

## Quarterly Report Ending September 30, 2015

### TAIGA BUILDING PRODUCTS LTD

#### Q2 Financial Highlights

Sales \$388.0 million

Earnings Per Share \$0.14

Net Income \$4.6 million

EBITDA \$12.9 million



# Management's Discussion and Analysis

**For the three and six months ended September 30, 2015 and 2014**

*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 November 5, 2015 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the corresponding notes thereto for the three and six months ended September 30, 2015 and 2014. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three and six months ended September 30, 2015.*

*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, 2015.*

*Additional information relating to the Company including the Company's Annual Information Form dated June 18, 2015 can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

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**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 outcome of litigation or other 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 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). 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 2015 to decline compared to calendar year 2014.

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 2015 calendar year. See Item 10 "Outlook".

# 2. Results of Operations

## Sales

The Company's consolidated net sales for the quarter ended September 30, 2015 were \$388.0 million compared to \$383.6 million over the same period last year. The increase in sales by \$4.4 million or 1.2% was largely due to increased demand in the US.

The Company's sales of dimension lumber and panel, as a percentage of total sales, decreased to 58.5% for the quarter ended September 30, 2015 compared to 60.1% for the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, increased to 41.5% this quarter from 39.9% during the same period last year.

Consolidated net sales for the six months ended September 30, 2015 were \$792.0 million compared to \$758.3 million over the same period last year. The increase in sales by \$33.6 million or 4% was largely due to higher sales from US and export operations selling into the United States.

The Company's sales of dimension lumber and panels, as a percentage of total sales, decreased to 56.6% for the six months ended September 30, 2015 compared to 58.5% for the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, increased to 43.4% this quarter from 41.5% during the same period last year. Sales by segments are as follows:

	Three months ended September 30,				Six months ended September 30,			
	2015		2014		2015		2014	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	352,108	90.8	355,122	92.6	724,124	91.4	701,777	92.5
United States	35,883	9.2	28,437	7.4	67,840	8.6	56,548	7.5

During the quarter ended September 30, 2015, Taiga's Canadian operations had export sales of \$64.4 million (2014 – \$64.1 million). For the six month period ended September 30, 2015, Canadian operations had export sales of \$133.1 million (2014 – \$123.4 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.

## Gross Margin

Gross margin for the quarter ended September 30, 2015 decreased to \$33.6 million from \$34.4 million over the same period last year. Gross margin percentage for the quarter decreased to 8.7% compared to 9.0%. The gross margin percentage for the current quarter was impacted by a decline in lumber prices.

Gross margin for the six months ended September 30, 2015 increased to \$68.0 million from \$67.5 million over the same period last year. Gross margin percentage for the six months ended decreased to 8.6% compared to 8.9% over the same period last year. The gross margin percentage was lower in the current period due to a decline in commodity prices.

## Expenses

Distribution expense for the quarter ended September 30, 2015 increased to \$5.4 million compared to \$5.3 million over the same period last year. For the six month period ended September 30, 2015, distribution expenses increased to \$10.6 million compared to \$10.3 million over the same period last year. These increases were mainly due to higher delivery and warehousing expenses to support higher sales volumes.

Selling and administration expense for the quarter ended September 30, 2015 increased to \$16.4 million compared to \$16.2 million over the same period last year due to higher foreign exchange losses. Selling and administration expense for the six months ended September 30, 2015 increased to \$30.9 million compared to \$29.1 million for the same period last year mainly due to higher compensation costs.

Finance expense for the quarter ended September 30, 2015 decreased to \$1.3 million compared to \$1.5 million over the same period last year. Finance expense for the six months ended September 30, 2015 decreased to \$2.9 million compared to \$3.3 million for the same period last year. Lower interest rates coupled with lower borrowing levels helped to reduce interest costs.

Subordinated debt interest expense was \$4.1 million for both quarters ended September 30, 2015 and 2014. Subordinated debt interest expense was \$8.2 million for the six months ended September 30, 2015 and 2014.

Other income was \$0.1 million for the quarter ended September 30, 2015 compared to an expense of \$0.3 million for the same period last year. Other income for the six months ended September 30, 2015 was \$0.2 million compared to an expense of \$0.2 million for the same period last year.

## Net Earnings

Net earnings for the quarter ended September 30, 2015 were \$4.6 million compared to \$5.7 million over the same period last year. Net earnings for the six month period ended September 30, 2015 were \$11.1 million compared to \$11.2 million for the same period last year.

## EBITDA

EBITDA for the quarter ended September 30, 2015 was \$12.9 million compared to \$13.7 million for the same period last year. For the six month period ended September 30, 2015, EBITDA was \$28.8 million compared to \$29.9 million for the same period last year. Reconciliation of net income to EBITDA is as follows:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Six months ended September 30,	
	2015	2014	2015	2014
Net earnings	4,618	5,660	11,058	11,238
Income taxes	1,830	1,374	4,581	5,115
Finance and subordinated debt interest expense	5,399	5,624	11,076	11,488
Amortization	1,056	1,021	2,098	2,009
EBITDA	12,903	13,679	28,813	29,850

### 3. Cash Flows

#### Operating Activities

Cash flows from operating activities for the quarter ended September 30, 2015 increased to \$76.3 million from \$48.2 million for the same period last year primarily due to changes in non-cash working capital. Cash flows from operating activities for the six months ended September 30, 2015 increased to \$86.4 million from \$57.0 million during the same period last year primarily due to changes in non-cash working capital.

#### Investing Activities

Investing activities used cash of \$0.4 million during the three months ended September 30, 2015 compared to \$0.2 million for the same period last year. Investing activities used cash of \$0.7 million for the six months ended September 30, 2015 compared to \$0.5 million during the same period last year.

#### Financing Activities

Financing activities used cash of \$4.8 million for both periods ended September 30, 2015 and 2014. Financing activities used cash of \$9.6 million during the six months ended September 30, 2015 compared to \$9.5 million during the same period last year.

### 4. Summary of Quarterly Results

	Fiscal 2016		Fiscal 2015				Fiscal 2014	
<i>(in thousands of dollars, except per share amount in dollars)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	387,991	403,973	294,321	296,072	383,559	374,766	249,451	264,081
Net earnings (loss)	4,618	6,440	(566)	408	5,660	5,578	104	(515)
Earnings (loss) per share <sup>(1)</sup>	0.14	0.20	(0.02)	0.01	0.17	0.17	0.00	(0.02)
EBITDA	12,903	15,910	6,703	7,504	13,679	16,171	8,018	6,483

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 September 30, 2015.

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 September 30, 2015 increased to \$89.8 million from \$80.9 million as at March 31, 2015 due to decreased revolving credit facility partially offset by increased current liabilities and decreased current assets. Taiga believes that current levels are adequate to meet its working capital requirements.

## Summary of Financial Position

<i>(in thousands of dollars)</i>	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>March 31, 2015</b>
Current Assets	246,315	256,027	302,250
Current Liabilities (excluding Revolving Credit Facility)	(104,896)	(97,593)	(93,966)
Revolving Credit Facility	(51,593)	(81,382)	(127,375)
<b>Working Capital</b>	<b>89,826</b>	<b>77,052</b>	<b>80,909</b>
Long Term Assets	45,316	45,824	45,133
Long Term Liabilities (excluding Subordinated Notes)	(33,054)	(35,681)	(36,128)
Subordinated Notes	(128,834)	(128,834)	(128,834)
<b>Shareholders' Deficiency</b>	<b>(26,746)</b>	<b>(41,639)</b>	<b>(38,920)</b>

## Assets

Total assets were \$291.6 million as at September 30, 2015 compared to \$347.4 million as at March 31, 2015. The decrease was primarily the result of decreased inventories.

Inventories decreased to \$110.3 million as at September 30, 2015 compared to \$166.5 million as at March 31, 2015 primarily due to seasonal drawdown of products.

## Liabilities

Total liabilities decreased to \$318.4 million as at September 30, 2015 from \$386.3 million as at March 31, 2015. The decrease was primarily the result of decreased revolving credit facility partially offset by increased accounts payable and accrued liabilities.

## Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On November 5, 2015, 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 September 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:

	September 30, 2015	FY2015	FY2014	FY2013	FY2012	FY2011	FY2006 to FY2010
<i>(in thousands of dollars)</i>	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	CGAAP
Retained earnings (deficit), beginning	(57,520)	(68,600)	(73,676)	(83,180)	(86,904)	(90,590)	88,527
Net earnings	11,058	11,080	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	(46,462)	(57,520)	(68,600)	(73,676)	(83,180)	(86,904)	(90,590)

## 6. Commitments and Contingencies

### Canada Revenue Agency Proposal Letter

Taiga has received a proposal letter from Canada Revenue Agency (CRA) indicating its intention to reassess for withholding taxes in relation to dividends paid or deemed to have been paid to 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. The proposed reassessment for withholding taxes is up to approximately \$23 million, excluding interest and penalties, which amount is in dispute and subject to variation based on submissions to the CRA which have not yet been made. The Company has not received a notice of reassessment from CRA and has not recorded a provision for any amounts related to the potential reassessment.

The Company has formal written agreements with its two major shareholders that fully indemnify it from such potential liability and as a consequence, any such potential liability is not expected to have any impact on the Company's financial condition, results of operations or cash flows. The Company disagrees with CRA's proposal and intends to challenge any potential reassessment and vigorously defend its tax filings. Pursuant to the terms of the indemnities, the shareholders may elect to assume any action or defence of Taiga in connection with the foregoing.

## 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, 2015.

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, 2015 and there have been no material changes to such policies and estimates since that time.

## **8. 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, 2015.

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, 2015.

## **9. 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 September 30, 2015 which materially affected, or are reasonably likely to materially affect the Company's ICFR.

## **10. 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 2015, housing starts are forecasted to range from 162,000 to 212,000 units in the 2015 calendar year. CMHC is reporting that housing starts will range from 153,000 to 203,000 units in the 2016 calendar year.

In the United States, the National Association of Home Builders reported in September 2015 that housing starts are forecasted to total 1,106,000 units in the 2015 calendar year compared to 1,001,000 units in calendar year 2014.

# **Taiga Building Products Ltd.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

For the three and six months ended September 30, 2015 and 2014  
(in Canadian dollars)

## **NOTICE TO SHAREHOLDERS**

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

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

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

# TAIGA BUILDING PRODUCTS LTD.

## Condensed Consolidated Balance Sheets (Unaudited)

<i>(in thousands of Canadian dollars)</i>	September 30, 2015	September 30, 2014	March 31, 2015
<b>Assets</b>			
<b>Current:</b>			
Accounts receivable	\$ 135,087	\$ 127,424	\$ 134,397
Inventories (Note 3)	110,287	127,592	166,507
Prepaid expenses	941	1,011	1,346
	246,315	256,027	302,250
Property, plant and equipment	42,528	43,024	43,070
Long-term receivable	695	780	703
Deferred tax assets	2,093	2,020	1,360
	\$ 291,631	\$ 301,851	\$ 347,383
<b>Liabilities and Shareholders' Deficiency</b>			
<b>Current:</b>			
Revolving credit facility (Note 4)	\$ 51,593	\$ 81,382	\$ 127,375
Accounts payable and accrued liabilities	94,330	90,070	86,849
Income taxes payable	7,660	4,940	4,251
Current portion of long-term debt	260	218	247
Current portion of finance lease obligation	2,646	2,365	2,619
	156,489	178,975	221,341
Long-term debt	1,410	1,401	1,461
Finance lease obligation	25,774	27,902	26,739
Deferred gain	3,963	4,346	4,154
Deferred tax liabilities	-	-	1,778
Provisions	1,907	2,032	1,996
Subordinated notes (Note 6)	128,834	128,834	128,834
	318,377	343,490	386,303
<b>Shareholders' Deficiency:</b>			
Share capital (Note 7)	13,229	13,229	13,229
Accumulated other comprehensive income (Note 7)	6,487	2,494	5,371
	19,716	15,723	18,600
Deficit	(46,462)	(57,362)	(57,520)
	(26,746)	(41,639)	(38,920)
	\$ 291,631	\$ 301,851	\$ 347,383

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 September 30,		Six months ended September 30,	
<i>(in thousands of Canadian dollars, except per share amounts)</i>	2015	2014	2015	2014
<b>Sales</b>	\$ 387,991	\$ 383,559	\$ 791,964	\$ 758,325
<b>Cost of sales</b>	354,423	349,119	723,921	690,875
<b>Gross margin</b>	33,568	34,440	68,043	67,450
Expenses:				
Distribution	5,408	5,257	10,608	10,338
Selling and administration	16,412	16,246	30,944	29,088
Finance (Note 8)	1,311	1,535	2,901	3,310
Subordinated debt interest (Note 6)	4,088	4,089	8,175	8,178
Other (income) expense	(99)	279	(224)	183
	27,120	27,406	52,404	51,097
<b>Earnings before income tax</b>	6,448	7,034	15,639	16,353
Income tax expense (Note 5)	1,830	1,374	4,581	5,115
<b>Net earnings for the period</b>	\$ 4,618	\$ 5,660	\$ 11,058	\$ 11,238
<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	\$ 1,515	\$ 1,322	\$ 1,116	\$ 395
<b>Total comprehensive income for the period</b>	\$ 6,133	\$ 6,982	\$ 12,174	\$ 11,633
Basic and diluted net earnings per common share	\$ 0.14	\$ 0.17	\$ 0.34	\$ 0.35
Weighted average number of common shares outstanding	32,414	32,414	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 six months ended September 30, 2014

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
<b>Balance at March 31, 2014</b>	\$ 13,229	\$ (68,600)	\$ 2,099	\$ (53,272)
Net earnings	-	11,238	-	11,238
Other comprehensive income	-	-	395	395
<b>Balance at September 30, 2014</b>	\$ 13,229	\$ (57,362)	\$ 2,494	\$ (41,639)

For the six months ended September 30, 2015

<i>(in thousands of Canadian dollars)</i>	Share Capital	Deficit	Accumulated Other Comprehensive Income	Total
<b>Balance at March 31, 2015</b>	\$ 13,229	\$ (57,520)	\$ 5,371	\$ (38,920)
Net earnings	-	11,058	-	11,058
Other comprehensive income	-	-	1,116	1,116
<b>Balance at September 30, 2015</b>	\$ 13,229	\$ (46,462)	\$ 6,487	\$ (26,746)

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



# TAIGA BUILDING PRODUCTS LTD.

## Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)	Three months ended September 30,		Six months ended September 30,	
	2015	2014	2015	2014
<b>Cash provided by (used in):</b>				
<b>Operating:</b>				
Net earnings	\$ 4,618	\$ 5,660	\$ 11,058	\$ 11,238
Adjustments for non-cash items				
Amortization	1,056	1,021	2,098	2,009
Income tax expense	1,830	1,374	4,581	5,115
Mark-to-market adjustment on financial instruments	(108)	15	14	62
Change in provisions	(45)	(18)	(89)	(36)
(Gain) loss on asset disposal	-	(21)	10	(21)
Amortization of deferred gain	(96)	(95)	(191)	(191)
Finance and subordinated debt interest expense	5,399	5,624	11,076	11,488
Interest paid	(1,229)	(1,458)	(2,744)	(3,146)
Income tax paid	(4,022)	(6,068)	(4,203)	(6,070)
Changes in non-cash working capital (Note 11)	68,848	42,205	64,788	36,507
Cash flows from operating activities	76,251	48,239	86,398	56,955
<b>Investing:</b>				
Purchase of property, plant and equipment	(381)	(243)	(699)	(562)
Proceeds from disposition of property, plant and equipment	7	62	33	62
Cash flows used in investing activities	(374)	(181)	(666)	(500)
<b>Financing:</b>				
Repayment of long-term debt	(64)	(53)	(124)	(106)
Repayment of obligations under finance leases	(665)	(636)	(1,337)	(1,252)
Subordinated notes interest paid	(4,088)	(4,089)	(8,175)	(8,178)
Cash flows used in financing activities	(4,817)	(4,778)	(9,636)	(9,536)
Effect of changes in foreign currency on Revolving Credit Facility	(426)	(575)	(314)	(60)
<b>Net decrease in Revolving Credit Facility</b>	<b>70,634</b>	<b>42,705</b>	<b>75,782</b>	<b>46,859</b>
<b>Revolving Credit Facility, beginning</b>	<b>(122,227)</b>	<b>(124,087)</b>	<b>(127,375)</b>	<b>(128,241)</b>
<b>Revolving Credit Facility, ending</b>	<b>\$ (51,593)</b>	<b>\$ (81,382)</b>	<b>\$ (51,593)</b>	<b>\$ (81,382)</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 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2.

## 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, 2015, which have been prepared in accordance with IFRS as issued by the IASB. These Financial Statements were authorized for issue on November 5, 2015 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. Inventories

<i>(in thousands of dollars)</i>	September 30, 2015	September 30, 2014	March 31, 2015
Allied building products	32,142	35,509	43,978
Lumber products	59,478	74,186	98,480
Panel products	18,076	17,796	23,418
Production consumables	699	315	760
Inventory provision	(108)	(214)	(129)
Total	110,287	127,592	166,507

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>	September 30, 2015	September 30, 2014	March 31, 2015
Revolving credit facility	52,540	82,598	128,463
Financing costs, net of amortization	(947)	(1,216)	(1,088)
Total	51,593	81,382	127,375

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 September 30, 2015.

## 5. Income Taxes

Income tax expense is comprised of:

<i>(in thousands of dollars)</i>	Three months ended September 30,		Six months ended September 30,	
	2015	2014	2015	2014
Current	2,542	1,737	7,609	5,148
Future	(712)	(363)	(3,028)	(33)
Total	1,830	1,374	4,581	5,115

## 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 September 30, 2015.

A company that is a significant shareholder holds 35.71% (2014 – 35.71%) of the outstanding Notes at September 30, 2015. 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% (2014 - 17.20%) of the outstanding Notes of Taiga at September 30, 2015.

During the three months ended September 30, 2015, the amount of interest incurred for these related parties was \$1,188,572 (2014 - \$1,190,182) and \$775,392 (2014 - \$775,392), respectively. For the six months ended September 30, 2015, interest incurred for these related parties were \$2,377,143 (2014 - \$2,380,364) and \$1,550,784 (2014 - \$1,550,784), 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.

## Taiga Building Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)  
For the three and six months September 30, 2015 and 2014 (in Canadian dollars)

### (b) Common Shares Issued

<i>(in thousands of dollars, except number of shares)</i>	<b>Number of Shares</b>	<b>Amount</b>
Balance, September 30, 2015, September 30, 2014 and March 31, 2015	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.

## 8. Finance Expense

The finance expense is comprised of:

<i>(in thousands of dollars)</i>	<b>Three months ended September 30,</b>		<b>Six months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Interest on revolving credit facility and other short term liabilities	736	924	1,734	2,077
Interest on finance leases and long-term debt	510	541	1,026	1,090
Amortization of financing costs	65	70	141	143
Total	1,311	1,535	2,901	3,310

## 9. Commitments and Contingencies

### Canada Revenue Agency Proposal Letter

Taiga has received a proposal letter from Canada Revenue Agency (CRA) indicating its intention to reassess for withholding taxes in relation to dividends paid or deemed to have been paid to 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. The proposed reassessment for withholding taxes is up to approximately \$23 million, excluding interest and penalties, which amount is in dispute and subject to variation based on submissions to the CRA which have not yet been made. The Company has not received a notice of reassessment from CRA and has not recorded a provision for any amounts related to the potential reassessment.

The Company has formal written agreements with its two major shareholders that fully indemnify it from such potential liability and as a consequence, any such potential liability is not expected to have any impact on the Company's financial condition, results of operations or cash flows. The Company disagrees with CRA's proposal and intends to challenge any potential reassessment and vigorously defend its tax filings. Pursuant

to the terms of the indemnities, the shareholders may elect to assume any action or defence of Taiga in connection with the foregoing.

## 10. Financial Instruments

### Accounting for financial instruments

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

<i>(in thousands of dollars)</i>	<b>September 30, 2015</b>	<b>March 31, 2015</b>
Held for trading	(204)	(190)
Loans and receivables	135,782	135,100
Other financial liabilities	(304,643)	(373,934)

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>	<b>September 30, 2015</b>	<b>March 31, 2015</b>
Carrying amount	28,420	29,358
Fair value	28,780	28,835

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>September 30, 2015</b>	<b>March 31, 2015</b>
Carrying amount	128,834	128,834
Fair value	143,006	144,281

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>September 30, 2015</b>	<b>March 31, 2015</b>
Lumber futures	(53)	(13)
Interest swap	(151)	(177)

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>	Three months ended September 30,		Six months ended September 30,	
	2015	2014	2015	2014
Decrease (Increase) in accounts receivable	28,224	23,466	(704)	(8,552)
Decrease in inventories	31,948	10,733	56,220	21,251
Decrease in prepaid expenses and other	469	378	377	186
Effect of foreign exchange on working capital	1,476	1,605	1,051	384
Increase in AP & accrued liabilities	6,731	6,023	7,844	23,238
Total	68,848	42,205	64,788	36,507

## 12. 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.

## 13. Segmented Information

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

	Three months ended September 30,				Six months ended September 30,			
	2015		2014		2015		2014	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
Canada	352,108	90.8	355,122	92.6	724,124	91.4	701,777	92.5
United States	35,883	9.2	28,437	7.4	67,840	8.6	56,548	7.5

During the quarter ended September 30, 2015, Taiga's Canadian operations had export sales of \$64.4 million (2014 – \$64.1 million). For the six month period ended September 30, 2015, Canadian operations had export sales of \$133.1 million (2014 – \$123.4 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.