordance with IFRS requirements, related party transactions consist of remuneration of directors and other key management personnel with whom Taiga has entered into employment agreements. Further information is contained in our most recent Management Information Circular available on SEDAR at [www.sedar.com](http://www.sedar.com) and Note 28 to the Company's audited consolidated financial statements for the period ended December 31, 2018. The remuneration for key management, which includes the Company's directors and officers, were as follows:

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
Salaries and other benefits	3,796	4,341

An amount of \$1,566,421 is included in accounts payable and accrued liabilities relating to bonuses to key management.

## 10. 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, 2018.

## 11. 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 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

In accordance with the requirements of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, Taiga's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the Company's disclosure controls and procedures and internal controls over financial reporting. Based on the evaluation, Taiga's CEO and CFO concluded that these controls were effective for the period ended December 31, 2018.

The CEO and CFO of Taiga acknowledge responsibility for the design of internal controls over financial reporting and confirm that there were no changes in these controls that occurred during the period ended December 31, 2018 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

## 12. 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") Housing Market Outlook, Canadian Edition for Fall 2018, housing starts are forecasted to range from 193,700 to 204,500 units in the 2019 calendar year. CMHC is reporting that housing starts will decline by the end of 2019 compared to 2018.

In the United States, the National Association of Home Builders reported in January 2019 that housing starts are forecasted to total 1,272,000 units in the 2019 calendar year compared to 1,262,000 units in calendar year 2018.

# **Taiga Building Products Ltd.**

## **Consolidated Financial Statements**

For the year ended December 31, 2018 and the nine months ended December  
31, 2017  
(in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Taiga Building Products Ltd.

### Opinion

We have audited the consolidated financial statements of Taiga Building Products Ltd. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of earnings and comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and the nine month period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the nine month period ended December 31, 2017 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with



Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Matthew Gosden.

*DMCL*

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

February 22, 2019

# TAIGA BUILDING PRODUCTS LTD.

## Consolidated Balance Sheets

<i>(in thousands of Canadian dollars)</i>	December 31, 2018	December 31, 2017
<b>Assets</b>		
<b>Current:</b>		
Accounts receivable (Note 7)	\$ 94,514	\$ 106,839
Inventories (Note 8)	149,485	123,288
Prepaid expenses	2,924	2,204
	246,923	232,331
Property, plant and equipment (Note 9)	50,326	38,324
Intangible Assets (Note 10)	17,813	-
Goodwill (Note 11)	10,669	-
Deferred tax assets (Note 15)	270	174
	\$ 326,001	\$ 270,829
<b>Liabilities and Shareholders' Equity</b>		
<b>Current:</b>		
Revolving credit facility (Note 12)	\$ 64,551	\$ 54,723
Accounts payable and accrued liabilities (Notes 14, 24 & 28)	59,374	73,578
Income taxes payable	4,352	4,365
Current portion of long-term debt (Note 13)	7,723	1,019
Current portion of finance lease obligation (Note 16)	2,493	2,338
	138,493	136,023
Long-term debt (Note 13)	21,079	-
Finance lease obligation (Note 16)	20,446	22,380
Deferred gain	2,719	3,102
Deferred tax liabilities (Note 15)	11,790	199
Provisions (Note 17)	668	787
Subordinated notes (Note 18)	12,500	12,500
	207,695	174,991
<b>Shareholders' Equity:</b>		
Share capital (Note 19)	131,432	133,090
Accumulated other comprehensive income (Note 19)	8,603	4,744
	140,035	137,834
Deficit	(21,729)	(41,996)
	118,306	95,838
	\$ 326,001	\$ 270,829

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

Approved by the Directors

/s/ Ian Tong

Chairman

/s/ Peter Buecking

Director

# TAIGA BUILDING PRODUCTS LTD.

## Consolidated Statements of Earnings and Comprehensive Income

	For the year ended December 31, 2018	For the nine months ended December 31, 2017
<i>(in thousands of Canadian dollars, except per share amounts)</i>		
<b>Sales</b>	\$ 1,450,985	\$ 1,106,211
<b>Cost of sales (Note 20)</b>	1,328,954	1,007,355
<b>Gross margin</b>	122,031	98,856
Expenses:		
Distribution (Note 20)	25,538	17,014
Selling and administration (Note 20)	59,892	45,574
Loss on settlement of debt (Note 20)	-	18,570
Finance (Note 21)	7,193	4,093
Subordinated debt interest (Note 18)	837	11,552
Other income	(401)	(362)
	93,059	96,441
<b>Earnings before income tax</b>	28,972	2,415
Income tax expense (Note 15)	8,705	6,601
<b>Net earnings (loss) for the period</b>	\$ 20,267	\$ (4,186)
<b>Other comprehensive income (loss) for the period</b>		
Exchange differences on translating foreign controlled entities	\$ 3,859	\$ (1,966)
<b>Total comprehensive income (loss) for the period</b>	\$ 24,126	\$ (6,152)
Basic and diluted net earnings (loss) per common share	\$ 0.17	\$ (0.09)
Weighted average number of common shares outstanding	116,255	46,227

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

# TAIGA BUILDING PRODUCTS LTD.

## Consolidated Statements of Changes in Shareholders' Equity

### For the nine months ended December 31, 2017

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
<b>Balance at March 31, 2017</b>	\$ 13,229	\$ (38,059)	\$ 7,033	\$ (17,797)
Issuance of new shares to settle debt (Note 19)	119,861	-	-	119,861
Net loss	-	(4,186)	-	(4,186)
Other comprehensive loss	-	-	(1,966)	(1,966)
<b>Balance at December 31, 2017</b>	\$ 133,090	\$ (41,996)	\$ 4,744	\$ 95,838

### For the twelve months ended December 31, 2018

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
<b>Balance at December 31, 2017</b>	\$ 133,090	\$ (41,996)	\$ 4,744	\$ 95,838
Repurchase of common shares (Note 19)	(1,658)	-	-	(1,658)
Net earnings	-	20,267	-	20,267
Other comprehensive income	-	-	3,859	3,859
<b>Balance at December 31, 2018</b>	\$ 131,432	\$ (21,729)	\$ 8,603	\$ 118,306

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

# TAIGA BUILDING PRODUCTS LTD.

## Consolidated Statements of Cash Flows

		For the year ended December 31, 2018	For the nine months ended December 31, 2017
<i>(in thousands of Canadian dollars)</i>			
<b>Cash provided by (used in):</b>			
<b>Operating:</b>			
Net earnings	\$	20,267	\$ (4,186)
Adjustments for non-cash items			
Amortization		5,668	3,320
Income tax expense		8,705	6,601
Loss on settlement of debt		-	18,570
Mark-to-market adjustment on financial instruments		(91)	(35)
Change in provisions		(119)	(470)
Gain on asset disposal		(14)	(55)
Amortization of deferred gain		(383)	(287)
Finance and subordinated debt interest expense		8,030	15,645
Interest paid		(6,543)	(4,131)
Income tax paid		(3,168)	(5,521)
Changes in non-cash working capital (Note 25)		1,911	46,305
Cash flows from operating activities		34,263	75,756
<b>Investing:</b>			
Purchase of property, plant and equipment		(4,430)	(1,458)
Proceeds from disposition of property, plant and equipment		69	671
Acquisition of Exterior Wood, net of cash received		(53,445)	-
Cash flows used in investing activities		(57,806)	(787)
<b>Financing:</b>			
Increase (Decrease) in revolving credit facility		1,726	(46,511)
Advance (Repayment) of long-term debt		26,731	(189)
Repayment of obligations under finance leases		(2,381)	(1,674)
Subordinated notes interest paid		(875)	(11,552)
Repayment of subordinated notes		-	(15,043)
Repurchase of common shares		(1,658)	-
Cash flows used in financing activities		23,543	(74,969)
<b>Cash and cash equivalents - end of period</b>	\$	-	\$ -

The accompanying notes are an integral part of these 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue on February 19, 2019 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.

### (d) Revolving Credit Facility

Previously, the Company reflected the revolving credit facility (Note 6) as part of cash and cash equivalents as it forms an integral part of Taiga's cash management and fluctuates directly as a result of cash flows from operating, investing and financing activities. In response to an agenda decision issued by the IFRS Interpretations Committee, Taiga has revised this presentation and now includes cash flows resulting from changes in the revolving credit facility balance within financing activities. Comparative information has been adjusted accordingly.

### (e) Change in Fiscal Year End Date

The fiscal year end of the Company was changed from March 31 to December 31 in 2017 so as to align its financial disclosure with its largest shareholder for operational and administrative efficiency. Accordingly, the current financial statements are prepared for the year ended December 31, 2018 and the comparative figures stated in the balance sheets, statements of earnings and comprehensive income, statements of changes in shareholders' deficiency, statements of cash flows and related notes are not comparable as they are for the 9 month transition period ended December 31, 2017.

### 3. Significant Accounting Policies

(a) Inventories

Inventories consist of allied building products, lumber products, panel products and production consumables. Inventories include other costs, such as transportation and processing that are directly incurred to bring the inventories to their present location and condition. The cost of treated wood includes the cost of lumber, direct labour and an allocation of fixed and variable overhead expenses. Inventories are stated at the lower of average cost and net realizable value, except for production consumables which are recorded at the lower of cost and replacement cost which approximates net realizable value.

(b) Property, Plant and Equipment

The following assets are recorded at cost and amortization is provided using the following methods and annual rates:

Declining Balance Method

Buildings	4% - 10%
Furniture and office equipment	8% - 30%
Warehouse equipment	10% - 30%

Straight-line Method

Leasehold improvements	Over term of lease
Treating equipment	20 - 25 Years
Computer system and license	3 - 10 Years

The carrying values of the buildings and equipment are reviewed for indications of impairment on a regular basis by reference to their estimated recoverable amount. Assets that are not yet available for use are not being amortized.

(c) Deferred Gain

The deferred gain relates to proceeds in excess of the net book value of certain buildings sold in the sale and leaseback transactions completed during the years ended March 31, 2014 and 2006. The deferred gain is amortized over the lease terms of the buildings, which are being accounted for as finance leases. Amortization is included in other income.

(d) Business Combinations and Goodwill

Business combinations are accounted for by applying the acquisition method, whereby assets obtained, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquired business are measured at fair value at the date of acquisition. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3, Business Combinations are recognized at their fair values at the acquisition date, except for deferred tax assets and liabilities which are measured in accordance with IAS 12, Income Taxes, and non-current assets which are classified as held-for-sale in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, and are recognized and measured at fair value, less costs to sell. To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the difference is recognized in income immediately as a gain on bargain purchase. Goodwill is subsequently measured at cost less accumulated impairment losses. Acquisition costs associated with business combination activities are expensed in the period incurred.



## Taiga Building Products Ltd.

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

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(e) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Company are classified as finance leases. Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property, plant and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognized as a liability and amortized on a straight-line basis over the life of the lease term.

(f) Intangible assets

All intangible assets acquired by the Company through business acquisitions are recorded at fair value on the date of acquisition. Intangible assets that have indefinite lives are measured at cost less accumulated impairment losses. Intangible assets that have finite useful lives are subsequently measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets are comprised of brand recognition and customer relationships, which are amortized on a straight-line basis over 15 years. Amortization rates are reviewed annually to ensure they are aligned with estimates of the remaining economic useful lives of the associated intangible assets.

(g) Income Taxes

*Current income tax:*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the relevant taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the jurisdictions where the Company operates and generates taxable income. Current income taxes relating to items recognized directly in other comprehensive income or equity are recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred income tax:*

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(h) Foreign Currency Translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of controlled entities that have operations in the United States is the United States dollar.

## Taiga Building Products Ltd.

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

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#### *Transactions and balances:*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of earnings and comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of earnings and comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial position and results of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date; and
- income and expenses are translated at monthly average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in accumulated other comprehensive income in the statement of earnings and comprehensive income. These differences are recognized in profit or loss in the period in which the operation is disposed.

#### (i) Earnings Per Share

Earnings per share is calculated using the weighted-average number of shares outstanding for the period. The weighted-average number of common shares is determined by reference to the portion of time during the reporting period that the shares have been outstanding to the total time in the period.

Diluted earnings per share is calculated based on the weighted-average number of common shares outstanding during the period including, if applicable, the effects of potentially dilutive common share equivalents. Taiga's basic and diluted earnings per share are equal as Taiga has no potentially dilutive instruments.

#### (j) Accounting by a Customer for Certain Consideration Received from a Vendor

Consideration received from a vendor, that represents a reduction in the purchase price, is recorded as a reduction in cost of sales.

#### (k) Impairment of Assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset, or its cash generating unit, is estimated in order to determine the extent of impairment. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of earnings and comprehensive income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## Taiga Building Products Ltd.

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

An impairment loss is only reversed if there is an indication that the impairment may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Reversal cannot increase the carrying value of an asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. An impairment loss for goodwill is not reversed in a subsequent period.

#### (l) Provisions

Provisions are recognized when a present legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate.

#### (m) Changes in Accounting Policies – Financial Instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

##### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Original classification IAS 39</b>	<b>New classification IFRS 9</b>
Revolving credit facility	Amortized cost	Amortized cost
Accounts receivables	Amortized cost	Amortized cost
Lumber futures	FVTPL	FVTPL
Interest swap	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Finance lease obligation	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Subordinated notes	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders’ equity at the beginning of the 2018 annual reporting period, which also includes the date of

initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on January 1, 2018.

(ii) Measurement

*Financial assets and liabilities at amortized cost:*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL:*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

*Financial assets:*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of net (loss) income.

(n) Changes in Accounting Policies – Revenue from Contracts with Customers

The Company adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) as of January 1, 2018. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date.

The following is the Company’s new accounting policy for revenue from contracts with customers under IFRS 15:

The Company distributes building products to supply yards, building product retailers and industrial manufacturers. Sales are recognised when control of the products has transferred to the Company’s customers, being when the products are shipped to the customer in instances where the customer arranges for shipment or upon delivery for instances in which the Company arranges for shipment. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Once products are delivered to the Company’s customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the

Company has objective evidence that all criteria for acceptance have been satisfied. A portion of the Company's sales take place on a consignment basis, where the Company will deliver inventory to customer locations that has not yet been purchased. The revenue from these sales is recognized when the customer purchases the inventory.

The Company's products are sold with volume discounts based on aggregate sales over set periods. Revenue from these sales is recognised based on the price agreed upon for each order, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with credit terms standard for the market. The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. Historically, the Company's annual returns for products sold have been negligible.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 15 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on January 1, 2018.

## 4. Future Accounting Changes

### (a) IFRS 16

In January 2016, the IASB issued *IFRS 16, Leases ("IFRS 16")*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. Effective January 1, 2019, the Company will adopt *IFRS 16* using the modified retrospective approach under which the cumulative effect of initial application will be recognized in retained earnings at January 1, 2019. The expected impact of this change in accounting policy is noted below.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under *IAS 17* and *IFRIC 4*. Prior to the adoption of *IFRS 16*, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset. The Company leases warehouse locations, office space, land, equipment, and trucks. Right-of-use assets will be measured at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments.

On transition, the Company will elect to apply the practical expedient to grandfather the determination of which contract is or contains a lease and will apply *IFRS 16* to those contracts that were previously identified as leases. Upon transition to the new standard, lease liabilities will be measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities will be recognized on the balance sheet with the cumulative difference recognized in retained earnings.

At transition, lease liabilities of approximately \$28 - \$30 million will be recognized in the balance sheet. The Company is finalizing its assessment of the transitional right-of-use assets with any difference between the lease liability and the right-of-use asset recognized as a reduction of retained earnings. Management is still analyzing the assumptions and inputs for the transition, so the final impact may be materially different from this estimate.

For contracts entered into subsequent to January 1, 2019 at inception of the contract, the Company will assess whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the

use of an identified asset. For contracts that contain a lease, the Company will recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset will be initially measured at cost, which will comprise the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset will be subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under *IFRS 16*, right-of-use assets will be tested for impairment in accordance with *IAS 36* Impairment of assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

The lease liability will initially be measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability will include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability will be measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability will be subsequently adjusted for interest and lease payments. Interest expenses will be included in the consolidated statement of earnings.

The Company will elect not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and will continue to recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by *IFRS 16*.

## 5. Critical Accounting Estimates, Assumptions and Judgements

### (a) Significant Estimates and Assumptions

In preparing these consolidated financial statements, the Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below.

#### *Allowance for doubtful accounts:*

While significant bad debts have not been experienced in prior years the provision is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, the current business environment and historical experience. A change in one or more of these factors could impact the estimated allowance for bad debts.

#### *Valuation of inventories:*

Inventories are valued at the lower of average cost and net realizable value. Taiga evaluates inventory balances at each balance sheet date and records an allowance as necessary for slow moving or obsolete inventory. Additionally, Taiga records an allowance if the cost of inventories exceeds net realizable value based on commodity prices.

#### *Valuation and estimated life of long-lived assets:*

If indicators of an impairment exist, an impairment test is performed by comparing the carrying amount of the asset or its cash generating unit to the recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates.

## Taiga Building Products Ltd.

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

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The estimated useful lives and recoverable amounts of long-lived assets are based on judgement and the best currently available information. Changes in circumstances can result in the actual useful lives differing from the current estimates.

#### *Customer rebates:*

Customer rebates are commonly offered as industry practice and are generally based on achievement of specified volume sales levels. Taiga accrues for the payment of customer rebates as a reduction of revenue based on management's estimates.

#### *Valuation of warranty provisions:*

A provision for future potential warranty costs is calculated using historical trends and future expectations of future claims. Adjustments to the warranty provision are included in cost of sales. Actual future warranty costs may differ from those estimates.

#### *Current and deferred taxes:*

The Company calculates current and deferred tax provisions for each of the jurisdictions in which it operates. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities and ultimately until they are statute barred from reassessment. This occurs subsequent to the issuance of financial statements. Therefore, results in subsequent periods will be affected by the amount that estimates differ from the final tax filings, resolution of uncertain tax positions, open years or tax disputes that may arise.

The Company must make estimates and assumptions when assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet. Taiga also evaluates the recoverability of deferred tax assets based on an assessment of the likelihood of using the underlying future tax deductions against future taxable income before they expire. Deferred tax liabilities arising from temporary differences on investments in subsidiaries are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future sales volumes and housing starts, commodity prices, operating costs, capital expenditures, dividends and other capital transactions. These estimates and judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to income.

#### *Goodwill:*

Management uses judgment in determining the fair value of the acquired net identifiable tangible and intangible assets at the date of a business combination. Any resulting goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill at December 31, 2018 relates to the Company's acquisition of Exterior Wood, Inc. Goodwill is not amortized, but is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the fair value of a cash-generating unit to the underlying carrying value of that cash-generating unit's net assets, including goodwill. Significant estimates are required in determining the fair value of each cash-generating unit, including a discount rate, a growth rate and revenue projections. When the carrying amount of the cash-generating unit exceeds its fair value, the fair value of goodwill related to the cash-generating unit is compared to its carrying value and excess of carrying value is recognized as an impairment loss (Note 11).

#### (b) Significant Judgements in Applying Accounting Policies

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:



- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of leases as either operating or finance type leases;
- the determination of the functional currency of the parent company and its controlled entities;
- the identification of cash generating units for the purpose of performing impairment tests of goodwill; and
- the assessment of continually changing tax interpretations, regulations and legislation, to ensure that deferred income tax assets and liabilities are complete and fairly stated.

## 6. Business Acquisition

On July 31, 2018, the Company completed the acquisition (the "Acquisition") of all the shares of Exterior Wood, Inc. ("Exterior Wood"), a wood treatment facility and distribution centre in Washougal, Washington. Total purchase consideration was \$56,355,000 cash in exchange for all the issued and outstanding common shares of Exterior Wood. The Acquisition will expand Taiga's existing wood treatment operations with additional penetration into the United States market. The consideration transferred to the vendors was satisfied primarily through the Company's revolving credit facility (the "Facility") and additional term loans included in the Facility. The foreign exchange rate used to translate cash purchase consideration and fair value of assets acquired and liabilities assumed was based on the exchange rate published by the Bank of Canada as at the date of the Acquisition.

Details of the fair value of the aggregate consideration transferred and the fair value of the identifiable assets and liabilities acquired at the date of the above noted acquisition were as follows:

<i>(in thousands of dollars)</i>	<b>Notes</b>	
<b>Fair value of purchase consideration</b>		
Cash		56,355
Consideration		56,355
<b>Fair value of assets acquired and liabilities assumed</b>		
Current assets		34,066
Current liabilities		(10,113)
Property, plant and equipment	9	7,769
Construction in progress	9	3,123
Intangible assets (customer relationships and brand)	10	17,671
Deferred tax liabilities	15	(6,528)
Total identifiable net assets		46,656
Goodwill	11	10,367
Consideration		56,355

The goodwill recognized was primarily attributed to the expected synergies arising from the Acquisition and the expertise and reputation of the assembled management and workforce. The intangible assets consisted primarily of customer relationships as well as the brand of Exterior Wood.

From the date of the Acquisition, the acquired business contributed \$35.7 million of revenue and a net loss of \$1.8 million. If the Acquisition had taken place at the beginning of the year, unaudited consolidated revenue for the year ended December 31, 2018 would have been \$1,513 million and unaudited net earnings of the Company would have been \$25.3 million. During the year ended December 31, 2018, directly attributable acquisition-related costs of approximately \$0.8 million have been expensed and are included in selling and administration expenses.

## 7. Accounts Receivable

<i>(in thousands of dollars)</i>	December 31, 2018	December 31, 2017
Current	91,340	105,119
Past due over 60 days	2,259	1,760
Trade accounts receivable	93,599	106,879
Other receivables	3,599	792
Allowance for doubtful accounts	(2,684)	(832)
Total	94,514	106,839

All of the Company's trade accounts receivables are pledged as security for the revolving credit facility.

## 8. Inventories

<i>(in thousands of dollars)</i>	December 31, 2017	December 31, 2017
Allied building products	27,716	24,935
Lumber products	95,166	73,694
Panel products	26,085	24,290
Production consumables	1,302	568
Inventory provision	(784)	(199)
Total	149,485	123,288

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

## 9. Property, Plant and Equipment

<i>(in thousands of dollars)</i>	Land	Buildings	Furniture and office equipment	Warehouse and treating equipment	Leasehold improvements	Computer system and license	Total
<b>Cost</b>							
Balance, March 31, 2017	3,802	45,666	2,975	14,929	7,552	8,018	82,942
Additions	-	-	295	1,002	557	510	2,364
Disposals	-	-	-	(236)	-	-	(236)
Exchange effect	(215)	(554)	(24)	(15)	(26)	4	(830)
Balance, December 31, 2017	3,587	45,112	3,246	15,680	8,083	8,532	84,240
Additions	-	150	457	2,094	1,217	1,137	5,055
Additions arising upon acquisition (Note 6)	-	-	369	4,872	5,651	-	10,892
Disposals	-	-	(238)	(262)	(78)	-	(578)
Exchange effect	312	816	72	321	315	16	1,852
Balance, December 31, 2018	3,899	46,078	3,906	22,705	15,188	9,685	101,461
<b>Accumulated amortization</b>							
Balance, March 31, 2017	-	(20,622)	(2,355)	(11,378)	(5,089)	(3,699)	(43,143)
Amortization	-	(1,558)	(142)	(768)	(247)	(605)	(3,320)
Disposals	-	-	-	230	-	-	230
Exchange effect	-	296	20	12	19	(30)	317
Balance, December 31, 2017	-	(21,884)	(2,477)	(11,904)	(5,317)	(4,334)	(45,916)
Amortization	-	(2,106)	(266)	(1,459)	(405)	(960)	(5,196)
Disposals	-	-	197	249	77	-	523
Exchange effect	-	(454)	(33)	(25)	(31)	(3)	(546)
Balance, December 31, 2018	-	(24,444)	(2,579)	(13,139)	(5,676)	(5,297)	(51,135)

# Taiga Building Products Ltd.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

<i>(in thousands of dollars)</i>	Land	Buildings	Furniture and office equipment	Warehouse and treating equipment	Leasehold improvements	Computer system and license	Total
<b>Carrying amounts</b>							
Balance, December 31, 2017	3,587	23,228	769	3,776	2,766	4,198	38,324
Balance, December 31, 2018	3,899	21,634	1,327	9,566	9,512	4,388	50,326

As of December 31, 2018, the development costs of computer systems projects that are not ready for use were \$426,034 (December 31, 2017 - \$651,043). No amortization has been recognized on the components not ready for use.

The net book value of property, plant and equipment held under finance lease at December 31, 2018 is \$18,525,069 (December 31, 2017 - \$20,415,544). Title of leased assets remains with the lessor.

Included in warehouse and treating equipment is the balance of the construction fund that was recognized on the acquisition of Exterior Wood, which at December 31, 2018 was \$2,240,707. This amount, plus other construction-in-progress of \$3,049,227, is not yet subject to amortization.

## 10. Intangible Assets

<i>(in thousands of dollars)</i>	<b>Total</b>
Balance, December 31, 2017	-
Additions arising upon acquisition	17,671
Amortization	(472)
Exchange effect	614
Balance, December 31, 2018	17,813

## 11. Goodwill

<i>(in thousands of dollars)</i>	<b>Total</b>
Balance, December 31, 2017	-
Additions arising upon acquisition	10,367
Exchange effect	302
Balance, December 31, 2018	10,669

Goodwill at December 31, 2018 relates to the Company's acquisition as described in Note 6.

The Company performed its annual test for goodwill impairment as at December 31, 2018. The Company did so by comparing the carrying value of the cash generating unit against its fair value less cost of disposal.

The carrying value of the cash-generating unit has been determined by taking the net asset value of its cash generating assets and the goodwill attributable to the cash generating unit. Because the acquisition of Exterior Wood took place just five months prior to the financial reporting period end date, fair value was determined based on the consideration paid after considering the effect of changes in economic circumstances since acquisition. Based on the impairment test, the fair value less cost of disposal of the cash-generating unit exceeded its carrying amounts. As a result, no provision for impairment of goodwill was provided. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the cash-generating unit's net assets.

## 12. Revolving Credit Facility

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Revolving credit facility	66,008	54,995
Financing costs, net of amortization	(1,457)	(272)
<b>Total</b>	<b>64,551</b>	<b>54,723</b>

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. 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 December 31, 2018.

## 13. Long-term Debt

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Long-term debt	28,802	1,019
Less: Current portion	(7,723)	(1,019)
<b>Non-Current portion</b>	<b>21,079</b>	<b>-</b>

On June 28, 2018, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). As part of the Facility, additional term loans were authorized and the Company drew upon two separate term loans (Term A and Term B) to fund the Business Acquisition in Note 6. The long-term debt bears interest at variable base rates plus variable margins tied to the Company's existing Facility (Note 12). The long-term debt is secured partially by the real property of one of the Company's US subsidiaries.

The Term A loan is for \$7.5 million USD and matures on August 31, 2023. The monthly principal installment is US\$41,778. The Term B loan is for \$15.5 million USD and matures on August 31, 2021. The monthly principal instalment is US\$430,000.

A continuity of long-term debt is as follows:

	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
Balance, beginning	1,019	1,275
New loans	30,286	-
Repayments	(3,555)	(189)
Foreign exchange	1,052	(67)
<b>Balance, ending</b>	<b>28,802</b>	<b>1,019</b>

## 14. Accounts Payable and Accrued Liabilities

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Trade payables and accrued liabilities	49,223	57,035
Payroll related liabilities	9,678	16,062
Provisions (Note 17)	473	446
Financial instrument liabilities (Note 24)	-	35
<b>Total</b>	<b>59,374</b>	<b>73,578</b>

## 15. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
<b>Current:</b>		
Current taxes for the year	3,971	4,199
Adjustments to tax provisions recorded in prior periods	(23)	95
Total current tax expense	3,948	4,294
<b>Deferred:</b>		
Origination and reversal of temporary differences	4,431	2,254
Adjustments to tax provisions recorded in prior periods	114	73
Effect of change in tax rates	57	(87)
Other taxes	145	-
Change in valuation allowance	10	67
Total deferred tax expense	4,757	2,307
Income tax expense	8,705	6,601

A reconciliation of the income taxes calculated at the statutory rate to the actual income tax expense is as follows:

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
<b>Net earnings before income tax</b>	<b>28,972</b>	<b>2,415</b>
Statutory income tax rate	27.00%	26.69%
Expected income tax expense based on statutory rate	7,822	645
Tax effect of:		
Non-deductible interest and other permanent differences	437	5,158
Difference in foreign tax rates	75	660
Adjustments to tax provisions recorded in prior periods	90	102
Other taxes	214	56
Effect of change in tax rate	57	(87)
Change in valuation allowance	10	67
Income tax provision	8,705	6,601

For the year ended December 31, 2018, income tax expense charged to other comprehensive income was \$621,659 (period ended December 31, 2017 –\$413,761).

Deferred 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 of the future tax assets and liabilities are as follows:

Deferred tax assets (liabilities):

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other reserves	(499)	793
Deferred gain on sale and leaseback	623	774
Property, plant and equipment	(171)	100
Intangible assets	(4,425)	-
Non-capital losses	518	2
Deferred income from partnership	(7,566)	(1,694)
Net deferred tax asset (liability)	(11,520)	(25)

Deferred income tax assets and liabilities are offset to the extent that they relate to the same taxable entity and the same jurisdiction as follows:

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Deferred tax assets	270	174
Deferred tax liabilities	(11,790)	(199)
Net deferred tax asset (liability)	(11,520)	(25)

# Taiga Building Products Ltd.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

The movement on the net deferred income tax assets and liabilities is as follows:

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
Beginning	(25)	1,766
Deferred tax expense recorded in profit or loss	(4,757)	(2,307)
Acquisition of Exterior Wood (Note 6)	(6,528)	-
Movement recognized in other comprehensive income	(210)	516
Ending	(11,520)	(25)

The Company, in the normal course of business, is subject to ongoing examination by tax authorities in each jurisdiction in which it has operations. The Company regularly assesses the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for current and deferred income taxes, as well as the provision for indirect, withholding and other taxes and related penalties and interest. This assessment relies on estimates and assumptions, which involves judgments about future events. It also relies on interpretations of tax law, including general anti-avoidance provisions (GAAR), and prior experience. New information may become available that causes the Company to change its judgment and estimates regarding the adequacy of provisions related to income and other taxes. Any changes will be recorded prospectively in the period that such determinations are made.

## 16. Finance Lease Obligations

A summary of the finance lease obligations is as follows:

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Total minimum lease payments payable	31,824	35,153
Portion representing interest to be expensed over the remaining term of the leases	8,885	10,435
Principal Outstanding	22,939	24,718
Less: Current portion	2,493	2,338
Non-Current portion	20,446	22,380

Finance leases include buildings and operating equipment. Lease payments represent blended payments consisting of principal and interest based on interest rates ranging from 5.6% to 8.4%.

The following is a schedule of future minimum lease payments over the lives of the finance leases:

<i>(in thousands of dollars)</i>	
No later than one year	3,990
Later than one year, but not later than five years	13,799
Later than five years	14,035

A summary of changes in the period follows:

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
Balance, beginning	24,718	25,516
Additions	602	875
Payments made	(4,008)	(2,969)
Interest expense	1,627	1,295
Balance, ending	22,939	24,718

## 17. Provisions

### *Continuity of Provisions:*

The following table summarizes the movement in this provision for the year ended December 31, 2018:

<i>(in thousands of dollars)</i>	<b>Lease provision</b>	<b>Other</b>	<b>Total</b>
Balance, beginning	846	387	1,233
Used during the year	(127)	(5)	(132)
Unwinding of discount	40	-	40
Total	759	382	1,141
Included in accounts payable and accrued liabilities (Note 13)	(91)	(382)	(473)
Non-current provisions	668	-	668

### *Lease Provision:*

During September 2009, the Company consolidated its warehouse operations in the Greater Toronto Area by closing a warehouse in Brampton and migrating this operation into its warehouse in Milton. The Brampton warehouse was a leased property, and the land component was accounted for as an operating lease. The Company recorded a provision relating to this property, being the present value of the unavoidable net costs to the Company of exiting the lease. The final transaction to exit the lease was completed on May 31, 2012; however, there is a requirement to make ongoing payments to the lessor relating to this transaction which is reflected in the provision. The present value was determined using a pre-tax discount rate of 5.14%.

## 18. 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 New Notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the year ended December 31, 2018.

## 19. 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 April 27, 2018, 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 5,841,155 of its 116,823,109 outstanding Common Shares, representing 5% of the outstanding Common Shares. For the year ended December 31, 2018, the Company purchased 1,259,471 of its Common shares for cash payments of \$1,658,175. These Common Shares purchased by the Company are being held as Treasury Stock. At December 31, 2018 there were 4,581,684 remaining Common Shares permitted to be purchased by the Company per the terms of the NCIB.



# Taiga Building Products Ltd.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

### (c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	<b>Number of Shares</b>	<b>Amount</b>
Balance, March 31, 2017	32,414,278	13,229
Issue of new shares as a result of the Exchange Offer	84,408,831	119,861
Balance, December 31, 2017	116,823,109	133,090
Shares purchased under NCIB and held as Treasury Stock	1,259,471	1,658
Balance, December 31, 2018	115,563,638	131,432

### (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.

### (f) Exchange Offer

On November 17, 2017, the Company completed an exchange offer (the "Exchange Offer"). Pursuant to the terms and conditions set forth in the Company's Exchange Offer and Consent Solicitation Statement dated September 29, 2017 (the "Exchange Offer Circular"), to purchase any and all of its outstanding 14% subordinated unsecured notes (the "Existing Notes") in exchange for new 7% senior notes of Taiga (the "New Notes") due five years from the date of issuance, common shares of Taiga ("Common Shares") at a rate of 833.33 Common Shares for each \$1,000 principal amount of Existing Notes, or any combination of the foregoing at the option of the holder. As a result of the Exchange Offer, the Company exchanged an aggregate of \$113,791,000 principal amount of Existing Notes, representing approximately 88.4% of the Existing Notes outstanding. Holders of Existing Notes who participated in the Exchange Offer elected to exchange their Existing Notes for an aggregate of \$12,500,000 principal amount of New Notes and 84,408,831 Common Shares.

### (g) Major Shareholder

On January 31, 2017, Taiga paid the full amount owing to the CRA (The Reassessment) through proceeds provided by its two former major shareholders. The Reassessment Amount was fully funded by the two former major shareholders in accordance with their obligations under their indemnity agreements with Taiga. The payment of the Reassessment Amount was made in connection with two transactions (the "Transactions") involving Taiga's two former major shareholders, and Avarga Limited and certain of its affiliates and subsidiaries (collectively, "Avarga"), which resulted in Avarga holding approximately 58% of the issued and outstanding common shares of the Company. As a result of the Exchange Offer described at Note 17(f), Avarga's ownership interest decreased to 49% of the common shares of Taiga. On September 28, 2018 Avarga completed the acquisition of 18,460,759 additional common shares of Taiga, bringing their stake to 65.1% and 75,708,814 total common shares. Taiga's current chairman, Ian Tong, is a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman, chief executive officer and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

## 20. Expenses by Nature

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
Product and treating costs	1,285,323	975,970
Freight costs	32,598	24,606
Inventory write down	2,138	867
Warehouse costs	15,648	10,534
Salaries and benefits	57,221	44,298
Employee reimbursements and general office expenses	10,669	6,528
Foreign exchange expense	1,447	890
Loss on settlement of debt	-	18,570
Other miscellaneous costs	3,672	2,930
Amortization	5,668	3,320
<b>Total</b>	<b>1,414,384</b>	<b>1,088,513</b>

As part of the Exchange Offer described in Note 19(f), the Company issued 84,408,831 common shares valued at \$119,860,540 through the settlement of \$101,291,000 outstanding 14% subordinated notes, resulting in a loss on the settlement of debt of \$18,569,540 during the period ended December 31, 2017.

## 21. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
Interest on revolving credit facility and other short term liabilities	4,151	2,528
Interest on finance leases and long-term debt	2,709	1,338
Amortization of financing costs	333	227
<b>Total</b>	<b>7,193</b>	<b>4,093</b>

## 22. Commitments and Contingencies

### (a) Contractual Commitments

The Company has obligations under various operating leases for occupied premises and equipment. The following table shows the separation of minimum lease payments by period resulting from sale and leaseback transactions completed in 2006 and 2014 and from other operating leases consisting of vehicle, warehouse equipment and the Company's head office.

<i>(in thousands of dollars)</i>	<b>Sale and Leaseback Operating Leases</b>	<b>Other Operating Leases</b>	<b>Total Operating Leases</b>
No later than one year	1,793	2,555	4,348
Later than one year, but not later than five years	6,988	6,762	13,750
Later than five years	4,147	4,859	9,006

The sale and leaseback operating leases completed in February 2014 expire in February 2034. Rental rates are subject to adjustments starting March 2016 and every five years thereafter based on consumer price index. For each property, Taiga has two options to renew for five years each.

The sale and leaseback operating leases completed in the fiscal year ended March 31, 2006 expire in February 2021 or February 2026 depending on the property. Rental rates are subject to adjustments every five years based on consumer price index. For each property, Taiga has three options to renew for five years each.

## Taiga Building Products Ltd.

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

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Total operating lease payments recognized as an expense during the year ended December 31, 2018 were \$3,947,391 (period ended December 31, 2017 - \$2,863,997).

(b) 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.

(c) Canada Revenue Agency Reassessment

During the year ended March 31, 2017, Taiga received a notice of reassessment from the Canada Revenue Agency 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 Taiga, 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 Taiga'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. Taiga's two former major shareholders may elect to assume any action or defense of Taiga in connection with the foregoing pursuant to the terms of the indemnity agreements with Taiga.

## 23. Capital Disclosures

The Company's objectives for managing capital are to safeguard Taiga's ability to operate and grow its business, to provide a sufficient return to its shareholders, and to meet internal capital expenditure requirements and credit facility covenants. The revolving credit facilities and share capital are considered as the Company's capital.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets or consider other strategies to reduce debt.

The Company manages its capital by monitoring the balance between working capital and the revolving credit facility's borrowing base, which is a combination of accounts receivable and inventories less certain provisions. If the company's borrowing availability falls below a certain percentage of the borrowing base, the company is then required to maintain a certain interest coverage ratio. At December 31, 2018, the company was in compliance with this requirement.

## 24. Financial Instruments

(a) Accounting for financial instruments

The carrying amounts of accounts receivable and accounts payable approximate their fair values due to the short term to maturity of these instruments. The carrying amounts of the revolving credit facility and long-term debt approximate their fair values as these liabilities bear interest at variable market rates.

## Taiga Building Products Ltd.

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

The fair values of finance lease obligations are as follows:

<i>(in thousands of dollars)</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Carrying amount	22,939	24,718
Fair value	22,907	24,647

The fair value of the finance 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>December 31, 2018</b>	<b>December 31, 2017</b>
Carrying amount	12,500	12,500
Fair value	12,500	12,500

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>December 31, 2018</b>	<b>December 31, 2017</b>
Lumber futures	56	(35)

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 December 31, 2018 and 2017:

# Taiga Building Products Ltd.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2018 and the nine months ended December 31, 2017 (in Canadian dollars)

(in thousands of dollars)

<b>At December 31, 2018</b>	<b>Amortized Cost (Financial assets)</b>	<b>FVTPL</b>	<b>Amortized Cost (Financial liabilities)</b>	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	94,458	-	-	94,458
Lumber futures <sup>1</sup>	-	56	-	56
<b>Total financial assets:</b>	<b>94,458</b>	<b>56</b>	<b>-</b>	<b>94,514</b>
<b>Financial liabilities:</b>				
Revolving credit facility	-	-	64,551	64,551
Accounts payable & accrued liabilities	-	-	59,374	59,374
Current portion of long-term debt	-	-	7,723	7,723
Non-current portion of long-term debt	-	-	21,079	21,079
Current portion of financial lease obligation	-	-	2,493	2,493
Non-current portion of financial lease obligation	-	-	20,446	20,446
Subordinates notes	-	-	12,500	12,500
<b>Total financial liabilities:</b>	<b>-</b>	<b>-</b>	<b>188,166</b>	<b>188,166</b>

(in thousands of dollars)

<b>At December 31, 2017</b>	<b>Amortized Cost (Financial assets)</b>	<b>FVTPL</b>	<b>Amortized Cost (Financial liabilities)</b>	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	106,839	-	-	106,839
<b>Total financial assets:</b>	<b>106,839</b>	<b>-</b>	<b>-</b>	<b>106,839</b>
<b>Financial liabilities:</b>				
Revolving credit facility	-	-	54,723	54,723
Accounts payable & accrued liabilities	-	-	73,578	73,578
Lumber futures <sup>1</sup>	-	35	-	35
Current portion of long-term debt	-	-	1,019	1,019
Non-current portion of long-term debt	-	-	-	-
Current portion of financial lease obligation	-	-	2,338	2,338
Non-current portion of financial lease obligation	-	-	22,380	22,380
Subordinates notes	-	-	12,500	12,500
<b>Total financial liabilities:</b>	<b>-</b>	<b>35</b>	<b>166,538</b>	<b>166,573</b>

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

## 25. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
(Increase) decrease in accounts receivable	21,787	32,446
(Increase) decrease in inventories	(5,401)	17,510
(Increase) decrease in prepaid expenses	(3,026)	627
Effect of foreign exchange on working capital	7,727	(2,678)
(Decrease) increase in accounts payable and accrued liabilities	(19,176)	(1,600)
<b>Total</b>	<b>1,911</b>	<b>46,305</b>

## 26. 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.

## 27. Segmented Information

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

<b>Year ended December 31, 2018</b>			
<i>(in thousands of dollars)</i>			
	<b>Canada</b>	<b>United States</b>	<b>Total</b>
Revenue	1,229,164	221,821	1,450,985
Property, plant and equipment	29,735	20,591	50,326
<b>Period ended December 31, 2017</b>			
<i>(in thousands of dollars)</i>			
	<b>Canada</b>	<b>United States</b>	<b>Total</b>
Revenue	969,353	136,858	1,106,211
Property, plant and equipment	30,426	7,898	38,324

During the year ended December 31, 2018, Taiga's Canadian operations had export sales of \$238.6 million (period ended December 31, 2017 - \$219.2 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.

## 28. Management Compensation

Compensation of key management is recorded on the accrual basis of accounting consistent with the amounts recognized in the consolidated statements of earnings and comprehensive income. Compensation expenses for key management, which includes the Company's Board of Directors and Officers, were as follows:

<i>(in thousands of dollars)</i>		<b>Year ended December 31, 2018</b>	<b>Period ended December 31, 2017</b>
Salaries and other benefits		3,796	4,341

An amount of \$1,566,421 is included in accounts payable and accrued liabilities relating to bonuses to key management.