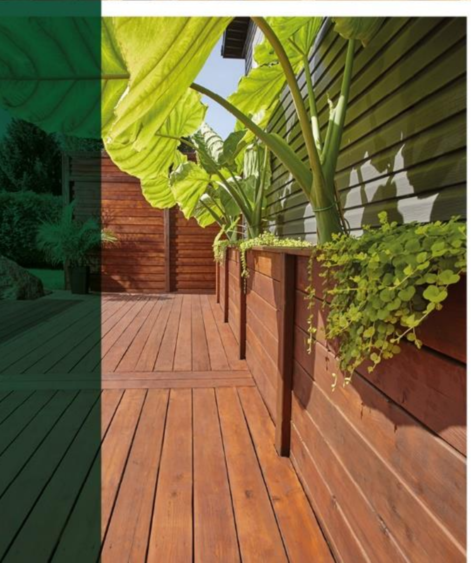
QUARTERLY REPORT

FOR THE SIX MONTHS ENDED MAY 31ST, 2020

GOODFELLOW



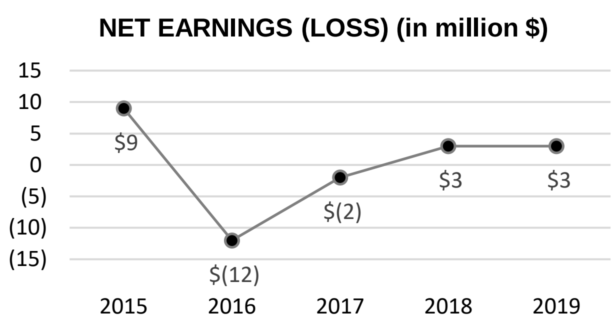
FINANCIAL HIGHLIGHTS

OPERATING ANNUAL RESULTS

(in thousands of dollars, except per share amounts)

	2019	2018	2017	2016	2015
Sales	**$449,587**	$475,207	$523,659	$565,173	$538,975
Earnings (loss) before income taxes	**$4,269**	$3,277	$(3,275)	$(16,294)	$11,874
Net earnings (loss)	**$3,054**	$2,571	$(2,094)	$(12,105)	$8,622
- per share	**$0.36**	$0.30	$(0.25)	$(1.42)	$1.01
Cash flow (excluding non-cash working capital, Income tax paid and interest paid)	**$9,775**	$9,705	$2,630	$(10,802)	$16,092
- per share (1)	**$1.14**	$1.14	$0.31	$(1.27)	$1.89
Shareholders' equity	**$113,408**	$112,863	$109,434	$110,693	$128,100
- per share (1)	**$13.24**	$13.27	$12.86	$13.01	$15.06
Share price at year-end	**$4.82**	$6.00	$8.33	$9.05	$10.35
Dividend paid per share	**$0.10**	-	-	$0.30	$0.35

(1) Non-IFRS financial measures – refer to "Non-IFRS Financial Measures" section of MD&A



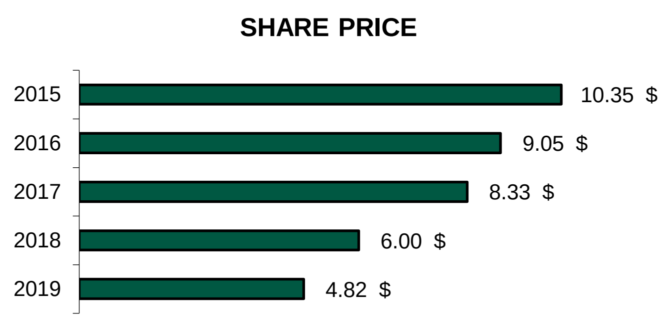


TABLE OF CONTENTS

President's Report to the Shareholders.................. **2**
Management's Discussion and Analysis **3**
Consolidated Financial Statements and Notes..... **13**
Directors and Officers.. **26**
Sales Offices and Distributions Centres **27**

GOODFELLOW
THE WOOD SPECIALIST

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

Our result in the second quarter is as a result of unforeseen pandemic circumstances combined with a contrasting, unprecedented surge in seasonal demand. The cocooning effect of people staying home and investing in outdoor upgrades had a positive effect on our business. The negative effects of the pandemic were felt heavily in April with imposed lockdowns and the closure of job sites. Goodfellow nonetheless was positioned to succeed in many regions of Canada where economic devastation was mitigated by efficient health measures.

Inventories are scrutinized by management in order to ensure above industry average turnover in the various products. The Company continues to offer the latest trends to its customers especially in key distribution lines. Job lot, cut order, value added business and custom order fabrication will continue to be crucial to Goodfellow's ongoing success in 2020.

Sincerely,

Patrick Goodfellow
President and Chief Executive Officer
July 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 July 9, 2020.
The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2019 and November 30, 2018.
The MD&A provides a review of the significant developments and results of operations of the Company during the six months ended May 31, 2020 and six months ended May 31, 2019.
The interim consolidated financial statements ended May 31, 2020 and May 31, 2019 are prepared in accordance with International Financial Reporting Standards ("IFRS").
All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

As outlined in the "Significant accounting policies" section of this MD&A, the Company adopted IFRS 16, Leases, using the modified retrospective approach, effective for the annual reporting period beginning on December 1, 2019. Accordingly, comparative figures as at and for the year ended November 30, 2019 and for the six months ended May 31, 2019, have not been restated and continue to be reported under IAS 17, Leases.

*Additional information relating to Goodfellow Inc., including the Annual Information Form and the Annual Report can be found on SEDAR at **www.sedar.com**.*

FORWARD-LOOKING STATEMENTS

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. Forward-looking statements can be identified by words such as: "believe," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding liquidity and risk management in the current economic conditions. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, 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. 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 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; level of demand and financial performance of the manufacturing industry; competition from vendors; changes in customer demand; extent to which we are successful in gaining new long-term relationships with customers or retaining existing ones and the level of service failures that could lead customers to use competitors' services; increased customer bankruptcies; dependence on key personnel; impact of the COVID-19 pandemic and the related climate of uncertainty; laws and regulation; information systems, cost structure and working capital requirements; occurrence of hostilities, political instability or catastrophic events 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.

COVID-19

The Company's expectation of operating and financial performance in 2020 is based on certain assumptions including assumptions about the COVID-19 pandemic, such as the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company. These include in particular the assumption that the Company's manufacturing and distribution facilities will remain opened and in operation, the assumption that its workforce will remain healthy, the assumption that hardware and lumber stores and other industrial and manufacturing clients will remain opened and will continue ordering and selling the Company's products, the assumption that construction activity will not be halted by mandatory closures and the assumption that the Company's supply chain will not be interrupted. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

NON-IFRS FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides cash flow per share and earnings before interest, taxes, depreciation and amortization ["EBITDA"] as a non-IFRS financial measure. These financial measures are not prescribed by the 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 $7.3 million for the three months and $6.9 million for the six months ended May 31, 2020 divided by the total number of outstanding shares of 8,562,554.

Reconciliation of net income to EBITDA (thousands of dollars)	**For the three months ended**		**For the six months ended**	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Net income for the period	**3,399**	1,855	**1,339**	305
Provision for income taxes	**1,322**	728	**521**	125
Financial expenses	**739**	863	**1,473**	1,554
Operating income	**5,460**	3,446	**3,333**	1,984
Depreciation and amortization	**855**	856	**1,687**	1,723
Amortization of right-of-use assets	**1,088**	-	**2,181**	-
EBITDA	**7,403**	4,302	**7,201**	3,707

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 and, 9 processing plants in Canada, and 1 distribution centre in the USA.

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

	2019	2018	2017
	$	$	$
Consolidated Sales	**449,587**	475,207	523,659
Earnings (loss) before income taxes	**4,269**	3,277	(3,275)
Net earnings (loss)	**3,054**	2,571	(2,094)
Total Assets	**180,581**	190,718	197,233
Total Long-Term Debt	**28**	43	55
Cash Dividends	**851**	-	-
PER COMMON SHARE			
Net earnings (loss) per share, Basic	**0.36**	0.30	(0.25)
Net earnings (loss) per share, Diluted	**0.35**	0.30	(0.25)
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**1.14**	1.14	0.31
Shareholders' Equity	**13.24**	13.27	12.86
Share Price	**4.82**	6.00	8.33
Cash Dividends	**0.10**	-	-

COMPARISON FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019

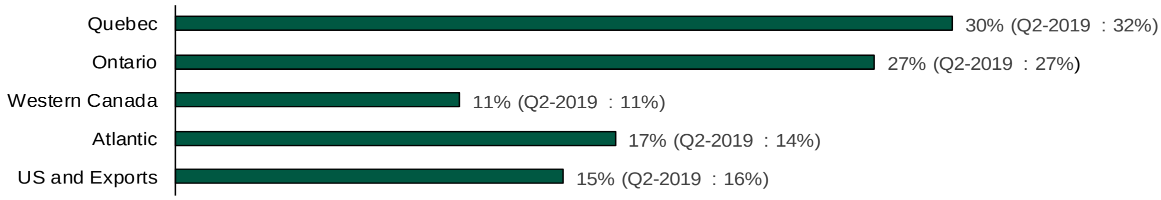
(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE THREE MONTHS ENDED MAY 31, 2020 AND 2019	**Q2-2020**	Q2-2019	Variance
	$	$	%
Consolidated Sales	**103,763**	123,713	-16.1
Earnings before income taxes	**4,721**	2,583	+82.8
Net earnings – Basic	**3,399**	1,855	+83.2
Net earnings – Diluted	**3,399**	1,816	+87.2
Net earnings per share – Basic	**0.40**	0.22	+81.8
Net earnings per share – Diluted	**0.40**	0.21	+90.5
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**7,271**	4,102	+77.3
EBITDA	**7,403**	4,302	+72.1
Average Bank indebtedness	**47,773**	70,624	-32.4
Inventory average	**99,089**	108,618	-8.8

In the face of the COVID-19 pandemic, the Company implemented rigorous hygiene practices and physical distancing measures in its workplaces to mitigate health risks to its employees, business partners and communities where it operates. Although the Company was able to keep most of its facilities opened during the COVID-19 pandemic relying on exemptions from mandatory closures for essential products and services, the severe economic downturn caused by the COVID-19 pandemic and related government-imposed closures have adversely impacted demand for the Company’s products. In addition, construction activity in most of Canada was halted for several weeks as part of government-imposed closures that have since been lifted. These government-imposed closures have adversely impacted sales of the Company’s products.

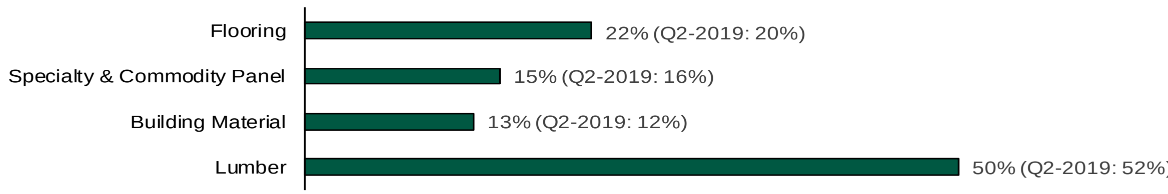
Sales in Canada during the second quarter of fiscal 2020 decreased 15% compared to the same period a year ago mostly due to the impact of the COVID-19 pandemic. Quebec sales decreased 22% due to a decrease in sales of specialty and commodity panels, building materials and lumber products. Sales in Canada during the second quarter of fiscal 2020 decreased 15% compared to the same period a year ago mostly due to the impact of the COVID-19 pandemic. Quebec sales decreased 22% due to a decrease in sales of specialty and commodity panels, building materials and lumber products. Sales in Ontario decreased 14% mainly due to a decrease in sales of all products. Western Canada sales decreased 13% due to a decrease in sales of flooring, commodity panels and building materials. Atlantic region sales increased 1% due to an increase in sales of commodity panels, building materials and lumber products.

Geographical Distribution of Sales for the Second Quarter ended May 31, 2020



Sales in the United States for the second quarter of fiscal 2020 decreased 18% on a Canadian dollar basis compared to the same period last year mostly due to the impact of the COVID-19 pandemic. On a US dollar basis, US denominated sales decreased 21% compared to last year. Finally, export sales decreased 35% during the second three months of fiscal 2020 compared to last year mostly due to the impact of the COVID-19 pandemic.

Product Distribution of Sales for the Second Quarter ended May 31, 2020



In terms of the distribution of sales by product, all families saw their volume reduced mostly due to the impact of the COVID-19 pandemic. Flooring sales for the second quarter ended May 31, 2020 decreased 11% compared to last year. Specialty and Commodity Panel sales decreased 18% compared to last year. Building Materials sales decreased 11% compared to last year. Finally, Lumber sales decreased 19% compared to the same period a year ago.

Cost of Goods Sold

Cost of goods sold for the second quarter of fiscal 2020 was $84.2 million compared to $100.0 million for the corresponding period a year ago. Cost of goods sold decreased 15.8% compared to last year. Total freight outbound cost decreased 20.1% compared to last year. Gross profits were $19.5 million compared to $23.7 million last year. Gross profits decreased 17.6% compared to last year. Gross margins were 18.8% for the three months ended May 31, 2020 (19.2% last year).

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the second quarter ended May 31, 2020 were $14.1 million compared to $20.3 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 30.6% compared to last year. This decline results from the previously explained decrease in revenues combined with the measures taken by the Company to reduce costs and improve its operational efficiency. In response to the COVID-19 pandemic, the Company implemented a number of cost-reduction measures such as reduced expenses related to non-essential travel and has furloughed up to 29% of its workforce. Furthermore, the Company benefited from the Canada Emergency Wage Subsidy that contributed in particular to maintaining jobs relating to the production and distribution of essential services.

Total selling, distribution and administrative expenses for the second quarter of 2020, excluding the impact of IFRS 16, would have been $14.3 million. IFRS 16 impact on selling, distribution and administrative expenses is due to operating lease expenses under IAS 17 being replaced with a smaller amount of depreciation expense related to the right-of-use assets.

Net Financial Costs

Net financial costs for the three months ended May 31, 2020 were $0.7 million ($0.9 million last year). The average Canadian prime rate was at 2.62% during the second quarter of fiscal 2020 compared to 3.95% last year. The average US prime rate decreased to 3.25% compared to 5.50% last year. Average bank indebtedness was $47.8 million compared to $70.6 million a year ago.

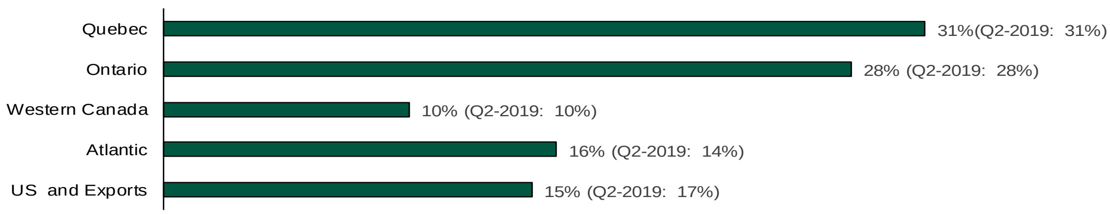
Total net financial costs for the second quarter of 2020, excluding the impact of IFRS 16, would have been $0.6 million. The adoption of IFRS 16 increased the interest expense by $0.2 million related to lease liabilities.

COMPARISON FOR THE SIX MONTHS ENDED MAY 31, 2020 AND 2019
(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE SIX MONTHS ENDED MAY 31, 2020 AND 2019	**Q2-2020**	Q2-2019	Variance
	$	$	%
Consolidated Sales	**192,619**	211,866	-9.1
Earnings before income taxes	**1,860**	430	+332.6
Net earnings – Basic	**1,339**	305	+339.0
Net earnings – Diluted	**1,339**	266	+403.4
Net earnings per share – Basic	**0.16**	0.04	+300.0
Net earnings per share – Diluted	**0.16**	0.03	+433.3
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**6,882**	3,410	+101.8
EBITDA	**7,201**	3,707	+94.3
Average Bank indebtedness	**43,780**	60,135	-27.2
Inventory average	**99,398**	106,939	-7.1

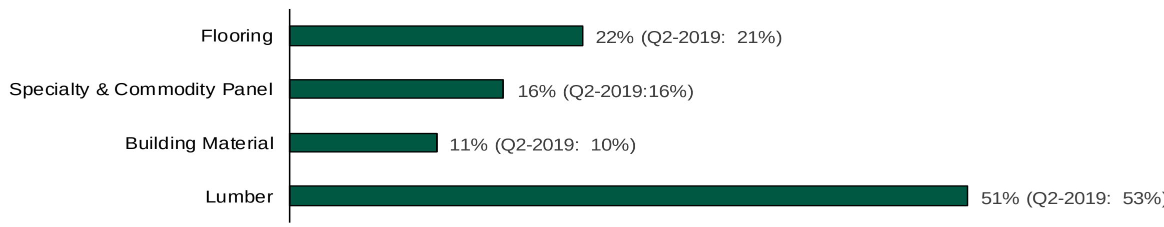
Sales in Canada during the first six months of fiscal 2020 decreased 8% compared to last year mainly due to the impact of the COVID-19 pandemic. Quebec sales decreased 12% due to decline in sales of specialty and commodity panels and lumber products. Sales in Ontario decreased 7% mainly due to a decline in sales of flooring and lumber products. Sales in Western Canada decreased 9% due to a decline in sales of flooring, commodity panels and building materials. Atlantic region sales increased 1% due to increase sales of commodity panels and building materials.

Geographical Distribution of Sales for the First Six Months ended May 31, 2020



Sales in the United States for the first six months ended May 31, 2020 decreased 11% on a Canadian dollar basis compared to last year mostly due to the impact of the COVID-19 pandemic. On US dollar basis, US denominated sales decreased 12% compared to last year. Finally, export sales decreased 26% during the first six months of fiscal 2020 compared to last year mostly due to the impact of the COVID-19 pandemic.

Product Distribution of Sales for the First Six Months ended May 31, 2020



In terms of the distribution of sales by product, all families saw their volume reduced mostly due to the impact of the COVID-19 pandemic. Flooring sales for the first six months ended May 31, 2020 decreased 4% compared to last year. Specialty and Commodity Panel sales decreased 10% compared to last year. Building Materials sales decreased 1% compared to last year. Finally, Lumber sales decreased 12% compared to last year.

Cost of Goods Sold
Cost of goods sold for the first six months of fiscal 2020 was $155.7 million compared to $171.2 million last year. Cost of goods sold decreased 9.1% compared to last year. Total freight outbound cost decreased 10.2% compared to last year. Gross profits were $36.9 million compared to $40.6 million last year. Gross profits decreased 9.2% compared to last year. Gross margins were 19.2% for the six months ended May 31, 2020 (same last year).

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses for the first six months ended May 31, 2020 was $33.6 million compared to $38.6 million last year. Selling, Administrative and General Expenses decreased 13.1% compared to last year. This decline results from the previously explained decrease in revenues combined with the measures taken by the Company to reduce costs and improve its operational efficiency. In response to the COVID-19 pandemic, the Company implemented in the second quarter a number of cost-reduction measures such as reduced expenses related to non-essential travel and has furloughed up to 29% of its workforce. Furthermore, the Company benefited from the Canada Emergency Wage Subsidy that contributed in particular to maintaining jobs relating to the production and distribution of essential services.

Total selling, distribution and administrative expenses for the six months ended 2020, excluding the impact of IFRS 16, would have been $34.0 million. IFRS 16 impact on selling, distribution and administrative expenses is due to operating lease expenses under IAS 17 being replaced with a smaller amount of depreciation expense related to the right-of-use assets.

Net Financial Costs

Net financial costs for the first six months of fiscal 2020 were $1.5 million compared to $1.6 million last year. The average Canadian prime rate decreased to 3.28% for the first six months of fiscal 2020 compared to 3.95% last year. The average US prime rate decreased to 4.00% compared to 5.48% last year. Average bank indebtedness during the first six months of fiscal 2020 was $43.8 million compared to $60.1 million last year.

Total net financial costs for the first six months of fiscal 2020, excluding the impact of IFRS 16, would have been $1.1 million. The adoption of IFRS 16 increased the interest expense by $0.4 million related to lease liabilities.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts)

	Aug-2019	Nov-2019	Feb-2020[(1)]	May-2020[(1)]
	$	$	$	$
Sales	130,594	107,127	88,856	103,763
Net earnings (loss)	2,472	277	(2,060)	3,399
Net earnings (loss) per share	0.29	0.03	(0.24)	0.40

	Aug-2018	Nov-2018	Feb-2019	May-2019
	$	$	$	$
Sales	132,455	112,742	88,153	123,713
Net earnings (loss)	1,993	197	(1,550)	1,855
Net earnings (loss) per share	0.24	0.02	(0.18)	0.22

As indicated above, our results over the past eight quarters follow a seasonal pattern with sales activities traditionally higher in the second and third quarters. In the second quarter of 2020 revenue is unusually low compared to the second quarter of 2019 due to COVID-19.

[1] Includes the impact of the adoption of IFRS 16

STATEMENT OF FINANCIAL POSITION

Total Assets

Total assets at May 31, 2020 was $219.2 million compared to $231.2 million last year. Cash at May 31, 2020 closed at $1.9 million compared to $2.9 million last year. Trade and other receivables at May 31, 2020 was $69.5 million ($75.9 million last year). Income tax receivable was nil compared to $142 thousand last year. Inventories at May 31, 2020 was $92.1 million compared to $108.6 million last year. Prepaid expenses at May 31, 2020 was $1.5 million compared to $2.6 million last year. Defined benefit plan asset was $2.2 million at May 31, 2020 compared to $2.7 million last year. Investment was $25 thousand at May 31, 2020 (same last year), reflecting the carrying amount of the investment in the JV. Other assets were $0.8 million at May 31, 2020 ($0.9 million last year).

Property, plant, equipment, intangible and right-of-use assets

Property, plant and equipment at May 31, 2020 was $32.0 million compared to $33.2 million last year. Capital expenditures during the first six months of fiscal 2020 amounted to $0.5 million compared to $0.2 million last year. Property, plant and equipment capitalized during the first six months of fiscal 2020 mainly included buildings, yard equipment, computers and rolling stock. Intangible assets at May 31, 2020 was $3.6 million compared to $4.1 million last year. Proceeds on disposal of capital assets during the first two quarters of fiscal 2020 was $14 thousand compared to $8 thousand last year. Right-of-use assets at May 31, 2020 was $15.7 million (nil last year). Depreciation of property, plant, equipment, intangible, and right-of-use assets during the six months ended May 31, 2020 amounted to $3.9 million compared to $1.7 million last year.

Total Liabilities

Total liabilities at May 31, 2020 was $107.9 million compared to $119.2 million last year. Bank indebtedness was $43.6 million compared to $68.0 million last year. Trade and other payables at May 31, 2020 was $40.5 million compared to $45.7 million last year. Income taxes payable was $0.2 million compared to nil last year. Provision at May 31, 2020 was $1.5 million compared to $1.7 million last year. Lease liabilities at May 31, 2020 were $19.2 million compared to $51 thousand last year. Deferred income taxes at May 31, 2020 was $2.3 million compared to $3.7 million last year. Defined benefit plan obligation was $0.7 million at May 31, 2020 compared to $0.1 million last year.

Shareholders' Equity

Total Shareholders' Equity at May 31, 2020 was $111.3 million compared to $112.0 million last year. The Company generated a return on equity of 2.4 % during the first six months of fiscal 2020 compared to 0.5 % last year. The share price closed at $4.00 per share on May 31, 2020 ($5.31 on May 31, 2019). The book value at May 31, 2020 was $13.00 per share compared to $13.16 last year. Share capital was $9.4 million at May 31, 2020 ($9.2 million last year). Dividends of $0.10 per share were paid for the three-month period ended May 31, 2020 and May 31, 2019, respectively. Dividends of $0.20 and $0.10 per share were paid for the six-month periods ended May 31, 2020 and May 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Financing

In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2021. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days only. 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 and immovable property of the Company. As at May 31, 2020, the Company was compliant with its financial covenants. As at May 31, 2020, under the credit agreement, the Company was using $43.6 million of its facility compared to $68.0 million last year.

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 six months of fiscal 2020 was $(8.0) million compared to $(23.7) million last year. Financing activities during the first six months of fiscal 2020 was $6.6 million compared to $26.1 million last year. Investing activities during the first six months of fiscal 2020 was $(0.5) million compared to $(0.3) million last year (See Property, plant, equipment, intangible and right-of use 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's financial objectives and strategy remain substantially unchanged.

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio 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 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 May 31, 2020 and 2019, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at May 31 2020**	As at May 31 2019
Debt-to-capitalization ratio	**27.1%**	37.0%
Interest coverage ratio	**4.7**	3.0
Return on shareholders' equity	**2.4%**	0.5%
Current ratio	**1.8**	1.7
EBITDA (in thousands of dollars)	**$7,201**	$3,707

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

- Debt-to-capitalization ratio represents debt over total shareholders' equity. Debt is defined as bank indebtedness less cash and cash equivalents (ie debt excludes lease liabilities). Capitalization is 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 May 31, 2020, its total debt-to-capitalization ratio stood at 27.1% compared to 37.0% on May 31, 2019. In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks – see details under **Financing**.

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, 2019 as well as in the 2019 Annual Information Form available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

Contractual obligations	Payments due by period (in thousands of dollars)				
	Total	**Less than 1 year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 years**
Purchase obligations	280	280	-	-	-

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 2019 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. Only one major customer exceeds 10% of total Company sales in the three months and six months ended May 31, 2020 (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				**For the six months ended**			
(in thousands of dollars)	**May 31, 2020**		May 31, 2019		**May 31, 2020**		May 31, 2019	
	$	**%**	$	%	**$**	**%**	$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	**15,556**	**15.0**	16,258	13.1	**29,323**	**15.2**	27,853	13.1

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

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 2019 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at May 31, 2020:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	43,562	43,562	43,562	-
Trade and other payables	40,492	40,492	40,492	-
Lease liabilities	19,217	19,217	4,242	14,975
Total financial liabilities	**103,271**	**103,271**	**88,296**	**14,975**

Interest Rate 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 $43.6 million in bank indebtedness would impact interest expense annually by $0.4 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 May 31, 2020, the Company had the following currency exposure:

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

	USD	GBP	Euro
Cash	1,033	273	11
Trade and other receivables	5,522	118	-
Trade and other payables	(4,704)	(30)	(292)
Lease liabilities	(657)	-	-
Net exposure	**1,194**	**361**	**(281)**
CAD exchange rate as at May 31, 2020	1.3780	1.6998	1.5299
Impact on net earnings based on a fluctuation of 5% on CAD	**59**	**22**	**(15)**

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. 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 that are current 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. In its assessment of the loss allowance for credit losses as at May 31, 2020, the Company considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:
(in thousands of dollars)

	May 31 2020	May 31 2019
	$	$
Current	**63,456**	71,901
31 - 60 days past due	**2,235**	2,475
61 - 90 days past due	**984**	1,168
91 - 120 days past due	**86**	123
Over 120 days past due	**818**	390
	67,579	76,057
Loss allowance	**(701)**	(398)
Balance, end of period	**66,878**	75,659

As at May 31, 2020, an amount of $559 thousand included in the loss allowance represents a specific allowance for trade accounts receivable that amount to $1.5 million. Other than specific allowance, expected credit losses are limited to $142 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 2019 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 2019 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 2019 Annual consolidated financial statements, except for IFRS 16 – *Leases* as described in Note 3 contained in the interim consolidated financial statements ended May 31, 2020 in the changes in accounting standards section.

DISCLOSURE OF OUTSTANDING SHARE DATA

At May 31, 2020, there were 8,562,554 common shares issued compared to 8,506,554 common shares issued last year. The Company has authorized an unlimited number of common shares to be issued, without par value. At July 9, 2020, there were 8,562,554 common shares outstanding.

COVID-19

The duration and impact of the COVID-19 pandemic on the Company is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company continues to closely monitor the situation as it evolves day-to-day and may take further actions in response to directives of government and public health authorities or that are in the best interests of its colleagues, customers, suppliers or other stakeholders, as necessary. The Company has already taken and will continue to take swift actions to mitigate the effects of COVID-19 on its day-to-day business operations, with the best interests of its employees, customers, suppliers and other stakeholders at the crux of every action taken.

These changes and any additional changes in operations in response to COVID-19 could materially impact financial results and may include temporary closures of facilities, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on supply chains and distribution channels, temporary or long-term restrictions on cross-border commerce and travel, greater currency volatility, and increased risks to IT systems, networks and digital services. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact operations and the financial performance of the Company. The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may adversely affect the performance of the Company. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact demand for the Company's products and/or the debt and equity markets, both of which could adversely affect the Company's financial performance. Governmental interventions aimed at containing COVID-19 could also impact the Company's available workforce, its supply chain and distribution channels and/or its ability to engage in cross-border commerce, which could in turn adversely affect the operations or financial performance of the Company.

OUTLOOK

During Fiscal year 2019-2020 Goodfellow will put strong emphasis on market share growth within and outside its customer base. In what is lining up to be a very difficult year for Canadians, Goodfellow will pursue a responsible and conservative strategy. Our concentration on value added product lines will be front and center to support construction, renovation and infrastructure projects. The Company will put great emphasis on cost control and right sizing its inventories to adapt to what certainly will be an unprecedented year of challenges and obstacles in North America & Overseas.

Despite the fact that the impacts of the COVID-19 pandemic in the coming months remain unpredictable, we expect to continue generating positive cash flows from our operating activities. This will enable us to reduce our net indebtedness, while providing us with the desired flexibility for the remainder of fiscal 2020.

CERTIFICATION

Disclosure Controls

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Procedures and Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

There has been no change in the Company's internal control over financial reporting that occurred during the three and six months ended May 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, July 9, 2020

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 and six months ended May 31, 2020 and 2019

(in thousands of dollars, except per share amounts)

Unaudited

	For the three months ended		For the six months ended	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Sales (Note 14)	**103,763**	123,713	**192,619**	211,866
Expenses				
Cost of goods sold (Note 4)	**84,238**	100,007	**155,718**	171,248
Selling, administrative and general expenses (Note 4)	**14,060**	20,260	**33,578**	38,627
Loss (gain) on disposal of property, plant and equipment	**5**	-	**(10)**	7
Net financial costs (Note 5)	**739**	863	**1,473**	1,554
	99,042	121,130	**190,759**	211,436
Earnings before income taxes	**4,721**	2,583	**1,860**	430
Income taxes	**1,322**	728	**521**	125
Total comprehensive income	**3,399**	1,855	**1,339**	305
Net earnings per share – Basic (Note 9 c))	**0.40**	0.22	**0.16**	0.04
Net earnings per share – Diluted (Note 9 c))	**0.40**	0.21	**0.16**	0.03

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

	As at May 31 2020	As at November 30 2019	As at May 31 2019
	$	$	$
Assets			
Current Assets			
Cash	**1,854**	2,364	2,942
Trade and other receivables (Note 6)	**69,531**	48,498	75,939
Income taxes receivable	**-**	-	142
Inventories	**92,071**	87,339	108,594
Prepaid expenses	**1,469**	2,563	2,626
Total Current Assets	**164,925**	140,764	190,243
Non-Current Assets			
Property, plant and equipment	**31,992**	32,838	33,186
Intangible assets	**3,600**	3,927	4,145
Right-of-use assets (Note 3)	**15,723**	-	-
Defined benefit plan asset	**2,198**	2,222	2,702
Investment in a joint venture	**25**	25	25
Other assets	**753**	805	849
Total Non-Current Assets	**54,291**	39,817	40,907
Total Assets	**219,216**	180,581	231,150
Liabilities			
Current liabilities			
Bank indebtedness (Note 7)	**43,562**	31,204	68,000
Trade and other payables (Note 8)	**40,492**	29,048	45,696
Income taxes payable	**164**	734	-
Provision	**1,496**	1,470	336
Dividend payable (Note 9 c))	**-**	856	-
Current portion of lease liabilities (Note 3)	**4,242**	15	15
Total Current Liabilities	**89,956**	63,327	114,047
Non-Current Liabilities			
Provision	**-**	-	1,324
Lease liabilities (Note 3)	**14,975**	28	36
Deferred income taxes	**2,269**	3,209	3,652
Defined benefit plan obligation	**692**	609	125
Total Non-Current Liabilities	**17,936**	3,846	5,137
Total Liabilities	**107,892**	67,173	119,184
Shareholders' Equity			
Share capital (Note 9)	**9,424**	9,424	9,152
Retained earnings	**101,900**	103,984	102,814
	111,324	113,408	111,966
Total Liabilities and Shareholders' Equity	**219,216**	180,581	231,150

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and six months ended May 31, 2020 and 2019
(in thousands of dollars)
Unaudited

	For the three months ended		For the six months ended	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Operating Activities				
Net earnings	**3,399**	1,855	**1,339**	305
Adjustments for:				
Depreciation and amortization of:				
Property, plant and equipment (Note 4)	**673**	684	**1,324**	1,380
Right-of-use assets	**1,088**	-	**2,181**	-
Intangible assets	**182**	172	**363**	343
Accretion expense on provision	**18**	4	**36**	7
Decrease in provision	**-**	-	**(10)**	-
Income taxes	**1,322**	728	**521**	125
Loss (gain) on disposal of property, plant and equipment	**5**	-	**(10)**	7
Interest expense	**315**	623	**638**	1,105
Interest on lease liabilities	**174**	-	**353**	-
Funding in deficit of pension plan expense	**54**	36	**106**	71
Other assets	**-**	-	**-**	67
Other	**41**	-	**41**	-
	7,271	4,102	**6,882**	3,410
Changes in non-cash working capital items (Note 12)	**(538)**	(13,424)	**(13,154)**	(25,205)
Interest paid	**(271)**	(725)	**(619)**	(1,211)
Income taxes paid	**(62)**	(223)	**(1,091)**	(676)
	(871)	(14,372)	**(14,864)**	(27,092)
Net Cash Flows from Operating Activities	**6,400**	(10,270)	**(7,982)**	(23,682)
Financing Activities				
Net (decrease) increase in bank loans	**(2,000)**	5,000	**(5,000)**	2,000
Net increase in banker’s acceptances	**3,000**	10,000	**16,000**	25,000
Payment of lease liabilities	**(1,309)**	(2)	**(2,642)**	(6)
Dividend Paid	**(856)**	(851)	**(1,712)**	(851)
	(1,165)	14,147	**6,646**	26,143
Investing Activities				
Acquisition of property, plant and equipment	**(149)**	87	**(510)**	(225)
Increase in intangible assets	**(36)**	(26)	**(36)**	(45)
Proceeds on disposal of property, plant and equipment	**(2)**	-	**14**	8
	(187)	61	**(532)**	(262)
Net cash inflow (outflow)	**5,048**	3,938	**(1,868)**	2,199
Cash position, beginning of period	**(5,756)**	(996)	**1,160**	743
Cash position, end of period	**(708)**	2,942	**(708)**	2,942
Cash position is comprised of:				
Cash	**1,854**	2,942	**1,854**	2,942
Bank overdraft (Note 7)	**(2,562)**	-	**(2,562)**	-
	(708)	2,942	**(708)**	2,942

GOODFELLOW INC.
Consolidated Statements of Change in Shareholders' Equity
For the six months ended May 31, 2020 and 2019
(in thousands of dollars)
Unaudited

	Share Capital	**Retained Earnings**	**Total**
	$	$	$
Balance as at November 30, 2018	9,152	103,711	112,863
Net earnings	-	305	305
Total comprehensive income	-	305	305
Transactions with owners of the Company			
Dividend (Note 9 c))	-	(851)	(851)
Modification of share-based payment (Note 9 b))	-	(351)	(351)
Balance as at May 31, 2019	9,152	102,814	111,966
Balance as at November 30, 2019	**9,424**	**103,984**	**113,408**
IFRS 16 adoption adjustment, net of taxes of $940 (Note 3)	**-**	**(2,567)**	**(2,567)**
Balance as at December 1, 2019	**9,424**	**101,417**	**110,841**
Net earnings	**-**	**1,339**	**1,339**
Total comprehensive income	**-**	**1,339**	**1,339**
Transactions with owners of the Company			
Dividend (Note 9 c))	**-**	**(856)**	**(856)**
Balance as at May 31, 2020	**9,424**	**101,900**	**111,324**

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), Canada, J5B 1V5.

The interim consolidated financial statements of the Company as at and for the six months ended May 31, 2020 and 2019 includes the accounts of the Company and its wholly-owned subsidiaries.

2. Basis of preparation

Statement of compliance
These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2019, as set out in the 2019 annual report. Certain comparative figures have been reclassified to conform to the current year's presentation.

These interim consolidated financial statements were authorized for issue by the Board of Directors on July 9, 2020.

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

Estimates, Judgments and Assumptions
The preparation of the interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation of uncertainty were the same as those applied and described in the Company's audited annual consolidated financial statements for the year ended November 30, 2019, except as noted below relating to the adoption of IFRS 16, Leases.

Judgments Made in Relation to New Accounting Policies Applied
Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew.

Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's statement of financial position and consolidated statement of comprehensive income.

Key Sources of Estimation Uncertainty
In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

In addition, the Company reflected, where appropriate, the impact of COVID-19 pandemic and the related climate of uncertainty on some of its estimates and assumptions, including significant judgment areas, used in preparing the interim consolidated financial statements for the three months and six months periods ended May 31, 2020. The main areas impacted were the determination of whether there is an indication that assets are impaired and where appropriate, the estimates and assumptions used in the establishment of their recoverable amount. Additional revisions might be required in the future depending on the development of the COVID-19 pandemic and its impact on the Company's results of operations and financial position, and this could have a material impact on the final measurement of the carrying amount of the Company's assets.

3. Significant Accounting Policies

The Company's significant accounting policies described in Note 3 contained in its 2019 Annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim consolidated financial statements except as noted below:

Adoption of New Accounting Policies

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), replacing IAS 17, *Leases* and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. IFRS 16 became effective for annual periods beginning on or after January 1, 2019.

The Company adopted the standard for the annual period beginning December 1, 2019 and applied the requirements of the standard using the modified retrospective approach with the cumulative effects of initial application recorded in opening retained earnings as at December 1, 2019 with no restatements of the comparative period. Under the modified retrospective approach, the Company has elected to use the following practical expedients permitted on adoption of IFRS 16:

- the Company did not reassess whether a contract is, or contains, a lease at the date of initial application and instead applied IFRS 16 to contracts that were previously identified as leases applying IAS 17, *Leases*;
- the Company relied on the assessment of the onerous lease provisions under IAS 37, Provisions, contingent liabilities and contingent assets, instead of performing an impairment review;
- the Company excluded initial direct costs in the measurement of the right-of-use assets at the date of initial application; and
- the Company used hindsight in determining the lease term at the date of initial application.

When applying the modified retrospective transition approach, for leases previously classified as operating leases under IAS 17 and IFRIC 4, on initial application, a lessee is permitted to measure the ROU (right-of-use) asset, on a lease-by-lease basis, using one of two methods: (1) as if IFRS 16 had always been applied, using the incremental borrowing rate at the date of initial application; or (2) at an amount equal to the lease liability (subject to certain adjustments). The Company applied the first option to certain leases, which resulted in a lower carrying amount of the ROU asset at the date of initial application as compared to the lease liability, for those leases. For the remainder of the leases, the Company recognized the ROU assets based on the corresponding lease liability.

In addition, deferred lease credits (relating to lease inducements) that were recorded in accounts payable and accrued liabilities were derecognized with a corresponding transition adjustment to retained earnings on transition date, as a result of the adoption of IFRS 16, and prepaid rent that was recorded in trade and other receivables and in other assets, on the consolidated statement of financial position as at December 1, 2019 was transferred to the recognized ROU asset.

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

The following table summarizes the impact of adopting IFRS 16 on certain items on the Company's consolidated balance sheet as at December 1, 2019:

	As at November 30 2019	Transition adjustments	As at December 1 2019
	$	$	$
Current assets			
Trade and other receivables	48,498	(37)	48,461
Non-current assets			
Property, plant and equipment (1)	32,838	(30)	32,808
Right-of-use assets	-	17,152	17,152
Other Assets	805	(52)	753
Current Liabilities			
Trade and other payables	29,048	(127)	28,921
Current portion of lease liabilities	-	4,686	4,686
Current portion of obligations under finance leases (1) (2)	15	(15)	-
Non-current liabilities			
Deferred income tax	3,209	(940)	2,269
Lease liabilities	-	16,024	16,024
Obligations under finance leases (1) (2)	28	(28)	-
Shareholders' equity			
Retained earnings	103,984	(2,567)	101,417

(1) Leases previously classified as finance lease arrangements under IAS 17 were presented within property plant and equipment, and obligations under finance leases. Effective December 1, 2019, these balances are included in right-of-use assets, and lease liabilities.

(2) Presented under Lease liabilities in the statement of financial position at May 31, 2019 and November 30, 2019 for comparative purposes.

The Company used its incremental borrowing rates as at December 1, 2019 to measure its lease liabilities. The weighted average incremental borrowing rate was 3.60% at date of adoption.

The following table reconciles the operating lease commitments disclosed under IAS 17 as at November 30, 2019 and the lease liabilities recognized on December 1, 2019:

	$
Total operating lease commitments disclosed as at November 30, 2019	**19,115**
Other service contracts	(103)
Obligation under finance leases	43
Operating lease commitments of leases commencing on or after December 1, 2019	(418)
Extension options reasonable certain to be exercised	4,171
Lease liabilities recognized as at December 1, 2019 – undiscounted	22,808
Discounted using the incremental borrowing rate as at December 1, 2019	20,710
Current portion of lease liabilities	4,686
Non-current portion of lease liabilities	16,024
Total lease liabilities	**20,710**

As a result of the adoption of IFRS 16, the Company updated its accounting policy for leases as follows:

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. Generally, the Company's uses the lessee's incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the consolidated statement of earnings.

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

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable prices for a similar asset and/or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling, distribution and administrative expenses as incurred.

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

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

	For the three months ended		**For the six months ended**	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Employee benefits expense [(1)]	**8,390**	13,370	**21,247**	25,273
Obsolescence adjustment included in cost of goods sold	**337**	151	**389**	290
Depreciation included in cost of goods sold	**219**	240	**424**	489
Depreciation included in selling, administrative and general expenses	**454**	444	**900**	891
Foreign exchange gains (losses)	**378**	(92)	**336**	(5)

(1) As at May 31, 2020, the Company believed that it qualified to receive the Canada Emergency Wage Subsidy (CEWS). The CEWS is available to qualifying employers that have lost revenue due to COVID-19, and generally provides a subsidy to employers equal to 75% of employee's remuneration paid, up to a maximum weekly amount ($847/week) per employee. The Company believes that there was reasonable assurance that the CEWS will be received from the Canadian federal government and as a result, recognized a $2.5 million CEWS receivable against the salary expense that qualified for the CEWS under “Employee benefits expense” for the three months and six months periods ended May 31, 2020.

5. Net financial costs

	For the three months ended		**For the six months ended**	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Interest expense	**315**	623	**638**	1,105
Interest expense on lease liabilities	**174**	-	**353**	-
Accretion expense on provision	**18**	4	**36**	7
Other financial costs	**233**	248	**447**	466
Financial cost	**740**	875	**1,474**	1,578
Financial income	**(1)**	(12)	**(1)**	(24)
Net financial cost	**739**	863	**1,473**	1,554

6. Trade and other receivables

	May 31 2020	November 30 2019	May 31 2019
	$	$	$
Trade receivables	**67,579**	47,832	76,057
Allowance for doubtful accounts	**(701)**	(144)	(398)
	66,878	47,688	75,659
Other receivables	**2,653**	810	280
	69,531	48,498	75,939

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

7. Bank indebtedness

	May 31 2020	November 30 2019	May 31 2019
	$	$	$
Bank loans	**-**	5,000	5,000
Banker's acceptances	**41,000**	25,000	63,000
Bank overdraft	**2,562**	1,204	-
	43,562	31,204	68,000

In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2021. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days only.

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 immovable and movable property of the Company. As at May 31, 2020, the Company was compliant with its financial covenants. As at May 31, 2020, under the credit agreement, the Company was using $43.6 million of its facility compared to $68.0 million last year.

8. Trade and other payables

	May 31 2020	November 30 2019	May 31 2019
	$	$	$
Trade payables and accruals	**30,675**	20,438	37,474
Payroll related liabilities	**5,398**	5,569	6,273
Sales taxes payables	**4,419**	3,041	1,949
	40,492	29,048	45,696

9. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	May 31 2020	November 30 2019	May 31 2019
Number of shares outstanding at the beginning and at the end of the period	**8,562,554**	8,562,554	8,506,554

b) Share-based payments

On January 15, 2017, the Company granted deferred shares to a key executive. On April 12, 2019, the Company modified these deferred shares to allow for a cash alternative at the key executive's discretion. The cash alternative allows the key executive to a cash payment equal to the number of deferred shares exercised multiplied by the fair value of the shares calculated using the average closing trading price during the preceding twenty trading days of the exercise.

At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in profit and loss for the period. On November 14, 2019, based on a closing share price of $4.85, the key executive exercised his right and received 56,000 shares of the Company. The Company recognized a share-based compensation recovery of nil in Employee benefits expense for the six months ended May 31, 2020 and $54 thousand for the six months ended May 31, 2019 with a corresponding change in Payroll related liabilities for the six months ended May 31, 2020 and the six months ended May 31, 2019. All shares under this grant have been issued. Therefore, the payroll related liabilities is nil at May 31, 2020.

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

c) Net earnings and dividend per share

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

	For the three months ended		**For the six months ended**	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Net earnings				
- basic	**3,399**	1,855	**1,339**	305
- diluted	**3,399**	1,816	**1,339**	266
Weighted average number of common shares				
- basic	**8,562,554**	8,506,554	**8,562,554**	8,506,554
- diluted	**8,562,554**	8,562,554	**8,562,554**	8,562,554

Dividends of $0.10 per share were paid for the three-month period ended May 31, 2020 and May 31, 2019, respectively. Dividends of $0.20 and $0.10 per share were paid for the six-month periods ended May 31, 2020 and May 31, 2019.

10. Seasonal Pattern

The Company's business follows a seasonal pattern with sales activities traditionally higher in the second and third quarters. 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 six months ended May 31, 2020 which is not necessarily indicative of performance for the balance of the year.

11. Financial instruments and other instruments

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 May 31, 2020:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	43,562	43,562	43,562	-
Trade and other payables	40,492	40,492	40,492	-
Lease liabilities	19,217	19,217	4,242	14,975
Total financial liabilities	**103,271**	**103,271**	**88,296**	**14,975**

Interest Rate 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 $43.6 million in bank indebtedness would impact interest expense annually by $0.4 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.

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

As at May 31, 2020, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	1,033	273	11
Trade and other receivables	5,522	118	-
Trade and other payables	(4,704)	(30)	(292)
Lease liabilities	(657)	-	-
Net exposure	**1,194**	**361**	**(281)**
CAD exchange rate as at May 31, 2020	1.3780	1.6998	1.5299
Impact on net earnings based on a fluctuation of 5% on CAD	**59**	**22**	**(15)**

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. 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 that are current 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. In its assessment of the loss allowance for credit losses as at May 31, 2020, the Company considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:

	May 31 2020	May 31 2019
Current	**63,456**	71,901
31 - 60 days past due	**2,235**	2,475
61 - 90 days past due	**984**	1,168
91 - 120 days past due	**86**	123
Over 120 days past due	**818**	390
	67,579	76,057
Loss allowance	**(701)**	(398)
Balance, end of period	**66,878**	75,659

As at May 31, 2020, an amount of $559 thousand included in the loss allowance represents a specific allowance for trade accounts receivable that amounts to $1.5 million. Other than specific allowance, expected credit losses are limited to $142 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

Economic Dependence
Only one major customer exceeds 10% of total Company sales in the three months and six months ended May 31, 2020 (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				**For the six months ended**			
	May 31, 2020		May 31, 2019		**May 31, 2020**		May 31, 2019	
	$	**%**	$	%	**$**	**%**	$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	**15,556**	**15.0**	16,258	13.1	**29,323**	**15.2**	27,853	13.1

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

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

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 six months ended	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Trade and other receivables	**(15,449)**	(21,597)	**(21,070)**	(25,931)
Inventories	**7,230**	(715)	**(4,732)**	(16,050)
Prepaid expenses	**2,740**	(390)	**1,069**	615
Trade and other payables	**4,941**	9,278	**11,579**	16,161
	(538)	(13,424)	**(13,154)**	(25,205)

13. Capital Management

The Company's financial objectives and strategy remain substantially unchanged from those included in the Company's annual consolidated financial statements contained in its 2019 Annual report.

As at May 31, 2020 and 2019, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at May 31 2020**	As at May 31 2019
Debt-to-capitalization ratio	**27.1%**	37.0%
Interest coverage ratio	**4.7**	3.0
Return on shareholders' equity	**2.4%**	0.5%
Current ratio	**1.8**	1.7
EBITDA	**$7,201**	$3,707

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

- Debt-to-capitalization ratio represents debt over total shareholders' equity. Debt is defined as bank indebtedness less cash and cash equivalents (ie debt excludes lease liabilities). Capitalization is 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. Segmented Information and Sales

The Company manages its operations under one operating segment. Revenues are generated from the sale of various wood products and operating expenses are managed at the aggregate Company level. All significant property, plant and equipment are located in Canada.

The following table presents sales disaggregated by geographic markets and by categories as this best depicts how the nature, amount, timing and uncertainty of sales and cash flows are affected by economic factors.

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

Primary geographic markets

The Company's sales to clients located in Canada represent approximately 85% (84% in 2019) of total sales, the sales to clients located in the United States represent approximately 10% (same in 2019) of total sales, and the sales to clients located in other markets represent approximately 5% (6% in 2019) of total sales

	For the three months ended		**For the six months ended**	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Canada	**88,469**	103,492	**163,545**	176,983
US	**10,257**	12,428	**18,680**	20,905
Export	**5,037**	7,793	**10,394**	13,978
	103,763	123,713	**192,619**	211,866

Sales categories

	For the three months ended		**For the six months ended**	
	May 31 2020	May 31 2019	**May 31 2020**	May 31 2019
	$	$	**$**	$
Flooring	**22,447**	25,210	**42,468**	44,384
Specialty & commodity panels	**15,918**	19,296	**31,231**	34,778
Building materials	**13,041**	14,650	**21,142**	21,277
Lumber	**52,357**	64,557	**97,778**	111,427
	103,763	123,713	**192,619**	211,866

CORPORATE INFORMATION

BOARD OF DIRECTORS

Claude Garcia */**
Chairman of the Board
.

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

Stephen A. Jarislowsky */**
Director
Founder of Jarislowsky Fraser Ltd

Normand Morin */**
Chairman of the Audit Committee

David A. Goodfellow
Director

Alain Côté */**
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
Executive Vice President,
Ontario & Western Canada

David Warren
Vice President,
Atlantic

Luc Dignard
Vice President,
Sales, Quebec

Jeff Morrison
Vice President,
National accounts

Luc Pothier
Vice President,
Operations

Eric Bisson
Vice President,
Quebec

OTHER INFORMATION

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

Solicitors
Bernier Beaudry
Quebec, Quebec
Fasken Martineau
Montreal, 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.

DIVISIONS

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

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

QUALITY HARDWOODS LTD.
PO Box 40 - 196 Cres. Latour
Powassan ON POH 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

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 LOP 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
2600 61st Avenue S.E.
Calgary AB, T2C 4V2
Tel. : 403 252-9638
1 888 316-7208
Fax : 403 252-9516

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

U.S.
368 Pepsi Road
Manchester NH 03109
Tel. : 603 623-9811
1 800 990-0722
Fax : 603 623-9484

U.K.
Ningbo Distribution
Unit 4 First Ave.
Redwither Business Park
Wrexham Industrial Estate
Wrexham, UK, LL13 9XP
Tel: 01691 718872
goodfellowuk.com