

# QUARTERLY REPORT

FOR THE THREE MONTHS ENDED FEBRUARY 28<sup>TH</sup>, 2018



## FINANCIAL HIGHLIGHTS

### OPERATING RESULTS

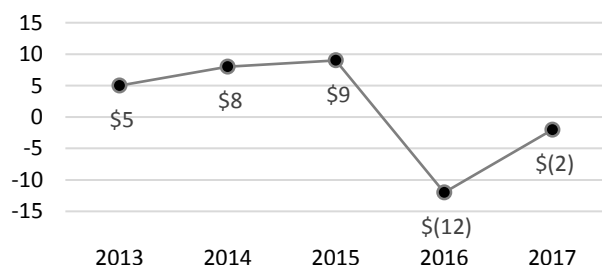
(in thousands of dollars, except per share amounts)

	2017 IFRS	2016 IFRS	2015 IFRS	2014 IFRS (15 months)	2013 IFRS <sup>(1)</sup> (Restated)
Sales	\$523,659	\$565,173	\$538,975	\$610,587	\$483,485
(Loss) Earnings before income taxes	\$(3,275)	\$(16,294)	\$11,874	\$11,128	\$7,307
Net (loss) earnings	\$(2,094)	\$(12,105)	\$8,622	\$8,125	\$5,279
- per share	\$(0.25)	\$(1.42)	\$1.01	\$0.96	\$0.62
Cash flow (excluding non-cash working capital, Income tax paid and interest paid)	\$2,840	\$(10,802)	\$16,092	\$15,228	\$9,681
- per share <sup>(2)</sup>	\$0.33	\$(1.27)	\$1.89	\$1.79	\$1.14
Shareholders' equity	\$109,434	\$110,693	\$128,100	\$119,486	\$117,138
- per share <sup>(2)</sup>	\$12.86	\$13.01	\$15.06	\$14.05	\$13.77
Share price at year-end	\$8.33	\$9.05	\$10.35	\$9.50	\$9.06
Dividend paid per share	-	\$0.30	\$0.35	\$0.65	\$0.35

(1) Year ended August 31

(2) Non-IFRS financial measures – refer to “Non-IFRS Financial Measures” section of MD&A

#### NET (LOSS) EARNINGS (in million \$)



#### SHARE PRICE



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## **PRESIDENT'S REPORT TO THE SHAREHOLDERS**

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Our first quarter result reflects a much improved cost base situation versus last year which resulted in a much smaller loss. Q1 results traditionally have been a loss or a break-even scenario. Unfortunately, this year, we also faced an extremely harsh and cold weather which hampered sales and operations to a major extent.

Since I was appointed President/C.E.O. in January 2017, we have made significant progress in lowering the break-even level of the Company and this effort should bear benefits in the balance of this year. Our inventories and receivables are under close scrutiny and slow-moving and obsolescent stock is moved off regularly. Margins have returned to historical levels or higher in some categories.

We continue to benefit from our national profile and our U.S. business continues to contribute given the weaker Canadian dollar. Although many wounds remain from the 2015/2017 dark chapter, we look forward now to a bright future and we remain optimistic for the balance of 2018.

Goodfellow remains committed to providing outstanding products, services, and an unsurpassed distribution network to our customers moving forward. Our key suppliers also remain core to this mission. We also thank our shareholders and employees for their continued support.



Patrick Goodfellow  
President and Chief Executive Officer  
April 13, 2018

## PROSPECTIVE FINANCIAL INFORMATION

The following Management's Discussion and Analysis ("MD&A") and Goodfellow Inc. (hereafter the "Company") interim consolidated financial statements were approved by the Audit Committee and the Board of Directors on April 13, 2018. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the twelve months ended November 30, 2017 and twelve months ended November 30, 2016. The MD&A provides a review of the significant developments and results of operations of the Company during the three months ended February 28, 2018 and three months ended February 28, 2017. The interim consolidated financial statements ended February 28, 2018 and February 28, 2017 are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A contains implicit and/or explicit forecasts, as well as forward looking statements on the objectives, strategies, financial position, operating results and activities of Goodfellow Inc., including the implementation of a plan for the remediation of the design weakness in the area of inventory controls. These statements are forward looking to the extent that they are based on expectations relative to markets in which the Company exercises its activities and on various assessments and assumptions including: the nature and magnitude of design deficiencies; the effectiveness of measures taken in the interim to provide confidence in the validity of inventory counts; and the appropriateness of the compensating controls over inventory management to be implemented under the remediation plan to mitigate the risk of a material misstatement. Although we believe that the expectations reflected in the forward-looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. Our actual results could differ significantly from management's expectations if recognized or unrecognized risks and uncertainties affect our results or if our assessments or assumptions are inaccurate. These risks and uncertainties include, among other things; the possibility that the design deficiencies and impact thereof identified in our review are significantly different than assessed and anticipated; the potential ineffectiveness of the compensating controls over inventory management proposed to be implemented under the remediation plan, the effects of general economic and business conditions including the cyclical nature of our business; industry competition; inflation, credit, currency and interest rate risks; environmental risk; competition from vendors; dependence on key personnel and major customers; laws and regulation; information systems, cost structure and working capital requirements; and other factors described in our public filings available at [www.sedar.com](http://www.sedar.com). For these reasons, we cannot guarantee the results of these forward-looking statements. The MD&A gives an insight into our past performance as well as the future strategies and key performance indicators as viewed by our management team at Goodfellow Inc. The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

Additional information relating to Goodfellow Inc., including the Annual Information Form and the Annual Report can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## NON-IFRS FINANCIAL MEASURES

Cash flow per share and operating loss before depreciation of property, plant and equipment and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization ["EBITDA"]), are financial measures not prescribed by the International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers it to be useful information to assist knowledgeable investors in evaluating the cash generating capabilities of the Company. Cash flow per share is defined as Cash flow from operations (excluding non-cash working capital, income tax paid and interest paid) of \$(0.6) million for the three months ended February 28, 2018 divided by the total number of outstanding shares of 8,506,554.

**Reconciliation of EBITDA  
and operating loss to net loss**  
(thousands of dollars)

	<b>For the three months ended</b>	
	<b>February 28 2018</b>	<b>February 28 2017</b>
	\$	\$
Net loss for the period	(1,431)	(5,401)
Provision for income taxes	(557)	(2,182)
Financial expenses	681	952
Operating loss	(1,307)	(6,631)
Depreciation and amortization	902	949
EBITDA	(405)	(5,682)

## BUSINESS OVERVIEW

Goodfellow Inc. is a distributor of lumber products, building materials, and hardwood flooring products. The Company carries on the business of wholesale distribution of wood and associated products and remanufacturing, distribution and brokerage of lumber. The Company sells to over 7000 customers who represent three main sectors - retail trade, industrial, and manufacturing. The Company operates 13 distribution centres, 9 processing plants in Canada, and 1 distribution centre in the USA.

**SELECTED ANNUAL INFORMATION** (in thousands of dollars, except per share amounts)

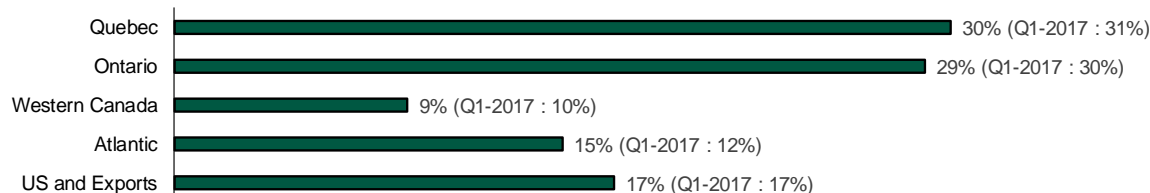
	2017	2016	2015
	\$	\$	\$
Consolidated sales	<b>523,659</b>	565,173	538,975
(Loss) Earnings before income taxes	<b>(3,275)</b>	(16,294)	11,874
Net (loss) earnings	<b>(2,094)</b>	(12,105)	8,622
Total Assets	<b>197,233</b>	241,568	212,081
Total Long-Term Debt	<b>55</b>	126	-
Cash Dividends	-	2,552	2,977
<b>PER COMMON SHARE</b>			
Net (loss) earnings per share Basic and Diluted	<b>(0.25)</b>	(1.42)	1.01
Cash Flow from Operations (excluding non-cash working capital item, income tax paid and interest paid)	<b>0.33</b>	(1.27)	1.89
Shareholders' Equity	<b>12.86</b>	13.01	15.06
Share Price	<b>8.33</b>	9.05	10.35
Cash Dividends	-	0.30	0.35

**COMPARISON FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017**

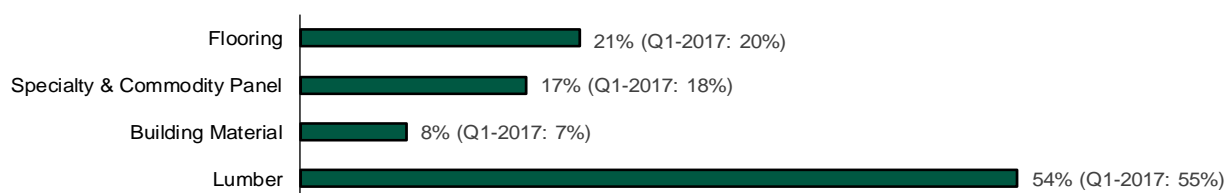
(In thousands of dollars, except per share amounts)

<b>HIGHLIGHTS FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017</b>	<b>Q1-2018</b>	<b>Q1-2017</b>	<b>Variance</b>
	\$	\$	%
Consolidated sales	<b>96,684</b>	113,490	-14.8
Loss before income taxes	<b>(1,988)</b>	(7,583)	+73.8
Net loss	<b>(1,431)</b>	(5,401)	+73.5
Net loss per share Basic and Diluted	<b>(0.17)</b>	(0.63)	+73.0
Cash Flow from Operations (excluding non-cash working capital item, income tax paid and interest paid)	<b>(603)</b>	(6,135)	+90.2
EBITDA	<b>(405)</b>	(5,682)	+92.9
Average Bank indebtedness	<b>59,620</b>	89,519	-33.4
Inventory average	<b>100,731</b>	119,572	-15.8

Sales in Canada during the first quarter of fiscal 2018 decreased 14% compared to the same period a year ago mainly due to decreased volume of pressure treated wood sales. Quebec sales decreased 18% due to a decrease in demand from the retail and manufacturing customer groups. Sales in Ontario decreased 16% mainly due to a decline in sales of pressure treated wood and hardwood. Western Canada sales decreased 17% due to decreased sales of flooring and hardwood products. Atlantic region sales increased 4% due to increase sales in most product groups with the exception of cedar and engineered wood products.

**Geographical Distribution of Sales for the First Quarter ended February 28, 2018**


Sales in the United States for the first quarter of fiscal 2018 decreased 22% on a Canadian dollar basis compared to the same period last year due to decrease in sales of hardwood lumber products. On a US dollar basis, US denominated sales decreased 18% compared to last year. Finally, export sales decreased 16% during the first quarter of fiscal 2018 compared to the same period a year ago mainly due to decreased demand for hardwood lumber in Asia and Europe.

**Product Distribution of Sales for the First Quarter ended February 28, 2018**


These previously discussed factors impacted to various degrees our sales mix. Flooring sales for the first quarter ended February 28, 2018 decreased 12% compared to the corresponding period last year. Specialty and Commodity Panel sales for the first quarter of fiscal 2018 decreased 16% compared to the corresponding period last year. Building Materials sales for the first quarter of fiscal 2018 remained stable compared to the corresponding period last year. Finally, Lumber sales for the first quarter of fiscal 2018 decreased 17% compared to the corresponding period last year.

#### Cost of Goods Sold

Cost of goods sold for the first quarter of fiscal 2018 was \$78.6 million compared to \$99.1 million for the corresponding period a year ago. Cost of purchased goods decreased 20.7% compared to the corresponding period last year. Total freight outbound cost for the first quarter of fiscal 2018 decreased 26.5% compared to the same period a year ago. Gross profits increased 25.4% during the first quarter of fiscal 2018 compared to last year and gross margins increased from **12.7%** to **18.7%**.

#### Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first quarter ended February 28, 2018 were \$19.4 million compared to \$21.0 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 7.8% compared to the first quarter last year due to our continued cost reduction strategy.

#### Net Financial Costs

Net financial costs for the first quarter of fiscal 2018 were \$0.7 million (\$1.0 million a year ago). The average Canadian prime rate increased to 3.32% during the first quarter of fiscal 2018 compared to 2.70% last year. The average US prime rate increased to 4.47% during the first quarter compared to 3.75% a year ago. Average bank indebtedness during the first quarter of fiscal 2018 was **\$59.6** million compared to **\$89.5** million for the corresponding period last year. Average inventory during the first quarter of fiscal 2018 was **\$100.7** million compared to **\$119.6** million for the same period last year.

#### SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts)

	May-2017	Aug-2017	Nov-17	Feb-2018
	\$	\$	\$	\$
<b>Sales</b>	139,641	142,970	127,558	96,684
Net (loss) earnings	(541)	1,632	2,216	(1,431)
Net (loss) earnings per share Basic and Diluted	(0.07)	0.19	0.26	(0.17)

	May-2016 Restated	Aug-2016	Nov-16	Feb-2017
	\$	\$	\$	\$
<b>Sales</b>	166,623	159,143	130,748	113,490
Net earnings (loss)	2,473	(2,491)	(11,181)	(5,401)
Net earnings (loss) per share Basic and Diluted	0.29	(0.29)	(1.31)	(0.63)

As indicated above, our results over the past eight quarters follow a seasonal pattern with sales activities traditionally higher in the second and third quarter.

#### STATEMENT OF FINANCIAL POSITION

##### Total Assets

Total assets at February 28, 2018 decreased from \$245.8 million at February 28, 2017 to \$217.1 million. Cash at February 28, 2018 closed at \$1.5 million (\$0.9 million at February 28, 2017). Trade and other receivables at February 28, 2018 was \$63.4 million compared to \$70.6 million at February 28, 2017 reflecting the lower sales volume during the first quarter compared to last year. Income tax receivable stood at \$2.3 million compared to \$9.3 million in fiscal 2017. Inventories at February 28, 2018 was \$102.5 million compared to \$113.1 million at February 28, 2017 reflecting the decreased sales volume and our commitment to lower the inventory. Prepaid expenses at February 28, 2018 was \$4.2 million compared to \$2.6 million at February 28, 2017. Defined benefit plan assets was \$2.4 million at February 28, 2018 compared to \$2.2 million a year ago. Investment closed at \$0.3 million at February 28, 2018 compared to \$3.6 million reflecting the dissolution of the joint venture.

##### Property, plant, equipment and intangible assets

Property, plant, equipment at February 28, 2018 was \$35.7 million compared to \$38.1 million at February 28, 2017. Capital expenditures during the first quarter of fiscal 2018 amounted to \$0.2 million (same as last year). Property, plant, equipment capitalized during the first three months of fiscal 2018 included leasehold improvements, computers, rolling stock and yard equipment. Intangible assets at February 28, 2018 closed at \$4.8 million (\$5.3 million last year). Proceeds on disposal of capital assets during the first quarter of fiscal 2018 amounted to \$20 thousand (\$26 thousand last year). Depreciation of property, plant, equipment and intangible assets during the first three months of fiscal 2018 was \$0.9 million (same as last year). Historically, capital expenditures in general have been capped at depreciation levels.

### **Total Liabilities**

Total liabilities at February 28, 2018 was \$109.1 million (\$140.5 million last year). Bank indebtedness closed at \$65.4 million compared to \$86.2 million last year. Trade and other payables at February 28, 2018 was \$37.7 million compared to \$48.3 million a year ago. Provision at February 28, 2018 was \$1.4 million (same as last year). Long-term debt at February 28, 2018 was \$0.2 million (same as last year). Deferred income taxes at February 28, 2018 closed at \$3.6 million (\$3.3 million last year). Defined benefit plan obligations was \$0.9 million at February 28, 2018 compared to \$1.1 million at February 28, 2017.

### **Shareholders' Equity**

Total Shareholders' Equity at February 28, 2018 increased to \$108.0 million from \$105.3 million last year. The Company generated a return on equity of (5.3) % during the first quarter of fiscal 2018 ((20.5) % last year). Market share price closed at \$8.35 per share on February 28, 2018 (\$8.58 on February 28, 2017). Share book value at February 28, 2018 was \$12.70 per share (\$12.38 on February 28, 2017). Share capital closed at \$9.2 million (same as last year). No eligible dividend was declared and paid to the holders of participating shares for the three months ended February 28, 2018 and 2017.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Financing**

As at February 28, 2018, under the credit agreement, the Company was using \$64.0 million of its facility compared to \$80.5 million last year. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of \$100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to \$90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at February 28, 2018, the Company was compliant with its financial covenants.

The Company's business follows a seasonal pattern with sales activities traditionally higher in the second and third quarter. As a result, cash flow requirements are generally higher during these periods. The current facility is considered by management to be adequate to support its current forecasted cash flow requirements. Source of funding and access to capital is disclosed in detail under LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS.

### **Cash Flow**

Net cash flow from operating activities for the first quarter of fiscal 2018 decreased to \$(12.9) million from \$8.5 million for the same period last year. Financing activities during the first quarter of fiscal 2018 increased to \$13.0 million compared to \$(11.0) million for the same period last year. Investing activities during the first quarter of fiscal 2018 were \$(0.2) million compared to \$(0.3) million for the corresponding period a year ago (See Property, plant, equipment and intangible assets for more details).

## **LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS**

The Company's objectives are as follows:

1. Maintain financial flexibility in order to preserve its ability to meet financial obligations;
2. Maintain a low debt-to-capitalization ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements;
4. Provide an adequate return to its shareholders.

The Company defines its capitalization as shareholders' equity and debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid common shares together with the retained earnings, calculated on a consolidated basis in accordance with IFRS. Debt includes bank indebtedness reduced by the amounts of cash and cash equivalents. Capitalization represents the sum of debt and shareholders' equity.

The Company manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under the normal course issuer bid, acquire or sell assets to improve its financial performance and flexibility or return capital to shareholders. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally-generated cash flows and credit facilities.

The Company incurred a net loss of \$1.4 million and negative cash flow from operating activities (excluding non-cash working capital items) of \$0.6 million in Q1-2018 compared to a net loss of \$5.4 million and negative cash flow from operating activities (excluding non-cash working capital items) of \$6.1 million in Q1-2017. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of \$100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to \$90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at February 28, 2018, the Company was compliant with its financial covenants.

The Company is subject to certain covenants on its credit facilities. The covenants include a debt-to-capitalization ratio, year-to-date EBITDA (not required after Q1-2018) and an interest coverage ratio. The Company monitors the ratios on a monthly basis. The Company currently complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

The Company's financial objectives and strategy have changed in Fiscal 2017. The financial objectives and strategy were to stabilize the Company and bring back to traditionally conservative management. Changes to its credit agreement and working capital structure were required and Management have addressed them with a renewed credit agreement starting December 2017 and maturing in May 2019 with its lenders. The Company believes that all its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As at February 28, 2018 and 2017, the Company achieved the following results regarding its capital management objectives:

	As at February 28 2018	As at February 28 2017
<b>Capital management</b>		
Debt-to-capitalization ratio	37.4 %	45.8 %
Interest coverage ratio	2.6	- *
Return on shareholders' equity	(5.3) %	(20.5) %
Current ratio	1.7	1.4
EBITDA	\$(405)	\$(5,682)

\* The interest coverage ratio was not required in Fiscal 2017.

These measures are not prescribed by IFRS and are defined by the Company as follows:

- Debt-to-capitalization ratio represents the funded debt over total shareholders' equity. Funded debt is bank indebtedness less cash and cash equivalents. Capitalization is funded debt plus shareholders' equity.
- Interest Coverage ratio represents the EBITDA during the period for which the calculation is made over interest expenses for the same period on a consolidated basis, calculated on a rolling four-quarter basis.
- Return on shareholders' equity is the net earnings (loss) divided by shareholders' equity.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA is earnings before interest, taxes, depreciation and amortization.

#### Cost Structure, Working Capital Requirements

At February 28, 2018, its total debt-to-capitalization ratio stood at 37.4% compared to 45.8% on February 28, 2017. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of \$100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to \$90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company.

For further information, the principal risk factors to which the Company is exposed are described in the Management's Report contained in its Annual Report for the twelve months ended November 30, 2017 as well as in the Annual Information Form 2017 available on SEDAR ([www.sedar.com](http://www.sedar.com)).

#### COMMITMENTS AND CONTINGENCIES

As at February 28, 2018, the minimum future rentals payable under long-term operating leases, for offices, warehouses, vehicles, yards and equipment, did not materially change and are as follows:

Contractual obligations	Payments due by Period (in thousands of dollars)				
	Total	Less than 1 year	1 – 3 Years	4 –5 Years	After 5 years
Operating Leases	20,103	4,768	7,020	5,190	3,125
Purchase obligations	53	53	-	-	-
<b>Total Contractual Obligations</b>	<b>20,156</b>	<b>4,821</b>	<b>7,020</b>	<b>5,190</b>	<b>3,125</b>

#### Contingent liabilities

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.



## RISKS AND UNCERTAINTIES

The risks and uncertainty factors affecting the Company in the future remain substantially unchanged from those included in the Company's Annual MD&A contained in its 2017 Annual report. Only those factors with variability components are described below:

### Dependence on Major Customers

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Two major customers exceed 10% of total company sales in the three months ended February 28, 2018 (same last year). The following represents the total sales consisting primarily of various wood products of the major customer(s):

(in thousands of dollars)	For the three months ended			
	February 28, 2018		February 28, 2017	
	\$	%	\$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	22,429	23.2	23,491	20.7

The loss of any major customer could have a material effect on the Company's results, operations and financial position.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The financial instruments and other instruments remain substantially unchanged from those included in the Company's Annual MD&A contained in its 2017 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at February 28, 2018:  
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	Contractual cash flows	0 to 6 Months	6 to 36 Months
Bank indebtedness	65,385	65,385	65,385	-
Trade and other payables	37,657	37,657	37,657	-
Long-term debt	160	160	70	90
<b>Total financial liabilities</b>	<b>103,202</b>	<b>103,202</b>	<b>103,112</b>	<b>90</b>

### Interest Risk

The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the \$65.4 million in bank indebtedness would impact interest expense by \$0.7 million annually.

### Currency Risk

The Company could enter into forward exchange contracts to economically hedge certain trade payables and from time to time future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. Fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a material effect on the Company's net earnings. As at February 28, 2018, the Company had the following currency exposure on:

### Financial assets and liabilities measured at amortized costs

(in thousands of dollars)

	USD	GBP	Euro
Cash	1,754	296	11
Trade and other receivables	7,991	296	-
Trade and other payables	(4,730)	(21)	(417)
Long term debt	(50)	-	-
<b>Net exposure</b>	<b>4,965</b>	<b>571</b>	<b>(406)</b>
CAD exchange rate as at February 28, 2018	1.2831	1.7657	1.5646
<b>Impact on net earnings based on a fluctuation of 5% on CAD</b>	<b>229</b>	<b>36</b>	<b>(23)</b>

### *Credit Risk*

The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers and specific credit limit for each customer is established and regularly revised. Accounts receivable over 60 days past their due date and not impaired represents 3.1% (3.4% on February 28, 2017) of total trade and other receivables at February 28, 2018.

Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables not past due or past due. The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked.

### *Fair Value*

Fair values of assets and liabilities approximate amounts at which these items could be exchanged in a transaction between knowledgeable and willing parties. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and long-term debt approximate their fair values.

## **RELATED PARTY TRANSACTIONS**

The related party transactions remain substantially unchanged from those included in the Company's Annual MD&A contained in its 2017 Annual report.

## **CRITICAL ACCOUNTING ESTIMATES**

The critical accounting estimates remain substantially unchanged from those included in the Company's Annual MD&A contained in its 2017 Annual report.

## **SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies applied in the Company's interim financial statements are the same as those described in Note 3 contained in its 2017 Annual consolidated financial statements.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

At February 28, 2018, there were 8,506,554 common shares issued (same last year). The Company has authorized an unlimited number of common shares to be issued, without par value. At April 13, 2018, there were 8,506,554 common shares outstanding.

## **OUTLOOK**

During Fiscal 2018, the Company will focus on growing sales while maintaining margin discipline and keep looking for growth opportunity to increase its market share. Our focus on value-added product lines will continue to be at the forefront of our core strategy. Management is committed to keep operating costs in line with the variability of the economic situation. Furthermore, the Company is committed to improving its customer experience on an ongoing basis.

## CERTIFICATION

### Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining appropriate control systems, procedures and information systems and internal control over financial reporting. The Chief Executive Officer and the Chief Financial Officer together with Management, after evaluating the design of the Company's disclosure controls and procedures and internal control over financial reporting as of February 28, 2018 concluded that the Company's disclosure controls and procedures and internal control over financial reporting were ineffective and the material weakness previously disclosed continues to only be partially remediated. The material weakness remains because the controls put in place to remediate the deficiency have not operated for a sufficient length of time to properly evaluate their effectiveness.

A material weakness existed in the design of the Company's internal control over financial reporting in the area of inventory controls, principally due to the implementation of the new ERP system on December 1, 2015. For its financial year beginning on December 1, 2015, Goodfellow started using a new ERP software for its financial accounting records. In the course of the preparation of its financial statements for the quarter ended August 31, 2016, management noticed certain anomalies relating principally to the cost of inventory for its products. Management undertook an extensive review process to determine the nature of the problem and the means of remediating the financial accounting records. This material weakness was caused primarily by the absence of certain preventive and detective controls over inventory management.

Management has undertaken an extensive and thorough review of the transactions processed in the new ERP software with the objective of resolving all design deficiencies and implementing compensating controls to mitigate the risk of a material misstatement. The Company partially remediated the material weakness by implementing changes in its inventory management cycle. The significant changes in internal controls were as follows:

- Implemented many preventive and detective controls over the inventory cycle either directly in the ERP system or through management review controls;
- Established monitoring controls, exception reports, edits checks and other tools to improve the accuracy of the information from the ERP system;
- Established controls over inventory management and financial reporting including management review controls over inventory costing, valuation and inventory movements;
- Increased the level of oversight and review of inventory balances;
- Increased training and knowledge awareness throughout the organization.

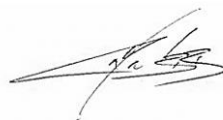
The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework) control framework adopted by the Company.

Other than as described above, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended February 28, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, April 13, 2018



Patrick Goodfellow  
President and Chief Executive Officer



Charles Brisebois, CPA, CMA  
Chief Financial Officer

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, 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 Company’s independent auditors, KPMG LLP, has not performed a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity’s auditor.

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

### GOODFELLOW INC.

#### Consolidated Statements of Comprehensive Income

**For the three months ended February 28, 2018 and 2017**

*(in thousands of dollars, except per share amounts)*

#### Unaudited

	For the three months ended	
	February 28 2018	February 28 2017
	\$	\$
<b>Sales</b>	<b>96,684</b>	113,490
Expenses		
Cost of goods sold (Note 4)	<b>78,592</b>	99,061
Selling, administrative and general expenses (Note 4)	<b>19,397</b>	21,048
Loss on disposal of property, plant and equipment	<b>2</b>	12
Net financial costs	<b>681</b>	952
	<b>98,672</b>	121,073
Loss before income taxes	<b>(1,988)</b>	(7,583)
Income taxes	<b>(557)</b>	(2,182)
<b>Total comprehensive loss</b>	<b>(1,431)</b>	(5,401)
<b>Net loss per share - Basic and diluted (Note 8)</b>	<b>(0.17)</b>	(0.63)

**GOODFELLOW INC.**  
**Consolidated Statements of Financial Position**  
*(in thousands of dollars)*  
**Unaudited**

	As at February 28 2018 \$	As at November 30 2017 \$	As at February 28 2017 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash	1,547	1,622	935
Trade and other receivables (Note 5)	63,396	58,317	70,570
Income taxes receivable	2,262	1,589	9,336
Inventories	102,519	88,860	113,065
Prepaid expenses	4,190	3,007	2,611
<b>Total Current Assets</b>	<b>173,914</b>	<b>153,395</b>	<b>196,517</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	35,684	36,198	38,085
Intangible assets	4,800	4,942	5,347
Defined benefit plan asset	2,409	2,413	2,240
Investment in a joint venture	285	285	3,606
<b>Total Non-Current Assets</b>	<b>43,178</b>	<b>43,838</b>	<b>49,278</b>
<b>Total Assets</b>	<b>217,092</b>	<b>197,233</b>	<b>245,795</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness (Note 6)	65,385	52,309	86,170
Trade and other payables (Note 7)	37,657	29,409	48,332
Provision	938	938	932
Current portion of long-term debt (Note 6)	108	139	124
<b>Total Current Liabilities</b>	<b>104,088</b>	<b>82,795</b>	<b>135,558</b>
<b>Non-Current Liabilities</b>			
Provision	458	446	488
Long-term debt (Note 6)	52	55	95
Deferred income taxes	3,582	3,582	3,296
Defined benefit plan obligation	909	921	1,066
<b>Total Non-Current Liabilities</b>	<b>5,001</b>	<b>5,004</b>	<b>4,945</b>
<b>Total Liabilities</b>	<b>109,089</b>	<b>87,799</b>	<b>140,503</b>
<b>Shareholders' equity</b>			
Share capital (Note 8)	9,152	9,152	9,152
Retained earnings	98,851	100,282	96,140
	<b>108,003</b>	<b>109,434</b>	<b>105,292</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>217,092</b>	<b>197,233</b>	<b>245,795</b>

Going concern and future operations (Note 2 b))

**GOODFELLOW INC.**  
**Consolidated Statements of Cash Flows**  
**For the three months ended February 28, 2018 and 2017**  
*(in thousands of dollars)*  
**Unaudited**

	<b>For the three months ended</b>	
	<b>February 28 2018</b>	<b>February 28 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Activities</b>		
Net loss	(1,431)	(5,401)
Adjustments for :		
Depreciation	902	949
Accretion expense on provision	13	12
Decrease in provision	-	(30)
Income taxes	(557)	(2,182)
Loss on disposal of property, plant and equipment	2	12
Interest expense	476	692
Funding in (excess) deficit of pension plan expense	(8)	16
Share of the profits of a joint venture	-	(203)
	<b>(603)</b>	<b>(6 135)</b>
Changes in non-cash working capital items (Note 12)	<b>(11,464)</b>	15,867
Interest paid	<b>(686)</b>	(685)
Income taxes paid	<b>(116)</b>	(556)
	<b>(12,266)</b>	14,626
<b>Net Cash Flows from Operating Activities</b>	<b>(12,869)</b>	8,491
<b>Financing Activities</b>		
Net decrease in bank loans	<b>(3,000)</b>	(11,000)
Net increase in banker's acceptances	<b>16,000</b>	-
Reimbursement of long-term debt	<b>(34)</b>	(43)
	<b>12,966</b>	(11,043)
<b>Investing Activities</b>		
Acquisition of property, plant and equipment	<b>(235)</b>	(210)
Increase in intangible assets	<b>(33)</b>	(89)
Proceeds on disposal of property, plant and equipment	<b>20</b>	26
	<b>(248)</b>	(273)
Net cash outflow	<b>(151)</b>	(2,825)
Cash position, beginning of period	<b>313</b>	(1,910)
<b>Cash position, end of period</b>	<b>162</b>	<b>(4,735)</b>
Cash position is comprised of :		
Cash	<b>1,547</b>	935
Bank overdraft (Note 6)	<b>(1,385)</b>	(5,670)
	<b>162</b>	<b>(4,735)</b>

**GOODFELLOW INC.****Consolidated Statements of Change in Shareholders' Equity****For the three months ended February 28, 2018 and 2017***(in thousands of dollars)***Unaudited**

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
Balance as at November 30, 2016 (Audited)	9,152	101,541	110,693
Net loss	-	(5,401)	(5,401)
Total comprehensive loss	-	(5,401)	(5,401)
Balance as at February 28, 2017	9,152	96,140	105,292
<b>Balance as at November 30, 2017 (Audited)</b>	<b>9,152</b>	<b>100,282</b>	<b>109,434</b>
Net loss	-	(1,431)	(1,431)
Total comprehensive loss	-	(1,431)	(1,431)
<b>Balance as at February 28, 2018</b>	<b>9,152</b>	<b>98,851</b>	<b>108,003</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2018 and 2017

(tabular amounts are in thousands of dollars, except per share amounts)

### 1. Status and nature of activities

Goodfellow Inc. (hereafter the “Company”), incorporated under the *Canada Business Corporations Act*, carries on various business activities related to remanufacturing and distribution of lumber and wood products. The Company’s head office and primary place of business is located at 225 Goodfellow Street in Delson, Quebec, J5B 1V5, Canada.

The interim consolidated financial statements of the Company as at and for the three months ended February 28, 2018 and 2017 includes the accounts of the Company and its wholly-owned subsidiaries.

### 2. Basis of preparation

#### a) *Statement of compliance*

These interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2017, as set out in the 2017 annual report.

These interim consolidated financial statements were authorized for issue by the Board of Directors on April 13, 2018.

These interim consolidated financial statements are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.goodfellowinc.com](http://www.goodfellowinc.com).

#### b) *Going concern and future operations*

These interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is subject to a number of risks and uncertainty associated with its products and services, the competition from vendors, its dependence on the economy as well as major customers, the supply chain, its information systems, environmental risk, credit risk, interest risk, currency risk as well as meeting its financing requirements for its operations. The attainment of profitable operations is dependent upon future events, including successful implementation of the Company’s operation plan and obtaining adequate financing.

The Company incurred a net loss of \$1.4 million and negative cash flow from operating activities (excluding non-cash working capital items) of \$0.6 million in Q1-2018 compared to a net loss of \$5.4 million and negative cash flow from operating activities (excluding non-cash working capital items) of \$6.1 million in Q1-2017. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of \$100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to \$90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at February 28, 2018, the Company was compliant with its financial covenants.

In evaluating the Company’s ability to continue as a going concern, the Company is required to determine whether it has the ability to fund its operations, meet its cash flow requirements and comply with the covenants as established by its amended credit facility. This evaluation requires to estimate and forecast the cash flows for at least the next twelve months to determine whether the Company has sufficient resources to attain these objectives. The Company believes that it will be able to adequately fund its operations and meet its cash flow requirements for at least the next twelve months. This determination, however, could be impacted by future economic, financial and competitive factors, as well as other future events that are beyond the Company’s control.

If any of the factors or events described above result in significant variances from the assumptions used in the preparation of the going concern analysis, this could significantly impact the Company’s ability to meet its projected cash flows and meet its financial obligation.

If the going concern assumption were not appropriate for these interim consolidated financial statements, adjustments to the carrying value of assets and liabilities, reported expenses and statement of financial position classifications would be necessary. Such adjustments could be material and may occur in the near term.

### 3. Significant Accounting Policies

The Company’s significant accounting policies are described in Note 3 contained in its 2017 Annual consolidated financial statements.



## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2018 and 2017

(tabular amounts are in thousands of dollars, except per share amounts)

### 4. Additional information on cost of goods sold and selling, administrative and general expenses

	February 28 2018	February 28 2017
	\$	\$
Employee benefits expense	12,637	13,359
Write-down of inventories included in cost of goods sold	(354)	(609)
Depreciation included in cost of goods sold	266	324
Depreciation included in selling, administrative and general expenses	636	625
Expense related to minimum operating lease payments	1,193	1,138
Foreign exchange losses	4	10

### 5. Trade and other receivables

	February 28 2018	November 30 2017	February 28 2017
	\$	\$	\$
Trade receivables	61,960	57,073	70,457
Allowance for doubtful accounts	(279)	(225)	(1,347)
	61,681	56,848	69,110
Other receivables	1,715	1,469	1,460
	63,396	58,317	70,570

### 6. Bank indebtedness and long-term debt

#### a) Bank indebtedness

	February 28 2018	November 30 2017	February 28 2017
	\$	\$	\$
Bank Loans	4,000	7,000	-
Banker's Acceptances	60,000	44,000	80,500
Bank overdraft	1,385	1,309	5,670
	65,385	52,309	86,170

As at February 28, 2018, under the credit agreement, the Company was using \$64.0 million of its facility compared to \$80.5 million last year. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of \$100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to \$90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at February 28, 2018, the Company was compliant with its financial covenants.

#### b) Long-term debt

The Company has entered into capital leases secured by the leased computer equipment and lift trucks. The obligation under capital leases bear interests at a rate of 2.7% and 6.1% per annum, maturing December 2018 and August 2022.

### 7. Trade and other payables

	February 28 2018	November 30 2017	February 28 2017
	\$	\$	\$
Trade payables and accruals	31,990	22,333	39,705
Payroll related liabilities	4,486	5,658	6,413
Sales taxes payables	1,181	1,418	2,214
	37,657	29,409	48,332

### 8. Share Capital

#### a) Authorized

An unlimited number of common shares, without par value

	February 28 2018	November 30 2017	February 28 2017
Number of shares outstanding at the end of the period	8,506,554	8,506,554	8,506,554

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2018 and 2017

(tabular amounts are in thousands of dollars, except per share amounts)

### 8. Share Capital (Continued)

#### b) Share-based payments

On January 15, 2017, the Company granted deferred shares to a key executive. Under this program, the executive was eligible to receive shares of the Company if specific non-market performance targets were met. The Company recognized the fair value of the shares of \$494,000 at the grant date and the shares were vested at November 30, 2017 as the Company met the non-market performance targets. As at February 28, 2018, no shares have been issued under this program.

#### c) Loss and dividend per share

The calculation of basic and diluted loss per share was based on the following:

	February 28 2018	February 28 2017
	\$	\$
Net loss - basic and diluted	(1,431)	(5,401)
Weighted average number of shares – basic and diluted	8,506,554	8,506,554

No eligible dividend was declared and paid to the holders of participating shares for the three months ended February 28, 2018 (same as last year).

### 9. Seasonal Pattern

The Company's business follows a seasonal pattern, with merchandise sales traditionally higher in the second and third quarter as compared to the other quarterly periods. As a result, a higher share of total earnings is typically earned in the second and third quarter. This business seasonality results in performance, for the three months ended February 28, 2018 which is not necessarily indicative of performance for the balance of the year.

### 10. Economic Dependence

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Two major customers exceed 10% of total company sales in the three months ended February 28, 2018 (same last year). The following represents the total sales consisting primarily of various wood products of the major customer(s):

	For the three months ended			
	February 28, 2018		February 28, 2017	
	\$	%	\$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	22,429	23.2	23,491	20.7

The loss of any major customer could have a material effect on the Company's results, operations and financial positions. The carrying amounts of financial assets represent the maximum credit exposure.

### 11. Financial Instruments and Financial Risk Management

#### Risk Management

The Company is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates.

#### Financing and Liquidity Risk

The Company makes use of short term financing with two chartered Canadian banks.

The following are the contractual maturities of financial liabilities as at February 28, 2018:

Financial Liabilities				
	Carrying Amount	Contractual cash flows	0 to 6 Months	6 to 36 Months
Bank indebtedness	65,385	65,385	65,385	-
Trade and other payables	37,657	37,657	37,657	-
Long-term debt	160	160	70	90
<b>Total financial liabilities</b>	<b>103,202</b>	<b>103,202</b>	<b>103,112</b>	<b>90</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2018 and 2017

(tabular amounts are in thousands of dollars, except per share amounts)

### 11. Financial Instruments and Financial Risk Management (Continued)

#### Interest Risk

The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates as well as the Company's funded debt to capitalization ratio. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the \$65.4 million in bank indebtedness would impact interest expense annually by \$0.7 million.

#### Currency Risk

The Company could enter into forward exchange contracts to economically hedge certain trade payables and from time to time future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. Fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a significant effect on the Company's net earnings. As at February 28, 2018, the Company had the following currency exposure on:

#### Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	1,754	296	11
Trade and other receivables	7,991	296	-
Trade and other payables	(4,730)	(21)	(417)
Long-term debt	(50)	-	-
<b>Net exposure</b>	<b>4,965</b>	<b>571</b>	<b>(406)</b>
CAD exchange rate as at February 28, 2018	1.2831	1.7657	1.5646
<b>Impact on net earnings based on a fluctuation of 5% on CAD</b>	<b>229</b>	<b>36</b>	<b>(23)</b>

#### Credit Risk

The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers and specific credit limit for each customer is established and regularly revised. Accounts receivable over 60 days past their due date and not impaired represents 3.1% (3.4% on February 28, 2017) of total trade and other receivables at February 28, 2018.

Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables not past due or past due. The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked.

#### Fair Value

Fair values of assets and liabilities approximate amounts at which these items could be exchanged in a transaction between knowledgeable and willing parties. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and long-term debt approximate their fair values.

### 12. Additional Cash Flow Information

#### Changes in Non-Cash Working Capital Items

	February 28 2018	February 28 2017
	\$	\$
Trade and other receivables	(5,079)	(6,315)
Inventories	(13,659)	2,326
Prepaid expenses	(974)	2,227
Trade and other payables	8,248	17,629
	<b>(11,464)</b>	<b>15,867</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2018 and 2017

(tabular amounts are in thousands of dollars, except per share amounts)

### 13. Capital Management

The Company's objectives remain substantially unchanged from those included in the Company's annual consolidated financial statements contained in its 2017 Annual report.

As at February 28, 2018 and 2017, the Company achieved the following results regarding its capital management objectives:

	As at	As at
Capital management	February 28 2018	February 28 2017
Debt-to-capitalization ratio	37.4 %	45.8 %
Interest coverage ratio	2.6	- *
Return on shareholders' equity	(5.3) %	(20.5) %
Current ratio	1.7	1.4
EBITDA	\$(405)	\$(5,682)

\* The interest coverage ratio was not required in Fiscal 2017.

These measures are not prescribed by IFRS and are defined by the Company as follows:

- Debt-to-capitalization ratio represents the funded debt over total shareholders' equity. Funded debt is bank indebtedness less cash and cash equivalents. Capitalization is funded debt plus shareholders' equity.
- Interest Coverage ratio represents the EBITDA during the period for which the calculation is made over interest expenses for the same period on a consolidated basis, calculated on a rolling four-quarter basis.
- Return on shareholders' equity is the net earnings (loss) divided by shareholders' equity.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA is earnings before interest, taxes, depreciation and amortization.

### 14. Comparative information

Certain prior period information has been reclassified to conform to the current period presentation. In 2018, the Company reclassified certain expenditures from cost of goods sold to selling, administrative and general expenses. To conform to the period presentation, the Company reclassified the related amounts in 2017. The amounts reclassified for the quarter ended February 28, 2017 was \$42 thousand.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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**Claude A. Garcia** \*/\*\*  
*Chairman of the Board*

**G. Douglas Goodfellow** \*\*  
*Secretary of the Board*  
*Goodfellow Inc.*

**Stephen A. Jarislowsky** \*/\*\*  
*Director*  
*Partner, Jarislowsky Fraser & Co. Ltd*

**Normand Morin** \*/\*\*  
*Chairman of the Audit Committee*

**David A. Goodfellow**  
*Director*

\* Member of the Audit Committee

\*\* Member of the Executive Compensation Committee

### OFFICERS

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**Patrick Goodfellow**  
*President & Chief Executive Officer*

**Charles Brisebois**  
*Chief Financial Officer*

**G. Douglas Goodfellow**  
*Secretary of the Board*

**Mary Lohmus**  
*Senior Vice President,*  
*Ontario and Western Canada*

**David Warren**  
*Vice President,*  
*Atlantic*

**Luc Dignard**  
*Vice President,*  
*Sales, Quebec*

**Jeffrey Morrison**  
*Vice President,*  
*National accounts*

### OTHER INFORMATION

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**Head Office**  
225 Goodfellow Street  
Delson, Quebec J5B 1V5  
Tel.: 450-635-6511  
Fax: 450-635-3730

**Solicitors**  
Bernier Beaudry  
Quebec, Quebec

**Auditors**  
KPMG LLP  
Montreal, Quebec

**Transfer Agent**  
Computershare Investor Services Inc.  
Montreal, Quebec

**Stock Exchange**  
Toronto  
Trading Symbol: GDL

**Wholly-owned Subsidiaries**  
Goodfellow Distribution Inc.  
Quality Hardwoods Ltd.

[illegible]

[illegible]



## DIVISIONS

### CANBAR

B.P. 460 - 9184 Twiss Road  
Campbellville ON L0P 1B0  
Tel. : 905 854-5800  
1 800 263-6269  
Fax: 905 854-6104

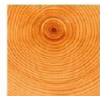
### OLIVER LUMBER

B.P. 460 - 9184 Twiss Road  
Campbellville ON L0P 1B0  
Tel. : 416 233-1227  
1 800 268-2471  
Fax: 416 233-0015

### QUALITY

#### HARDWOOD LTD.

B.P. 40 - 196 Crois Latour  
Powassan ON P0H 1Z0  
Tel. : 705 724-2424  
Fax: 705 724-6053



## OUR BRANCHES

### HEAD OFFICE

#### MONTREAL / DELSON

225 Goodfellow Street  
Delson QC J5B 1V5  
Tel. : 450 635-6511  
1 800 361-6503  
Fax: 450 635-3729/30

### QUEBEC

5100 John Molson Street  
Quebec City QC G1X 3X4  
Tel. : 418 650-5100  
1 800 463-4318  
Fax: 418 650-0171

### DARTMOUTH

20 Vidito Drive  
Dartmouth NS B3B 1P5  
Tel. : 902 468-2256  
Maritimes 1 800 565-7563  
Fax: 902 468-9409

### WINNIPEG

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