Annual Report, Ending March 31, 2017

taiga building products

D.A.R.E. Appreciation Luncheon; Grant Sali (Executive VP, Supply Management & CPO)

D.A.R.E. to be Drug Free

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THE RIDE TO CONQUER CANCER BENEFITING THE PRINCESS MARGARET

FINANCIAL HIGHLIGHTS

For the 12 months ended March 31	2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS	2013 IFRS	2012 IFRS
Sales and Income ($000's)						
Sales	1,223,978	1,364,322	1,348,718	1,194,259	1,132,743	971,625
Gross margin	107,267	117,015	114,998	96,810	102,815	95,811
Cash flow from operations	1,573	67,155	22,634	27,006	(11,975)	(3,243)
Net earnings	7,990	11,720	11,080	5,076	10,434	3,724
Common Share Data						
Weighted average number of shares outstanding	32,414,278	32,414,278	32,414,278	32,414,278	32,414,278	32,414,278
Cash flow from operations per share (1)	$0.05	$2.07	$0.70	$ 0.83	$ (0.37)	$ (0.10)
Net earnings per share (1)	0.25	0.36	0.34	0.16	0.32	0.11
Financial Positions ($000's)						
Working capital	97,834	89,502	80,909	65,534	48,249	47,425
Total assets	324,058	305,612	347,383	315,840	346,446	298,649
Long term liabilities (excluding Subordinated Notes)	29,065	31,670	36,128	36,806	31,182	35,121
Subordinated Notes	128,834	128,834	128,834	128,834	128,834	128,834
Total capital expenditures	2,341	1,602	1,353	4,571	9,229	2,107
Other Data (2)						
Return on sales	0.65%	0.86%	0.82%	0.43%	0.92%	0.38%
Ratio of current assets to current liabilities	1.53:1	1.52:1	1.37:1	1.32:1	1.2:1	1.23:1
Inventory turnover - times per year	8.43	8.58	7.82	7.16	7.31	7.02
Days sales outstanding	41.00	36.14	34.28	38.97	42.37	43.55
% of operating expense to sales	6.3%	6.0%	6.1%	6.2%	6.3%	7.4%

Notes

(1) Calculated using the weighted average number of shares outstanding.

(2) "Other Data are non-GAAP financial measures that do not have any standardized meaning prescribed by the Company's GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Management believes these non-GAAP financial measures provide useful information to readers concerning the business of Taiga. For the purposes of the information provided under this heading:

(i) "Return on sales" represents net earnings divided by sales;

(ii) "Inventory turnover" represents cost of sales divided by average inventory;

(iii) "Days sales outstanding" represents 365 days divided by annual sales divided by average accounts receivable;

(iv) "% of operating expense to sales represents the total expenses excluding income tax, subordinated debt interest and other income or expense divided by sales.

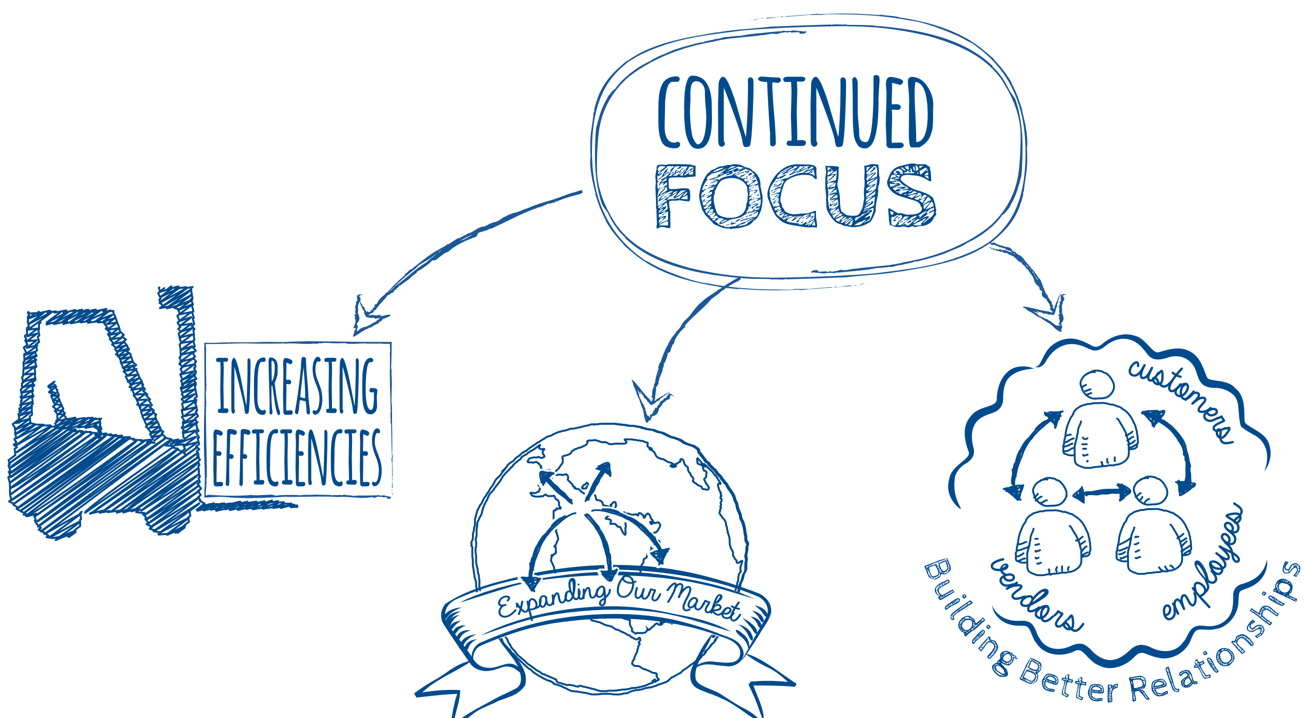
Dear Fellow Shareholders,

Our fiscal year results were negatively impacted by the cessation of certain operations relating to one of our business units. This contributed to the decline in revenues and profits for fiscal year 2017. Adjusting our business model to address changing market conditions is a necessary part of running a successful distribution company. Despite this short-term setback, we continued our focus on increasing efficiencies, expanding our market share and building better relationships with our employees, vendors and customers.

THE YEAR IN REVIEW

Taiga's results in Canada varied considerably depending on the region. BC housing starts hit record highs in 2016. BC's imposition of a 15% tax on foreign buyers of Vancouver homes led to a pause in upward price momentum in that market. Recent market indicators suggest that pause may be short-lived. The results at our BC branches suggest the tax did little to dampen demand for new homes. Alberta continued to feel the effects of the decline in energy sector investment. The economic slowdown led to a 34% decline in housing starts in 2016. Our Alberta branches performed well under trying circumstances, maintaining market share in some regions, and gaining in others. The inauguration of a new US president with protectionist tendencies was a troubling development for Ontario's manufacturing and export dependent economy. Any uncertainty in the broader economy was not reflected in housing activity in the province. Housing starts rose 7% in 2016. Taiga's Ontario branches benefitted from the heightened construction activity. Housing starts in Nova Scotia declined slightly in 2016. Despite this headwind, our Halifax branch posted strong revenue growth.

US GDP growth was a sluggish 1.6% in 2016. US housing starts performed better, growing 10% year-over-year. Both Taiga's export sales into the US and our US-based operations in California experienced upward sales momentum.



WHATEVER IT TAKES

You have heard it for years, yet it continues to be our driving slogan. Not only do we believe in this, we ensure that our vendor's products are stored, handled, and shipped promptly and meticulously to our valued customers. Our customers then reward us by placing their trust in us, ensuring the success of their businesses, EVERYDAY (In our industry we continue to lead in operating at the lowest cost, even cheaper than many in-house distribution centers).

I continue to see our 'Whatever it Takes' attitude in donations to relief efforts like Fort McMurray where wildfires ravaged the community, to the devastating spring floods in Quebec this year. Our employees across Canada continuously support their own local initiatives, for example the Burnaby team routinely participates in the Ride to Conquer Cancer and company-wide we form a multi-province team and sport the 1980's moustaches or do the 'move' initiative for Movember. Our Quebec team pushes each other at an annual Ironman competition, the very definition of supporting local communities through service and commitment.

I also see this within our own tight knit community, teammates helping each other through tough times and anything that life can throw at us.

Thank you to all customers, vendors and Taigans for doing 'Whatever it Takes' EVERYDAY to make us a successful company in a fierce industry.

Cheers,

Trent Balog

IN OUR COMMUNITIES & BEYOND

BACK TO BASICS taiga
Giving back to our Communities.

$20,000 TO FORT MAC FIRE RELIEF

$2,400 TO THE WOOD BUFFALO FOOD BANK

At the 2017 WRLA tradeshow, Taiga pledged to provide additional funds to support Fort McMurray. We managed to top up our 2016 contribution of $20,000 (to Red Cross Fort Mac Fire Relief) with $2,400 more going directly to the Wood Buffalo Food Bank, resulting from WRLA sales.

Cody Perkins, Jeff Krueger, John Lawn, Darren Raynard,

Trent Balog, Keith Hiller, Malcolm Hodges, Chris Jones, Ken Nelson, Greg McDonald, Tyler Seidel.

TAIGA CALGARY GROWING THEIR MOUSTACHES FOR MEN'S HEALTH

Milton office participates in Dress for the Cause to raise funds and awareness for breast cancer.

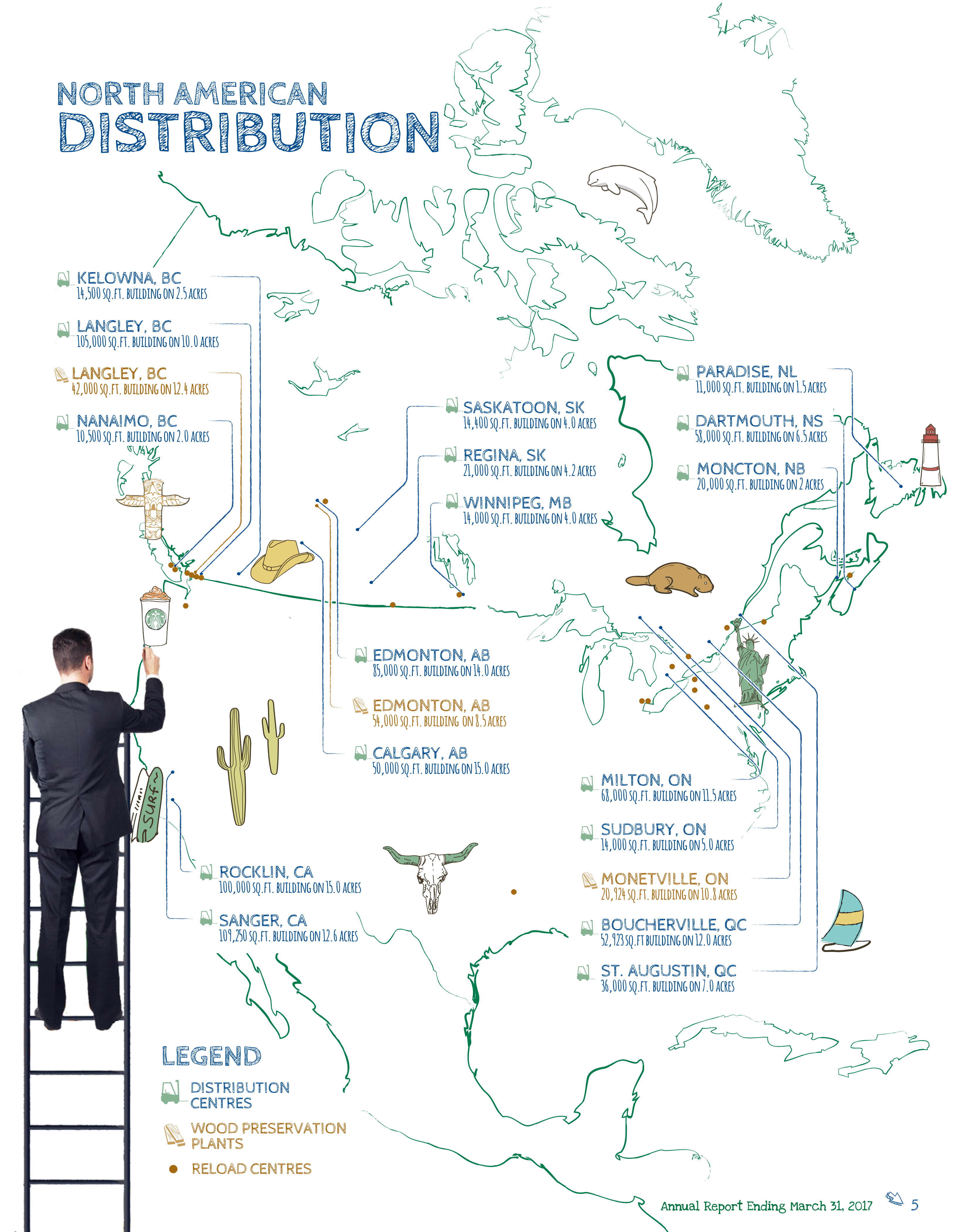
"LIGHT UP GUATEMALA"

CLEAN BURNING EFFICIENT ECO-STOVES

DEVELOPING WORLD CONNECTIONS

Taiga was introduced to DWC several years ago by Rick Kurzac, owner of Home Hardware Kamloops and Prince Rupert, B.C. We have actively supported fund raising events since that time. Rick has enlisted members of the building supply community from coast to coast to volunteer in many projects over the years and for the first time one of our own Mike Irvine, Kelowna Branch Manager was able to participate in a project. Project "Light up Guatemala" is supplying and installing clean burning efficient Eco-Stoves for over 5,000 families in need.

NORTH AMERICAN DISTRIBUTION



MANAGEMENT'S
DISCUSSION AND ANALYSIS
For the years ended March 31, 2017 and 2016

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 June 22, 2017 and should be read in conjunction with the audited consolidated financial statements and the corresponding notes thereto for the years ended March 31, 2017 and 2016. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the fiscal year.

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 June 22, 2017 can be found on SEDAR at www.sedar.com.

Forward-Looking Information:

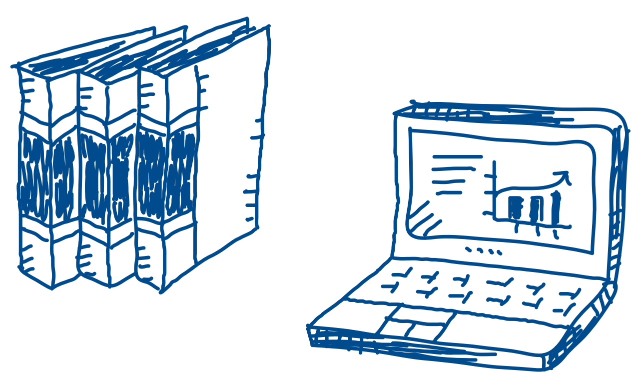
This MD&A contains certain forward-looking information relating, but not limited, to future events or performance and strategies and expectations of Taiga. Forward-looking information typically contains statements with words such as "consider", "anticipate", "believe", "expect", "plan", "intend", "likely",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

Non-IFRS Financial Measure:

In this MD&A, reference is made to EBITDA, which represents earnings before interest, taxes, and amortization. As there is no generally accepted method of calculating EBITDA, the measure as calculated by Taiga might not be comparable to similarly titled measures reported by other issuers. EBITDA is presented as management believes it is a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because management interprets trends in EBITDA as an indicator of relative operating performance. EBITDA should not be considered by an investor as an alternative to net income or cash flows as determined in accordance with IFRS. Reconciliations of EBITDA to net earnings reported in accordance with IFRS are included in this MD&A.

Market and Industry Data:

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



1. BUSINESS OVERVIEW

Taiga is the largest independent wholesale distributor of building products in Canada. Taiga distributes building products in Canada, the United States and overseas. As a wholesale distributor, Taiga maintains substantial inventories of building products at fifteen strategically located distribution centres throughout Canada and two distribution centres in California. In addition, Taiga regularly distributes through the use of third party reload centres. Taiga also owns and operates three 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 2017 to decline compared to calendar year 2016.

Taiga's secondary market, the United States, continues to show signs of recovery from the US housing depression. The Company expects the United States housing market to continue to improve in the 2017 calendar year. See Item 13 "Outlook".

Selected Annual Information

Fiscal Year Ended March 31, (in millions of dollars, except for share amounts and per share amounts in dollars)	2017	2016	2015
Income Statement Data:			
Sales	1,224	1,364	1,349
Gross Margin	107.3	117.0	115.0
Net Earnings	8.0	11.7	11.1
Net Earnings per Share (Basic and Fully Diluted)(1)	0.25	0.36	0.34
Cash Dividends per Share	-	-	-
Weighted Average Number of Shares Outstanding	32,414,278	32,414,278	32,414,278
EBITDA(2)	40.0	45.0	44.1
Balance Sheet Data:			
Working Capital(3)	97.8	89.5	80.9
Total Assets	324.1	305.6	347.4
Total Long-Term Financial Liabilities(4)	154.5	156.7	160.8

Notes:

(1) Net earnings per share is calculated using the weighted-average number of shares.

(2) Reconciliation of net earnings to EBITDA:

Fiscal Year Ended March 31, (in millions of dollars)	2017	2016	2015
Net earnings	8.0	11.7	11.1
Income tax expense	5.8	7.3	6.2
Finance and subordinated debt interest expense	21.9	21.8	22.6
Amortization	4.3	4.2	4.2
EBITDA	40.0	45.0	44.1

(3) Working capital is the excess of current assets over current liabilities.

(4) 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 March 31, 2017 were $1,224.0 million compared to $1,364.3 million for the last fiscal year. The decrease in sales by $140.3 million or 10.3% was largely due to the ceased operations relating to one of the Company's business units.

Sales by segments are as follows:

	Year ended March 31, 2017		Year ended March 31, 2016	
	$000's	%	$000's	%
Canada	1,076,734	88.0	1,229,039	90.1
United States	147,244	12.0	135,283	9.9

For the fiscal year, export sales totalled $258.1 million compared to $262.7 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.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 65.4% for the fiscal year ended March 31, 2017 and 59.7% for 2016. Allied, engineered and treated wood product sales, as a percentage of total sales, was 34.6% for 2017 and 40.3% for 2016.

Gross Margin

Gross margin for the fiscal year ended March 31, 2017 decreased to $107.3 million from $117.0 million in the previous year. Gross margin percentage increased to 8.8% in the current year compared to 8.6% in the previous year. The gross margin percentage improved slightly due to an increase in commodity prices.

Expenses

Distribution expense for the fiscal year ended March 31, 2017 increased to $22.3 million from $21.4 million last year mainly due to higher warehouse lease costs.

Selling and administration expense for the year ended March 31, 2017 decreased to $49.8 million compared to $55.3 million in the previous year. Decreased compensation expense was the major driver for the decrease.

Finance expense for the year ended March 31, 2017 decreased to $5.2 million compared to $5.5 million last year. Lower interest rates coupled with lower borrowing levels helped to reduce the interest costs.

Subordinated debt interest expense for the year ended March 31, 2017 was $16.8 million compared to $16.4 million in the previous year.

Other income for the year ended March 31, 2017 was $0.6 million compared to $0.5 million last year.

Net Earnings

Net earnings for the year ended March 31, 2017 decreased to $8.0 million from $11.7 million last year primarily due to decreased gross margin.

EBITDA

EBITDA for the year ended March 31, 2017 was $40.0 million compared to $45.0 million last year.

3. FOURTH QUARTER RESULTS

A summary of the results for the three months ended March 31, 2017 and 2016 is as follows:

Three months ended March 31, (in thousands of dollars except per share amount in dollars)	2017	2016
Sales	286,052	279,882
Gross margin	24,164	24,005
Distribution expense	5,720	5,380
Selling and administration expense	12,044	11,168
Finance expense	1,507	1,293
Subordinated debt interest expense	4,510	4,088
Other income	(241)	(49)
Earnings before income tax	624	2,125
Income tax expense	375	1,410
Net earnings	249	715
Net earnings per share	0.01	0.02
EBITDA(1)	7,784	8,566

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

Sales

Sales for the fourth quarter increased to $286.1 million from $279.9 million in the same quarter last year. The increase of $6.2 million or 2.2% was largely due to higher product selling prices. Sales by segments are as follows:

	Three months ended March 31,			
	2017		2016	
	$000's	%	$000's	%
Canada	252,838	88.4	245,780	87.8
United States	33,214	11.6	34,102	12.2

During the fourth quarter, Taiga's Canadian operations had export sales of $67.4 million compared to $65.9 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 fourth quarter was $24.2 million compared to $24.0 million in the same quarter last year. Gross margin percentage for the fourth quarter was 8.5% compared to 8.6% for the same quarter last year.

Expenses

Distribution expense for the fourth quarter increased to $5.7 million compared to $5.4 million in the same quarter last year due to increased warehouse lease costs.

Selling and administration expense for the fourth quarter increased to $12.0 million compared to $11.2 million in the same quarter last year due to increased compensation costs.

Net Earnings

Net earnings for the fourth quarter was $0.2 million compared to $0.7 million in the same quarter last year.

EBITDA

EBITDA for the fourth quarter was $7.8 million compared to $8.6 million in the same quarter last year.

Reconciliation of net earnings to EBITDA:

Three months ended March 31, (in thousands of dollars)	2017	2016
Net earnings	249	715
Income tax expense	375	1,410
Finance and subordinated debt interest expense	6,017	5,381
Amortization	1,143	1,060
EBITDA	7,784	8,566

4. SUMMARY OF QUARTERLY RESULTS

	Fiscal 2017				Fiscal 2016			
(in thousands of dollars, except per share amount in dollars)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	286,052	277,408	335,052	325,466	279,882	292,476	387,991	403,973
Net earnings (loss)	249	(160)	3,139	4,762	715	(53)	4,618	6,440
Net earnings per share[1]	0.01	0.00	0.10	0.15	0.02	0.00	0.14	0.20
EBITDA	7,784	7,425	11,329	13,491	8,566	7,656	12,903	15,910

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 first and second quarters and reduced sales in the late fall and winter during its third and fourth quarters of each fiscal year.

5. LIQUIDITY AND CAPITAL RESOURCES

Revolving Credit Facility

On November 25, 2013, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from $200 million to $225 million, with an option to increase the limit by up to $50 million. The Facility continues to charge 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 November 25, 2018. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at March 31, 2017.

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

Working Capital

Working capital as at March 31, 2017 increased to $97.8 million from $89.5 million as at March 31, 2016 due to increased current assets offset by increased current liabilities. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

(in thousands of dollars)	March 31, 2017	March 31, 2016
Current Assets	281,864	261,153
Current Liabilities (excluding Revolving Credit Facility)	(82,664)	(90,305)
Revolving Credit Facility	(101,366)	(81,346)
Working Capital	**97,834**	**89,502**
Long Term Assets	42,194	44,459
Long Term Liabilities (excluding Subordinated Notes)	(29,065)	(31,670)
Subordinated Notes	(128,834)	(128,834)
Shareholders' Deficiency	**(17,871)**	**(26,543)**

Assets

Total assets were $324.1 million as at March 31, 2017 compared to $305.6 million as at March 31, 2016. The increase was primarily the result of increased inventories and increased accounts receivable partially offset by decreased deferred tax assets and decreased property, plant and equipment.

Inventories increased to $140.8 million as at March 31, 2017 compared to $124.1 million as at March 31, 2016 due to higher commodity prices.

Property, plant and equipment decreased to $39.8 million as at March 31, 2017 compared to $41.4 million as at March 31, 2016 mainly due to amortization.

Liabilities

Total liabilities increased to $341.9 million as at March 31, 2017 from $332.2 million as at March 31, 2016. The increase was primarily the result of increased revolving credit facility balance and decreased income taxes payable.

Contractual Obligations

(in thousands of dollars)	Debt	Operating lease	Finance lease obligation
No later than one year	259	3,375	3,807
Later than one year, but not later than five years	1,016	10,988	13,911
Later than five years	-	8,983	19,448

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On June 22, 2017, there were 32,414,278 common shares outstanding.

Dividend Policy

In accordance with Taiga's dividend policy set on October 15, 2008, the Company generally intends to pay dividends each year on its common shares equal to 25% of the prior fiscal year's net earnings. These dividends would be payable in two instalments of 12.5% on each July 15 (or first business day thereafter) and each January 15 (or first business day thereafter) to the shareholders of record on June 30 and December 31 (or first business day thereafter). The payment of any dividends by the Company is subject to the discretion of its board of directors and subject to its determination of the Company's capital and operational requirements, adequacy of reserves and compliance with contractual and legal requirements.

The board of directors have decided not to declare and pay the first instalment of dividend in respect of the 2017 fiscal year's net earnings. The decision to pay the second instalment dividend in respect of the 2017 fiscal year's net earnings will be addressed by the board of directors prior to the next scheduled dividend payment date of January 15, 2018.

History of Retained Earnings (Deficit)

The following table shows Taiga's history of net earnings and dividends payouts:

(in thousands of dollars)	FY 2017 IFRS	FY 2016 IFRS	FY 2015 IFRS	FY 2014 IFRS	FY 2013 IFRS	FY 2012 IFRS
Retained earnings (deficit), beginning	(45,800)	(57,520)	(68,600)	(73,676)	(83,180)	(86,904)
Net earnings	7,990	11,720	11,080	5,076	10,434	3,724
Common share dividends			-	-	(930)	-
Deficit, ending	(37,810)	(45,800)	(57,520)	(68,600)	(73,676)	(83,180)

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 18 to the Audited Consolidated Financial Statements for the year ended March 31, 2017.

(b) Executive Transition Agreement

The Company has a transition agreement with one executive, which includes a consulting contract with a term of three years. The annual compensation for this contract, including both the fixed and variable portions, ranges from a minimum of $111,000 to a maximum of $731,000. The Company is recording provisions associated with the contracts over the service terms. The accrued provision recorded as at March 31, 2017 was $350,000 (March 31, 2016 - $642,789). The fair value was determined by discounting the estimated future cash outflows arising after transition using a pre-tax discount rate of 4%.

(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.

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 June 22, 2017, available on SEDAR at www.sedar.com.

8. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The significant accounting policies of Taiga are described in Note 3 to the Consolidated Financial Statements for the year ended March 31, 2017.

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 March 31, 2017 was \$0.1 million (2016 – \$0.3 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 March 31, 2017 was \$0.1 million (2016 – \$0.1 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 judgement 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.

Executive Transition Agreement

The provision is based on management's estimates of factors such as discount rates, expected date of each transition and variable compensation tied to the Company's future performance.

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.

9. CHANGES IN ACCOUNTING STANDARDS

Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB on May 28, 2014. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

Leases

IFRS 16, Leases was issued by the IASB on January 13, 2016. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

10. 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 and Note 24 to the Company's audited consolidated financial statements for the fiscal year ended March 31, 2017. The remuneration for key management, which includes the Company's directors and officers, were as follows:

Year ended	March 31, 2017	March 31, 2016
(in thousands of dollars)		
Salaries and other benefits	3,015	3,696

11. 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 20 to the Company's audited consolidated financial statements for the fiscal year ended March 31, 2017.

12. 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 fiscal year ended March 31, 2017.

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 fiscal year ended March 31, 2017 which materially affected, or are reasonably likely to materially affect, the Company's ICFR.

13. 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 the fourth quarter 2016, housing starts are forecasted to range from 174,500 to 184,300 units in the 2017 calendar year. CMHC is reporting that housing starts will range from 172,700 to 183,100 units in the 2018 calendar year.

In the United States, the National Association of Home Builders reported in June 2017 that housing starts are forecasted to total 1,327,000 units in the 2017 calendar year compared to 1,234,000 units in calendar year 2018.

In recent months everyone has been made aware of the terrible flooding occurring in Quebec. Taiga has two branches in this province, located in Boucherville and St. Augustin, so this directly affects not only our customers and partners, but also our staff and families. As of late last week the floods had impacted over 173 municipalities and 4,500 houses. There were more than 3,000 evacuees and 126 landslides reported. We want to help, therefore Taiga has donated $20,000.00 to the Croix Rouge efforts.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Taiga Building Products Ltd.

We have audited the accompanying consolidated financial statements of Taiga Building Products Ltd., which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of earnings and comprehensive income, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial positionof Taiga Building Products Ltd. as at March 31, 2017 and 2016, and its financial performance and its cash flowsfor the years then ended in accordance with International Financial Reporting Standards.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
June 22, 2017

(in thousands of Canadian dollars)		March 31, 2017		March 31, 2016
Assets				
Current:				
Accounts receivable (Note 5)	$	139,250	$	135,746
Inventories (Note 6)		140,798		124,090
Prepaid expenses		1,816		1,317
		281,864		261,153
Property, plant and equipment (Note 7)		39,799		41,400
Long-term receivable (Note 5)		629		680
Deferred tax assets (Note 10)		1,766		2,379
	$	324,058	$	305,612
Liabilities and Shareholders' Deficiency				
Current:				
Revolving credit facility (Note 8)	$	101,366	$	81,346
Accounts payable and accrued liabilities (Note 9)		74,765		77,483
Income taxes payable		5,527		10,130
Current portion of long-term debt (Note 11)		259		253
Current portion of finance lease obligation (Note 12)		2,113		2,439
		184,030		171,651
Long-term debt (Note 11)		1,016		1,245
Finance lease obligation (Note 12)		23,403		25,024
Deferred gain		3,389		3,772
Provisions (Note 13)		1,257		1,629
Subordinated notes (Note 14)		128,834		128,834
		341,929		332,155
Shareholders' Deficiency:				
Share capital (Note 15)		13,229		13,229
Accumulated other comprehensive income (Note 15)		6,710		6,028
		19,939		19,257
Deficit		(37,810)		(45,800)
		(17,871)		(26,543)
	$	324,058	$	305,612

Commitments and contingencies (Note 12 and 18)
The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Directors

Kooi Ong Tong
Chairman

Peter Buecking
Director

Consolidated Statements of Earnings and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)	For the years ended March 31, 2017	2016
Sales	$ 1,223,978	$ 1,364,322
Cost of sales (Note 16)	1,116,711	1,247,307
Gross margin	107,267	117,015
Expenses:		
Distribution (Note 16)	22,344	21,380
Selling and administration (Note 16)	49,767	55,287
Finance (Note 17)	5,204	5,456
Subordinated debt interest (Note 14)	16,772	16,350
Other income	(619)	(466)
	93,468	98,007
Earnings before income tax	13,799	19,008
Income tax expense (Note 10)	5,809	7,288
Net earnings	$ 7,990	$ 11,720
Other comprehensive income (Item that may be reclassified to net earnings)		
Exchange differences on translating foreign controlled entities	$ 682	$ 657
Total comprehensive income	$ 8,672	$ 12,377
Basic and diluted net earnings per common share	$ 0.25	$ 0.36
Weighted average number of common shares outstanding	32,414	32,414

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

Consolidated Statements of Changes in Shareholders' Deficiency

For the year ended March 31, 2016

(in thousands of Canadian dollars)	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
Balance at March 31, 2015	$ 13,229	$ (57,520)	$ 5,371	$ (38,920)
Net earnings	-	11,720	-	11,720
Other comprehensive income	-	-	657	657
Balance at March 31, 2016	$ 13,229	$ (45,800)	$ 6,028	$ (26,543)

For the year ended March 31, 2017

(in thousands of Canadian dollars)	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
Balance at March 31, 2016	$ 13,229	$ (45,800)	$ 6,028	$ (26,543)
Net earnings	-	7,990	-	7,990
Other comprehensive income	-	-	682	682
Balance at March 31, 2017	$ 13,229	$ (37,810)	$ 6,710	$ (17,871)

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

(in thousands of Canadian dollars)	For the years ended March 31, 2017	For the years ended March 31, 2016
Cash provided by (used in):		
Operating:		
Net earnings	$ 7,990	$ 11,720
Adjustments for non-cash items		
Amortization	4,254	4,221
Income tax expense	5,809	7,288
Mark-to-market adjustment on financial instruments	(309)	189
Change in provisions	(372)	(367)
(Gain) Loss on asset disposal	(237)	39
Amortization of deferred gain	(383)	(382)
Finance and subordinated debt interest expense	21,976	21,806
Interest paid	(4,882)	(5,073)
Income tax paid	(10,476)	(4,371)
Changes in non-cash working capital (Note 21)	(21,848)	32,085
Cash flows from operating activities	1,522	67,155
Investing:		
Purchase of property, plant and equipment	(2,341)	(1,602)
Proceeds from disposition of property, plant and equipment	457	55
Cash flows used in investing activities	(1,884)	(1,547)
Financing:		
Repayment of long-term debt	(256)	(256)
Repayment of obligations under finance leases	(2,509)	(2,682)
Subordinated notes interest paid	(16,772)	(16,350)
Cash flows used in financing activities	(19,537)	(19,288)
Effect of changes in foreign currency on Revolving Credit Facility	(121)	(291)
Net (increase) decrease in Revolving Credit Facility	(20,020)	46,029
Revolving Credit Facility, beginning	(81,346)	(127,375)
Revolving Credit Facility, ending	$ (101,366)	$ (81,346)

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 and subordinated notes (the "Notes") are listed for trading on the Toronto Stock Exchange.

Taiga is a Canadian corporation and its registered and records office is located at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2.

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 June 22, 2017 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

Revolving credit facility consists of cash on hand less cheques issued and the Company's outstanding revolving credit facility balance. Taiga's cash flow statement reflects the net change in its revolving credit facility. The revolving credit facility forms an integral part of Taiga's cash management and fluctuates directly as a result of cash flows from operating, investing and financing activities.

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

Deferred gains on sale and leaseback transactions are amortized over the terms of the lease contracts.

(d) 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.

(e) 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.

(f) 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.

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.

(g) Revenue Recognition

Revenue is recognized, net of discounts and customer rebates, upon the transfer of significant risks and rewards of ownership, provided collectability is reasonably assured.

(h) 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 relating 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.

(i) 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.

(j) Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for where these are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the date the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to be an indication of impairment.

(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.

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.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

(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) Accounting Standards issued not yet applied

Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB on May 28, 2014. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

Leases

IFRS 16, Leases was issued by the IASB on January 13, 2016. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

4. 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.

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.

Executive transition agreements

The provision is based on management's estimates of factors such as discount rates, expected date of transitions and variable compensation tied to the Company's future performance (Note 18c).

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.

(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; 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.

5. ACCOUNTS RECEIVABLE

(in thousands of dollars)	March 31, 2017	March 31, 2016
Current	138,298	134,032
Past due over 60 days	26	824
Trade accounts receivable	138,324	134,856
Other receivables	1,662	1,871
Allowance for doubtful accounts	(107)	(301)
Total	139,879	136,426
Less: Current portion	(139,250)	(135,746)
Non-Current portion	629	680

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

6. INVENTORIES

(in thousands of dollars)	March 31, 2017	March 31, 2016
Allied building products	33,473	31,547
Lumber products	79,692	70,019
Panel products	27,114	21,639
Production consumables	665	980
Inventory provision	(146)	(95)
Total	140,798	124,090

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

7. PROPERTY, PLANT AND EQUIPMENT

(in thousands of dollars)	Land	Buildings	Furniture & office equipment	Warehouse & treating equipment	Leasehold improvements	Computer system & license	Total
Cost							
Balance, March 31, 2015	3,620	45,197	3,241	14,668	7,094	6,479	80,299
Additions	-	-	161	1,111	683	467	2,422
Disposals	-	-	(261)	(442)	(110)	-	(813)
Exchange effect	92	237	10	13	8	10	370
Balance, March 31, 2016	3,712	45,434	3,151	15,350	7,675	6,956	82,278
Additions	-	5	227	1,041	443	1,187	2,903
Disposals	-	-	(413)	(1,470)	(575)	(125)	(2,583)
Exchange effect	90	227	10	8	9	-	344
Balance, March 31, 2017	3,802	45,666	2,975	14,929	7,552	8,018	82,942
Accumulated amortization and impairment							
Balance, March 31, 2015	-	(16,181)	(2,568)	(11,067)	(5,097)	(2,316)	(37,229)
Amortization	-	(2,117)	(175)	(928)	(263)	(738)	(4,221)
Disposals	-	-	212	407	95	-	714
Exchange effect	-	(107)	(8)	(10)	(7)	(10)	(142)
Balance, March 31, 2016	-	(18,405)	(2,539)	(11,598)	(5,272)	(3,064)	(40,878)
Amortization	-	(2,099)	(173)	(936)	(286)	(760)	(4,254)
Disposals	-	-	365	1,162	476	125	2,128
Exchange effect	-	(118)	(8)	(6)	(7)	-	(139)
Balance, March 31, 2017	-	(20,622)	(2,355)	(11,378)	(5,089)	(3,699)	(43,143)
Carrying amounts							
Balance, March 31, 2016	3,712	27,029	612	3,752	2,403	3,892	41,400
Balance, March 31, 2017	3,802	25,044	620	3,551	2,463	4,319	39,799

The computer system and license assets include costs associated with upgrade projects that relate to the computer system placed into service in February 2011. As of March 31, 2017, the development costs of the upgrade projects that are not ready for use were $874,238 (March 31, 2016 - $1,022,349). 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 March 31, 2017 is $22,335,698 (March 31, 2016 - $23,694,487). Title of leased assets remains with the lessor.

8. REVOLVING CREDIT FACILITY

(in thousands of dollars)	March 31, 2017	March 31, 2016
Revolving credit facility	101,864	82,140
Financing costs, net of amortization	(498)	(794)
Total	**101,366**	**81,346**

On November 25, 2013, the Company renewed its senior credit facility with a syndicate of lenders led by JPMorgan Chase Bank (the "Facility"). The Facility was increased from $200 million to $225 million, with an option to increase the limit by up to $50 million. 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 November 25, 2018. Taiga's ability to borrow under the Facility is based upon a defined percentage of accounts receivable and inventories. The terms, conditions, and covenants of the Facility have been met as at March 31, 2017.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)	March 31, 2017	March 31, 2016
Trade payables and accrued liabilities	71,633	74,318
Payroll related liabilities	2,699	2,289
Provisions (Note 13)	363	497
Financial instrument liabilities (Note 20)	70	379
Total	74,765	77,483

10. INCOME TAXES

Income tax expense is comprised of:

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Current:		
Current taxes for the year	5,070	9,345
Adjustments to tax provisions recorded in prior periods	186	257
Total current tax expense	5,256	9,602
Deferred:		
Origination and reversal of temporary differences	654	(2,330)
Adjustments to tax provisions recorded in prior periods	(80)	18
Effect of change in tax rates	(19)	13
Change in valuation allowance	(2)	(15)
Total deferred tax recovery	553	(2,314)
Income tax expense	5,809	7,288

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

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Statutory income tax rate	26.71%	26.62%
Expected income tax expense based on statutory rate	3,712	5,101
Tax effect of:		
Non-deductible interest and other permanent differences	1,375	1,448
Adjustments to tax provisions recorded in prior periods	106	275
Other taxes	109	-
Difference in foreign tax rates	528	466
Effect of change in tax rate	(19)	13
Change in valuation allowance	(2)	(15)
Income tax provision	5,809	7,288

For the year ended March 31, 2017, income tax expense charged to other comprehensive income was $1,697,753 (March 31, 2016 - $915,795).

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:

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Property, plant and equipment	91	31
Other reserves	896	1,335
Deferred gain on sale and leaseback	774	860
Non-capital losses	5	159
Deferred income from partnership	-	(59)
Alternative Minimum Tax Credits	-	53
Total	1,766	2,379

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Beginning	2,379	(418)
Deferred tax expense recorded in profit or loss	(553)	2,314
Movement recognized in other comprehensive income	(60)	483
Ending	1,766	2,379

The Company no longer has any accumulated United States non-capital losses while the Company does have other deductible temporary differences of $737,292 available to be carried forward to apply against future years' income for tax purposes of certain United States subsidiaries. The non-capital losses expire on or after March 31, 2034 and the other deductible temporary differences may be carried forward indefinitely.

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.

11. LONG-TERM DEBT

In February 2012, the Company entered into a mortgage agreement for US$1,950,000 with JPMorgan Chase Bank to refinance the Company's long-term debt. In November 2013, the Company entered into an amendment to extend the maturity date to November 22, 2018, which is consistent with the maturity of the Facility. The long-term debt bears interest at variable base rates plus variable margins tied to the Company's existing Facility (Note 8). The monthly installment is US$16,250 and the remaining balance becomes due on the maturity date. The long-term debt is secured by the real property of one of the Company's US subsidiaries.

12. FINANCE LEASE OBLIGATIONS

Finance leases include buildings and operating equipment. Lease payments represent blended payments consisting of principal and interest based on interest rates ranging from 2.1% to 10.2%.

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Total minimum lease payments payable	37,166	40,882
Portion representing interest to be expensed over the remaining term of the leases	11,650	13,419
Principal Outstanding	25,516	27,463
Less: Current portion	2,113	2,439
Non-Current portion	23,403	25,024

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

(in thousands of dollars)	
No later than one year	3,807
Later than one year, but not later than five years	13,911
Later than five years	19,448

Interest expense related to finance lease obligations for the year ended March 31, 2017 amounted to $1,822,941 (2016 - $1,954,220).

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.

13. PROVISIONS

Continuity of Provisions

The following table summarizes the movement in this provision for the year ended March 31, 2017:

(in thousands of dollars)	Lease Provision	Other	Total
Balance, beginning	986	1,140	2,126
Used during the year	(128)	(427)	(555)
Unwinding of discount	49	-	49
Total	907	713	1,620
Included in accounts payable and accrued liabilities (Note 9)	-	(363)	(363)
Non-current provisions	907	350	1,257

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%.

14. SUBORDINATED NOTES

Under the terms of a notes indenture dated September 1, 2005 (the "Indenture") the Company's Notes are unsecured, bear interest at 14% per annum and mature on September 1, 2020. Interest on the Notes is payable on the 15th day following the end of each month as an annual interest sum divided by twelve. 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 year ended March 31, 2017.

Berjaya Forest Products (Luxembourg) S.a.r.l (Berjaya), a company that was a significant shareholder held 35.71% of the outstanding Notes at March 31, 2016 but sold these on January 31st, 2017 to the Company's new major shareholder, UPP Holdings Limited (Note 15f). An executive of Berjaya was also a member of Taiga's Board of Directors but resigned effective January 31, 2017. A discretionary trust whose beneficiary is a Taiga director indirectly holds 17.20% (2016 - 17.20%) of the outstanding Notes of Taiga at March 31, 2017. UPP Holdings Limited now holds 35.71% of the Notes as at March 31, 2017 (2016 – nil).

During the year ended March 31, 2017, the amount of interest incurred for these related parties was $3,565,715 (2016 - $4,754,286) for Berjaya, $3,101,568 (2016 - $3,101,568) for the discretionary trust and $1,610,312 (2016 - nil) for UPP Holdings Limited.

15. SHAREHOLDERS' DEFICIENCY

(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) Common Shares Issued

(in thousands of dollars, except number of shares)	Number of Shares	Amount
Balance, March 31, 2017 and March 31, 2016	32,414,278	13,229

(c) 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.

(d) 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.

(e) Dividends

In accordance with Taiga's dividend policy set on October 15, 2008, the Company generally intends to pay dividends each year on its common shares equal to 25% of the prior fiscal year's net earnings. These dividends would be payable in two instalments of 12.5% on each July 15 (or first business day thereafter) and each January 15 (or first business day thereafter) to the shareholders of record on June 30 and December 31 (or first business day thereafter). The payment of any dividends by the Company is subject to the discretion of its board of directors and subject to its determination of the Company's capital and operational requirements, adequacy of reserves and compliance with contractual and legal requirements.

The board of directors have decided not to declare and pay the first instalment of dividend in respect of the 2017 fiscal year's net earnings. The decision to pay the second instalment dividend in respect of the 2017 fiscal year's net earnings will be addressed by the board of directors prior to the next scheduled dividend payment date of January 15, 2018.

(f) Major Shareholder

On January 31, 2017, Taiga paid the full amount owing to the CRA (The Reassessment) in relation to Note 18(d) through the use of 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 UPP Holdings Limited, and certain of its affiliates and subsidiaries (collectively, "UPP"), which resulted in UPP holding approximately 58% of the issued and outstanding common shares of the Company. Taiga's current chairman, Dr. Kooi Ong Tong, is UPP's executive chairman, chief executive officer and a significant shareholder. Another of Taiga's directors, Ian Tong, is also a director of UPP. UPP is an investment holding company listed on the Singapore Exchange.

16. EXPENSES BY NATURE

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Product and treating costs	1,075,635	1,200,892
Freight costs	31,970	38,191
Inventory write down	1,229	790
Warehouse costs	13,951	13,022
Salaries and benefits	50,710	55,433
Employee reimbursements and general office expenses	8,158	8,466
Foreign exchange expense	1,373	1,011
Other miscellaneous costs	1,542	1,948
Amortization	4,254	4,221
Total	1,188,822	1,323,974

17. FINANCE EXPENSE

The finance expense is comprised of:

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Interest on revolving credit facility and other short term liabilities	3,020	3,141
Interest on finance leases and long-term debt	1,888	2,021
Amortization of financing costs	296	294
Total	5,204	5,456

18. 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.

(in thousands of dollars)	Sale and Leaseback Operating Leases	Other Operating Leases	Total Operating Leases
No later than one year	1,793	1,582	3,375
Later than one year, but not later than five years	7,103	3,885	10,988
Later than five years	7,302	1,681	8,983

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.

Total operating lease payments recognized as an expense during the year ended March 31, 2017 were $3,377,035 (2016 - $2,911,678).

(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) Executive Transition Agreements

The Company has a transition agreement with one executive, which includes a consulting contract with a term of three years. The annual compensation for this contract, including both the fixed and variable portions, ranges from a minimum of $111,000 to a maximum of $731,000. The Company is recording provisions associated with the contracts over the service terms. The accrued provision recorded as at March 31, 2017 was $350,000 (March 31, 2016 - $642,789). The fair value was determined by discounting the estimated future cash outflows arising after transition using a pre-tax discount rate of 4%.

(d) 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.

19. 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 adjust the amount of dividends paid to shareholders, 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 March 31, 2017, the company was in compliance with this requirement.

20. FINANCIAL INSTRUMENTS

(a) Accounting for financial instruments

The following table summarizes the carrying values of the Company's financial instruments:

(in thousands of dollars)	March 31, 2017	March 31, 2016
Held for trading	(70)	(379)
Loans and receivables	139,879	136,426
Other financial liabilities	(331,686)	(316,245)

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.

The carrying amount and fair values of finance lease obligations are as follows:

(in thousands of dollars)	March 31, 2017	March 31, 2016
Carrying amount	25,516	27,463
Fair value	25,413	27,317

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

The carrying amount and fair values of the subordinated notes are as follows:

(in thousands of dollars)	March 31, 2017	March 31, 2016
Carrying amount	128,834	128,834
Fair value	148,159	140,442

The fair value of the subordinated notes was determined based on closing price of the notes which are traded on the Toronto Stock Exchange.

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

(in thousands of dollars)	March 31, 2017	March 31, 2016
Lumber futures	(38)	(270)
Interest swap	(32)	(109)

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.

(b) Nature and extent of risks arising from financial instruments

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.

(c) Nature and extent of risks arising from financial instruments

The Company's activities result in exposure to a variety of financial risks, including risks related to credit, market, interest, currency, liquidity, and commodity prices.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Taiga is exposed to credit risk on accounts receivable from customers. Taiga extends to its customers credit, which is generally unsecured. Taiga has credit management procedures in place to mitigate the risk of losses due to the insolvency or bankruptcy of customers. Taiga regularly reviews customer credit limits, monitors the financial status of customers and assesses the collectability of accounts receivable. However, risk exists that some customers may not be able to meet their obligations and the loss of a large receivable could have a significant negative impact on Taiga's profitability.

The Company is also exposed to credit risk from the potential default by any of its counterparties on the interest swap ((ii) below) and lumber futures contracts ((iv) below). The Company mitigates this credit risk by dealing with counterparties that are established major financial institutions. Taiga evaluates potential counterparties in advance of entering into such agreements and deals only with parties it anticipates will satisfy their obligations under the contracts.

(ii) Market risk

Market risk refers to the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Taiga utilizes significant leverage to finance day-to-day operations. The interest cost of Taiga's revolving credit facility is predominately based on the prime rate. For the year ended March 31, 2017, if interest rates had been 100 basis points higher, based on the Company's average borrowing level related to its Facility, interest expense would have increased by approximately $625,000.

Taiga monitors current interest rates and selectively utilizes interest rate swap agreements. Taiga had one interest rate swap agreement outstanding as at March 31, 2017:

				Fair values		
Counterparty	Maturity	Notional Amount	Fixed Rate	March 31, 2017	March 31, 2016	Change
JP Morgan	Sept 2017	$10,000,000	1.78%	$(32,286)	$(108,639)	$76,353

The increase in market value of $76,353 (2016 – increase of $68,990) for the year ended March 31, 2017 has been recorded in selling and administration expenses.

Foreign exchange risk refers to the risk that the fair value or future cash flow of a financial instrument denominated in a currency other than the functional currency in which they are measured will fluctuate because of changes in foreign exchange rates. Taiga does not hedge its foreign exchange risk. Financial instruments denominated in US dollars subject to foreign exchange risk are as follows:

(in thousands of dollars)	March 31, 2017	March 31, 2016
Accounts Receivable	7,399	6,457
Accounts Payable	(11,727)	(13,587)
Revolving Credit Facility	(859)	(1,013)
Total	(5,187)	(8,143)

As at March 31, 2017, with other variables unchanged, a one percentage point decline in the year end value of the Canadian dollar would have increased the foreign exchange loss by $52,000 (2016 - $61,000).

(iii) Liquidity risk

Liquidity risk arises through the excess of financial obligations over financial assets due at any point in time. Taiga's ability to make scheduled payments or refinance its obligations depends on Taiga's successful financial and operating performance, cash flows and capital resources, which in turn depend upon prevailing economic conditions and certain financial, business and other factors.

Taiga's ability to maintain compliance with certain of its debt covenants under the Facility depends on meeting the required interest coverage ratio, which is subject to the Company's future financial and operating performance. The Company's ability to repay or refinance its indebtedness will also depend on its future financial and operating performance. The Company's performance, in turn, will be subject to prevailing economic and competitive conditions, as well as financial, business, legislative, regulatory, industry and other factors, many of which are beyond Taiga's control. The Company's ability to meet its future debt service and other obligations may depend in significant part on the extent to which the Company can implement successfully its business growth and cost reduction strategies. The Company cannot provide any assurance that it will be able to implement its strategy fully or that the anticipated results of its strategy will be realized.

(iv) Commodity Price risk

Taiga does not generally hedge its commodity price risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and anticipated customer demand. Although Taiga strives to reduce the risk associated with price changes by maximizing inventory turnover, Taiga maintains significant quantities of inventory, which is affected by fluctuating prices.

Taiga selectively utilizes Chicago Mercantile Exchange Random Length lumber futures contracts. Each contract calls for mill delivery of 110,000 board feet (plus or minus 5000 board feet) of random length 8-foot to 20-foot nominal 2-inch x 4-inch pieces. The contracts can be settled in cash or by delivery of a commodity. These positions are immaterial relative to the Company's consolidated inventories.

21. CHANGES IN NON-CASH WORKING CAPITAL

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
(Increase) Decrease in Accounts receivable	(3,195)	(1,349)
(Increase) Decrease in Inventories	(16,708)	42,417
(Increase) Decrease in Prepaid expenses and other	(623)	35
Effect of foreign exchange on working capital	1,041	755
(Decrease) Increase in Accounts payable and accrued liabilities	(2,363)	(9,773)
Total	(21,848)	32,085

22. SEASONALITY

The Company operates in a seasonal industry that generally experiences higher sales in the first and second quarters and reduced sales in the late fall and winter during its third and fourth quarters of each fiscal year.

23. SEGMENTED INFORMATION

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

2017

(in thousands of dollars)	Canada	United States	Total
Revenue	1,076,734	147,244	1,223,978
Property, plant and equipment	31,259	8,540	39,799

2016

(in thousands of dollars)	Canada	United States	Total
Revenue	1,229,039	135,283	1,364,322
Property, plant and equipment	32,776	8,624	41,400

During the year, Taiga's Canadian operations had export sales of $258.1 million (2016 - $262.7 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.

24. 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:

(in thousands of dollars)	Year ended March 31, 2017	Year ended March 31, 2016
Salaries and other benefits	3,015	3,696

CORPORATE INFORMATION

Board of Directors

Kooi Ong Tong
Chairman

Ian Tong
Director

Peter Buecking
Director

Otto-Hans Nowak
Director

Cam White
Director

Douglas Morris
Director

Brian Flagel
Director

Officers

Trent Balog
CEO & President

Russell Permann
COO & Executive VP Operations

Grant Sali
CPO & Executive VP
Supply Management

Mark Schneidereit-Hsu
CFO & VP Finance
& Administration

Transfer Agent

Computershare
Trust Company of Canada
Vancouver, BC

Auditors

Dale Matheson Carr-Hilton
Labonte LLP
Vancouver, BC

Solicitors

Sangra Moller LLP
Vancouver, BC

Downey Brand LLP
Sacramento, CA

Stock Exchange

TSX

Trading Symbols

TBL

TBL.NT

AGM

12pm August 3rd, 2017
Hilton Burnaby
6083 McKay Ave
Burnaby, BC

BRAIN TUMOUR FOUNDATION RECEIVES $13,000 FOR RESEARCH

TEAM ALINA

Many Taigans from the Burnaby office joined together in the blistering heat for the Brain Tumour Foundation of Canada's Spring Sprint event. This was done in honour of Roberto Valente's, Corporate Controller, daughter, Alina, as she is fighting a brain tumour. Team Alina raised over $13,000 for brain tumour research and ended up the #1 team in BC and #5 in Canada!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