

## Management's Discussion and Analysis

**For the three and six months ended June 30, 2022 and 2021**

*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 August 12, 2022 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the corresponding notes thereto for the three and six months ended June 30, 2022 and 2021. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three and six months ended June 30, 2022.*

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

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

*Unless otherwise noted, there are no material changes to the Company's contractual obligations and risks and uncertainties as described in its management's discussion and analysis for the year ended December 31, 2021.*

*Additional information relating to the Company including the Company's Annual Information Form dated February 25, 2022 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 2022 to moderate from highs experienced in 2021. Taiga's secondary market, the United States, is expected to decline slightly in 2022 compared to calendar year 2021. See Item 9 "Outlook".

## 2. Results of Operations

### Sales

The Company's consolidated net sales for the quarter ended June 30, 2022 were \$646.1 million compared to \$786.7 million over the same period last year. The decrease in sales by \$140.1 or 18% was largely due to decreased selling prices for commodity products.

Consolidated net sales for the six months ended June 30, 2022 were \$1,258.8 million compared to \$1,322.7 million over the same period last year. The decrease in sales by \$63.8 million or 5% was largely due to the Company experiencing lower selling prices for its commodity products during the period.

Sales by segments are as follows:

	Revenue by Point of Sale							
	Three months ended				Six months ended			
	June 30,		June 30,		June 30,		June 30,	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	531,952	82.3	647,354	82.3	1,030,566	81.9	1,084,598	82.0
United States	114,170	17.7	139,378	17.7	228,260	18.1	238,052	18.0

For the quarter ended June 30, 2022, export sales totalled \$76.9 million compared to \$116.6 million over the same period last year. For the six months period ended June 30, 2022 export sales were \$166.4 million compared to \$198.9 million over the same period 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.

The Company's sales of dimension lumber and panels, as a percentage of total sales, were 58.4% for the quarter ended June 30, 2022 and 62.5% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, were 41.6% for the quarter ended June 30, 2022 and 37.5% over the same period last year.

The Company's sales of dimension lumber and panel, as a percentage of total sales, were 60.0% for the six months ended June 30, 2022, compared to 62.8% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, were 40.0% for the six months period ended June 30, 2022, compared to 37.2% over the same period last year.

## Gross Margin

Gross margin for the quarter ended June 30, 2022 decreased to \$69.0 million from \$147.9 million over the same period last year. Gross margin percentage was 10.7% for the three months ended June 30, 2022 compared to 18.8% in the same period last year. These decreases were primarily due to falling commodity prices.

Gross margin for the six months ended June 30, 2022 decreased to \$177.9 million from \$238.3 million over the same period last year. Gross margin percentage was 14.1% for the six months ended June 30, 2022 compared to 18.0% in the same period last year. These decreases were primarily due to falling commodity prices.

## Expenses

Distribution expenses for the quarter ended June 30, 2022 were \$7.3 million compared to \$6.8 million over the same period last year. For the six months period ended June 30, 2022, distribution expenses increased to \$14.6 million compared to \$13.9 million over the same period last year primarily due to higher distribution expenses for fuel, insurance and property taxes.

Selling and administration expenses for the quarter ended June 30, 2022 decreased to \$30.8 million compared to \$58.9 million over the same period last year. Selling and administration expenses for the six months ended June 30, 2022 decreased to \$76.7 million compared to \$100.1 million over the same period last year. These decreases were primarily due to lower compensation costs.

Finance expenses for the quarter ended June 30, 2022 were \$2.1 million compared to \$2.3 million over the same period last year. Finance expenses for the six months period ended June 30, 2022 increased to \$4.0 million compared to \$3.9 million for the same period last year. The increase was due to higher interest rates combined with increased borrowing levels.

Subordinated debt interest expense was \$0.2 million for both quarters ended June 30, 2022 and 2021. Subordinated debt interest expense was \$0.4 million for both years ended June 30, 2022 and 2021.

Other expense (income) for the quarter ended June 30, 2022 was (\$0.1) million compared to \$0.3 million over the same period last year. Other expense for the six months ended June 30, 2022 is \$0.1 million compared to \$0.3 million over the same period last year. The reason for the decrease was primarily due to the write down of an asset that had become impaired in 2021.

## Net Earnings

Net earnings for the quarter ended June 30, 2022 decreased to \$20.8 million from \$58.5 million for the same period last year. Net earnings for the six months period ended June 30, 2022 was \$60.3 million compared to \$87.6 million over the same period last year. The decreases were primarily due to decreased gross margins.

## EBITDA

EBITDA for the quarter ended June 30, 2022 was \$33.7 million compared to \$84.5 million for the same period last year. EBITDA decreased primarily due to lower margins earned during the quarter. For the six months ended June 30, 2022, EBITDA was \$92.3 million compared to \$129.6 million over the same period last year. EBITDA decreased primarily due to lower margins earned during the period.

Reconciliation of net earnings to EBITDA:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings	20,794	58,467	60,334	87,644
Income taxes	7,773	20,848	21,959	31,981
Finance and subordinated debt interest expense	2,352	2,486	4,442	4,378
Amortization	2,828	2,738	5,580	5,594
EBITDA	33,747	84,539	92,315	129,597

### 3. Cash Flows

#### Operating Activities

Cash flows from operating activities provided cash of \$87.3 million for the quarter ended June 30, 2022 compared to using \$29.2 million for the same period last year. Cash flows from operating activities used cash of \$63.1 million for the six months ended June 30, 2022 compared to using \$51.5 million for the same period last year. Changes between the comparative periods were primarily due to changes in non-cash working capital, primarily due to decreased accounts receivable, decreased inventories and decreased accounts payable and accrued liabilities.

#### Investing Activities

Investing activities used cash of \$0.7 million for the quarter ended June 30, 2022 compared to using \$0.8 million for the same period last year. Investing activities used cash of \$1.3 million for the six months ended June 30, 2022 compared to using \$1.5 million for the same period last year.

#### Financing Activities

Financing activities used cash of \$84.4 million for the quarter ended June 30, 2022 compared to using \$28.4 million for the same period last year. Financing activities used cash of \$3.1 million during the six months ended June 30, 2022 compared to providing cash of \$52.5 million during the same period last year. The decrease was due to reduced borrowing from the Company's revolving credit facility during the period ending June 30, 2022 offset by a dividend paid last year.

### 4. Summary of Quarterly Results

Year ending December 31,

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<i>(in thousands of dollars, except per share amount in dollars)</i>								
Sales	646,122	612,704	412,461	484,563	786,732	535,918	411,283	500,667
Net earnings	20,794	39,540	10,282	(5,240)	58,468	29,176	17,635	33,430
Net earnings per share <sup>(1)</sup>	0.19	0.37	0.10	(0.05)	0.54	0.27	0.16	0.31
EBITDA	33,747	58,568	17,425	(1,841)	84,539	45,107	29,410	50,489

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. 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 June 30, 2022.

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 June 30, 2022 increased to \$281.8 million from \$224.6 million as at December 31, 2021 due to increased accounts receivable and inventories. Taiga believes that current levels are adequate to meet its working capital requirements.

### Summary of Financial Position

<i>(in thousands of dollars)</i>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>December 31, 2021</b>
Current Assets	495,529	577,915	430,589
Current Liabilities (excluding Revolving Credit Facility and Subordinated Notes)	(201,213)	(238,210)	(193,458)
Revolving Credit Facility	-	(94,523)	-
Subordinated Notes	(12,500)	-	(12,500)
<b>Working Capital</b>	<b>281,816</b>	<b>245,182</b>	<b>224,631</b>
Long Term Assets	156,112	146,139	152,415
Long Term Liabilities (excluding Subordinated Notes)	(108,828)	(118,454)	(109,991)
Subordinated Notes	-	(12,500)	-
<b>Shareholders' Equity</b>	<b>329,100</b>	<b>260,367</b>	<b>267,055</b>

### Assets

Total assets were \$651.6 million as at June 30, 2022 compared to \$583.0 million as at December 31, 2021. The increase was primarily the result of accounts receivable and inventories.

Inventories increased to \$223.3 million as at June 30, 2022 compared to \$217.7 million as at December 31, 2021, primarily due to inventory build up in preparation for the summer season.

Accounts receivable increased to \$264.7 million as at June 30, 2022 compared to \$139.2 million as at December 31, 2021 primarily due to selling larger quantities of products during the peak seasons

## **Liabilities**

Total liabilities increased to \$322.5 million as at June 30, 2022 from \$315.9 million as at December 31, 2021. The increase was primarily due to increased accounts payable balances to fund the working capital increases in inventory.

Accounts payable and accrued liabilities increased to \$167.2 million as at June 30, 2022 compared to \$155.9 million as at December 31, 2021 primarily due to increased inventory purchases in preparation for the summer season.

## **Outstanding Share Data**

The Company has only one class of shares outstanding, its common shares without par value. On June 30, 2022, there were 108,208,963 common shares issued and outstanding.

On August 18, 2021, 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 5,427,077 of its then outstanding 108,541,557 common shares, representing 5% of the outstanding common shares. For the year ending December 31, 2021 the Company purchased 332,594 of its common shares for cash payments \$843,752. These common shares purchased by the Company have been cancelled. At June 30, 2022 there were 5,094,484 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 17, 2022. The Company has not purchased any of its common shares under this NCIB during the three and six months ended June 30, 2022.

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

The significant accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the year ended December 31, 2021.

The preparation of financial statements in conformity with IFRS requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. These estimates are described in the management’s discussion and analysis for the year ended December 31, 2021 and there have been no material changes to such policies and estimates since that time.

## **7. Off-Balance Sheet Arrangements**

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

For a detailed description of financial instruments and their associated risks, see Note 24 to the Company's audited consolidated financial statements for the period ended December 31, 2021.

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

Taiga’s management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of

financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS.

The CEO and CFO of Taiga acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the quarter ended June 30, 2022 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

## 9. Outlook

Taiga's financial performance is primarily dependent on the residential construction, renovation and repairs markets. These markets are affected by the strength or weakness in the general economy and as such are influenced by interest rates and other general market indicators.

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and continues to impact worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the pandemic has had a positive impact on Taiga's business and financial performance in the first two quarters of fiscal 2022. This is a direct result of the increased demand for detached housing, high commodity prices and low borrowing rates experienced during the period. However, commodity prices have been volatile at times during the pandemic including a drastic decline in the third quarter of fiscal year 2021 although prices did recover in the subsequent quarter. The extent to which these events may continue to impact the Company's business activities in the same manner in future periods will depend on a number of factors, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease, the demand for detached housing in North America, future commodity prices, interest rates and the strength of the general economy. These events are highly uncertain and as such, the Company cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact the Company's financial performance in 2022.

In Canada, according to the Canada Mortgage and Housing Corporation ("CMHC") in their spring Housing Market Outlook, housing starts are forecasted to range from 247,700 to 273,100 units in the 2022 calendar year compared to the 217,198 starts in 2021.

In the United States, the National Association of Home Builders reported in July 2022 that housing starts are forecasted to total 1,527,000 units in the 2022 calendar year compared to 1,605,000 units in calendar year 2021.



# **Taiga Building Products Ltd.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

For the three and six months ended June 30, 2022 and 2021  
(in Canadian dollars)

## **NOTICE TO SHAREHOLDERS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

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

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Interim Consolidated Balance Sheets (Unaudited)

<i>(in thousands of Canadian dollars)</i>	June 30, 2022	June 30, 2021	December 31, 2021
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents (Note 4)	\$ 2,448	\$ -	\$ 69,673
Accounts receivable	264,679	328,108	139,193
Inventories (Note 5)	223,338	245,640	217,698
Prepaid expenses	5,064	4,167	4,025
	<u>495,529</u>	<u>577,915</u>	<u>430,589</u>
Property, plant and equipment	120,081	122,943	121,271
Intangible assets	12,924	13,503	13,263
Goodwill	10,078	9,693	9,915
Deferred tax assets	13,029	-	7,966
	<u>\$ 651,641</u>	<u>\$ 724,054</u>	<u>\$ 583,004</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current:</b>			
Revolving credit facility (Note 6)	\$ -	\$ 94,523	\$ -
Accounts payable and accrued liabilities	167,195	202,482	155,877
Income taxes payable	27,777	29,893	31,675
Current portion of long-term debt	646	621	636
Current portion of lease obligations	5,595	5,214	5,270
Subordinated notes (Note 8)	12,500	-	12,500
	<u>213,713</u>	<u>332,733</u>	<u>205,958</u>
Long-term debt	6,568	6,938	6,780
Lease obligations	93,283	95,448	94,132
Deferred gain	2,302	2,421	2,362
Deferred tax liabilities	6,358	13,226	6,347
Provisions	317	421	370
Subordinated notes (Note 8)	-	12,500	-
	<u>322,541</u>	<u>463,687</u>	<u>315,949</u>
<b>Shareholders' Equity:</b>			
Share capital (Note 9)	123,204	124,048	123,204
Accumulated other comprehensive income (Note 9)	5,167	966	3,456
Retained earnings	200,729	135,353	140,395
	<u>329,100</u>	<u>260,367</u>	<u>267,055</u>
	<u>\$ 651,641</u>	<u>\$ 724,054</u>	<u>\$ 583,004</u>

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

# TAIGA BUILDING PRODUCTS LTD.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
<i>(in thousands of Canadian dollars, except per share amounts)</i>	2022	2021	2022	2021
<b>Sales</b>	\$ 646,122	\$ 786,732	\$ 1,258,826	\$ 1,322,650
<b>Cost of sales</b>	577,110	638,829	1,080,950	1,084,389
<b>Gross margin</b>	69,012	147,903	177,876	238,261
Expenses:				
Distribution	7,345	6,820	14,636	13,874
Selling and administration	30,844	58,938	76,654	100,094
Finance (Note 10)	2,133	2,267	4,004	3,940
Subordinated debt interest (Note 8)	219	219	438	438
Other income	(96)	344	(149)	290
	40,445	68,588	95,583	118,636
<b>Earnings before income tax</b>	28,567	79,315	82,293	119,625
Income tax expense (Note 7)	7,773	20,847	21,959	31,981
<b>Net earnings for the period</b>	\$ 20,794	\$ 58,468	\$ 60,334	\$ 87,644
<b>Other comprehensive income (loss)</b>				
Exchange differences on translating foreign controlled entities	\$ 3,368	\$ (1,180)	\$ 1,711	\$ (2,295)
<b>Total comprehensive income for the period</b>	\$ 24,162	\$ 57,288	\$ 62,045	\$ 85,349
Basic and diluted net earnings per common share	\$ 0.19	\$ 0.54	\$ 0.56	\$ 0.81
Weighted average number of common shares outstanding	108,209	108,542	108,209	108,542

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

# TAIGA BUILDING PRODUCTS LTD.

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

For the six months ended June 30, 2021

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balance at December 31, 2020</b>	\$ 124,048	\$ 77,710	\$ 3,261	\$ 205,019
Net earnings	-	87,644	-	87,644
Dividend (Note 8)	-	(30,001)	-	(30,001)
Other comprehensive income	-	-	(2,295)	(2,295)
<b>Balance at June 30, 2021</b>	<b>\$ 124,048</b>	<b>\$ 135,353</b>	<b>\$ 966</b>	<b>\$ 260,367</b>

For the six months ended June 30, 2022

<i>(in thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
<b>Balance at December 31, 2021</b>	\$ 123,204	\$ 140,395	\$ 3,456	\$ 267,055
Net earnings	-	60,334	-	60,334
Shares purchased under the NCIB and cancelled (Note 8)	-	-	-	-
Other comprehensive loss	-	-	1,711	1,711
<b>Balance at June 30, 2022</b>	<b>\$ 123,204</b>	<b>\$ 200,729</b>	<b>\$ 5,167</b>	<b>\$ 329,100</b>

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

# TAIGA BUILDING PRODUCTS LTD.

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

<i>(in thousands of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Cash provided by (used in):</b>				
<b>Operating:</b>				
Net (loss) earnings	\$ 20,794	\$ 58,468	\$ 60,334	\$ 87,644
Adjustments for non-cash items				
Amortization	2,828	2,688	5,580	5,594
Income tax expense	7,773	20,847	21,959	31,981
Mark-to-market adjustment on financial instruments	781	(1,483)	(678)	(953)
Change in provisions	(27)	(25)	(53)	(50)
Loss on asset disposal	(68)	374	(90)	350
Amortization of deferred gain	(30)	(30)	(60)	(60)
Finance and subordinated debt interest expense	2,352	2,486	4,442	4,378
Interest paid	(2,065)	(2,412)	(3,666)	(3,900)
Income tax paid	(3,214)	(4,444)	(31,241)	(4,480)
Changes in non-cash working capital (Note 13)	58,189	(47,279)	(119,663)	(172,040)
Cash flows used in operating activities	87,313	29,191	(63,136)	(51,537)
<b>Investing:</b>				
Purchase of property, plant and equipment	(778)	(713)	(1,430)	(1,507)
Proceeds from disposition of property, plant and equipment	68	(63)	106	(35)
Cash flows used in investing activities	(710)	(776)	(1,324)	(1,542)
<b>Financing:</b>				
Increase (decrease) in revolving credit facility	(82,784)	(26,540)	-	85,491
Repayment of long-term debt	10	(268)	(202)	(526)
Repayment of lease obligations	(1,192)	(1,169)	(2,450)	(2,066)
Subordinated notes interest paid	(434)	(438)	(434)	(438)
Dividends paid	-	-	-	(30,001)
Cash flows provided by financing activities	(84,400)	(28,415)	(3,086)	52,460
Effect of foreign exchange on cash	245	290	321	619
Cash (credit facility) - beginning of year	-	-	69,673	-
<b>Cash (credit facility) - end of period</b>	<b>\$ 2,448</b>	<b>\$ (94,523)</b>	<b>\$ 2,448</b>	<b>\$ (94,523)</b>

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

## 1. Nature of Operations

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

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

### Covid-19 Pandemic

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and continues to impact worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. As at the financial statement approval date, the pandemic has had a positive impact on Taiga's business and financial performance in the first two quarters of fiscal 2022. This is a direct result of the increased demand for detached housing, high commodity prices and low borrowing rates experienced during the period. However, commodity prices have been volatile at times during the pandemic including a drastic decline in the third quarter of fiscal year 2021 although prices did recover in the subsequent quarter. The extent to which these events may continue to impact the Company's business activities in the same manner in future periods will depend on a number of factors, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, the rate at which vaccines are administered, the effectiveness of vaccines against the coronavirus and its mutations, subsequent outbreaks, business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease, the demand for detached housing in North America, future commodity prices, interest rates and the strength of the general economy. These events are highly uncertain and as such, the Company cannot predict with any certainty how the progression of the coronavirus pandemic and these events will ultimately impact the Company's financial performance in 2022.

## 2. Basis of Preparation

### (a) Statement of Compliance

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

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on August 12, 2022 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.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the three and six months ended June 30, 2022 and 2021 (in Canadian dollars)

### (c) Basis of Measurement

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

## 3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

## 4. Cash

<i>(in thousands of dollars)</i>	June 30, 2022	June 30, 2021	December 31, 2021
Cash	2,118	-	69,181
Financing costs, net of amortization	330	-	492
Total	2,448	-	69,673

## 5. Inventories

<i>(in thousands of dollars)</i>	June 30, 2022	June 30, 2021	December 31, 2021
Allied building products	54,014	29,131	50,979
Lumber products	142,948	171,038	134,948
Panel products	26,362	45,438	29,984
Production consumables	2,551	1,688	1,987
Inventory provision	(2,537)	(1,655)	(200)
Total	223,338	245,640	217,698

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

## 6. Revolving Credit Facility

<i>(in thousands of dollars)</i>	June 30, 2022	June 30, 2021	December 31, 2021
Revolving credit facility	-	95,174	-
Financing costs, net of amortization	-	(651)	-
Total	-	94,523	-

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. 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 June 30, 2022.



## 7. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Current	10,590	19,519	27,376	32,377
Deferred	(2,817)	1,328	(5,417)	(396)
Total	7,773	20,847	21,959	31,981

## 8. Subordinated Notes

Per the Trust Indenture dated November 17, 2017, the Company's subordinated notes are unsecured, bear interest at 7% per annum and mature on November 17, 2022. The subordinated notes are not listed on any stock exchange. Interest on the notes is payable on May 17 and November 17 of each year. The aggregate principal amount of the notes that may be issued under the Indenture is unlimited. The terms, conditions, and covenants of the Indenture have been met during the quarter ended June 30, 2022.

## 9. Shareholders' Equity

### (a) Authorized Share Capital

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

### (b) Normal Course Issuer Bid

On August 18, 2021, 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 5,427,077 of its then outstanding 108,541,557 common shares, representing 5% of the outstanding common shares. For the year ending December 31, 2021 the Company purchased 332,594 of its common shares for cash payments \$843,752. These common shares purchased by the Company have been cancelled. At June 30, 2022 there were 5,094,484 remaining common shares permitted to be purchased by the Company per the terms of the NCIB with an expiration on August 17, 2022. The Company has not purchased any of its common shares under this NCIB during the three and six months ended June 30, 2022.

### (c) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	Number of Shares	Amount
Balance, December 31, 2020	108,541,557	124,048
Shares purchased under NCIB and cancelled	332,594	844
Balance, December 31, 2021 and June 30, 2022	108,208,963	123,204

### (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.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the three and six months ended June 30, 2022 and 2021 (in Canadian dollars)

### (f) Major Shareholder

Taiga's major shareholder is Avarga Limited ("Avarga"), holding 71.8% or 77,708,814 of the issued and outstanding common shares of the Company. Taiga's current chairman, Ian Tong, is the chief executive officer and a director of Avarga. Another of Taiga's directors, Dr. Kooi Ong Tong is also Avarga's executive chairman and a significant shareholder. Avarga is an investment holding company listed on the Singapore Exchange.

## 10. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Interest on revolving credit facility and other short term liabilities	716	844	1,175	1,304
Interest on leases and long-term debt	1,335	1,342	2,665	2,473
Amortization of financing costs	82	81	164	163
Total	2,133	2,267	4,004	3,940

## 11. Commitments and Contingencies

### Canada Revenue Agency Reassessment

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

## 12. Financial Instruments

The fair values of lease obligations are as follows:

<i>(in thousands of dollars)</i>	June 30, 2022	June 30, 2021
Carrying amount	93.151	100,662
Fair value	92.502	100,587

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

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

<i>(in thousands of dollars)</i>	June 30, 2022	June 30, 2021
Carrying amount	12,500	12,500
Fair value	12,934	12,932

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the three and six months ended June 30, 2022 and 2021 (in Canadian dollars)

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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>June 30, 2022</b>	<b>June 30, 2021</b>
Lumber futures	(131)	758

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

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

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

Level 3 – applies to assets and liabilities for inputs that are not based on observable market data, which are unobservable inputs.

Derivative financial instrument assets and liabilities are classified as level 2.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the three and six months ended June 30, 2022 and 2021 (in Canadian dollars)

The following table summarizes the classification and carrying values of the Company's financial instruments at June 30, 2022 and 2021:  
(in thousands of dollars)

<b>At June 30, 2022</b>	<b>Amortized Cost</b> (Financial assets)	<b>FVTPL</b>	<b>Amortized Cost</b> (Financial liabilities)	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	264,679	-	-	264,679
<b>Total financial assets:</b>	<b>264,679</b>	<b>-</b>	<b>-</b>	<b>264,679</b>
<b>Financial liabilities:</b>				
Revolving credit facility	-	-	-	-
Accounts payable & accrued liabilities	-	-	167,195	167,195
Lumber futures <sup>1</sup>	-	131	-	131
Current portion of long-term debt	-	-	646	646
Non-current portion of long-term debt	-	-	6,568	6,568
Current portion of lease obligation	-	-	5,595	5,595
Non-current portion of lease obligation	-	-	93,283	93,283
Subordinated notes	-	-	12,500	12,500
<b>Total financial liabilities:</b>	<b>-</b>	<b>131</b>	<b>285,787</b>	<b>285,918</b>

(in thousands of dollars)

<b>At June 30, 2021</b>	<b>Amortized Cost</b> (Financial assets)	<b>FVTPL</b>	<b>Amortized Cost</b> (Financial liabilities)	<b>Total</b>
<b>Financial assets:</b>				
Accounts receivable	328,108	-	-	328,108
Lumber futures <sup>1</sup>	-	758	-	758
<b>Total financial assets:</b>	<b>328,108</b>	<b>758</b>	<b>-</b>	<b>328,866</b>
<b>Financial liabilities:</b>				
Revolving credit facility	-	-	94,523	94,523
Accounts payable & accrued liabilities	-	-	202,482	202,482
Current portion of long-term debt	-	-	621	621
Non-current portion of long-term debt	-	-	6,938	6,938
Current portion of lease obligation	-	-	5,214	5,214
Non-current portion of lease obligation	-	-	95,448	95,448
Subordinates notes	-	-	12,500	12,500
<b>Total financial liabilities:</b>	<b>-</b>	<b>-</b>	<b>417,726</b>	<b>417,726</b>

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

## 13. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(Increase) Decrease in Accounts receivable	23,348	(77,771)	(125,019)	(189,990)
(Increase) Decrease in Inventories	24,011	(24,203)	(5,640)	(55,661)
(Increase) Decrease in Prepaid expenses and other	(1,558)	(446)	(2,173)	(31,139)
Effect of foreign exchange on working capital	4,000	(563)	1,861	(2,289)
(Decrease) Increase in Accounts payable & accrued liabilities	8,388	55,704	11,308	107,039
<b>Total</b>	<b>58,189</b>	<b>(47,279)</b>	<b>(119,663)</b>	<b>(172,040)</b>

## 14. 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.

## 15. Segmented Information

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

	<b>Revenue by Point of Sale</b>							
	<b>Three months ended</b>				<b>Six months ended</b>			
	<b>June 30,</b>				<b>June 30,</b>			
	<b>2022</b>		<b>2021</b>		<b>2022</b>		<b>2021</b>	
	<b>\$000's</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>	<b>\$000's</b>	<b>%</b>
Canada	531,952	82.3	647,354	82.3	1,030,566	81.9	1,084,598	82.0
United States	114,170	17.7	139,378	17.7	228,260	18.1	238,052	18.0

For the quarter ended June 30, 2022, export sales totalled \$76.9 million compared to \$116.6 million in the previous year. For the six months period ended June 30, 2022 export sales were \$166.4 million compared to \$198.9 million in the previous year. These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.