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For the year Ended March 31, 2005 and 2004

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6.0 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS OF TAIGA

This management discussion and analysis is presented as at May 17, 2005. The financial information disclosed in this report has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is presented in Canadian dollars. The following discussion and analysis of Taiga's financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended March 31, 2005 and March 31, 2004. All public filings made with the Canadian securities regulatory authorities and further information on Taiga is available free of charge on the SEDAR website at www.sedar.com.

This discussion contains statements that are not historical facts and are forward-looking statements. These statements are subject to a number of risks described under "Risk Factors" and include, but are not limited to, sales and margin risk, customer risk, dependence on market economic conditions, interest rate risk, growth risk, risks of acquisitions, competition, supply of commodities and volatile commodity prices, inventory risks, and customer and vendor risks. These risks and uncertainties may cause actual results to differ materially from those contained in such forward-looking statements. Such statements reflect Management's current views and are based on certain assumptions. They are, by necessity, only estimates of future developments and actual developments may differ materially from these statements due to a number of factors. Investors are cautioned not to place undue reliance on such forward-looking statements. No forward-looking statement is a guarantee of future results.

In this discussion, reference is made to EBITDA, which represents earnings before interest, taxes, depreciation 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 we interpret 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 GAAP.

Overview

Taiga is the largest independent wholesale distributor of building products in Canada measured by revenue. Taiga distributes building products in Canada, the United States and internationally. As a wholesale distributor, Taiga maintains substantial inventories of building products at 15 strategically located distribution centres throughout Canada and one at a distribution centre in

Northern 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 and one remanufacturing facility that produces building materials such as fence products and custom-cut lumber. These manufactured products are also distributed within Taiga's distribution network. Factors that affect Taiga's year-over-year profitability include sales levels, price fluctuations and product mix.

The strong new housing and renovation markets in both Canada and the United States helped Taiga achieve exceptional results this year. Canadian housing starts, as reported by the CMHC, achieved a 17-year high of 233,431 in 2004. In the United States, the National Association of Home Builders reported housing starts in 2004 of 1.953 million, up 5.7% from 2003. Low interest rates and low unemployment created an excellent business environment for Taiga.

Selected Annual Information

The following selected financial information for Taiga has been derived from the audited financial statements of Taiga for its fiscal years ended in 2005, 2004 and 2003. This information should be read in conjunction with these statements and the additional financial information contained elsewhere in this report.

(\$ millions of dollars except per share amount in dollars)

	Fiscal Year Ended March 31,		
	2005	2004⁽¹⁾	2003⁽¹⁾
Income Statement Data:			
Sales	\$ 1,330 ⁽²⁾	\$ 1,087 ⁽²⁾	\$ 917 ⁽²⁾
Gross Profit	\$ 109.3	\$ 92.4	\$ 73.3
Total Expenses	\$ 72.7	\$ 77.2	\$ 62.1
Net Earnings	\$ 26.7	\$ 10.5	\$ 7.7
Net Earnings per Share (Basic and Fully Diluted)	\$ 3.35	\$ 1.34	\$ 1.01
Cash Dividends declared	\$ 2.8	\$ 2.0	\$ 1.6
Weighted Average Number of shares outstanding	7,961,420	7,961,420	7,777,420
EBITDA	\$ 45.3	\$ 24.8	\$ 19.1
Balance Sheet Data:			
Working capital	\$ 71.3 ⁽³⁾	\$ 56.1 ⁽³⁾	\$ 32.3 ⁽³⁾
Total assets	\$ 332.1	\$ 302.7	\$ 262.1

Notes:

(1) The amounts are derived from Taiga's audited historical financial statements which have been adjusted for a prior-period adjustment as a result of a tax audit conducted by the Canada Revenue Agency. For further information on the adjustment, see note 14 c) 'Subsequent Events' in the audited statements for the fiscal year ended March 31, 2005.

(2) Impact of Accounting Policy Changes on Sales - Taiga contemplated revised Section 1100, Generally Accepted Accounting Principles of the CICA Handbook and determined that it was necessary to revise the presentation of antidumping and countervailing duties. These items are now recorded as an addition to cost of sales as opposed to a deduction from revenue. The accounting change was applied retroactively. This change increased revenue by \$1.8 million in 2005, \$4.2 million in 2004 and \$3.8 million in 2003. There was no effect on gross margin

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

Financial Instruments

Taiga has financial instruments which include accounts receivable, bank indebtedness, credit facilities, accounts payable and accrued liabilities, and long-term debt, the carrying values of which approximate fair values at March 31, 2005.

Hedging -

The Company may enter into foreign exchange contracts with financial institutions to hedge the value of foreign currency denominated sales and purchases. Gains and losses arising from these contracts offset the gains and losses from the underlying foreign currency transactions. At March 31, 2005, Taiga did not have any foreign exchange contracts outstanding to purchase or sell \$US and had obligations to purchase US\$220,000 at March 31, 2004 at an average exchange rate of Cdn.\$1.3284.

Off-Balance Sheet Arrangements -

There are no material off-balance sheet arrangements of Taiga that management is aware of other than those disclosed in the financial statements.

For a detailed description of financial instruments and their associated risks, see Note 3 'Financial Instruments' in the audited statements for the fiscal year ended March 31, 2005.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) 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. Significant areas requiring such estimates are accounting valuations, inventory, the composition of future income taxes, and volume rebates. Although management believes the estimates used while preparing its financial statements are reasonable, actual results may be different from these estimates.

The significant accounting policies of Taiga are described in Note 1 of the audited financial statements. The policies which Taiga believes are the most critical to assist with understanding and evaluating its reported financial results include the following:

Revenue recognition -

Revenue is recognized at the time of shipment at agreed prices to credit-approved customers, consistent with common forest industry terms of trade. At the time of shipment, the significant risks and rewards of ownership have been transferred.

Valuation of long-lived assets -

Taiga reviews the carrying values of its buildings and equipment on a regular basis by reference to estimated future operation results and undiscounted net cash flows. If the carrying value of these assets exceeds estimated net recoverable amounts, a provision for impairment will be made unless the decline is temporary.

Inventory valuation -

Inventories are valued at the lower of average cost and net realizable value.

Foreign currency translation -

Transactions denominated in US dollars have been translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate. Exchange gains and losses are included in earnings.

The accounts of the self-sustaining foreign operation are accounted for by the current rate method. Under this method, assets and liabilities are translated into Canadian dollars at prevailing rates of exchange at each balance sheet date, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Foreign currency gains and losses are deferred as a component of additional paid-in capital.

Related Party Transactions

During fiscal year 2005, the Company paid \$163,056 (2004 - \$458,751) to a subsidiary company of Berjaya Group Berhad. Berjaya Group Berhad's wholly-owned subsidiary, Berjaya Forest Products (Cayman) Limited, owns 39.8% of Taiga's outstanding voting securities. The payment was for purchases, made at fair market value, of building materials for resale within the Canadian market.

Results of Operations

Fiscal Year ended March 31, 2005 Compared to the Fiscal Year Ended March 31, 2004

Sales -

- Taiga's sales were \$1,330.0 million in the fiscal year ended March 31, 2005 compared to \$1,086.8 million in the fiscal year ended March 31, 2004, an increase of \$243.2 million, or 22.4%.

- Dimension lumber sales increased \$146.5 million (44.3%) over fiscal year 2004. This increase was primarily due to strong demand and high commodity prices.

- Panel products sales increased \$19.6 million (4.7%) over fiscal year 2004; a solid result given that fiscal year 2004 sales for this product line represented an increase of 61% over fiscal year 2003.

- Treated wood sales produced good results again this year and increased \$8.4 million (7.2%) over fiscal year 2004.

- Engineered wood achieved exceptional results with an increase of \$49.4 million (54.5%) over fiscal year 2004.

- Allied products sales increased \$21.6 million (17.5%) over fiscal year 2004. Within this category, insulation sales increased \$22.1 million, or 42.0%, and mouldings performed well with a sales increase of \$6.5 million, or 35.9%, over fiscal year 2004.

Gross Margin -

Gross margin increased to \$109.3 million, an increase of \$16.9 million (18.3%) from fiscal year 2004. Gross margin, as a percentage of sales, fell from 8.5% in fiscal year 2004 to 8.2 % in the current fiscal year largely due to price volatility and margin erosion in the panel products sector. Had this sector realized gross margins similar to that of fiscal year 2004, overall gross margin for fiscal year 2005 would have been 9.0%. Oriented Strand Board (OSB) was the hardest-hit within this sector; gross margins reduced to 2.3% from 6.8% in fiscal year 2004. Unfortunately, Taiga had made volume commitments with some suppliers and prices were determined by published prices that were consistently higher than market pricing. Management has reviewed this process and as a result will ensure that the terms of any future commitments will mitigate the risk of declining prices.

Expenses -

Distribution, selling and administration expense measured as a percent of sales decreased to 5.1% of sales in fiscal year 2005 from 6.5% in fiscal year 2004. Expenses fell by \$2.3 million or 3.2% to \$68.2 million compared to \$70.5 million for the prior year. The majority of these cost decreases resulted from cost saving measures initiated by Taiga during the last year.

Operating Income -

As a result of the overall increase in gross margin dollars and reduced expenses, operating income in fiscal year 2005 increased to \$35.3 million or 2.7% of sales, an increase over fiscal year 2004 results of \$15.5 million or 1.4% of sales.

Interest Income and Expense -

Total interest expense declined 9.6% in fiscal year 2005 to \$5.8 million as compared to \$6.4 million in fiscal year 2004. This decrease is primarily attributable to a reduction in the average borrowings under Taiga's revolving credit line as a result of an increased focus on managing working capital. This is evidenced by increased inventory turns and lower days sales outstanding in accounts receivable during fiscal year 2005 compared to fiscal year 2004.

Net Income -

Net income increased to \$26.7 million in fiscal year 2005 from \$10.5 million in fiscal year 2004. The year-over-year increase in net income resulted from a combination of increased sales volumes and prices, as well as decreased costs due to recently initiated cost-saving measures. Additionally, the sale of resort homes resulted in a one-time gain on disposal of \$1.6 million. Net income was adversely effected by our re-manufacturing subsidiary Elmira Wood Products Ltd. which posted an after tax loss of \$0.6 million in fiscal year 2005. Although this was an improvement over the fiscal year 2004 after tax loss of \$1.2 million management continues to direct efforts toward additional improvements.

EBITDA -

EBITDA increased by \$20.5 million to \$45.3 million or 3.4% of sales in fiscal year 2005, up from \$24.8 million or 2.3% of sales in fiscal year 2004.

Segmented Revenue -

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

(in thousands of dollars)	Years ended March 31,			
	2005		2004	
	Sales	%	Sales	%
Canada	\$ 1,202.9	90.5%	\$ 970.1	89.3%
US	127.0	9.5	116.7	10.7

Summary of Quarterly Results

	June 30, 2004 - March 31, 2005				June 30, 2003 - March 31, 2004			
	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
(in thousands of dollars, except per share amount in dollars)								
Sales, as previously reported	\$384,388	\$383,485	\$277,909	\$282,251	\$258,373	\$306,210	\$244,080	\$273,906
Effect of reclassification	998	513	118	189	2,353	1,168	286	403
Sales, reclassified (1)	\$385,386	\$383,998	\$278,027	\$282,440	\$260,726	\$307,378	\$244,366	\$274,309
Net earnings (2)	\$5,778	\$5,533	\$763	\$14,593	\$569	\$4,424	\$1,818	\$3,725
Earnings per share	\$0.73	\$0.70	\$0.10	\$1.82	\$0.07	\$0.56	\$0.23	\$0.48

Notes to Summary of Quarterly Results:

(1) Impact of Accounting Policy Changes on Sales - Taiga contemplated revised Section 1100, Generally Accepted Accounting Principles of the CICA Handbook and determined that it was necessary to revise the presentation of antidumping and countervailing duties. These items are now recorded as an addition to cost of sales as opposed to a deduction from revenue. The accounting change was applied retroactively.

(2) The amounts are derived from Taiga's audited historical financial statements which have been adjusted for a prior-period adjustment as a result of a tax audit conducted by the Canada Revenue Agency. For further information on the adjustment, see note 14 c) 'Subsequent Events' in the audited statements for the fiscal year ended March 31, 2005

Taiga operates in a seasonal industry that generally experiences higher sales in the first and second quarters and reduced sales in the third and fourth quarters, of each fiscal year.

Comparison of the Quarters Ended March 31, 2005 and 2004

Sales increased to \$282.4 million during the fourth quarter, up \$8.1 million or 3.0% compared to \$274.3 million during the same period of the prior year. Lumber sales increased 21.4% or \$27.2 million again due to strong demand and high commodity prices. Within this category, engineered wood achieved outstanding results with an increase of 65.6% or \$14.5 million. Unfortunately, panel products suffered from price erosion so that sales decreased 24.3%, or \$29.4 million. Allied Products performed very well and sales increased \$10.5 million, or 40.7%. Within this category, insulation sales increased \$8.7 million, or 75.5% and Trex® composite decking realized a solid increase in sales of 97.4%.

Gross margins for the fourth quarter were \$27.5 million versus \$24.7 million last year. Although gross margin dollars for lumber increased 19.3% and 32.2% for Allied Products, panel products dampened the increase by declining 36.7%.

Operating income increased by 187%, or \$10.3 million to \$15.8 million from \$5.5 million in the prior year. The main components of the increase are an increase of \$2.8 million in gross margin, and a reduction in expenses of \$6.5 million resulting from adjustments to bad debt and bonus over-accruals that were made during the current fiscal year.

Net income in the fourth quarter of fiscal year 2005 increased to \$14.6 million from \$3.7 million in the fourth quarter of fiscal year 2004. During the quarter, Taiga completed the sale of its three resort homes which resulted in a gain of \$1.6 million.

Financial Condition

Selected Data on Financial Position

	Year Ended March 31,		
	2005	2004 ⁽¹⁾	2003 ⁽¹⁾
(in thousands of dollars, except ratios)			
Current Assets	276,754	251,779	213,644
Current Liabilities	205,504	195,639	181,356
Working Capital	71,250	56,140	32,288
Total Long Term Liabilities	25,518	29,209	12,159
Total Assets	332,150	302,713	262,136
Shareholders' Equity	101,128	77,864	68,621
Ratios			
Current Ratio	1.35:1	1.29:1	1.18:1
Inventory Turnover	11.2	10.8	10.2
Return on Equity	26.4%	13.5%	11.3%
Number of Days Sales in			
Trade Accounts Receivable	34.1	35.6	36.4
Total Liabilities to			
Shareholders' Equity	2.28:1	2.88:1	2.82:1

Notes:

(1) The amounts are derived from Taiga's audited historical financial statements which have been adjusted for a prior-period adjustment as a result of a tax audit conducted by the Canada Revenue Agency. For further information on the adjustment, see note 14 c) 'Subsequent Events' in the audited statements for the fiscal year ended March 31, 2005

Liquidity and Capital Resources

Cash flow from operating activities -

In fiscal year 2005, Taiga generated cash of \$3.5 million from its operating activities compared to \$1 million in fiscal year 2004. The \$2.5 million increase was primarily due to the net income increase of \$16.2 million which was offset by a change in non-cash working capital of \$14.1 million (largely due to increased inventories) and a one-time gain of \$1.4 million on disposal of fixed assets.

Maintenance capital expenditures -

Maintenance capital expenditures consist primarily of building and leasehold improvements, furniture and fixture purchases, warehouse equipment, delivery trucks and yard forklifts. Annual maintenance capital expenditures average approximately \$1.0 million per year and management estimates that this amount represents the maintenance capital expenditures to be incurred by Taiga over each of the next three years.

Contractual obligations -

The following table shows Taiga's contractual obligations at March 31, 2005 within the periods indicated.

Contractual Obligations (in thousands of dollars)	Total	Payment Due by Period	
		Less than 1 year	1-3 years
Long Term Debt	\$ 28,791	\$ 3,273	\$ 6,351
Operating Leases	5,394	2,061	2,373
Total Contractual Obligations	\$ 34,185	\$ 5,334	\$ 8,724

Contractual Obligations (in thousands of dollars)	Payment Due by Period	
	4-5 years	After 5 years
Long Term Debt	\$ 17,376	\$ 1,791
Operating Leases	743	217
Total Contractual Obligations	\$ 18,119	\$ 2,008

Working Capital

Working capital increased by \$15.2 million to \$71.3 million at March 31, 2005 compared to \$56.1 million at March 31, 2004. The increase was primarily due to an increase in inventory at the end of the period which was required to meet an increasing sales volume. Taiga's focus on managing working capital has resulted in improvements as evidenced by an increase in inventory turns to 11.2 in fiscal year 2005 from 10.8 in the prior year and accounts receivable days sales outstanding have decreased to 34.1 in fiscal year 2005 from 35.6 in the prior year.

Total Assets

Total assets were \$332.1 million at March 31, 2005 and \$302.7 at March 31, 2004. The increase of \$29.4 million is primarily the result of increased inventories as well as, to a lesser extent, increases in accounts receivable, land, buildings, equipment and leaseholds and future income taxes, offset by a decrease in income taxes recoverable.

Accounts receivable increased \$2.2 million to \$127.3 million at March 31, 2005, compared to \$125.1 million at March 31, 2004.

Inventory increased by \$24.4 million to \$145.2 million at March 31, 2005, compared to \$120.8 at March 31, 2004.

The net balance of land, buildings, equipment and leaseholds increased by \$3.0 million to \$49.3 million at March 31, 2005, compared to \$46.3 million at March 31, 2004. Purchases of land, buildings, equipment and leaseholds during the current fiscal year were \$7.2 million and amortization was \$2.9 million.

In connection with the purchase of fixed assets, \$3.7 million of the \$7.2 million is related to the purchase of Taiga's distribution centre in Brampton, Ontario. Taiga had leased this facility since 1996 when it acquired certain assets of the business operating at this facility from Norbord Building Materials, the building products distribution division of Norbord Industries Inc. This business had operated under the Norbord banner since the mid 1980's. The facility consists of buildings totaling 39,521 sq. ft. situated on 5.3 acres, with approximately 4.0 of these acres being paved. This location is an essential strategic link in Taiga's distribution chain.

Additionally, \$1.8 million was used to acquire computer software and hardware. Taiga is currently upgrading its computer systems and anticipates that an additional \$1.2 million will be required to complete the upgrade, which is expected to occur in the first half of fiscal year 2006.

Taiga also expended \$0.5 million to acquire a wood preservation plant in Ontario. Taiga currently owns plants in British Columbia and Alberta and this new plant gives Taiga a local presence in the eastern Canadian market. \$0.3 million was used to upgrade Taiga's British Columbia and Alberta wood preservation plants. The remaining \$0.9 million was primarily used for regular forklift and delivery truck replacements as well as yard paving.

Income taxes recoverable decreased by \$1.0 million to \$2.6 million at March 31, 2005, compared to \$3.6 million at March 31, 2004 as explained in Note 9 'Income Taxes' in the audited statements for the fiscal year ended March 31, 2005.

The future income tax asset increased by \$0.8 million to \$6.1 million at March 31, 2005, compared to \$5.3 million at March 31, 2004 as explained in Note 9 'Income Taxes' in the audited statements for the fiscal year ended March 31, 2005.

Total Liabilities

Liabilities increased from \$224.8 million in the year ended March 31, 2004 to \$231.0 million, at the close of March 31, 2005. The \$6.2 million increase is comprised primarily of an increase in credit facilities and future income taxes which is partially offset by a decrease in long-term debt and a slight decrease in accounts payable and accrued liabilities.

Credit facilities and bank indebtedness increased \$7.5 million to \$132.0 at March 31, 2005, compared to \$124.5 million at March 31, 2004. This increase was the result of the increase in inventories at the end of the period.

The future income tax liability increased to \$3.6 million at March 31, 2005 from \$nil at March 31, 2004 as explained in Note 9 'Income Taxes' in the audited statements for the fiscal year ended March 31, 2005.

Long-term debt decreased \$3.7 million from \$32.5 million at March 31, 2004 to \$28.8 million at March 31, 2005 as a result of principal payments of \$3.1 million being made in the current year and a \$0.6 million reduction due to exchange translation on our US subsidiary's debt.

Accounts payable and accrued liabilities decreased marginally by \$1.3 million from \$67.9 million at March 31, 2004 to \$66.6 million at March 31, 2005.

Financing

Taiga utilizes three Canadian banks and one US bank to finance its operations.

Presently, the Canadian banks provide a maximum revolving New Credit Facilities of \$115 million from November 1 to February 28 and \$150 million from March 1 to October 31. As of March 31, 2005, Taiga was utilizing \$115 million of the \$150 million facility. This facility is reviewed and renewed in November of each year. Taiga's main source of liquidity will be cash provided by operations and the Credit Facilities. Management believes that such sources of liquidity will be sufficient to fund future working capital requirements, capital expenditures and Taiga's planned growth.

Outstanding Share Data

The Company has only one class of authorized shares. On March 31, 2005, there were 7,961,420 Taiga Shares issued and outstanding. Additionally, during the past year the Company has issued 60,000 stock options to purchase Taiga Shares. Additional details concerning stock options are provided in note 8 'Share Capital' of the audited statements for the fiscal year ended March 31, 2005.

Changes in Accounting Policy

Generally Accepted Accounting Principals -

Taiga has adopted the new recommendations in the Canadian Institute of Chartered Accountants Section 1100 – Generally Accepted Accounting Principles. Freight costs recovered from customers are included in revenue, while freight costs and softwood lumber antidumping and countervailing duties are classified as cost of sales. Previously, Taiga recorded revenue net of both freight costs and duties. The prior periods have been reclassified to be comparable. The impact was to increase sales and cost of goods sold by \$4,209,672 in fiscal 2004 and by 3,804,000 in fiscal 2003.

Stock-Based Compensation -

Taiga follows the recommendations of CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments" which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Effective January 1, 2004, these recommendations require compensation for all awards made, including stock appreciation

rights, direct awards of stock and awards that call for settlement in cash or other assets, be measured and recorded in the financial statements at fair value. For the purpose of this Section, employees include directors who receive stock compensation for services provided as a director since all directors are elected by the Company's shareholders. This section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after January 1, 2002.

Had compensation costs for the Company's stock-based compensation plans been determined under the fair value based method of accounting, the effect of the Company's net income and earnings per common share for the year ended March 31, 2004 would have been minimal. Therefore, management did not restate 2004 comparative figures.

Accounting by a Customer for Certain Consideration Received from a Vendor

During the year, Taiga adopted the Emerging Issue Committee (EIC) Abstract #144, "Accounting by a Customer (including a reseller) for Certain Consideration Received from a Vendor". The EIC requires that cash received from a vendor that represents a reduction in the supplier's price is recorded as a reduction in cost of goods sold and related inventory. The adoption of this abstract has no material effect on Taiga's consolidated financial statements.

Risks and Uncertainties

The results of operations, business prospects and financial condition of Taiga are subject to a number of risks and uncertainties, and are affected by a number of factors outside of the control of Taiga. In addition to the factors discussed below, see "Risk Factors" for a complete discussion of the risks affecting Taiga's business.

Inventory -

The wholesale building products distribution industry is characterized by large sales volumes and low gross margins. It is highly sensitive to price, quality, timeliness of delivery and continuity of supply. In addition, the demand for some of Taiga's products is cyclical and prices can change rapidly.

Taiga's buying practices are designed to minimize the risk of rapidly changing prices, although there can be no assurance that such practices will actually reduce risk. Taiga does not generally hedge its inventory risk through the purchase of lumber futures contracts. Substantially all purchases are made based on current orders and anticipated sales, and most sales are made from inventory or against product on order. Inventory levels are monitored in an attempt to achieve balance between maximum inventory turnover and optimal customer service. Although Taiga strives to reduce the risk associated with price changes by maximizing inventory turnover, Taiga maintains significant quantities of inventory, which is effected by changing prices.

Currency -

The performance of the Canadian dollar compared to the US dollar presents a certain valuation risk for inventories purchased specifically for US markets. Taiga does not generally hedge these inventories with US exchange forwards, relying instead on rapid inventory turnover. Taiga continually monitors exchange trends and sells most US receipts into the spot market at the most advantageous rates possible. Taiga does make limited use of US exchange forward contracts. At March 31, 2005, Taiga did not have any outstanding obligations to purchase or sell \$US.

Credit Risk -

Taiga extends credit to its customers, which is generally unsecured. Taiga has credit management procedures in place to mitigate the risk of losses due to the insolvency or bankruptcy of customers. However, risk exists that some customers may not be able to meet their obligations and the loss of a large receivable would have a significant negative impact on Taiga's profitability.

Interest Risk -

Taiga utilizes significant leverage to finance day-to-day operations. The interest cost of Taiga's revolving bank facility is predominately prime-based. Increased interest rates will increase Taiga's operating costs and may reduce net profit after income tax. We monitor current interest rates and selectively utilize interest rate swap agreements to mitigate the risk. At March 31, 2005, Taiga had the following interest rate swap arrangements.

Counterparty	Maturity Date	Notional Amount	Fixed Interest Rate
Bank of Nova Scotia	10/26/05	\$ 1,500,000	4.35
HSBC Bank Canada	10/26/05	\$ 1,500,000	4.25
HSBC Bank Canada	08/27/07	\$ 10,000,000	3.90
HSBC Bank Canada	08/25/09	\$ 10,000,000	4.50

Contingent Liability -

Canada Revenue Agency is auditing the 2002, 2003 and 2004 taxation years for Taiga Forest Products Ltd. and the formation and financing of wholly-owned Taiga Forest Products General Partnership. It has questioned the provincial income tax payable as a result of the financing structure, as well as the provincial abatement deducted by the financing subsidiary. At present, it is not known what adjustments, if any, Canada Revenue Agency will propose with respect to the audit and as such, the amount of the potential liability, if any, cannot be determined at this time.

Subsequent Events

New Business Entity -

On April 28, 2005 Emerwood Home Products Limited ("Emerwood") was incorporated with the Company owning a 50% equity interest. Emerwood will launch a new business selling products not currently distributed by Taiga such as kitchen and washroom fixtures, plumbing and lighting. Over time, it is expected this new busi-

ness will mitigate the effect of the cyclical swings of the home construction business on the Company's revenue.

Proposed Reorganization-

On March 30, 2005 Taiga Forest Products Ltd. announced that its Board of Directors has approved, in concept, the conversion of the Company to an income fund structure or an equivalent value maximizing strategy and that BMO Nesbitt Burns Inc. has been appointed as the financial advisor to the proposed transaction.

The Company is currently analyzing various structures and intends to present a transaction to its shareholders for approval at its annual general meeting scheduled for June 2005.

Any transaction will be subject to market conditions at the time as well as final approval by the Board of Directors and regulatory, shareholder and other approvals.

Prior Period Adjustment -

Subsequent to the Auditors' Report of May 6, 2005, the Company received a letter from Canada Revenue Agency proposing adjustments for the 2001, 2002 and 2003 taxation years.

The financial statements have been restated to reflect this subsequent event. Additional details concerning the restatement are provided in note 14 "Subsequent Events" of the audited statements for the fiscal year ended March 31, 2005.

Outlook

Taiga's financial performance is primarily dependent on the industrial and 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. Ideal economic conditions for Taiga would include reasonable levels of economic growth moderate interest rates and low unemployment. These conditions generally promote consumer confidence and spending on new housing, or renovation and repairs.

In Canada, CMHC is forecasting housing starts to reach 216,300 units for the calendar year ending December 2005 which is close to 2004's 17-year high of 233,431 units. In the United States, the National Association of Home Builders is forecasting housing starts for 2005 to decrease only slightly by 3% to 4%, from 1.953 million starts in 2004.

7.0 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2005 and 2004

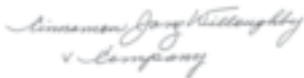
7.1 AUDITORS' REPORT

To the Shareholders of Taiga Forest Products Ltd.:

We have audited the consolidated balance sheets of Taiga Forest Products Ltd., as at March 31, 2005 and 2004 and the consolidated statements of income and retained earnings, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



HLB – Cinnamon Jang Willoughby & Company

Chartered Accountants

Burnaby, BC

May 6, 2005 (except for Note 14(c) as at May 15, 2005)

7.2 CONSOLIDATED BALANCE SHEET

Exhibit "A"

March 31, 2005 and 2004

Assets	2005	2004
Current:		
Accounts receivable	\$ 127,293,498	\$ 125,105,556
Income taxes recoverable	2,636,938	3,611,894
Inventories (Note 4)	145,200,796	120,765,625
Prepaid expenses	1,623,086	1,633,388
Future income taxes (Note 9)	–	662,202
	276,754,318	251,778,665
Other:		
Investments	25,000	25,000
Land, buildings, equipment and leaseholds (Note 5)	46,292,745	46,272,544
Future income taxes (Note 9)	6,077,887	4,636,293
	\$ 332,149,950	\$ 302,712,502
Liabilities		
Current:		
Bank indebtedness	\$ 14,459,305	\$ 8,579,888
Credit facilities (Note 6)	117,578,128	115,942,836
Accounts payable and accrued liabilities	66,575,714	67,850,044
Future income taxes (Note 9)	3,617,790	–
Current portion of long-term debt (Note 7)	3,272,595	3,266,387
	205,503,532	195,639,155
Long-term debt (Note 7)	25,518,223	29,209,203
	231,021,755	224,848,358
Shareholders' Equity		
Share Capital (Note 8)	13,442,135	13,442,135
Cumulative translation adjustment	(840,895)	(224,191)
Retained Earnings, per Exhibit "B"	88,526,955	64,646,200
	101,128,195	77,864,144
Commitments and Contingencies (Note 13)		
Subsequent Events (Note 14)		
	\$ 332,149,950	\$ 303,712,502

Approved by the Directors:



Kooi Ong Tong
Chairman of the Board



Sherwin Lim
Director

7.3 CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Exhibit "B"

For the Years Ended March 31, 2005 and 2004

	2005	2004
Sales	\$ 1,329,851,177	\$ 1,086,778,647
Cost of sales	1,220,583,461	994,386,918
Gross Profit	109,267,716	92,391,729
Expenses:		
Distribution	23,751,052	24,304,460
Selling and administration	44,447,451	46,166,817
Interest - current	4,150,537	5,085,469
- long-term	1,656,642	1,335,629
	74,005,682	76,892,375
Operating Income	35,262,034	15,499,354
Non-operating income (expenses)	1,320,999	(292,573)
Income before income taxes	36,583,033	15,206,781
Income taxes (Note 9)	9,915,781	4,670,972
Net Income	26,667,252	10,535,809
Retained Earnings, previously reported	64,646,200	56,966,871
Prior period adjustment (Note 14(c))	-	(884,000)
Dividends	2,786,497	1,972,480
Retained Earnings, ending, to Exhibit "A"	\$ 88,526,955	\$ 64,646,200
Basic and diluted earnings per share	\$ 3.35	\$ 1.34
Number of common shares outstanding	7,961,420	7,961,420

7.4 CONSOLIDATED STATEMENT OF CASH FLOWS

Exhibit "C"

For the Years Ended March 31, 2005 and 2004

	2005	2004
Operating Activities:		
Net Income, per Exhibit "B"	\$ 26,667,252	\$ 10,535,809
Adjustments for -		
Amortization	2,940,897	3,139,011
Future income taxes	2,838,398	378,452
Cumulative translation adjustment	(616,704)	(214,578)
Gain on disposal of equipment	(1,380,406)	(41,812)
	30,449,437	13,796,882
Changes in non-cash working capital (Note 10)	(26,912,186)	(12,832,701)
Cash flows from operating activities	3,537,251	964,181
Investing Activities:		
Purchase of land, buildings and equipment	(7,207,627)	(2,698,448)
Proceeds from disposition of condominium properties and equipment	1,988,973	58,727
Cash flows (used in) investing activities	(5,218,654)	(2,639,721)
Financing Activities:		
Net change in credit facilities	1,635,292	(283,961)
Proceeds (Repayment) of long-term debt	(3,046,809)	9,058,926
Issuance of share capital	-	894,675
Dividends	(2,786,497)	(1,972,480)
Cash flows from (used in) financing activities	(4,198,014)	7,697,160
Net Increase (Decrease) in Cash	(5,879,417)	6,021,620
Bank indebtedness, beginning	(8,579,888)	(14,601,508)
Bank indebtedness, ending	\$ (14,459,305)	\$ (8,579,888)
Supplemental Disclosure of Cash Flow Information:		
Interest	\$ 4,249,805	\$ 5,947,149
Income taxes	8,423,752	6,266,029

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

1. Significant Accounting Policies:

a) Basis of Presentation

These consolidated financial statements include Taiga Forest Products Ltd. and its wholly owned subsidiaries, Elmira Wood Products Ltd., Envirofor Preservers (B.C.) Ltd., Envirofor Preservers (Alta) Ltd., 624858 British Columbia Ltd., 2903 Ltd., 548421 British Columbia Ltd., 548422 British Columbia Ltd., Dynamic Forest Products Ltd., Taiga Forest Products Inc., Taiga Logistics Ltd., and Taiga Forest Products General Partnership.

b) Bank Indebtedness

Bank indebtedness consists of cheques issued in excess of funds on deposit integral to the Company's cash management.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) Buildings, Equipment and Leaseholds

The following assets are recorded at cost and amortization is provided using the following methods and annual rates:

Declining Balance Method -

Buildings	4% - 8%
Condominium properties	2.5%
Furniture and office equipment	8% - 30%
Warehouse and manufacturing equipment	10% - 30%

Straight-line Method -

Leasehold improvements	5 Years
Treating equipment	12 Years

The Company reviews the carrying values of its buildings and equipment on a regular basis by reference to estimated future operation results and undiscounted net cash flows. If the carrying value of these assets exceeds estimated net recoverable amounts, a provision for impairment will be made unless the decline is temporary.

e) Future Income Taxes

The liability method is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, unutilized non-capital losses, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future tax benefits are based primarily on the benefits of tax losses that were reported in different years in the financial statements and tax returns, and measured at the tax rate in effect in the year the difference originated. The carrying value of future income tax assets is limited to the amount that is more likely than not to be realized.

f) Foreign Currency Translation

Transactions denominated in US dollars have been translated into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

1. Significant Accounting Policies (continued):

f) Foreign Currency Translation (continued)

liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate. Exchange gains and losses are included in earnings.

The accounts of the self-sustaining foreign operation are accounted for by the current rate method. Under this method, assets and liabilities are translated into Canadian dollars at prevailing rates of exchange at each balance sheet date, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Foreign currency gains and losses are deferred as a component of additional paid in capital.

g) Revenue Recognition

Revenue is recognized at the time of shipment at agreed prices to credit-approved customers, consistent with common forest industry terms of trade. At the time of shipment, the significant risks and rewards of ownership have been transferred.

h) Stock-based Compensation

The Company has one stock-based compensation plan for eligible directors, officers, and employees which is described in Note 8. The Company uses the fair value based method to account for stock-based transactions and accordingly a compensation expense is recognized for awards made under these plans at fair value at the date of grant and is expensed over the award's vesting period. Any consideration paid by directors, officers, and employees on exercise of stock options or purchase of stock options is credited to share capital.

i) Earnings Per Share

The diluted earnings per share is calculated based on the weighted-average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This method requires that the dilutive effect of outstanding options issued should be calculated using the treasury stock method. This method assures that all common share equivalents have been exercised at the beginning of the period (or at time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period.

j) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the Company may undertake in the future, actual results may differ from the estimates.

2. Changes in Accounting Policies:

a) Generally Accepted Accounting Principles

The Company has adopted the new recommendations in the Canadian Institute of Chartered Accountants Section 1100 - Generally Accepted Accounting Principles. Freight costs recovered from customers are included in revenue, while freight costs and softwood lumber antidumping and countervailing duties are classified as cost of sales. Previously the Company recorded revenue net of both freight costs and duties. The prior periods have been reclassified to be comparable. The impact in 2004 was to increase sales and cost of goods sold by \$4,209,672.

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

2. Changes in Accounting Policies (continued):

b) Stock-based Compensation

The Company follows the recommendations of CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments" which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Effective January 1, 2004, these recommendations require that compensation for all awards made, including stock appreciation rights, direct awards of stock and awards that call for settlement in cash or other assets, be measured and recorded in the financial statements at fair value. For the purpose of this Section, employees include directors who receive stock compensation for services provided as a director since all directors are elected by the Company's shareholders. This Section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after January 1, 2002.

Had compensation costs for the Company's stock-based compensation plans been determined under the fair value based method of accounting, the effect on the Company's net income and earnings per common share for the year ended March 31, 2004 would have been minimal. Therefore, management did not restate 2004 comparative figures.

c) Accounting by a Customer for Certain Consideration Received from a Vendor

During the year, the company adopted the Emerging Issue Committee (EIC) Abstract #144, "Accounting by a Customer (including a reseller) for Certain Consideration Received from a Vendor." The EIC requires that cash received from a vendor that represents a reduction in the supplier's price is recorded as a reduction in cost of goods sold and related inventory. The adoption of this abstract has no material effect on the company's consolidated financial statements.

3. Financial Instruments:

a) Fair Values

The Company has financial instruments which include accounts receivable, bank indebtedness, credit facilities, accounts payable and accrued liabilities, and long-term debt, the carrying values of which approximate fair values at March 31, 2005 & 2004.

b) Financial Risks

Financial risks are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The degree of volatility of these rates are as follows:

i) Interest Rate Risk

The Company is exposed to interest rate fluctuations through their financing and cash management activities in the form of long-term debt. To manage this exposure, the Company has entered into the following interest rate swap agreements. These interest rate "swaps" convert the floating rate loans to a fixed rate basis.

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

3. Financial Instruments (continued):

b) Financial Risks (continued)

i) Interest Rate Risk (continued)

Counterparty	Maturity Date	Notional Amount	Fixed Interest Rate	Market Value at March 31, 2005
Bank of Nova Scotia	Oct 26, 2005	\$1,500,000	4.35	\$ 17,716
HSBC Bank Canada	Oct 26, 2005	1,500,000	4.25	16,319
HSBC Bank Canada	Aug 27, 2007	10,000,000	3.90	106,394
HSBC Bank Canada	Aug 25, 2009	10,000,000	4.50	267,205

The effect of the swap income (expense) is recorded in income as it is incurred.

ii) Foreign Exchange Risk

Approximately 21% (2004 - 23%) of the Company's sales are denominated in US currency. Normally, cash receipts from these sales are sold into the spot market at prevailing interest rates. On March 31, 2004, the Company had obligations to purchase US \$220,000 at an average rate of Cdn. \$1.3284 which was fulfilled during the 2005 fiscal year. As at March 31, 2005, the Company did not have outstanding obligations to purchase or sell US dollars.

4. Inventories:

	2005	2004
Allied building products	\$ 20,432,520	\$ 13,472,916
Lumber products	92,460,648	76,448,519
Panel products	32,307,628	30,844,190
	\$ 145,200,796	\$ 120,765,625

5. Land, Buildings, Equipment and Leaseholds:

	Cost	Accumulated Amortization	2005 Net	2004 Net
Land	\$ 12,693,194	\$ -	\$ 12,693,194	\$ 10,733,783
Buildings	36,158,742	8,498,810	27,659,932	26,690,905
Furniture and office equipment	4,476,006	2,074,418	2,401,588	911,186
Condominium properties	-	-	-	291,344
Warehouse and manufacturing equipment	13,167,768	6,692,574	6,475,194	7,405,750
Leasehold improvements	1,521,159	1,458,322	62,837	239,576
	\$ 68,016,869	\$ 18,724,124	\$ 49,292,745	\$ 46,272,544

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

6. Credit Facilities:

	2005	2004
The credit facilities and long-term debt are secured by a general assignment of book debts, inventories and general security agreements in favour of the banks.	\$ 117,578,128	\$ 115,942,836

7. Long-term Debt:

	2005	2004
Loans Payable -		
The loan bears interest at the Company's bank's prime rate plus 0.25%, payable monthly. Principal is payable in 19 equal quarterly installments of \$250,000 which commenced in December, 2003 with a final payment of the balance of principal and interest owing at September 28, 2008.	\$ 8,500,000	\$ 9,500,000
The loan bears interest at the Company's bank's prime rate plus 0.25%, payable monthly. Principal is payable in 19 equal quarterly installments of \$250,000 which commenced in December, 2003 with a final payment of the balance of principal and interest owing at September 28, 2008.	8,500,000	9,500,000
The loan bears interest at the Company's bank's prime rate plus 0.25%, payable monthly. Principal is payable in 120 equal monthly installments of \$41,667 which commenced in November, 2003 with a final payment of the balance of principal and interest owing at October 28, 2013.	4,291,667	4,791,667
The loan bears interest at the Company's USD bank's prime rate plus 0.25%, payable monthly. Principal is payable in 60 equal monthly installments which commenced August 2003 with a final payment of the balance of principal and interest owing at July 31, 2008.	7,344,151	8,683,923
The loan is an interest-free mortgage, open for repayment at any time before the due date without bonus or penalty, with the final payment owing in February, 2006.	155,000	-
	28,790,818	32,475,590
Less: Current portion	3,272,595	3,266,387
	\$ 25,518,223	\$ 29,209,203

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

7. Long-term Debt: (continued)

The total principal repayment for the next five years are as follows:

2006	\$	3,272,599
2007		3,155,314
2008		3,195,732
2009		16,875,521
2010		500,004

8. Share Capital:

a) **Authorized** - 53,886,210 Common shares

Issued and Fully Paid

	Number of Shares	Amount
Balance, March 31, 2002	3,883,710	\$ 12,499,460
Two-for-one stock split	3,883,710	-
Issued on stock options	10,000	48,000
Balance, March 31, 2003	7,777,420	12,547,460
Issued on stock options	184,000	894,675
Balance, March 31, 2004 and 2005	7,961,420	\$ 13,442,135

b) Stock Options

Under the Stock Option Plan the Company has reserved 407,272 common shares for this plan, which vest over a four year term. The exercise price of each option shall be fixed by the Board of Directors but shall not be less than the market price of the shares at the time the option is granted. Due to the proposed reorganization (see Note 14(b)) the options granted in 2005 will vest prior to the reorganization.

	March 31, 2005		March 31, 2004	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding, beginning	-	\$ -	204,000	\$ 4.80
Granted	60,000	14.50	30,000	-
Exercised	-	-	(184,000)	4.86
Expired	-	-	(50,000)	-
Outstanding, ending	60,000	14.50	-	-
Options exercisable, ending	60,000	14.50	-	-

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

8. Share Capital (continued):

b) Stock Options (continued)

Effective January 1, 2004, the Company accounts for all awards made, including stock appreciation rights, direct awards of stock, stock options and awards that call for settlement in cash or other assets, using the fair value method. Until January 1, 2004, the Company applied the intrinsic value based method of accounting for stock-based compensation awards granted to directors, officers and employees.

The fair value of each option is estimated as at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Dividend yield	2%
Expected volatility	30%
Risk-free interest rate	3.9%
Expected average option term	5 years

The weighted average fair value of the options granted to employees during the year was 4.78 per option. Accordingly, the 2005 compensation expense is \$230,100.

c) Dividend Policy

The company announced a dividend policy during the year whereby dividends would be paid at the rate of 25% on the net after tax income of the preceding year.

9. Income Taxes:

a) Significant Components Comprising Income Taxes

The reported income tax differs from the amount computed by applying the Canadian basic statutory tax rates to the net income. The reasons for this difference and the related tax effects are as follows:

	2005	2004
Expected income tax expense	\$ 11,614,024	\$ 5,814,848
Effect of manufacturing and processing deduction	–	(54,604)
Non-deductible expenses and other deductions	(1,831,586)	(1,056,290)
Benefit of temporary differences recognized	133,343	(32,982)
	\$ 9,915,781	\$ 4,670,972

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

9. Income Taxes (continued):

b) Future Income Taxes

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	2005	2004
Current Future Income Taxes -		
Current future income tax assets	\$ 264,508	\$ 1,138,811
Current future income tax liabilities	(3,882,298)	(476,609)
Net current future income tax assets (liabilities)	\$ (3,617,790)	\$ 662,202

	2005	2004
Long-term Future Income Taxes -		
Long-term future income tax assets	\$ 6,678,627	\$ 5,244,223
Long-term future income tax liabilities	(600,740)	(607,930)
Net long-term future income tax assets	\$ 6,077,887	\$ 4,636,293

10. Changes in Non-cash Working Capital:

	2005	2004
(Increase) Decrease in accounts receivable	\$ (2,187,943)	\$ (34,620,721)
(Increase) Decrease in income taxes recoverable	974,956	-
(Increase) Decrease in inventories	(24,435,171)	(3,753,582)
(Increase) Decrease in prepaid expenses	10,302	(503,366)
Increase (Decrease) in accounts payable and accrued liabilities	(1,274,330)	30,853,635
Increase (Decrease) in income taxes payable	-	(4,808,667)
	\$ (26,912,186)	\$ (12,832,701)

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

11. Segmented Information:

The company has two reportable geographic segments as follows:

	Canada	United States
2005		
Revenue	\$ 1,202,884,778	\$ 126,966,399
Land, buildings, equipment and leaseholds	59,447,337	8,569,532
Accumulated amortization	17,541,432	1,182,692
2004		
Revenue	\$ 970,105,526	\$ 116,673,121
Land, buildings, equipment and leaseholds	53,435,675	9,441,360
Accumulated amortization	15,751,134	853,357

The Company operates primarily in the wholesale products distribution industry segment. The Company had export sales of Cdn\$158,239,000 (2004 - \$134,775,000) primarily to the United States.

12. Related Party Transactions:

The Company paid \$163,056 (2004 - \$458,751) to a subsidiary company of Berjaya Group Berhad. Berjaya Group Berhad's wholly-owned subsidiary, Berjaya Forest Products (Cayman) Limited owns 39.8% of Taiga's outstanding voting securities. The payment was for purchases, made at fair market value, of building materials for resale within the Canadian market.

13. Commitments and Contingencies:

a) Softwood Lumber Antidumping and Countervailing Duties

On April 2, 2001, petitions for the imposition of antidumping and countervailing duties on softwood lumber from Canada were filed with the US Department of Commerce ("USDOC") and US International Trade Commission ("USITC") by certain US industry and trade groups. During that year, the USDOC imposed a preliminary antidumping duty ("ADD") and countervailing duty ("CVD") on the exports of softwood lumber from Canada to the US from August 2001 to May 15, 2002. The Company accrued \$13.6 million with respect to these duties.

In May 2002, the USITC determined that the US softwood lumber industry was only "threatened" with material injury and therefore all bonds posted prior to May 16, 2002 for ADD and CVD were cancelled. As a result, the Company reversed the \$13.6 million of duties that had earlier been accrued and the reversal was included in the 2003 cost of sales.

In May 2002, USDOC issued its final determination in the softwood lumber antidumping and countervailing investigations and imposed ADD and CVD requiring payments averaging 27.2% on all shipments of softwood lumber into the US from May 22, 2002 forward. On December 14, 2004, the USDOC announced the final results of the first administrative review of the softwood lumber anti-dumping and countervailing investigation and as a result the combined rate for ADD and CVD was

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

13. Commitments and Contingencies (continued):

a) Softwood Lumber Antidumping and Countervailing Duties (continued)

lowered to 21.2%. On January 24, 2005, the USDOC announced that, due to "ministerial errors" in the calculation of the ADD, the rates announced in the final administrative review were being amended so that the combined rate changed to 21.0%. Then, on February 18, 2005, the USDOC announced a slight adjustment in the CVD rate which resulted in a new combined rate of 20.2%.

As a result of these duties, the Company added, to cost of sales, ADD and CVD expenses of \$3,804,000 for the period from May 22, 2002 to March 31, 2003, \$4,210,000 for the period April 1, 2003 to March 31, 2004 and \$1,817,988 for the period April 1, 2004 to March 31, 2005.

The Company and other Canadian forest product companies, the Federal Government and Canadian Provincial governments (Canadian interests) categorically deny the US allegations and strongly disagree with the antidumping and countervailing determinations made by the USITC and USDOC. Canadian interests continue to aggressively defend the Canadian industry in this US trade dispute and are appealing the decision of these administrative agencies to the appropriate courts, North American Free Trade panels and the World Trade Organization. Notwithstanding, the rates established in the investigations and the postings of cash deposits, the final liability for the assessment of ADD and CVD will not be determined until the USDOC's administrative review process is complete. The initial reviews are underway. The finalization of any appeals, and the completion of the reviews, could extend beyond December 2005.

b) Outstanding Legal Matters

The Company is involved in certain legal actions and claims. It is the opinion of management that all legal matters will be resolved without material effect on the Company's consolidated financial statements.

c) Contingent Liability

The Canada Revenue Agency is auditing the 2002, 2003 and 2004 taxation years for Taiga Forest Products Ltd. and the formation and financing of Taiga Forest Products General Partnership. It has questioned the provincial income tax payable as a result of the financing structure, as well as the provincial abatement deducted by the financing subsidiary. At present, it is not known what adjustments, if any, the Canada Revenue Agency will propose with respect to the audit and as such, the amount of the potential liability, if any, cannot be determined at this time.

d) Obligations

The Company has obligations in respect of operating leases for premises and equipment as follows:

2006	\$	2,060,626
2007		1,448,246
2008		925,231
2009		521,364
2010		221,926

7.5 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Exhibit "D"

March 31, 2005 and 2004

14. Subsequent Events:

a) New Business Entity

On April 28, 2005 Emerwood Home Products Limited ("Emerwood") was incorporated with the Company holding a 50% equity interest. Emerwood will launch a new business selling products not currently distributed by the Company such as kitchen and washroom accessories, plumbing and lighting. Over time, it is expected this new business will mitigate the cyclical swings of the home construction business.

b) Proposed Reorganization

On March 30, 2005 Taiga Forest Products Ltd. announced that its Board of Directors has approved, in concept, the conversion of the Company to an income fund structure or an equivalent value maximizing strategy and that BMO Nesbitt Burns Inc. has been appointed as the financial advisor to the proposed transaction.

The Company is currently analyzing various structures and intends to present a transaction to its shareholders for approval at its annual general meeting scheduled for June 2005.

Any transaction will be subject to market conditions at the time as well as final approval by the Board of Directors and regulatory, shareholder and other approvals.

c) Prior Period Adjustment

Subsequent to the Auditors' Report date of May 6, 2005, the Company received a letter from Canada Revenue Agency proposing adjustments for the 2001, 2002, and 2003 taxation years.

The financial statements have been restated to reflect this subsequent event.

The proposed adjustments will likely result in additional taxes of approximately \$640,000 and interest of \$260,000. The effects on the various years are as follows:

	2004	2003	2002	2001	2000
Effect on opening retained earnings	\$ (884,000)	\$ (785,000)	\$ (357,000)	\$ (325,000)	\$ -
Interest expense	62,000	71,000	33,000	32,000	-
Income tax expense (recovery)	(290,000)	28,000	262,000	-	325,000
Future income tax expense	371,000	-	133,000	-	-

