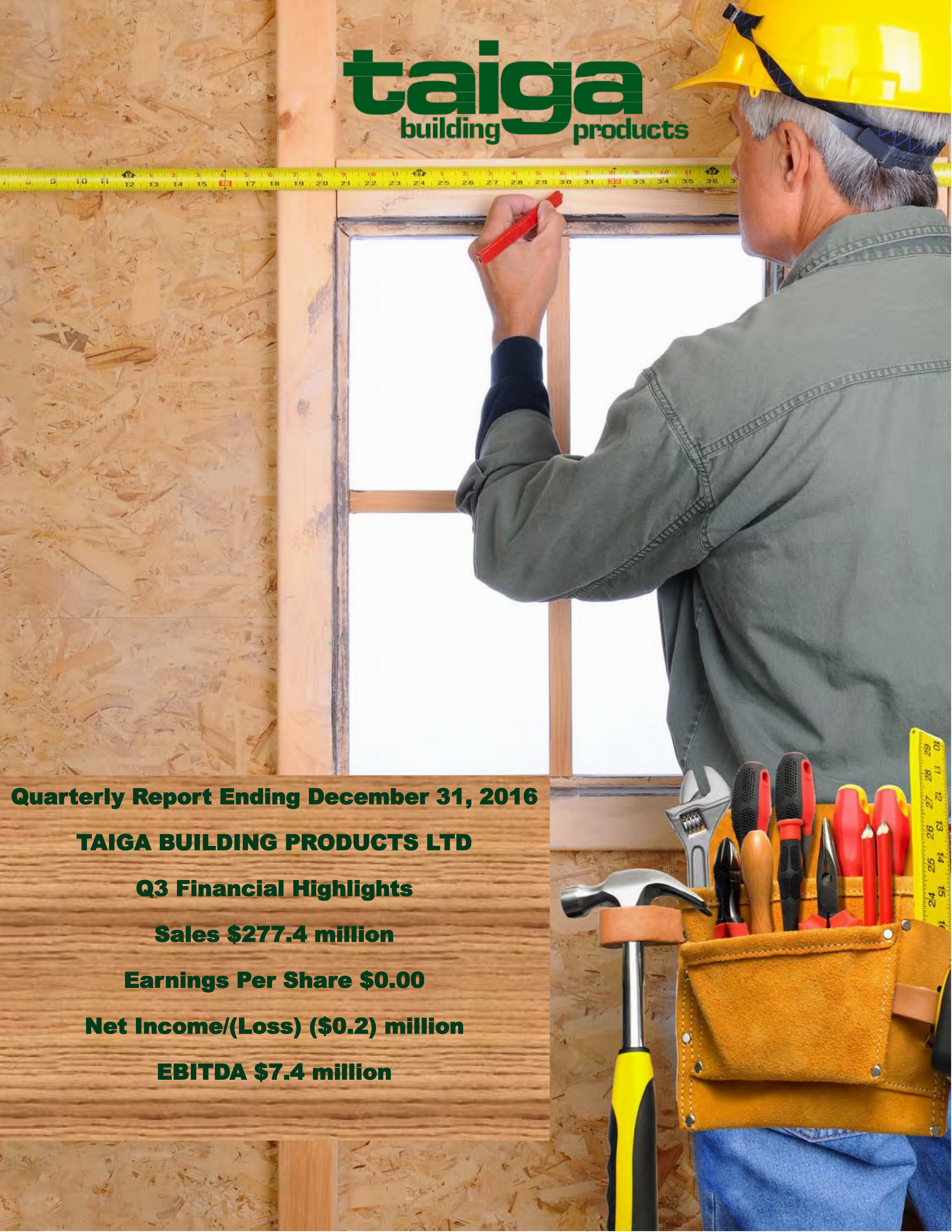

taiga building products

Quarterly Report Ending December 31, 2016

TAIGA BUILDING PRODUCTS LTD

Q3 Financial Highlights

Sales $277.4 million

Earnings Per Share $0.00

Net Income/(Loss) ($0.2) million

EBITDA $7.4 million

Management's Discussion and Analysis

For the three and nine months ended December 31, 2016 and 2015

This Management's Discussion and Analysis ("MD&A") of Taiga Building Products Ltd. ("Taiga" or the "Company") has been prepared based on information available as at February 9, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the corresponding notes thereto for the three and nine months ended December 31, 2016 and 2015. This discussion and analysis provides an overview of significant developments that have affected Taiga's performance during the three and nine months ended December 31, 2016.

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, 2016.

Additional information relating to the Company including the Company's Annual Information Form dated June 17, 2016 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 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. 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 10 "Outlook".

2. Results of Operations

Sales

The Company's consolidated net sales for the quarter ended December 31, 2016 were $277.4 million compared to $292.5 million over the same period last year. The decrease in sales by $15.1 million or 5% was largely due to the ceased operations relating to one of the Company’s business units.

The Company's sales of dimension lumber and panel, as a percentage of total sales, increased to 67.5% for the quarter ended December 31, 2016 compared to 63.9% for the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, decreased to 32.5% this quarter from 36.1% during the same period last year.

Consolidated net sales for the nine months ended December 31, 2016 were $937.9 million compared to $1,084.4 million over the same period last year. The decrease in sales by $146.5 million or 14% was largely due to the ceased operations relating to one of the Company’s business units.

The Company's sales of dimension lumber and panel, as a percentage of total sales, was 65.2% for the nine months ended December 31, 2016, compared to 58.6% over the same period last year. Allied, engineered and treated wood product sales, as a percentage of total sales, was 34.8% for the nine month period ended December 31, 2016, compared to 41.4% over the same period last year.

Sales by segments are as follows:

	Revenue by Point of Sale							
	Three months ended December 31,				Nine months ended December 31,			
	2016		2015		2016		2015	
	$000’s	%	$000’s	%	$000’s	%	$000’s	%
Canada	241,836	87.2	259,135	88.6	823,896	87.8	983,259	90.7
United States	35,572	12.8	33,341	11.4	114,030	12.2	101,181	9.3

During the quarter ended December 31, 2016, Taiga’s Canadian operations had export sales of $59.7 million (2015 - $63.3 million). For the nine month period ended December 31, 2016, Canadian operations had export sales of $190.8 million (2015 – $196.5 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 December 31, 2016 decreased to $22.2 million from $25.0 million over the same period last year. Gross margin percentage decreased to 8.0% in the current quarter compared to 8.5% in the same quarter last year. The decrease in gross margin percentage was primarily due to commodity prices declining in the current quarter compared to an appreciation in the same quarter last year. The decrease in gross margin dollars of $2.8 million was because of the ceased operations relating to one of the Company's business units.

Gross margin for the nine months ended December 31, 2016 decreased to $83.1 million from $93.0 million over the same period last year. Gross margin percentage for the nine months ended December 31, 2016 increased to 8.9% compared to 8.6% over the same period last year. The gross margin percentage was higher in the current period due to an increase in commodity prices. The decrease in gross margin dollars of $9.9 million was primarily due to lower sales because of the ceased operations relating to one of the Company's business units.

Expenses

Distribution expense for the quarter ended December 31, 2016 increased to $5.6 million compared to $5.4 million over the same period last year. For the nine month period ended December 31, 2016, distribution expenses increased to $16.6 million compared to $16.0 million over the same period last year. These increases were mainly due to higher delivery and warehouse expenses.

Selling and administration expense for the quarter ended December 31, 2016 decreased to $10.4 million compared to $13.2 million over the same period last year. Selling and administration expense for the nine months ended December 31, 2016 decreased to $37.7 million compared to $44.1 million for the same period last year. These changes were mainly due to lower compensation costs.

Finance expense for the quarter ended December 31, 2016 decreased to $1.2 million compared to $1.3 million over the same period last year. Finance expense for the nine months ended December 31, 2016 decreased to $3.7 million compared to $4.2 million for the same period last year. Lower borrowing levels helped to reduce interest costs.

Subordinated debt interest expense was $4.1 million for both quarters ended December 31, 2016 and 2015. Subordinated debt interest expense was $12.3 million for the nine months ended December 31, 2016 and 2015.

Other income decreased to $0.1 million for the quarter ended December 31, 2016 compared to $0.2 million over the same period last year. Other income was $0.4 million for the nine months ended December 31, 2016 and 2015.

Net Earnings

Net earnings for the quarter ended December 31, 2016 were a net loss of $0.2 million compared to a loss of $0.1 million over the same period last year. Net earnings for the nine month period ended December 31, 2016 were $7.7 million compared to $11.0 million for the same period last year.

EBITDA

EBITDA for the quarter ended December 31, 2016 was $7.4 million compared to $7.7 million for the same period last year. For the nine month period ended December 31, 2016, EBITDA was $32.2 million compared to $36.5 million for the same period last year. Reconciliation of net income to EBITDA is as follows:

Reconciliation of net earnings to EBITDA:

(in thousands of dollars)	Three months ended December 31, 2016	2015	Nine months ended December 31, 2016	2015
Net earnings (loss)	(160)	(53)	7,741	11,005
Income taxes	1,274	1,297	5,434	5,878
Finance and subordinated debt interest expense	5,237	5,349	15,959	16,425
Amortization	1,074	1,063	3,111	3,161
EBITDA	7,425	7,656	32,245	36,469

3. Cash Flows

Operating Activities

Cash flows from operating activities for the quarter ended December 31, 2016 decreased to $17.7 million from $27.3 million for the same period last year primarily due to changes in non-cash working capital and lower earnings. Cash flows from operating activities for the nine months ended December 31, 2016 decreased to $49.7 million from $113.8 million during the same period last year primarily due to changes in non-cash working capital and lower earnings.

Investing Activities

Investing activities used cash of $0.5 million during the three months ended December 31, 2016 compared to $0.6 million for the same period last year. Investing activities used cash of $1.3 million for the nine months ended December 31, 2016 compared to $1.2 million during the same period last year.

Financing Activities

Financing activities used cash of $4.7 million for during the three months ended December 31, 2016 compared to $4.8 million for the same period last year. Financing activities used cash of $14.4 million during the nine months ended December 31, 2016 compared to $14.5 million during the same period last year.

4. Summary of Quarterly Results

	Fiscal 2017			Fiscal 2016				Fiscal 2015
(in thousands of dollars, except per share amount in dollars)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	277,408	335,052	325,466	279,882	292,476	387,991	403,973	294,321
Net earnings (loss)	(160)	3,139	4,762	715	(53)	4,618	6,440	(566)
Earnings (loss) per share(1)	0.00	0.10	0.15	(0.02)	0.00	0.14	0.20	(0.02)
EBITDA	7,425	11,329	13,491	8,566	7,656	12,903	15,910	6,703

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 December 31, 2016.

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

Working Capital

Working capital as at December 31, 2016 increased to $97.1 million from $89.5 million as at March 31, 2016 due to an increase in current assets and a decreased in the revolving credit facility. Taiga believes that current levels are adequate to meet its working capital requirements.

Summary of Financial Position

(in thousands of dollars)	**December 31, 2016**	**December 31, 2015**	**March 31, 2016**
Current Assets	252,829	200,030	261,153
Current Liabilities (excluding Revolving Credit Facility)	(108,273)	(79,335)	(90,305)
Revolving Credit Facility	(47,420)	(29,964)	(81,346)
Working Capital	**97,136**	**90,731**	**89,502**
Long Term Assets	43,459	45,381	44,459
Long Term Liabilities (excluding Subordinated Notes)	(29,558)	(32,745)	(31,670)
Subordinated Notes	(128,834)	(128,834)	(128,834)
Shareholders' Deficiency	**(17,797)**	**(25,467)**	**(26,543)**

Assets

Total assets were $296.3 million as at December 31, 2016 compared to $305.6 million as at March 31, 2016. The decrease was primarily the result of decreased accounts receivable and decreased inventories.

Accounts receivable decreased to $129.4 million as at December 31, 2016 from $135.7 million as at March 31, 2016 primarily due to decreased sales volume. This was partially offset by an accrual for the amounts owed to the Company by two of its shareholders in relation to a notice of reassessment from the Canada Revenue Agency

(CRA). The CRA is seeking to increase withholding taxes paid in relation to dividends paid or deem to have been paid to the Company's two largest shareholders.

Inventories decreased to $121.7 million as at December 31, 2016 compared to $124.1 million as at March 31, 2016 primarily due to seasonal drawdown of products.

Liabilities

Total liabilities decreased to $314.1 million as at December 31, 2016 from $332.2 million as at March 31, 2016. The decrease was primarily due to decreased borrowing on the revolving credit facility as well as lower income taxes payable. This was offset by an increase in accounts payable due to the receipt of a notice of reassessment from the Canada Revenue Agency (CRA). The CRA is seeking to increase withholding taxes paid in relation to dividends paid or deem to have been paid to the Company's two largest shareholders.

Outstanding Share Data

The Company has only one class of shares outstanding, its common shares without par value. On February 9, 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 has decided not to declare and pay any dividend in respect of the 2016 fiscal year's net earnings.

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:

(in thousands of dollars)	**December 31, 2016 IFRS**	**FY2016 IFRS**	**FY2015 IFRS**	**FY2014 IFRS**	**FY2013 IFRS**	**FY2012 IFRS**	**FY2011 IFRS**	**FY2006 to FY2010 CGAAP**
Retained earnings (deficit), beginning	(45,800)	(57,520)	(68,600)	(73,676)	(83,180)	(86,904)	(90,590)	88,527
Net earnings	7,741	11,720	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	(38,059)	(45,800)	(57,520)	(68,600)	(73,676)	(83,180)	(86,904)	(90,590)

6. Canada Revenue Agency Reassessment

In connection with the notice of reassessment in the amount of approximately $41 million (which includes interest) received by Taiga from the Canada Revenue Agency (CRA) relating to Taiga's 2005 to 2013 taxation years, Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its former two major shareholders. The Company and the two former major shareholders had previously entered into formal agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practicable. Taiga's two former major shareholders may elect to assume any action or defence of Taiga in connection with the foregoing pursuant to the terms of indemnity agreements with Taiga. The amount payable to the CRA by the Company as at December 31, 2016 has been included in accounts payable with a corresponding amount included in accounts receivable that is due from the Company's two former major shareholders.

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, 2016.

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, 2016 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, 2016.

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, 2016.

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 December 31, 2016 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 2016, housing starts are forecasted to range from 185,100 to 192,900 units in the 2016 calendar year. CMHC is reporting that housing starts will range from 174,500 to 184,300 units in the 2017 calendar year.

In the United States, the National Association of Home Builders reported in December 2016 that housing starts are forecasted to total 1,239,000 units in the 2017 calendar year compared to 1,162,000 units in calendar year 2016. NAHB expects housing starts to continue to improve to 1,332,000 in calendar year 2018.

Taiga Building Products Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended December 31, 2016 and 2015
(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)

(in thousands of Canadian dollars)	**December 31, 2016**	**December 31, 2015**	**March 31, 2016**
Assets			
Current:			
Accounts receivable	$ 129,398	89,563	$ 135,746
Inventories (Note 3)	121,691	109,186	124,090
Prepaid expenses	1,740	1,281	1,317
	252,829	200,030	261,153
Property, plant and equipment	40,567	42,645	41,400
Long-term receivable	647	689	680
Deferred tax assets	2,245	2,047	2,379
	$ 296,288	$ 245,411	$ 305,612
Liabilities and Shareholders' Deficiency			
Current:			
Revolving credit facility (Note 4)	$ 47,420	$ 29,964	$ 81,346
Accounts payable and accrued liabilities	99,769	68,092	77,483
Income taxes payable	5,697	8,578	10,130
Current portion of long-term debt	262	270	253
Current portion of finance lease obligation	2,545	2,395	2,439
	155,693	109,299	171,651
Long-term debt	1,091	1,394	1,245
Finance lease obligation (Note 10)	23,498	25,622	25,024
Deferred gain	3,484	3,867	3,772
Provisions	1,485	1,862	1,629
Subordinated notes (Note 6)	128,834	128,834	128,834
	314,085	270,878	332,155
Shareholders' Deficiency:			
Share capital (Note 7)	13,229	13,229	13,229
Accumulated other comprehensive income (Note 7)	7,033	7,819	6,028
	20,262	21,048	19,257
Deficit	(38,059)	(46,515)	(45,800)
	(17,797)	(25,467)	(26,543)
	$ 296,288	$ 245,411	$ 305,612

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)

(in thousands of Canadian dollars, except per share amounts)	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Sales	$ 277,408	$ 292,476	$ 937,926	$ 1,084,440
Cost of sales	255,206	267,509	854,823	991,430
Gross margin	22,202	24,967	83,103	93,010
Expenses:				
Distribution	5,560	5,392	16,624	16,000
Selling and administration	10,436	13,175	37,723	44,119
Finance (Note 8)	1,150	1,262	3,697	4,163
Subordinated debt interest (Note 6)	4,087	4,087	12,262	12,262
Other income	(145)	(193)	(378)	(417)
	21,088	23,723	69,928	76,127
Earnings before income tax	1,114	1,244	13,175	16,883
Income tax expense (Note 5)	1,274	1,297	5,434	5,878
Net earnings (loss) for the period	$ (160)	$ (53)	$ 7,741	$ 11,005
Other comprehensive income for the period				
(Item that may be reclassified to net earnings)				
Exchange differences on translating foreign controlled entities	$ 730	$ 1,332	$ 1,005	$ 2,448
Total comprehensive income for the period	$ 570	$ 1,279	$ 8,746	$ 13,453
Basic and diluted net earnings per common share	$ 0.00	$ 0.00	$ 0.24	$ 0.34
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 Statements of Changes in Shareholders' Deficiency (Unaudited)

For the nine months ended December 31, 2015

(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	-	11,005	-	11,005
Other comprehensive income	-	-	2,448	2,448
Balance at December 31, 2015	$ 13,229	$ (46,515)	$ 7,819	$ (25,467)

For the nine months ended December 31, 2016

(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	-	7,741	-	7,741
Other comprehensive income	-	-	1,005	1,005
Balance at December 31, 2016	$ 13,229	$ (38,059)	$ 7,033	$ (17,797)

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 December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Cash provided by (used in):				
Operating:				
Net earnings (loss)	$ (160)	(53)	$ 7,741	$ 11,005
Adjustments for non-cash items				
Amortization	1,074	1,063	3,111	3,161
Income tax expense	1,274	1,297	5,434	5,878
Mark-to-market adjustment on financial instruments	(94)	24	(390)	38
Change in provisions	(49)	(45)	(144)	(134)
Loss (gain) on asset disposal	(50)	(6)	(91)	4
Amortization of deferred gain	(96)	(96)	(288)	(287)
Finance and subordinated debt interest expense	5,237	5,349	15,959	16,425
Interest paid	(1,108)	(1,209)	(3,554)	(3,953)
Income tax paid	(42)	(189)	(10,279)	(4,392)
Changes in non-cash working capital (Note 11)	11,717	21,153	32,223	86,067
Cash flows from operating activities	17,703	27,288	49,722	113,812
Investing:				
Purchase of property, plant and equipment	(610)	(578)	(1,439)	(1,277)
Proceeds from disposition of property, plant and equipment	111	13	180	46
Cash flows used in investing activities	(499)	(565)	(1,259)	(1,231)
Financing:				
Repayment of long-term debt	(65)	(65)	(191)	(189)
Repayment of obligations under finance leases	(601)	(668)	(1,984)	(2,005)
Subordinated notes interest paid	(4,087)	(4,087)	(12,262)	(12,262)
Cash flows used in financing activities	(4,753)	(4,820)	(14,437)	(14,456)
Effect of changes in foreign currency on Revolving Credit Facility	(83)	(274)	(100)	(714)
Net decrease in Revolving Credit Facility	12,368	21,629	33,926	97,411
Revolving Credit Facility, beginning	(59,788)	(51,593)	(81,346)	(127,375)
Revolving Credit Facility, ending	$ (47,420)	$ (29,964)	$ (47,420)	$ (29,964)

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, 2016, which have been prepared in accordance with IFRS as issued by the IASB. These Financial Statements were authorized for issue on February 9, 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. Inventories

(in thousands of dollars)	**December 31, 2016**	**December 31, 2015**	**March 31, 2016**
Allied building products	25,321	24,792	31,547
Lumber products	73,239	64,354	70,019
Panel products	22,529	19,523	21,639
Production consumables	678	589	980
Inventory provision	(76)	(72)	(95)
Total	121,691	109,186	124,090

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

4. Revolving Credit Facility

(in thousands of dollars)	**December 31, 2016**	**December 31, 2015**	**March 31, 2016**
Revolving credit facility	47,994	30,841	82,140
Financing costs, net of amortization	(574)	(877)	(794)
Total	47,420	29,964	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 December 31, 2016.

5. Income Taxes

Income tax expense is comprised of:

	Three months ended December 31,		**Nine months ended December 31,**	
(in thousands of dollars)	**2016**	**2015**	**2016**	**2015**
Current	1,544	1,096	5,472	8,705
Future	(270)	201	(38)	(2,827)
Total	1,274	1,297	5,434	5,878

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 period ended December 31, 2016.

A company that was a significant shareholder held 35.71% (2015 – 35.71%) of the outstanding Notes at December 31, 2016. 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 held 17.20% (2015 - 17.20%) of the outstanding Notes of Taiga at December 31, 2016.

During the three months ended December 31, 2016, the amount of interest incurred for these related parties was $1,188,572 (2015 - $1,188,572) and $775,392 (2015 - 775,392), respectively. For the nine months ended December 31, 2016, interest incurred for these related parties were $3,565,715 (2015 - $3,565,715) and $2,326,176 (2015 - $2,326,176), 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

(in thousands of dollars, except number of shares)	**Number of Shares**	**Amount**
Balance, December 31, 2016, December 31, 2015 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 any dividend in respect of the 2016 fiscal year's net earnings.

8. Finance Expense

The finance expense is comprised of:

	Three months ended December 31,		**Nine months ended December 31,**	
(in thousands of dollars)	**2016**	**2015**	**2016**	**2015**
Interest on revolving credit facility and other short term liabilities	609	692	2,048	2,426
Interest on finance leases and long-term debt	468	500	1,428	1,526
Amortization of financing costs	73	70	221	211
Total	1,150	1,262	3,697	4,163

9. Canada Revenue Agency Reassessment

In connection with the notice of reassessment in the amount of approximately $41 million (which includes interest) received by Taiga from the Canada Revenue Agency (CRA) relating to Taiga's 2005 to 2013 taxation years, Taiga paid the full amount of the reassessment on January 31, 2017 using proceeds provided by its former two major shareholders. The Company and the two former major shareholders had previously entered into formal agreements whereby the shareholders agreed to fully indemnify the Company from this potential liability, including related liabilities. The Company intends to challenge the reassessment and vigorously defend its tax filings and to seek a resolution as soon as practicable. Taiga's two former major shareholders may elect to assume any action or defence of Taiga in connection with the foregoing pursuant to the terms of indemnity agreements with Taiga. The amount payable to the CRA by the Company as at December 31, 2016 has been included in accounts payable with a corresponding amount included in accounts receivable that is due from the Company's two former major shareholders.

10. Financial Instruments

Accounting for financial instruments

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

(in thousands of dollars)	**December 31, 2016**	**March 31, 2016**
Held for trading	11	(379)
Loans and receivables	130,045	136,426
Other financial liabilities	(303,430)	(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)	**December 31, 2016**	**March 31, 2016**
Carrying amount	26,043	27,463
Fair value	25,930	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)	**December 31, 2016**	**March 31, 2016**
Carrying amount	128,834	128,834
Fair value	147,515	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)	**December 31, 2016**	**March 31, 2016**
Lumber futures	58	(270)
Interest swap	(47)	(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.

11. Changes in Non-Cash Working Capital

	Three months ended December 31,		Nine months ended December 31,	
(in thousands of dollars)	**2016**	**2015**	**2016**	**2015**
Decrease in accounts receivable	41,263	45,500	6,738	44,796
(Increase) Decrease in inventories	(12,409)	1,101	2,399	57,321
(Increase) Decrease in prepaid expenses and other	(1,146)	(345)	(1,055)	32
Effect of foreign exchange on working capital	1,049	1,332	1,452	2,509
Increase (Decrease) in AP & accrued liabilities	(17,040)	(26,435)	22,689	(18,591)
Total	11,717	21,153	32,223	86,067

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:

	Revenue by Point of Sale							
	Three months ended December 31,				Nine months ended December 31,			
	2016		2015		2016		2015	
	$000's	%	$000's	%	$000's	%	$000's	%
Canada	241,836	87.2	259,135	88.6	823,896	87.8	983,259	90.7
United States	35,572	12.8	33,341	11.4	114,030	12.2	101,181	9.3

During the three months ended December, 2016, Taiga's Canadian operations had export sales of $59.7 million (2015 - $63.3 million). For the nine month period ended December 31, 2016, Canadian operations had export sales of $190.8 million (2015 – $196.5 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.

14. Subsequent Event

On January 31, 2017, Taiga paid the full amount owing to the CRA (The Reassessment) in relation to Note 9 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 significant shareholder. UPP is an investment holding company listed on the Singapore Exchange.