QUARTERLY REPORT

For the nine months ended August 31st, 2017

GOODFELLOW

THE WOOD SPECIALIST

FINANCIAL HIGHLIGHTS

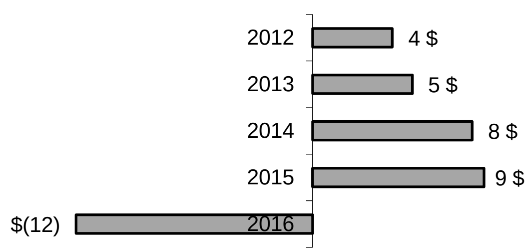
OPERATING RESULTS

(in thousands of dollars except per share amounts)

	2016 **IFRS**	2015 IFRS	2014 IFRS (15 months)	2013 IFRS(1) (Restated)	2012 IFRS(1)
Sales	**$565,173**	$538,975	$610,587	$483,485	$500,688
(Loss) Earnings before income taxes	**$(16,294)**	$11,874	$11,128	$7,307	$6,063
Net (loss) earnings	**$(12,105)**	$8,622	$8,125	$5,279	$4,355
- per share	**$(1.42)**	$1.01	$0.96	$0.62	$0.51
Cash flow (excluding non-cash working capital, Income tax paid and interest paid)	**$(10,802)**	$16,092	$15,228	$9,681	$8,304
- per share (2)	**$(1.27)**	$1.89	$1.79	$1.14	$0.97
Shareholders' equity	**$110,693**	$128,100	$119,486	$117,138	$116,036
- per share (2)	**$13.01**	$15.06	$14.05	$13.77	$13.57
Share price at year-end	**$9.05**	$10.35	$9.50	$9.06	$8.10
Dividend paid per share	**$0.30**	$0.35	$0.65	$0.35	$0.20

(1) Year ended August 31
(2) Non-GAAP measures – refer to "Non-GAAP Measures" section of MD&A

NET EARNINGS (in million $)



SHARE PRICE

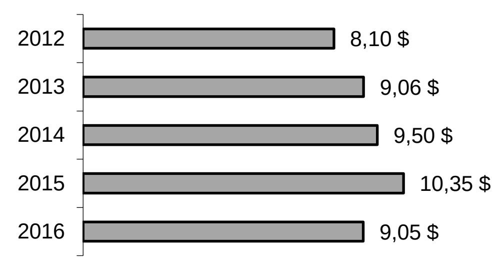


TABLE OF CONTENTS

HEAD OFFICE
225 Goodfellow Street
Delson, Quebec
J5B 1V5
Canada

Toll-Free Canada: 1-800-361-6503
Tel.: 450-635-6511
Fax: 450-635-3729
info@goodfellowinc.com
www.goodfellowinc.com

MESSAGE TO THE SHAREHOLDERS

The loosening of inventory restrictions in May of Q2 generated a favourable sales push which brought the Company back to monthly profitability. This positive momentum carried over into Q3 with profitable results. Margin levels continued on a positive trend and are approaching profitable historic norms.

Q3 is characterized by the detailed planning of our warehouse sales in August and their successful execution. The Company was able to attain the elusive $50M in sales target for August while continuing in its push to grow market share and retain customer loyalty.

Operationally Goodfellow took control of its pressure treating assets and began its own production once again on June 1st, 2017 as planned. ERP obstacles and challenges have widely been addressed and resolved and the Company is moving forward with efficiency initiatives.

Goodfellow is continuing in its focused strategy to steadily increase margin levels while simultaneously addressing elements of obsolete inventory. Inventory levels have been right sized in order to give Goodfellow the opportunity to capitalize on asset opportunities.

Q4 will bring many seasonal inventory and transitional challenges. Nonetheless Goodfellow now has a profitable framework moving forward. The Company is committed to improving its customer experience on an ongoing basis.

We thank our suppliers, customers, employees and shareholders for their positive support in what has been a proactive period securing the company's strong future.

Patrick Goodfellow
President and CEO
October 12, 2017

PROSPECTIVE FINANCIAL INFORMATION

The following Management's Discussion and Analysis ("MD&A") and Goodfellow Inc. (hereafter the "Company") consolidated financial statements were approved by the Audit Committee and the Board of Directors on October 12, 2017. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the twelve months ended November 30, 2016 and 2015. The MD&A provides a review of the significant developments and results of operations of the Company during the nine months ended August 31, 2017 and nine months ended August 31, 2016. The consolidated financial statements ended August 31, 2017 and August 31, 2016 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; and other factors described in our public filings available at 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****.*

NON-GAAP MEASURES

Cash flow per share and operating income 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 $4.2 million for the three months and $(0.8) million for the nine months period ended August 31, 2017 divided by the total number of outstanding shares of 8,506,544.

Reconciliation of EBITDA and operating income to net income (in thousands of dollars)	**For the three months ended**		**For the nine months ended**	
	August 31 2017	August 31 2016	**August 31 2017**	August 31 2016
	$	$	**$**	$
Net income (loss) for the period	**1,632**	(2,491)	**(4,310)**	(924)
Provision for income taxes	**682**	(975)	**(1,676)**	(540)
Financial expenses	**1,121**	1,014	**3,145**	2,473
Operating income (loss)	**3,435**	(2,452)	**(2,841)**	1,009
Depreciation and amortization	**987**	1,055	**2,893**	2,791
EBITDA	**4,422**	(1,397)	**52**	3,800

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 12 distribution centres, 7 processing plants in Canada, and 1 distribution centre in the USA.

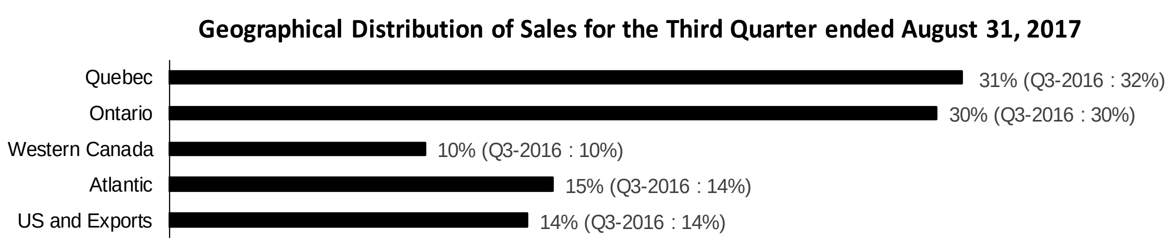
SELECTED ANNUAL INFORMATION (in thousands of dollars, except per share amounts)

	2016 (12 months)	2015 (12 months)	2014 (15 months)
	$	$	$
Consolidated sales	**565,173**	538,975	610,587
(Loss) Earnings before income taxes	**(16,294)**	11,874	11,128
Net (loss) earnings	**(12,105)**	8,622	8,125
Total Assets	**241,568**	212,081	195,847
Total Long-Term Debt	**126**	-	692
Cash Dividends	**2,552**	2,977	5,529
PER COMMON SHARE			
(Loss) Earnings per share Basic and Diluted	**(1.42)**	1.01	0.96
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**(1.27)**	1.89	1.79
Shareholders' Equity	**13.01**	15.06	14.05
Share Price	**9.05**	10.35	9.50
Cash Dividends	**0.30**	0.35	0.65

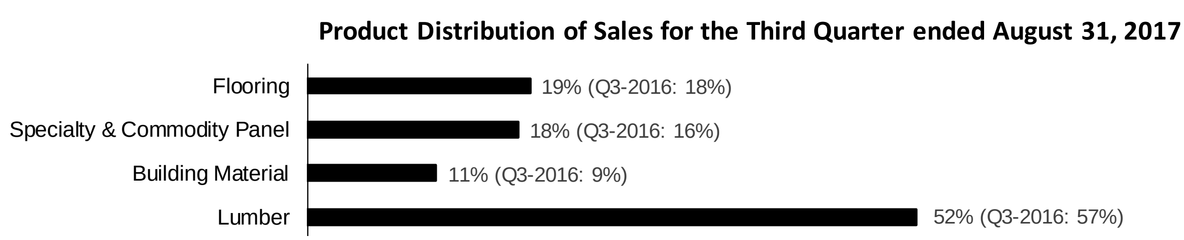
COMPARISON FOR THE THREE MONTHS ENDED AUGUST 31, 2017 AND 2016
(in thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE THREE MONTHS ENDED AUGUST 31, 2017	**Q3-2017 $**	Q3-2016 $	Variance %
Consolidated sales	**142,970**	159,143	-10.2
Earnings (Loss) before income taxes	**2,314**	(3,466)	+166.8
Net earnings (loss)	**1,632**	(2,491)	+165.5
Earnings (Loss) per share Basic and Diluted	**0.19**	(0.29)	+165.5
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**4,194**	(1,732)	+342.1
EBITDA	**4,422**	(1,397)	+416.5
Average Bank indebtedness	**80,787**	105,186	-23.2
Inventory average	**101,909**	133,753	-23.8

Sales in Canada during the third quarter of fiscal 2017 decreased 10% compared to the same period a year ago mainly due to decreased volume of Pressure Treated wood sales. Quebec sales decreased 14% due to decrease demand from the retailers and manufacturing sales groups. Sales in Ontario decreased 10% mainly due to decline in sales of pressure treated wood and hardwood. Western Canada sales decreased 5% due to decreased sales of flooring products. Sales in the Atlantic Provinces decreased 2% due to fir and pine products.



Sales in the United States for the third quarter ended August 31, 2017 decreased 20% 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 19% compared to last year. Finally, export sales decreased 1% during the third quarter of fiscal 2017 compared to the same period a year ago mainly due to slight decrease in demand of value-added products in Asia and Europe.



These previously discussed factors impacted to various degrees our sales mix during the third quarter of fiscal 2017. Flooring sales for the third quarter ended August 31, 2017 decreased 2% compared to the same quarter a year ago. Specialty and Commodity Panel sales decreased 1% compared to the corresponding period last year. Building Materials sales increased 9% compared to the corresponding period last year. Finally, our core lumber business sales decreased 18% compared to the corresponding period last year.

Cost of Goods Sold

Cost of goods sold for the third quarter of fiscal 2017 was $119.1 million compared to $137.6 million for the corresponding period a year ago. Cost of purchased goods decreased 13.4% compared to last year reflecting the decreased sales level and the cost structure regarding outsourced production of Pressure Treated wood and siding product line. Total freight outbound cost decreased 16.0% compared to the same period a year ago. This decrease was due to lower levels of imported products. Average gas and diesel purchased prices during the third quarter increased approximately 10% compared to the corresponding period a year ago. Gross profits increased 10.7% during the third quarter ended August 31, 2017 compared to last year while gross margins increased from 13.6% to 16.7% due to our cost structure regarding Pressure Treated wood.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the third quarter ended August 31, 2017 were $20.5 million compared to $24.0 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 14.9% due to our continued cost reduction strategy.

Net Financial Cost

Net financial costs for the third quarter ended August 31, 2017 were $1.1 million ($1.0 million a year ago). The average Canadian prime rate increased to 2.87% during the third quarter ended August 31, 2017 compared to 2.70% a year ago. The average US prime rate increased to 4.25% compared to 3.50% a year ago. Average bank indebtedness during the third quarter ended August 31, 2017 was $80.8 million compared to $105.2 million for the corresponding period last year. Average inventory during the third quarter ended August 31, 2017 was $101.9 million compared to $133.8 million for the same period last year.

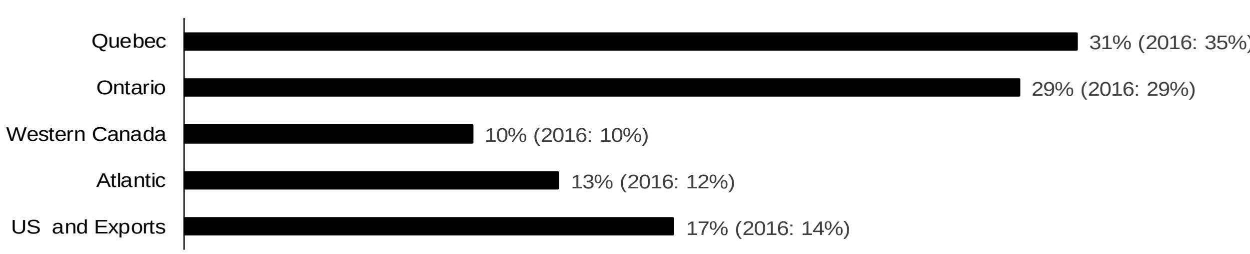
COMPARISON FOR THE NINE MONTHS ENDED AUGUST 31, 2017 AND 2016

(in thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE NINE MONTHS ENDED AUGUST 31, 2017	**Q3-2017 $**	Q3-2016 $	Variance %
Consolidated sales	**396,101**	434,425	-8.8
Loss before income taxes	**(5,986)**	(1,464)	-308.9
Net loss	**(4,310)**	(924)	-366.5
Loss per share Basic and Diluted	**(0.51)**	(0.11)	-363.6
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**(795)**	2,372	-133.5
EBITDA	**52**	3,800	-98.6
Average Bank indebtedness	**86,357**	93,078	-7.2
Inventory average	**108,540**	133,175	-18.5

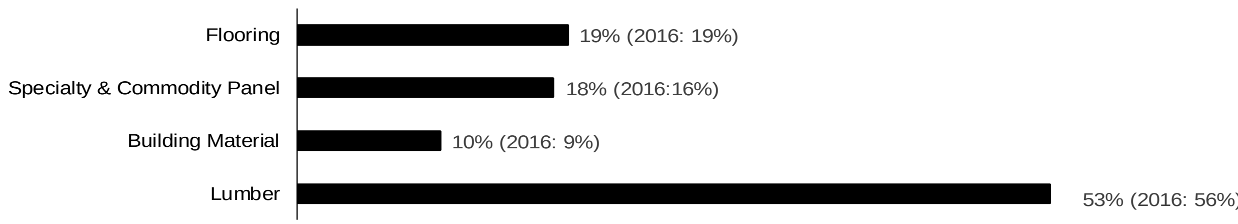
Sales in Canada during the first nine months of fiscal 2017 decreased 11% compared to the same period a year ago mainly due to decrease in sales of pressure treated wood and flooring products. Quebec sales decreased 18% compared to last year due to the pressure treated wood contract with one of our major retailer's group. Sales in Ontario decreased 8% impacted by the decrease demand for pressure treated wood and flooring products. Sales in Western Canada decreased 3% mainly due to the slower housing market in Alberta. Atlantic region sales decreased 6% mainly due to a decrease demand for pressure treated wood during the first nine months of fiscal 2017.

Geographical Distribution of Sales for the First Nine Months ended August 31, 2017



Sales in the United States for the first nine months ended August 31, 2017 increased 2% on a Canadian dollar basis compared to the same period last year due to slight increase in demand of hardwood lumber and flooring products. On a US dollar basis, US denominated sales increased 3% compared to last year. Finally, Export sales increased 16% during the first nine months of fiscal 2017 compared to the same period a year ago mainly due to increasing demand of hardwood and lumber products in Asia and Europe.

Product Distribution of Sales for the First Nine Months ended August 31,2017



These previously discussed factors impacted to various degrees our sales mix. Flooring and Specialty sales for the first nine months ended August 31, 2017 decreased 8% compared to the corresponding period last year. Specialty and Commodity Panel sales for the first nine months decreased 1% compared to the corresponding period last year. Building Materials sales for the first nine months of fiscal 2017 remained unchanged compared to the corresponding period last year. Finally, Lumber sales for the first nine months of fiscal 2017 decreased 13% compared to the corresponding period last year.

Cost of Goods Sold
Cost of goods sold for the first nine months of fiscal 2017 was $337.8 million compared to $364.3 million for the corresponding period a year ago. Cost of purchased goods decreased 7.3% compared to the corresponding period last year reflecting the decreased sales level and the cost structure regarding outsourced production of Pressure Treated wood and siding product line. Total freight outbound cost decreased 5.6% compared to the same period a year ago. Average gas and diesel purchased prices during the first nine months increased approximately 19% compared to the nine months ended August 31, 2016. Gross profits decreased 16.8% during the first nine months ended August 31, 2017 compared to the corresponding period last year while gross margins decreased from 16.2% to 14.7%.

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses for the first nine months ended August 31, 2017 was $61.2 million compared to $69.1 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 11.5% compared to the corresponding period last year. The decrease results from the headcount reduction.

Net Financial Cost
Net financial costs for the first nine months of fiscal 2017 were $3.1 million ($2.5 million a year ago). The average Canadian prime rate increased to 2.76% for the first nine months of fiscal 2017 compared to 2.70% a year ago. The average US prime rate increased to 4.00% compared to 3.50% a year ago. Average bank indebtedness during the first nine months of fiscal 2017 was $86.4 million compared to $93.1 million for the corresponding period last year. Average inventory during the first nine months of fiscal 2017 was $108.5 million compared to $133.2 million for the same period last year.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except earnings per share)

	Nov-2016 $	Feb-2017 $	May-2017 $	Aug-2017 $
Sales	130,748	113,490	139,641	142,970
Net (loss) earnings	(11,181)	(5,401)	(541)	1,632
(Loss) earnings per share Basic and Diluted	(1.31)	(0.63)	(0.07)	0.19

	Nov-2015 $	Feb-2016 $	May-2016 Restated $	Aug-2016 $
Sales	135,154	108,659	166,623	159,143
Net earnings (loss)	2,000	(906)	2,473	(2,491)
Earnings (loss) per share Basic and Diluted	0.23	(0.11)	0.29	(0.29)

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 decreased from $276.2 million at August 31, 2016 to $225.5 million at August 31, 2017. Cash at August 31, 2017 closed at $1.1 million ($1.3 million at August 31, 2016). Trade and other receivables at August 31, 2017 was $69.4 million compared to $84.9 million at August 31, 2016 reflecting a better collection rate from our collections department and reduction of backlog of invoicing due to better efficiency (re: new systems) and less sales compared to the corresponding period last year. Income taxes receivable at August 31, 2017 were $8.4 million compared to $2.5 million last year. Inventories at August 31, 2017 was $98.0 million compared to $129.8 million at August 31, 2016. This decrease was due to the decreased sales volume and lower Goods in Transit and work in process. Prepaid expenses at August 31, 2017 was $3.9 million compared to $5.8 million at August 31, 2016. Defined benefit plan assets was $2.2 million at August 31, 2017 compared to $5.0 million a year ago. Investment closed at $0.3 million on August 31, 2017 compared to $3.5 million at August 31, 2016.

Property, plant, equipment and intangible assets
Property, plant, equipment at August 31, 2017 was $37.1 million compared to $39.9 million at August 31, 2016. Capital expenditures during the nine months of fiscal 2017 amounted to $0.8 million ($2.0 million for the nine months ended August 31, 2016). Property, plant and equipment capitalized during the nine months ended August 31, 2017 included asphalt paving, computers, and yard equipment. Intangible assets at August 31, 2017 closed at $5.1 million ($3.6 million last year). Proceeds on disposal of property, plant, equipment and intangible assets during the first nine months of fiscal 2017 were $0.2 million ($nil for the nine months ended August 31, 2016). Depreciation of property, plant, equipment and intangible assets during the nine months of fiscal 2017 was $2.9 million ($2.8 million for the nine months ended August 31, 2016). Historically, capital expenditures in general have been capped at depreciation levels. Capital expenditures were financed from operational cash flows. No major capital expenditures are committed for at this time.

Total Liabilities
Total liabilities at August 31, 2017 was $119.1 million ($151.6 million last year). Bank indebtedness was $73.7 million compared to $108.0 million on August 31, 2016. Trade and other payables at August 31, 2017 was $39.3 million compared to $37.0 million on August 31, 2016. Provision at August 31, 2017 was $1.4 million ($1.6 million last year). Long-term debt was $0.2 million ($0.3 million on August 31, 2016). Deferred income taxes at August 31, 2017 closed at $3.3 million ($4.7 million on August 31, 2016). Defined benefit plan obligations was $1.1 million at August 31, 2017 compared to $nil at August 31, 2016.

Shareholders' Equity
Total Shareholders' Equity at August 31, 2017 decreased to $106.4 million from $124.6 million last year. The Company generated a return on equity of (5.4) % during the first nine months of fiscal 2017 ((1.0) % for the nine months ended August 31, 2016). Market share price closed at $7.81 per share on August 31, 2017 ($11.50 on August 31, 2016). Share book value at August 31, 2017 was $12.51 per share ($14.65 on August 31, 2016). Share capital closed at $9.2 million (same as last year). No eligible dividend payments during the nine months of fiscal 2017 ($2.6 million or $0.30 per share paid during the same period last year).

LIQUIDITY AND CAPITAL RESOURCES

Financing
As at August 31, 2017, under the new credit agreement, the Company was using $67 million of its facility compared to $105 million last year. The credit agreement has a maximum revolving operating facility of $125 million renewable in May 2018. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to $100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). 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 August 31, 2017, the Company was compliant with its financial covenants and the lenders issued a waiver for financial covenant breaches reported in prior quarters of fiscal 2017. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

As a result of the dissolution of the joint venture, the company's investment decreased by $3.1 million. Consequently, the credit facility was reduced by $3.1 million, from $125 million to $122 million as at August 31st, 2017.

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 nine months of fiscal 2017 increased to $18.6 million from $(49.9) million for the same period last year. Financing activities during the first nine months of fiscal 2017 decreased to $(24.5) million compared to $58.7 million for the nine months ended August 31, 2016. Investing activities during the first nine months of fiscal 2017 were $2.2 million ($(8.6) million for the corresponding period a year ago). Investing activities in 2016 reflected the capital expenditures and investments required for our new ERP system as well as the net cash effect of the acquisition of Quality Hardwoods Ltd.

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 capital as Shareholders' equity and funded debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid and non-assessable shares of the share capital together with the contributed surplus and retained earnings, calculated on a consolidated basis in accordance with IFRS.

The Company manages its capital structure 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 structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under normal course issuer bids, 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 operating lines of credit.

Due to the impact of the Company's financial performance in fiscal 2016 and the level of inventories and capital requirements, there is a possibility that its existing cash, cash generated from operations and funds available under its credit agreement could be insufficient to fund its future operations. As at November 30, 2016, the Company was in default of its financial covenants under its credit agreement and borrowings under the revolving credit facility exceeded the borrowing base under its credit agreement. Subsequent to year-end, Management obtained from its lenders waivers of the defaults and amended the terms of its credit facility. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to $100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). Furthermore, the Company needs to comply with monthly maximum funded debt to capitalization ratio, a minimum debt service coverage ratio only at December 31, 2017 and achieve minimum quarterly year-to-date EBITDA budget approved by the lenders (see notes 12 and 24 in the 2016 Annual Report). As at August 31, 2017, the Company was compliant with its financial covenants and the lenders issued a waiver for financial covenant breaches reported in prior quarters of fiscal 2017. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

As at August 31, 2017 and 2016, the Company achieved the following results regarding its capital management objectives:

Capital management (in thousands of dollars)	**As at August 31 2017**	As at August 31 2016
Debt-to-capitalization ratio	**39.2 %**	46.2 %
Return on shareholders' equity	**(5.4) %**	(1.0) %
Current ratio	**1.6**	1.5
EBITDA	**$52**	$3,800

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.
- 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 August 31, 2017, its total debt to capitalization ratio stood at 39.2% compared to 46.2% last year. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has been subsequently reduced to $100 million which correspond to the low seasonality of the business (September 1, 2017 to January 31, 2018). Furthermore, the Company needs to comply with monthly maximum funded debt to capitalization ratio and achieve minimum quarterly EBITDA budget approved by the lenders with a maturity date of May 2018.

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, 2016 as well as in the 2016 Annual Information Form available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

As at August 31, 2017, 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	21,517	4,805	7,183	5,520	4,009
Purchase obligations	76	76	-	-	-
Total Contractual Obligations	**21,593**	**4,881**	**7,183**	**5,520**	**4,009**

Contingent liabilities
The Company is party to claims which are being contested relate primarily to damaged goods, quality issues or transportation related issues. The amount of claims currently being contested and/or addressed is approximately $0.2 million. Management believes that the resolution of these claims will not have a material adverse effect on the Company's financial position, earnings or cash flows.

RISKS AND UNCERTAINTIES

The risks and uncertainty factors affecting the Company in the future remains substantially unchanged from those included in the Company's Annual MD&A contained in its 2016 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 and nine months ended August 31, 2017 while only one major customer exceeded 10% of total company sales in the three and nine months ended August 31, 2016. The following represents the total sales consisting primarily of various wood products of the major customers:

	For the three months ended				**For the nine months ended**			
	August 31, 2017		August 31, 2016		**August 31, 2017**		August 31, 2016	
	$	**%**	$	%	**$**	**%**	$	%
Sales of major customer(s) that exceeded 10% of total Company's sales	**32,180**	**22.5**	29,668	18.6	**84,703**	**21.4**	75,152	17.3

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Financial instruments and other instruments remains substantially unchanged from those included in the Company's Annual MD&A contained in its 2016 Annual report. Only those factors with variability components are described below:
The following are the contractual maturities of financial liabilities as at August 31, 2017:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 6 Months**	**6 to 60 Months**
Bank indebtedness	73,715	73,715	73,715	-
Trade and other payables	39,305	39,305	39,305	-
Long-term debt	227	227	68	159
Total financial liabilities	**113,247**	**113,247**	**113,088**	**159**

Currency Risk
As at August 31, 2017, the Company had the following currency exposure on;

Financial assets and liabilities measured at amortized costs
(in thousands of dollars)

	USD	**GBP**	**Euro**
Cash	644	329	9
Trade and other receivables	7,893	295	-
Trade and other payables	(7,969)	(75)	(303)
Long-term debt	(55)	-	-
Net exposure	**513**	**549**	**(294)**
CAD exchange rate as at August 31, 2017	1.2536	1.6161	1.4887
Impact on net earnings based on a fluctuation of 5% on CAD	**23**	**32**	**(16)**

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 for foreign accounts to reduce the potential for credit losses in foreign countries. 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 1.3% (8.6% on August 31, 2016) of total trade and other receivables as at August 31, 2017.

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.

RELATED PARTY TRANSACTIONS

The Related Party Transactions remains substantially unchanged from those included in the Company's Annual MD&A contained in its 2016 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 2016 Annual report.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies remain substantially unchanged from those included in its 2016 Annual report.

SIGNIFICANT ACCOUNTING POLICIES & USE OF ESTIMATES AND JUDGEMENTS

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 2016 Annual Report.

DISCLOSURE OF OUTSTANDING SHARE DATA

At August 31, 2017, 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 October 12, 2017, there were 8,506,554 common shares outstanding.

SUBSEQUENT EVENT

In September 2017, the Company closed the sale of a parcel of land and building in Drummondville. Proceeds from the sale adds up to $1.4 million, resulting in a gain from disposal of $1.0 million net of tax.

In addition, pursuant to the amended credit facility, the available facility has been reduced by $11.0 million in September 2017 due to tax refunds of $6.9 million, $3.1 million for the LGTI investment and $1.0 million for the sale of land in Drummondville. Therefore, the available credit is reduced from $100 million to $89 million. The current facility is considered by management to be adequate to support its current forecasted cash flow requirements. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

OUTLOOK

The company is continuing in its focused strategy to steadily increase margin levels while simultaneously addressing elements of obsolete inventory. Inventory levels have been right sized in order to give Goodfellow the opportunity to capitalize on asset opportunities. Q4 will bring many seasonal inventory and transitional challenges. Nonetheless Goodfellow now has a profitable framework moving forward. 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 August 31, 2017 concluded that the Company's disclosure controls and procedures and internal control over financial reporting were ineffective because of the material weakness described below.

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, which we now realize existed in earlier quarters, was caused primarily by the absence of certain preventive and detective controls over inventory management.

This control deficiency resulted in the Company determining that its interim financial statements for the three and six-month periods ended May 31, 2016 were materially misstated. The Company has restated and refiled those financial statements. This control deficiency also delayed the filing of its interim financial statements for the three and nine-month periods ended August 31, 2016 while management performed additional substantive procedures to validate the recorded value of inventory.

While it is possible that this design weakness, if left unaddressed, could result in a material misstatement of the Company's inventory balances now or in the future, management has concluded that the consolidated financial statements included in this interim report fairly present the Company's financial position, consolidated results of operations and cash flows for the three month and nine month periods ended August 31, 2017.

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 is in the process of implementing a plan for the remediation of this material weakness. In the short term, the number of inventory counts increased to a level at which the Company can be confident of the statistical validity of the results of those counts and the Company has established many review procedures to ensure the accuracy of the financial information. The Company will report on its progress of remediation in the second part of 2017.

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.

On January 17, 2017, the Company changed its President and CEO. 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 and nine months ended August 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Subsequent to Q1 results, on March 3, 2017, the Company announced a change to the CFO position.

Delson, October 12, 2017

Patrick Goodfellow
President and C.E.O.

Charles Brisebois, CPA, CMA
C.F.O

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 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.

GOODFELLOW INC.
Consolidated Statements of Comprehensive Income
For the three and nine months ended August 31, 2017 and 2016
(in thousands of dollars, except per share amounts)
Unaudited

	For the three months ended		For the nine months ended	
	August 31 2017	August 31 2016	**August 31 2017**	August 31 2016
	$	$	**$**	$
Sales	**142,970**	159,143	**396,101**	434,425
Expenses				
Cost of goods sold (Note 4)	**119,074**	137,561	**337,762**	364,269
Selling, administrative and general expenses (Note 4)	**20,461**	24,034	**61,180**	69,147
Net financial costs	**1,121**	1,014	**3,145**	2,473
	140,656	162,609	**402,087**	435,889
Earnings (Loss) before income taxes	**2,314**	(3,466)	**(5,986)**	(1,464)
Income taxes	**682**	(975)	**(1,676)**	(540)
Total comprehensive income (loss)	**1,632**	(2,491)	**(4,310)**	(924)
Net earnings (loss) per share - Basic and diluted (Note 8)	**0.19**	(0.29)	**(0.51)**	(0.11)

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

	As at August 31 2017	As at November 30 2016	As at August 31 2016
	$	$	$
Assets			
Current Assets			
Cash	**1,121**	703	1,327
Trade and other receivables (Note 5)	**69,414**	64,255	84,930
Income taxes receivable	**8,408**	6,598	2,455
Inventories	**97,996**	115,391	129,789
Prepaid expenses	**3,861**	4,863	5,831
Total Current Assets	**180,800**	191,810	224,332
Non-Current Assets			
Property, plant and equipment	**37,074**	38,693	39,867
Intangible assets	**5,116**	5,428	3,589
Defined benefit plan asset	**2,227**	2,234	4,983
Investment in a joint venture	**282**	3,403	3,468
Total Non-Current Assets	**44,699**	49,758	51,907
Total Assets	**225,499**	241,568	276,239
Liabilities			
Current liabilities			
Bank indebtedness (Note 6)	**73,715**	94,113	107,969
Trade and other payables (Note 7)	**39,305**	30,721	37,004
Provision	**925**	963	1,093
Current portion of long-term debt (Note 6)	**138**	136	157
Total Current Liabilities	**114,083**	125,933	146,223
Non-Current Liabilities			
Provision	**513**	475	516
Long-term debt (Note 6)	**89**	126	158
Deferred income taxes	**3,296**	3,296	4,718
Defined benefit plan obligation	**1,135**	1,045	-
Total Non-Current Liabilities	**5,033**	4,942	5,392
Total Liabilities	**119,116**	130,875	151,615
Shareholders' equity			
Share capital (Note 8)	**9,152**	9,152	9,152
Retained earnings	**97,231**	101,541	115,472
	106,383	110,693	124,624
Total Liabilities and Shareholders' Equity	**225,499**	241,568	276,239

Going concern and future operations (Note 2 b))

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and nine months ended August 31, 2017 and 2016
(in thousands of dollars)
Unaudited

	For the three months ended		For the nine months ended	
	August 31 2017	August 31 2016	**August 31 2017**	August 31 2016
	$	$	**$**	$
Operating Activities				
Net earnings (loss)	**1,632**	(2,491)	**(4,310)**	(924)
Adjustments for:				
Depreciation	**987**	1,055	**2,893**	2,791
Accretion expense on provision	**12**	13	**37**	39
Decrease in provision	**(4)**	-	**(37)**	-
Income taxes	**682**	(975)	**(1,676)**	(540)
Gain on disposal of property, plant and equipment	**(68)**	-	**(55)**	-
Interest expense	**781**	682	**2,255**	1,645
Funding in deficit (excess) of pension plan expense	**50**	8	**97**	(171)
Share of the profits of a joint venture	**122**	(24)	**1**	(468)
	4,194	(1,732)	**(795)**	2,372
Changes in non-cash working capital items (Note 12)	**5,475**	210	**21,876**	(46,515)
Interest paid	**(817)**	(746)	**(2,309)**	(1,910)
Income taxes received (paid)	**474**	(759)	**(134)**	(3,817)
	5,132	(1,295)	**19,433**	(52,242)
Net Cash Flows from Operating Activities	**9,326**	(3,027)	**18,638**	(49,870)
Financing Activities				
Net (decrease) increase in bank loans	**(4,000)**	(12,000)	**(4,000)**	3,500
Net (decrease) increase in banker's acceptances	**(12,500)**	27,000	**(20,500)**	57,500
Increase in long-term debt	**69**	**-**	**69**	1,050
Reimbursement of long-term debt	**(31)**	(56)	**(104)**	(848)
Dividends paid	**-**	(1,276)	**-**	(2,552)
	(16,462)	13,668	**(24,535)**	58,650
Investing Activities				
Acquisition of property, plant and equipment	**(395)**	(1,027)	**(796)**	(1,961)
Increase in intangible assets	**(73)**	(545)	**(295)**	(1 850)
Proceeds on disposal of property, plant, equipment and intangible assets	**135**	-	**184**	-
Business acquisitions, net of cash acquired	**-**	-	**-**	(4,795)
Dissolution of the joint venture	**3,120**	-	**3,120**	-
	2,787	(1,572)	**2,213**	(8,606)
Net cash (outflow) inflow	**(4,349)**	9,069	**(3,684)**	174
Cash position, beginning of period	**(1,245)**	(10,711)	**(1,910)**	(1,816)
Cash position, end of period	**(5,594)**	(1,642)	**(5,594)**	(1,642)
Cash position is comprised of:				
Cash	**1,121**	1,327	**1,121**	1,327
Bank overdraft (Note 6)	**(6,715)**	(2,969)	**(6,715)**	(2,969)
	(5,594)	(1,642)	**(5,594)**	(1,642)

GOODFELLOW INC.
Consolidated Statements of Change in Shareholders' Equity
For the nine months ended August 31, 2017 and 2016
(in thousands of dollars)
Unaudited

	Share Capital	**Retained Earnings**	**Total**
	$	$	$
Balance as at November 30, 2015 (Audited)	9,152	118,948	128,100
Net loss	-	(924)	(924)
Total Comprehensive loss	-	(924)	(924)
Transactions with owners of the Company			
Dividends	-	(2,552)	(2,552)
Balance as at August 31, 2016	9,152	115,472	124,624
Balance as at November 30, 2016 (Audited)	**9,152**	**101,541**	**110,693**
Net loss	**-**	**(4,310)**	**(4,310)**
Total Comprehensive loss	**-**	**(4,310)**	**(4,310)**
Balance as at August 31, 2017	**9,152**	**97,231**	**106,383**

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 consolidated financial statements of the Company as at and for the nine months ended August 31, 2017 and 2016 includes the accounts of the Company and its wholly-owned subsidiaries.

2. Basis of preparation

a) 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 condensed 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 statements for the year ended November 30, 2016, as set out in the 2016 annual report.

The financial statements were authorized for issue by the Board of Directors on October 12, 2017.

These financial statements are available on the SEDAR website at www.sedar.com and on the Company's website at www.goodfellowinc.com.

b) Going concern and future operations

These 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.

Due to the impact of the Company's financial performance in fiscal 2016 and the level of inventories and capital requirements, there is a possibility that its existing cash, cash generated from operations and funds available under its credit agreement could be insufficient to fund its future operations. As at November 30, 2016, the Company was in default of its financial covenants under its credit agreement and borrowings under the revolving credit facility exceeded the borrowing base under its credit agreement. Subsequent to year-end, Management obtained from its lenders waivers of the defaults and amended the terms of its credit facility. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to $100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). Furthermore, the Company needs to comply with monthly maximum funded debt to capitalization ratio, a minimum debt service coverage ratio only at December 31, 2017 and achieve minimum quarterly year-to-date EBITDA budget approved by the lenders (see notes 12 and 24 in the 2016 Annual Report). As at August 31, 2017, the Company was compliant with its financial covenants and the lenders issued a waiver for financial covenant breaches reported in prior quarters of fiscal 2017. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

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. Significant estimates that have the greatest impact on the analysis and the Company's ability to meet its financial covenants in fiscal 2017 include the estimate of sales, gross margins and expenses, inventories and receivable levels which determine the borrowing base and availability under its credit facility, timing of inventory acquisitions, vendor and customer terms and payments, interest rate and foreign exchange rate assumptions.

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 could result in the Company's lenders imposing additional restrictions on the Company's ability to borrow funds under its credit facility or the lenders having the right to demand repayment of balances owed under the credit facility thus impacting the Company's ability to meet its operations and cash flow requirements, and there could be significant uncertainty about the Company's ability to continue as a going concern, and its capacity to realize the carrying value of its assets and repay its existing and future obligations as they generally become due without obtaining additional financing which may not be available.

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

2. Basis of preparation *(Continued)*

If the going concern assumption were not appropriate for these 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 2016 Annual consolidated financial statements.

4. Additional information on comprehensive income

	For the three months ended		For the nine months ended	
	August 31 2017	August 31 2016	**August 31 2017**	August 31 2016
	$	$	**$**	$
Employee benefits expense	**13,526**	15,030	**40,153**	44,991
Write-down of inventories included in cost of goods sold	**126**	460	**(752)**	1,419
Depreciation included in cost of goods sold	**338**	423	**991**	1,121
Depreciation included in selling, administrative and general expenses	**649**	632	**1,902**	1,670
Expense related to minimum operating lease payments recognized in net earnings	**1,262**	1,041	**3,572**	2,754
(Gain) Loss in foreign exchange	**(231)**	506	**(103)**	(782)

5. Trade and other receivables

	August 31 2017	November 30 2016	August 31 2016
	$	$	$
Trade receivables	**69,048**	64,693	84,734
Allowance for doubtful accounts	**(590)**	(1,816)	(784)
	68,458	62,877	83,950
Other receivables	**956**	1,378	980
	69,414	64,255	84,930

6. Bank Indebtedness and Long-Term Debt

	August 31 2017	November 30 2016	August 31 2016
	$	$	$
Bank Loans	**7,000**	11,000	12,500
Banker's Acceptances	**60,000**	80,500	92,500
Bank overdraft	**6,715**	2,613	2,969
	73,715	94,113	107,969

As at August 31, 2017, under the new credit agreement, the Company was using $67 million of its facility compared to $105 million last year. The credit agreement has a maximum revolving operating facility of $125 million renewable in May 2018. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to $100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). 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 August 31, 2017, the Company was compliant with its financial covenants and the lenders issued a waiver for financial covenant breaches reported in prior quarters of fiscal 2017. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

As a result of the dissolution of the joint venture, the company's investment decreased by $3.1 million. Consequently, the credit facility was reduced by $3.1 million, from $125 million to $122 million as at August 31, 2017.

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

7. Trade and other payables

	August 31 2017	November 30 2016	August 31 2016
	$	$	$
Trade payables and accruals	**31,388**	23,034	28,906
Payroll related liabilities	**5,356**	6,357	5,746
Sales taxes payables	**2,561**	1,330	2,352
	39,305	30,721	37,004

8. Share Capital

a) Authorized
An unlimited number of common shares, without par value

	August 31 2017	November 30 2016	August 31 2016
Number of shares outstanding at the end of the period	**8,506,554**	8,506,554	8,506,554

b) Earnings and dividend per share

The calculation of basic and diluted earnings was based on the following:

	For the three months ended		**For the nine months ended**	
	August 31 2017	August 31 2016	**August 31 2017**	August 31 2016
Net earnings (loss) - basic and diluted	**$1,632**	$(2,491)	**$(4,310)**	$(924)
Weighted average number of common shares - basic and diluted	**8,506,554**	8,506,554	**8,506,554**	8,506,554

No eligible dividend was declared and paid to the holders of participating shares for the nine months ended August 31, 2017 ($0.30 per share declared and paid in the corresponding period 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 nine months ended August 31, 2017 which is not necessarily indicative of performance for the balance of the year.

10. Economic Dependence

Two major customers exceed 10% of total company sales in the three and nine months ended August 31, 2017 while only one major customer exceeded 10% of total company sales in the three and nine months ended August 31, 2016. The following represents the total sales consisting primarily of various wood products of the major customers:

	For the three months ended				**For the nine months ended**			
	August 31, 2017		August 31, 2016		**August 31, 2017**		August 31, 2016	
	$	**%**	$	%	**$**	**%**	$	%
Sales of major customer(s) that exceeded 10% of total Company's sales	**32,180**	**22.5**	29,668	18.6	**84,703**	**21.4**	75,152	17.3

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

11. Financial Instruments and Financial Risk Management

Financing and Liquidity Risk
The Company makes use of short term financing and could make further use of this facility if necessary. The Company operates with negligible long-term debt as at August 31, 2017.

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

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

The following are the contractual maturities of financial liabilities as at August 31, 2017:

Financial Liabilities	Carrying Amount	Contractual cash flows	0 to 6 Months	6 to 60 Months
Bank indebtedness	73,715	73,715	73,715	-
Trade and other payables	39,305	39,305	39,305	-
Long-term debt	227	227	68	159
Total financial liabilities	**113,247**	**113,247**	**113,088**	**159**

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 August 31, 2017, the Company had the following currency exposure on;

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	644	329	9
Trade and other receivables	7,893	295	-
Trade and other payables	(7,969)	(75)	(303)
Long-term debt	(55)	-	-
Net exposure	**513**	**549**	**(294)**
CAD exchange rate as at August 31, 2017	1.2536	1.6161	1.4887
Impact on net earnings based on a fluctuation of 5% on CAD	**23**	**32**	**(16)**

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 for foreign accounts to reduce the potential for credit losses in foreign countries. 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 1.3% (8.6% on August 31, 2016) of total trade and other receivables as at August 31, 2017.

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

	For the three months ended		For the nine months ended	
	August 31 2017	August 31 2016	**August 31 2017**	August 31 2016
	$	$	**$**	$
Trade and other receivables	**17,211**	37,386	**(5,159)**	(18,115)
Inventories	**3,078**	9,112	**17,395**	(32,523)
Prepaid expenses	**667**	(919)	**981**	(1,424)
Trade and other payables	**(15,481)**	(45,369)	**8,659**	5,547
	5,475	210	**21,876**	(46,515)

12. Additional Cash Flow Information *(Continued)*

Joint Venture

In fiscal 2016, the Company invested $3.0 million in the joint venture in the form of inventory of raw material pursuant to a shareholder agreement in return of 40% of the shares of the joint venture.

13. Capital Management

The Company's objectives remain substantially unchanged from those included in the Company's annual consolidated financial statements contained in its 2016 Annual report.

For the nine months ended August 31, 2017 and 2016, the Company achieved the following results regarding its capital management objectives:

Capital management (in thousands of dollars)	**As at August 31 2017**	As at August 31 2016
Debt-to-capitalization ratio	**39.2 %**	46.2 %
Return on shareholders' equity	**(5.4) %**	(1.0) %
Current ratio	**1.6**	1.5
EBITDA	**$52**	$3,800

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.
- 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.

As at August 31, 2017, the Company was compliant with its financial covenants and the lenders issued a waiver for financial covenant breaches reported in prior quarters of fiscal 2017. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

14. Subsequent event

In September 2017, the Company closed the sale of a parcel of land and building in Drummondville. Proceeds from the sale adds up to $1.4 million, resulting in a gain from disposal of $1.0 million net of tax.

In addition, pursuant to the amended credit facility, the available facility has been reduced by $11.0 million in September 2017 due to tax refunds of $6.9 million, $3.1 million for the LGTI investment and $1.0 million for the sale of land in Drummondville. Therefore, the available credit is reduced from $100 million to $89 million. The current facility is considered by management to be adequate to support its current forecasted cash flow requirements. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

15. Comparative information

Certain prior period information has been reclassified to conform with the current period presentation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Claude 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

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

Jeff Morrison
Vice President,
National accounts

OTHER INFORMATION

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.

Notes

OUR DIVISIONS

CANBAR
9184 Twiss Street, P.O. Box 460
Campbellville ON L0P 1B0
Tel: 905 854-5800
1 800 263-6269
Fax: 905 854-6104

OLIVER LUMBER
9184 Twiss Street, P.O. Box 460
Campbellville ON L0P 1B0
Tel: 416 233-1227
1 800 268-2471
Fax: 416 233-0015

QUALITY HARDWOODS LTD.
196 Latour Cres., P.O. Box 40
Powassan ON P0H 1Z0
Tel: 705 724-2424
1 800 263-3249
Fax: 705 724-6053

GOODFELLOW USA
368 Pepsi Road
Manchester NH, 03109
Tel: 603 623-9811
1 800 990-0722
Fax: 603 623-9484

GOODFELLOW U.K.
P.O. Box 36
Llangollen UK LL20 7ZW
Tel: 011-44-1691718872
Cell 011-44-7900687751
Fax: 011-44-1691-718436

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

EDMONTON
11128 – 158 Street
Edmonton AB T5M 1Y4
Tel.: 780 469-1299
Fax: 780 469-1717

SASKATOON
802 58th Street East
Saskatoon SK S7K 5Z4
Tel.: 306 242-9977
Fax: 306 242-9997

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

OTTAWA
3091 Albion Road North
Ottawa ON K1V 9V9
Tel.: 613 244-3169
1 800 577-7842
Fax: 613 244-0488

TORONTO / CAMPBELLVILLE
P.O. Box 460 9184 Twiss Road
Campbellville ON L0P 1B0
Tel.: 905 854-5800
1 800 263-6269
Fax: 905 854-6104

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

MONCTON
660 Edinburgh Drive
Moncton NB E1E 4C6
Tel.: 506 857-2134
Maritimes 1 800 561-7965
Fax: 506 859-7184

DEER LAKE
4 Wellon Drive
Deer Lake NL A8A 2G5
Tel.: 709 635-2991
Cell: 709 638-0574
Fax: 709 635-3079

WINNIPEG
1431 Church Avenue - Unit B
Winnipeg MB R2X 1G5
Tel.: 204 779-3370
1 800 955-9436
Fax: 204 779-3314

CALGARY
Bay #11, 5375-50th Street S.E.
Calgary AB T2C 3W1
Tel.: 403 252-9638
1 888 316-7208
Fax: 403 252-9516

VANCOUVER/ RICHMOND
2060 Van Dyke Place
Richmond BC V6V 1X9
Tel.: 604 940-9640
1 800 821-2053
Fax: 604 940-9641

Lumber | Siding | Decking | Flooring | Panels

GOODFELLOW