

Consolidated Financial Statements of

Taiga Building Products Ltd.

Three months ended June 30, 2006 and 2005
(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102 “Continuous Disclosure Obligations”, Part 4, Subsection 4.3(3a), 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.

Taiga’s independent auditors, HLB Cinnamon Jang Willoughby, has not performed a review of these interim statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

Taiga Building Products Ltd.

Consolidated Balance Sheets

As at June 30, 2006 and March 31, 2006

<i>(in thousands of Canadian dollars)</i>	June 30, 2006 Restated	March 31, 2006 Restated
Assets		
Current:		
Accounts receivable	\$ 128,587	\$ 125,768
Income taxes recoverable	3,241	5,744
Inventories (Note 4)	110,415	135,862
Prepaid expenses	1,568	1,544
Future income taxes	-	332
	<u>243,811</u>	<u>269,250</u>
Land, buildings, equipment and leaseholds	27,212	27,317
Deferred financing fees	877	931
Future income taxes	4,487	8,074
	<u>\$ 276,387</u>	<u>\$ 305,572</u>
Liabilities and Unitholders' Equity		
Current:		
Bank indebtedness	\$ (2,020)	\$ 2,013
Credit facilities	132,888	113,489
Accounts payable and accrued liabilities	65,221	60,363
Future income taxes	2,205	7,474
Current portion of obligations under capital leases	266	266
	<u>198,560</u>	<u>183,605</u>
Obligations under capital leases	11,510	11,574
Deferred gain	17,462	17,718
Subordinated notes owned by unitholders (Note 3)	128,834	171,334
	<u>356,366</u>	<u>384,231</u>
Unitholders' Equity:		
Share capital	13,229	13,229
Cumulative translation adjustment	(2,024)	(1,193)
	<u>11,205</u>	<u>12,036</u>
Retained Earnings (Deficit)	(91,184)	(90,695)
	<u>(79,979)</u>	<u>(78,659)</u>
	<u>\$ 276,387</u>	<u>\$ 305,572</u>

Taiga Building Products Ltd.

Consolidated Statements of Earnings And Retained Earnings

For The Three Months Ended June 30, 2006 and 2005

		2006		2005
		Restated		
<i>(in thousands of Canadian dollars)</i>				
Sales	\$	328,115	\$	324,945
Cost of sales		294,319		298,868
Gross Margin		33,796		26,077
Expenses:				
Distribution		8,652		7,144
Selling and administration		12,905		11,082
Interest				
Current		2,252		1,346
Long-term		-		438
		23,809		20,010
Earnings from operations, before subordinated debt		9,987		6,067
Subordinated debt interest expense		7,152		-
Earnings from operations		2,835		6,067
Non-operating income (expense)		234		(58)
Earnings before income taxes		3,069		6,009
Income taxes				
Current		2,794		2,335
Future and Withholding		(1,294)		-
		1,500		2,335
Net Earnings		1,569		3,674
Retained Earnings, beginning		(90,695)		88,527
Net Earnings		1,569		3,674
Common share dividends		2,058		6,688
Retained Earnings (Deficit), end of period	\$	(91,184)	\$	85,513
Basic and diluted net earnings per unit/common share		\$0.05		\$0.12
Weighted average number of units/common shares outstanding		32,206		31,846

Taiga Building Products Ltd.

Consolidated Statements of Cash Flows

For The Three Months Ended June 30, 2006 and 2005

	2006	2005
	Restated	
<i>(in thousands of Canadian dollars)</i>		
Cash provided by (used in):		
Operating:		
Net Earnings	\$ 1,569	\$ 3,674
Adjustments for		
Amortization	480	691
Cumulative translation adjustment	(831)	107
Loss (gain) on disposition of equipment	-	57
Loss (gain) on sale and leaseback	256	-
	1,474	4,529
Changes in non-cash working capital	28,637	8,422
Cash flows from operating activities	30,111	12,951
Investing:		
Purchase of land, buildings, equipment and leaseholds	(683)	(752)
Proceeds from disposition of equipment	-	9
Cash flows from (used in) investing activities	(683)	(743)
Financing:		
Increase (Decrease) in credit facilities	19,400	(178)
Repurchase of subordinated notes	(42,820)	(779)
Capital lease payable	83	-
Dividends paid	(2,058)	(6,688)
Cash flows from (used in) financing activities	(25,395)	(7,645)
Net Increase (Decrease) in Cash	4,033	4,563
Bank Indebtedness, beginning	(2,013)	(14,459)
Bank Indebtedness, ending	\$ 2,020	\$ (9,896)
Supplemental Disclosure of Cash Flow Information:		
Interest	\$ 9,404	\$ 1,784
Income taxes	\$ 548	\$ 2,335

Notes to the Consolidated Interim Financial Statements

For the three months ended June 30, 2006 and 2005

(Unaudited)

1. Significant Accounting Policies

These interim consolidated financial statements follow the same accounting policies and methods of application as our annual financial statements.

(a) Basis of presentation

These unaudited interim financial statements follow the same accounting policies and methods of computation as used in the audited consolidated statements of the previous fiscal year ending March 31, 2006. However, these interim statements do not include all disclosures typical to the annual financial statements and accordingly, should be read in conjunction with the annual audited financial statements and notes included in the Taiga Building Products Ltd. Annual Report for the year ended March 31, 2006. In management's opinion, these unaudited interim consolidated financial statements include all adjustments necessary to present fairly such information. The results of operations for the interim periods are not necessarily indicative of the results to be expected in future periods.

(b) Distribution

Taiga will pay interest on the subordinated notes and dividends on common shares (if declared) to holders of record as of the close of business on the last business day of the preceding month. Interest on the subordinated notes and dividends on the common shares (if declared) will be paid on or about the 15th day of each month. Taiga may make additional distributions in excess of monthly distributions during the year, as the Board of Directors may determine in its sole discretion.

(c) Comparative Figures

The comparative figures presented are the same as those included in the previously issued consolidated financial statements of Taiga, except for adjustments relating to the new legal form of the equity interests.

2. Un-stapling of Stapled Unit Structure

On April 26, 2006 Taiga announced that it had received the requisite consents to its consent solicitation which sought to amend certain provisions of the indenture governing its outstanding 14% subordinated notes due 2020 (the "Notes"). The Company paid to each Noteholder, who validly consented to the solicitation, a fee (\$3.00 per \$1,000 principle amount of outstanding Notes), after effecting a supplemental indenture implementing the accepted amendments. The supplemental indenture caused the Stapled Units to automatically separate into their constituent Notes and common shares as of May 8, 2006 and trade on the TSX as TBL.NT and TBL, respectively.

3. Repurchase and Retirement of Subordinated Notes

Taiga purchased and retired \$42,500,000 of the 14% subordinated notes at a purchase price of 105% of the principal amount outstanding per Note plus accrued and unpaid interest to the date of acceptance, leaving a principal value of \$128,834,217 of the Notes outstanding.

Notes to the Consolidated Interim Financial Statements

For the three months ended June 30, 2006 and 2005

(Unaudited)

4. Inventories

(in thousands of Canadian dollars)

	As at June 30, 2006	As at March 31, 2006
Allied building products	\$ 27,809,598	\$ 26,519,720
Lumber products	64,855,316	85,451,504
Panel products	17,750,548	23,891,553
Total Inventories	\$ 110,415,462	\$ 135,862,777

5. Segmented Information

Taiga operates primarily in the wholesale building products distribution industry.

During the period April 1, 2006 to June 30, 2006, Taiga had export sales of Cdn. \$24,440,020 (prior year Cdn. \$37,397,263) primarily to the United States.

6. Restatement

The Company has determined that the future income taxes were calculated incorrectly during the year ended March 31, 2006. As such, the Company has adjusted its 2006 future tax assets to recognize, principally, the future tax benefits associated with the capital lease obligations arising from the sale-leaseback transaction and finance costs associated with the stapled unit conversion, as well to reflect the appropriate tax rate related to the future tax assets associated with the deferred gain arising from the sales-leaseback transaction. There have been adjustments related to the above made to future and current taxes that reflect actual tax rates and losses carried forward since the original calculations were based on estimates.

The following presents the effect on the previously issued consolidated financial statements for the three months ended June 30, 2006.

Consolidated Balance Sheet as at June 30, 2006

(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Income taxes recoverable	\$ 5,289	\$ (2,048)	\$ 3,241
Future tax asset (current)	850	(850)	-
Future tax asset (long-term)	5,329	(842)	4,487
Future tax liability (current)	8,197	(5,992)	2,205
Deficit	93,436	(2,252)	91,184

**Consolidated Statements of Earnings And Retained Earnings
for the three months ended June 30, 2006**

(in thousands of dollars, except per share amount in dollars)

	Previously Reported	Increase (Decrease)	Restated
Income taxes	\$ 548	\$ 952	\$ 1,500
Net Earnings	2,521	(952)	1,569
Deficit	93,436	(2,252)	91,184
Basic and diluted earnings per share	0.08	(0.03)	0.05

**Consolidated Statements of Cash Flows
for the three months ended June 30, 2006**

(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Net Earnings	\$ 2,521	\$ (952)	\$ 1,569
Change in non-cash working capital	27,685	952	28,637

Consolidated Balance Sheet as at March 31, 2006

(in thousands of dollars)

	Previously Reported	Increase (Decrease)	Restated
Income taxes recoverable	\$ 5,488	\$ 256	\$ 5,744
Future tax asset (current)	850	(518)	332
Future tax asset (long-term)	5,329	2,745	8,074
Future tax liability (current)	8,195	(721)	7,474
Deficit	93,899	(3,204)	90,695