



## Q1 Financial Highlights

Sales \$374.8 million    Earnings Per Share \$0.17

Net Income \$5.6 million    EBITDA \$16.2 million

Quarterly Report Ending June 30, 2014



# Management's Discussion and Analysis

## For the three months ended June 30, 2014 and 2013

*This Management's Discussion and Analysis ("MD&A") of Taiga Building Products Ltd. ("Taiga" or the "Company") has been prepared based on information available as at August 7, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the corresponding notes thereto for the three months ended June 30, 2014 and 2013. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three months ended June 30, 2014.*

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

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

*Unless otherwise noted, there are no material changes to the Company's contractual obligations and risks and uncertainties as described in its management's discussion and analysis for the year ended March 31, 2014.*

*Additional information relating to the Company including the Company's Annual Information Form dated June 27, 2014 can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

**Forward-Looking Statements:**

*This MD&A contains certain forward-looking information and statements 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 statements 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 outcome of litigation. 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 statements. These forward-looking statements reflect management's current expectations or beliefs and are based on information currently available to Taiga and although Taiga believes it has a reasonable basis for making the forward-looking statements 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 statements will not occur. These factors include, but are not limited to: changes in business strategies; the effects of litigation, competition and pricing pressures; changes in operational costs; changes in laws and regulations, including tax, environmental, employment, competition, anti-terrorism and trade laws and Taiga's anticipation of and success in managing the risks associated with the foregoing; and other risks detailed in this MD&A and Taiga's filings with the Canadian securities regulatory authorities available at [www.sedar.com](http://www.sedar.com). These forward-looking statements speak 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 a 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 2014 to decline slightly compared to calendar year 2013.

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 2014 calendar year. See Item 11 "Outlook".

# 2. Results of Operations

## Sales

The Company's consolidated net sales for the quarter ended June 30, 2014 were \$374.8 million compared to \$335.8 million over the same period last year. The 12% increase in sales was primarily the result of pent-up customer demand which had been hampered by the severe winter conditions.

Sales by segments are as follows:

	Three months ended June 30,			
	2014		2013	
	\$000's	%	\$000's	%
Canada	346,655	92.5	313,060	93.2
United States	28,111	7.5	22,743	6.8

For the quarter ended June 30, 2014, export sales totalled \$59.7 million compared to \$47.9 million in the previous year. These export sales were primarily to the United States and Asia, and are included as part of the Canadian segment in the table above.

The Company's sales of dimension lumber and panel, as a percentage of total sales, decreased to 56.5% for the quarter ended June 30, 2014 compared to 57.5% for the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, increased to 43.5% this quarter from 42.5% during the same period last year.

## Gross Margin

Gross margin for the quarter ended June 30, 2014 increased to \$33.0 million from \$25.4 million over the same period last year. Gross margin percentage for the quarter also increased to 8.8% compared to 7.6%. Last year's first quarter was negatively impacted by a sharp fall in commodity prices.

## Expenses

Distribution expense for the quarter ended June 30, 2014 increased to \$5.1 million from \$4.4 million over the same period last year due to increased sales volume.

Selling and administration expense was \$12.8 million for both quarters ended June 30, 2014 and 2013.

Finance expense for the quarter ended June 30, 2014 decreased to \$1.8 million compared to \$2.1 million over the same period last year. Lower interest rates as a result of the renewed credit facility coupled with lower borrowing levels helped to reduce the interest costs.

Subordinated debt interest expense was \$4.1 million for both quarters ended June 30, 2014 and 2013.

Other income for the quarter ended June 30, 2014 was \$0.1 million compared to \$0.4 million over the same period last year.

## Net Earnings

Net earnings for the quarter ended June 30, 2014 increased to \$5.6 million from \$1.5 million over the same period last year primarily due to increased gross margin.

## EBITDA

EBITDA for the quarter ended June 30, 2014 increased to \$16.2 million from \$9.6 million over the same period last year primarily due to increased gross margin.

Reconciliation of net earnings to EBITDA:

<i>(in thousands of dollars)</i>	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Net earnings	5,578	1,513
Income tax expense	3,741	907
Finance and subordinated debt interest expense	5,864	6,167
Amortization	988	1,004
EBITDA	16,171	9,591

## 3. Cash Flows

### Operating Activities

Operating activities provided cash of \$8.7 million during the three months ended June 30, 2014 compared to \$14.2 million during the same period last year. Changes between the comparative periods were primarily due to changes in non-cash working capital, partially offset by higher net earnings.

### Investing Activities

Investing activities used cash of \$0.3 million during the three months ended June 30, 2014, compared to \$3.5 million during the same period last year. Changes between the comparative periods were primarily due to the May 2013 purchase of previously leased properties in Regina, Saskatoon and Winnipeg for a total purchase price of \$3.0 million.

### Financing Activities

Financing activities used cash of \$4.8 million during the three months ended June 30, 2014 compared to \$4.7 million during the same period last year. Changes between the comparative periods were primarily due to higher amount of repayment of obligations under finance leases as a result of the February 2014 sale and leaseback transaction.

## 4. Summary of Quarterly Results

	Fiscal 2015	Fiscal 2014				Fiscal 2013		
<i>(in thousands of dollars, except per share amount in dollars)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	374,766	249,451	264,081	344,924	335,803	259,596	247,714	315,925
Net earnings (loss)	5,578	104	(515)	3,974	1,513	365	364	3,788
Earnings (loss) per share <sup>(1)</sup>	0.17	0.00	(0.02)	0.12	0.05	0.01	0.01	0.12
EBITDA	16,171	8,018	6,483	12,732	9,591	7,500	7,106	12,903

Notes:

(1) The amounts are identical on a basic and fully-diluted per share basis. Earnings (loss) 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 has been 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 June 30, 2014.

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

### Working Capital

Working capital as at June 30, 2014 increased to \$70.7 million from \$65.5 million as at March 31, 2014 due to increased current assets partially offset by increased current liabilities. Taiga believes that current levels are adequate to meet its working capital requirements.

## Summary of Financial Position

<i>(in thousands of dollars)</i>	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>March 31, 2014</b>
Current Assets	290,653	270,437	269,006
Current Liabilities (excluding Revolving Credit Facility)	(95,859)	(81,792)	(75,231)
Revolving Credit Facility	(124,087)	(144,663)	(128,241)
<b>Working Capital</b>	<b>70,707</b>	<b>43,982</b>	<b>65,534</b>
Long Term Assets	45,545	54,802	46,834
Long Term Liabilities (excluding Subordinated Notes)	(36,039)	(28,043)	(36,806)
Subordinated Notes	(128,834)	(128,834)	(128,834)
<b>Shareholders' Deficiency</b>	<b>(48,621)</b>	<b>(58,093)</b>	<b>(53,272)</b>

### Assets

Total assets were \$336.2 million as at June 30, 2014 compared to \$315.8 million as at March 31, 2014. The increase was primarily the result of increased accounts receivable partially offset by decreased inventories.

Accounts receivable increased to \$150.9 million as at June 30, 2014 from \$118.9 million as at March 31, 2014 primarily due to higher quarterly sales.

Inventories decreased to \$138.3 million as at March 31, 2014 compared to \$148.8 million as at March 31, 2014 primarily due to seasonable draw down of products.

### Liabilities

Total liabilities increased to \$384.8 million as at March 2014 from \$369.1 million as at March 31, 2014. The increase was primarily the result of increased accounts payable and accrued liabilities, and income taxes payable partially offset by decreased balance owing on the Facility.

### Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On August 7, 2014, 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 will be in two instalments of 12.5% on each July 15 (or first business day thereafter) and each January 15 (or first business day thereafter) and are to be paid 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.



## History of Retained Earnings (Deficit)

The following table shows Taiga's history of net earnings, dividends payouts, the impact of transition to IFRS, and the impact of the Stapled Unit conversion since fiscal year 2006:

	June 30, 2013	FY2014	FY2013	FY2012	FY2011	FY2006 to FY2010
<i>(in thousands of dollars)</i>	IFRS	IFRS	IFRS	IFRS	IFRS	CGAAP
Retained earnings (deficit), beginning	(68,600)	(73,676)	(83,180)	(86,904)	(90,590)	88,527
Net earnings	5,578	5,076	10,434	3,724	4,001	22,054
Common share dividends	-	-	(930)	-	(2,995)	(29,837)
Transition to IFRS	-	-	-	-	2,680	-
Issuance of Subordinated Notes	-	-	-	-	-	(171,334)
Deficit, ending	(63,022)	(68,600)	(73,676)	(83,180)	(86,904)	(90,590)

## 6. Commitments and Contingencies

### (a) Law Suit against Former Tax Advisor and Auditor

In connection with the Canada Revenue Agency challenge of the Company's financing structure, on June 21, 2007 the Company filed a claim in the Supreme Court of British Columbia against its former auditor and tax advisor, Deloitte & Touche LLP ("Deloitte"), for damages for breach of contract, professional negligence, and breach of fiduciary duty arising out of the sale and implementation of a financing plan. On August 15, 2008, Deloitte filed a counter claim in the amount of \$776,094 for unpaid contingency fees resulting from the sale of the above described financing plan. In a decision dated June 16, 2014, the Court dismissed Taiga's claim and accepted Deloitte's counter claim, with court ordered interest and costs to be determined. On July 14, 2014, Taiga filed a notice of appeal with the BC Court of Appeal.

On May 11, 2011, Taiga filed a second claim against Deloitte for breach of contract by withholding consent for Taiga to use audited financial statements, withholding consent to gain advantage in an unrelated fee dispute, and failing to act within the code of professional conduct. The outcome of the case is not determinable at this time.

### (b) Executive Transition Agreements

During December 2008, the Company entered into transition agreements with three of its executives. These agreements include consulting contracts with terms of three years each with commencement dates ranging from April 2009 to April 2012. During September 2011, the Company amended one of the transition agreements to defer the commencement date from April 2012 to a date to be determined. The annual compensation for each contract, including both the fixed and variable portions, will range from a minimum of \$111,000 to a maximum of \$731,000. The Company is recording liabilities associated with the contracts over the service terms. The fair value of liabilities accrued as at June 30, 2014 were \$934,515 (March 31, 2013 - \$934,515). The fair value was determined by discounting the estimated future cash flows.

## 7. Critical Accounting Policies and Estimates

The significant accounting policies of Taiga are described in Note 3 to the Company's audited consolidated financial statements for the fiscal year ended March 31, 2014.

The preparation of financial statements in conformity with IFRS requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. These estimates are described in the management's discussion and analysis for the year ended March 31, 2014 and there have been no material changes to such policies and estimates since that time.



## **8. Adoption of New and Amended Accounting Standards**

### **Financial instruments**

Effective April 1, 2014, the Company has adopted the amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32") to address inconsistencies when applying the offsetting requirements. The adoption did not have any impact to the Company.

## **9. 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 the Management's Discussion and Analysis for the fiscal year ended March 31, 2014.

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, 2014.

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

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

The CEO and CFO of Taiga acknowledge responsibility for the design of ICFR and confirm that there were no changes in these controls that occurred during the quarter ended June 30, 2014 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

## **11. 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 second quarter 2014, housing starts are forecasted to total 181,100 in the 2014 calendar year. CMHC is reporting that housing starts will increase to 182,100 in the 2015 calendar year.

In the United States, the National Association of Home Builders reported in July 2014 that housing starts are forecasted to total 1,040,000 units in the 2014 calendar year compared to 930,000 units in calendar year 2013.

# **Taiga Building Products Ltd.**

Consolidated Financial Statements  
(Unaudited)

For the three months ended June 30, 2014 and 2013  
(in Canadian dollars)

## **NOTICE TO SHAREHOLDERS**

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

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

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

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Consolidated Balance Sheets (Unaudited)

	June 30, 2014		June 30, 2013		March 31, 2014
(in thousands of Canadian dollars)					
Assets					
Current:					
Accounts receivable	\$	150,905	\$	134,125	\$ 118,934
Inventories (Note 3)		138,325		134,994	148,843
Prepaid expenses		1,423		1,318	1,229
		290,653		270,437	269,006
Property, plant and equipment		43,099		50,700	44,045
Long-term receivable		813		909	814
Deferred tax assets		1,633		3,193	1,975
	\$	336,198	\$	325,239	\$ 315,840
Liabilities and Shareholders' Deficiency					
Current:					
Revolving credit facility (Note 4)	\$	124,087	\$	144,663	\$ 128,241
Accounts payable and accrued liabilities		83,902		70,400	66,652
Income taxes payable		9,315		9,079	5,866
Current portion of long-term debt		208		205	216
Current portion of finance lease obligation		2,434		2,108	2,497
		219,946		226,455	203,472
Long-term debt		1,383		1,544	1,480
Finance lease obligation		28,165		20,356	28,721
Deferred gain		4,441		4,024	4,537
Provisions		2,050		2,119	2,068
Subordinated notes (Note 6)		128,834		128,834	128,834
		384,819		383,332	369,112
Shareholders' Deficiency:					
Share capital (Note 7)		13,229		13,229	13,229
Accumulated other comprehensive income (Note 7)		1,172		841	2,099
		14,401		14,070	15,328
Deficit		(63,022)		(72,163)	(68,600)
		(48,621)		(58,093)	(53,272)
	\$	336,198	\$	325,239	\$ 315,840

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

# TAIGA BUILDING PRODUCTS LTD.

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

	Three months ended June 30,	
<i>(in thousands of Canadian dollars, except per share amounts)</i>	2014	2013
<b>Sales</b>	\$ 374,766	\$ 335,803
<b>Cost of sales</b>	341,756	310,379
<b>Gross margin</b>	33,010	25,424
Expenses:		
Distribution	5,081	4,416
Selling and administration	12,842	12,804
Finance (Note 8)	1,775	2,078
Subordinated debt interest (Note 6)	4,089	4,089
Other income	(96)	(383)
	23,691	23,004
<b>Earnings before income tax</b>	9,319	2,420
Income tax expense (Note 5)	3,741	907
<b>Net earnings for the period</b>	\$ 5,578	\$ 1,513
<b>Other comprehensive income for the period</b> <b>(Item that may be reclassified to net earnings)</b>		
Exchange differences on translating foreign controlled entities	\$ (927)	\$ 835
<b>Total comprehensive income for the period</b>	\$ 4,651	\$ 2,348
Basic and diluted net earnings per common share	\$ 0.17	\$ 0.05
Weighted average number of common shares outstanding	32,414	32,414

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

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Consolidated Statement of Changes in Shareholders' Deficiency (Unaudited)

For the three months ended June 30, 2013

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
<b>Balance at March 31, 2013</b>	\$ 13,229	\$ (73,676)	\$ 6	\$ (60,441)
Net earnings	-	1,513	-	1,513
Other comprehensive income	-	-	835	835
<b>Balance at June 30, 2013</b>	<b>\$ 13,229</b>	<b>\$ (72,163)</b>	<b>\$ 841</b>	<b>\$ (58,093)</b>

For the three months ended June 30, 2014

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance at March 31, 2014</b>	\$ 13,229	\$ (68,600)	\$ 2,099	\$ (53,272)
Net earnings	-	5,578	-	5,578
Other comprehensive loss	-	-	(927)	(927)
<b>Balance at June 30, 2014</b>	<b>\$ 13,229</b>	<b>\$ (63,022)</b>	<b>\$ 1,172</b>	<b>\$ (48,621)</b>

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



# TAIGA BUILDING PRODUCTS LTD.

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended June 30,	
<i>(in thousands of Canadian dollars)</i>	2014	2013
<b>Cash provided by (used in):</b>		
<b>Operating:</b>		
Net earnings	\$ 5,578	\$ 1,513
Adjustments for non-cash items		
Amortization	988	1,004
Income tax expense	3,741	907
Mark-to-market adjustment on financial instruments	47	(11)
Change in provisions	(18)	(17)
Gain on asset disposal	-	(128)
Amortization of deferred gain	(96)	(255)
Finance and subordinated debt interest expense	5,864	6,167
Interest paid	(1,688)	(1,933)
Income tax paid	(2)	(12)
Changes in non-cash working capital (Note 11)	(5,701)	6,995
Cash flows from operating activities	8,713	14,230
<b>Investing:</b>		
Purchase of property, plant and equipment	(319)	(3,522)
Proceeds from disposition of property, plant and equipment	-	3
Cash flows used in investing activities	(319)	(3,519)
<b>Financing:</b>		
Repayment of long-term debt	(53)	(49)
Repayment of obligations under finance leases	(616)	(529)
Subordinated notes interest paid	(4,089)	(4,089)
Cash flows used in financing activities	(4,758)	(4,667)
Effect of changes in foreign currency on Revolving Credit Facility	518	(484)
<b>Net decrease in Revolving Credit Facility</b>	<b>4,154</b>	<b>5,560</b>
<b>Revolving Credit Facility, beginning</b>	<b>(128,241)</b>	<b>(150,223)</b>
<b>Revolving Credit Facility, ending</b>	<b>\$ (124,087)</b>	<b>\$ (144,663)</b>

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

## 1. Nature of Operations

Taiga Building Products Ltd. ("Taiga" or the "Company") is an independent wholesale distributor of building products in Canada and the United States. Taiga operates within two reportable geographic areas, Canada and the United States. The Company's shares 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 800 – 4710 Kingsway, Burnaby, British Columbia, V5H 4M2.

## 2. Basis of Preparation

### (a) Statement of compliance

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

These Financial Statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended March, 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

These Financial Statements were authorized for issue on August 7, 2014 by the board of directors of the Company.

### (b) Basis of Consolidation

These 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 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.

### (e) 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. The consolidated financial statements include the presentation of the balance sheet as at June 30, 2013 for comparative purposes.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended June 30, 2014 and 2013 (in Canadian dollars)

### (f) Adoption of New and Amended Accounting Standards

Effective April 1, 2014, the Company has adopted the amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32") to address inconsistencies when applying the offsetting requirements. The adoption did not have any impact to the Company.

## 3. Inventories

<i>(in thousands of dollars)</i>	June 30, 2014	June 30, 2013	March 31, 2014
Allied building products	37,401	31,713	35,082
Lumber products	79,393	82,390	90,698
Panel products	21,299	23,038	23,048
Production consumables	446	372	267
Inventory provision	(214)	(2,519)	(252)
Total	138,325	134,994	148,843

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

## 4. Revolving Credit Facility

<i>(in thousands of dollars)</i>	June 30, 2014	June 30, 2013	March 31, 2014
Revolving credit facility	125,368	145,241	129,600
Financing costs, net of amortization	(1,281)	(578)	(1,359)
Total	124,087	144,663	128,241

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 has been 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 June 30, 2014.

## 5. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	3 months ended June 30,	
	2014	2013
	\$	\$
Current	3,411	4,010
Deferred	330	(3,103)
Total	3,741	907

## 6. 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 June 30, 2014.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended June 30, 2014 and 2013 (in Canadian dollars)

A company that is a significant shareholder holds 35.71% (2013 – 35.71%) of the outstanding Notes at June 30, 2014. An executive of this company is also a member of Taiga's Board of Directors. A discretionary trust whose beneficiary is a Taiga director indirectly holds 17.20% (2013 - 17.20%) of the outstanding Notes of Taiga at June 30, 2014.

During the three months ended June 30, 2014, the amount of interest incurred for these related parties was \$1,190,182 (2013 - \$1,190,182) and \$775,392 (2013 - \$775,392), respectively.

## 7. 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

<i>(in thousands of dollars, except number of shares)</i>	<b>Number of Shares</b>	<b>Amount</b>
Balance, June 30, 2014, June 30, 2013 and March 31, 2014	32,414,278	13,229

### (c) Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) consists of exchange differences arising on translation of subsidiaries 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 are normally paid in two instalments of 12.5% on each July 15 (or first business day thereafter) and each January 15 (or first business day thereafter) and are to be paid 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.

## 8. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	<b>3 months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Interest on revolving credit facility and other short term liabilities	1,153	1,529
Interest on finance leases and long-term debt	549	419
Amortization of financing costs	73	130
Total	1,775	2,078

## 9. Commitments and Contingencies

### (a) Law Suit against Former Tax Advisor and Auditor

In connection with a Canada Revenue Agency challenge of the Company's financing structure, in 2007 the Company filed a claim in the Supreme Court of British Columbia against its former auditor and tax advisor, Deloitte & Touche LLP ("Deloitte"), for damages for breach of contract, professional negligence, and breach of fiduciary duty arising out of the sale and implementation of a financing plan. On August 15, 2008, Deloitte filed a counter claim in the amount of \$776,094 for unpaid contingency fees resulting from the sale of the above described financing plan. In a decision dated June 16, 2014, the Court dismissed Taiga's claim and accepted Deloitte's counter claim, with court ordered interest and costs to be determined. On July 14, 2014, Taiga filed a notice of appeal with the BC Court of Appeal. Information usually required by International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets, has not been provided at this time, as it can be expected to seriously prejudice the ultimate outcome of the dispute.

On May 11, 2011, Taiga filed a second claim against Deloitte for breach of contract by withholding consent for Taiga to use audited financial statements, withholding consent to gain advantage in an unrelated fee dispute, and failing to act within the code of professional conduct. The outcome of the case is not determinable at this time.

### (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 consulting contract with terms of three years with an unspecified commencement date. The annual compensation for this contract, including both the fixed and variable portions, will range 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 June 30, 2014 was \$934,515 (March 31, 2014 - \$934,515). The fair value was determined by discounting the estimated future cash outflows arising after transition using a pre-tax discount rate of 4%.

## 10. Financial Instruments

### (a) Accounting for financial instruments

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

<i>(in thousands of dollars)</i>	June 30, 2014	March 31, 2014
Held for trading	(35)	17
Loans and receivables	151,718	119,731
Other financial liabilities	(368,978)	(356,641)

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:

<i>(in thousands of dollars)</i>	June 30, 2014	March 31, 2014
Carrying amount	30,599	31,218
Fair value	30,374	30,981

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three months ended June 30, 2014 and 2013 (in Canadian dollars)

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:

<i>(in thousands of dollars)</i>	<b>June 30, 2014</b>	<b>March 31, 2014</b>
Carrying amount	128,834	128,834
Fair value	139,785	137,852

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:

<i>(in thousands of dollars)</i>	<b>June 30, 2014</b>	<b>March 31, 2014</b>
Lumber futures	(35)	17

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.

## 11. Changes in Non-Cash Working Capital

<i>(in thousands of dollars)</i>	<b>3 months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
(Increase) Decrease in Accounts receivable	(32,018)	1,988
Decrease in Inventories	10,518	22,722
(Increase) Decrease in Prepaid expenses and other	(192)	104
Effect of foreign exchange on working capital	(1,224)	1,200
Increase (Decrease) in Accounts payable and accrued liabilities	17,215	(19,019)
Total	(5,701)	6,995

## 12. Segmented Information

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

<i>(in thousands of dollars except %)</i>	<b>Three months ended June 30,</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Sales</b>	<b>%</b>	<b>Sales</b>	<b>%</b>
Canada	346,655	92.5	313,060	93.2
United States	28,111	7.5	22,743	6.8

During the three months ended June 30, 2014, Taiga's Canadian operations had export sales of \$59.7 million (2013 - \$47.9 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.