

QUARTERLY REPORT

FOR THE SIX MONTHS ENDED MAY 31, 2021







goodfellowinc.com

GOODFELLOW

FINANCIAL HIGHLIGHTS

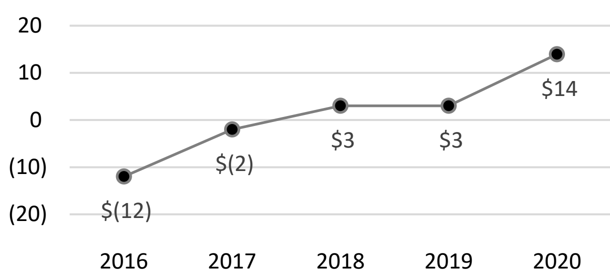
OPERATING ANNUAL RESULTS

(in thousands of dollars, except per share amounts)

	2020	2019	2018	2017	2016
Sales	**$454,103**	$449,587	$475,207	$523,659	$565,173
Earnings (loss) before income taxes	**$19,022**	$4,269	$3,277	$(3,275)	$(16,294)
Net earnings (loss)	**$13,811**	$3,054	$2,571	$(2,094)	$(12,105)
- per share	**$1.61**	$0.36	$0.30	$(0.25)	$(1.42)
Cash flow (excluding non-cash working capital, income tax paid and interest paid)	**$28,645**	$9,775	$9,705	$2,630	$(10,802)
- per share (1)	**$3.35**	$1.14	$1.14	$0.31	$(1.27)
Shareholders' equity	**$121,229**	$113,408	$112,863	$109,434	$110,693
- per share (1)	**$14.16**	$13.24	$13.27	$12.86	$13.01
Share price at year-end	**$6.71**	$4.82	$6.00	$8.33	$9.05
Dividend paid per share	**$0.20**	$0.10	-	-	$0.30

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

NET EARNINGS (LOSS) (in million $)



SHARE PRICE

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PRESIDENT'S REPORT TO THE SHAREHOLDERS

At the close of the second quarter of fiscal 2021, Goodfellow realized a record $186M in revenue, as compared to $104M for Q2 2020.

This exceptional result was made possible by the Company having capitalized on surging demand, while dealing with on-going supply challenges through effective and creative procurement solutions. Operational efficiencies in all areas allowed for substantially more output from coast-to-coast. Regional efforts were nothing short of spectacular and unprecedented.

Goodfellow certainly expects a return to historic demand levels in the near term and indications of softening demand have emerged in past weeks. The Company is confident it will retain acquired gains since the onset of the pandemic. It remains well-positioned to adapt swiftly to new circumstances, while still growing its core business drivers. Product diversity, value-added wood manufacturing, specialty distribution lines and successful relationships with suppliers are key. Superior customer service continues to be a top priority moving forward further into 2021.

Sincerely,

Patrick Goodfellow
President and Chief Executive Officer
July 8, 2021

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 8, 2021.
The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2020 and November 30, 2019.
The MD&A provides a review of the significant developments and results of operations of the Company during the six months ended May 31, 2021 and May 31, 2020.
The interim consolidated financial statements ended May 31, 2021 and May 31, 2020 are prepared in accordance with International Financial Reporting Standards ("IFRS").
All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

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 2021 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 open 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 open 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 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 $23.1 million for the three months and $30.4 million for the six months ended May 31, 2021 divided by the total number of outstanding shares of 8,562,554.

Reconciliation of net earnings to EBITDA (thousands of dollars)	**For the three months ended**		**For the six months ended**	
	May 31 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	**$**	$
Net earnings	**13,976**	3,399	**17,745**	1,339
Income taxes	**5,467**	1,322	**6,932**	521
Net financial costs	**822**	739	**1,390**	1,473
Operating income	**20,265**	5,460	**26,067**	3,333
Depreciation of property, plant and equipment	**638**	673	**1,265**	1,324
Amortization of right-of-use assets	**1,043**	1,088	**2,056**	2,181
Amortization of intangible assets	**153**	182	**314**	363
EBITDA	**22,099**	7,403	**29,702**	7,201

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)

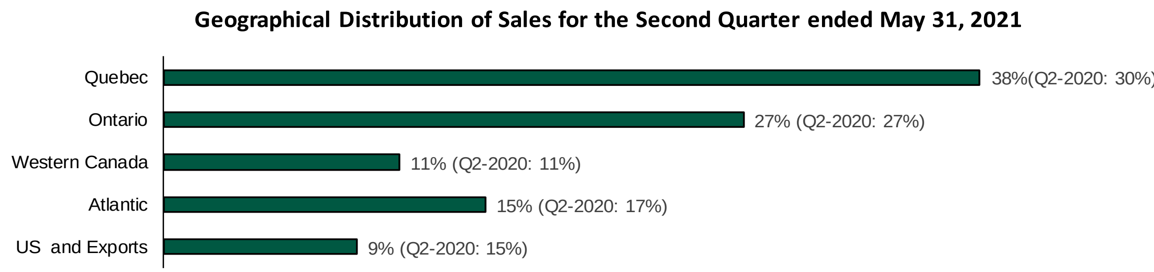
	2020	2019	2018
	$	$	$
Sales	**454,103**	449,587	475,207
Earnings before income taxes	**19,022**	4,269	3,277
Net earnings	**13,811**	3,054	2,571
Total Assets	**218,323**	180,581	190,718
Total Lease Liabilities	**17,658**	28	43
Cash Dividends paid	**1,712**	851	-
PER COMMON SHARE			
Net earnings per share, Basic	**1.61**	0.36	0.30
Net earnings per share, Diluted	**1.61**	0.35	0.30
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**3.35**	1.14	1.14
Shareholders' Equity	**14.16**	13.24	13.27
Share Price	**6.71**	4.82	6.00
Cash Dividends paid	**0.20**	0.10	-

COMPARISON FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020
(In thousands of dollars, except per share amounts)

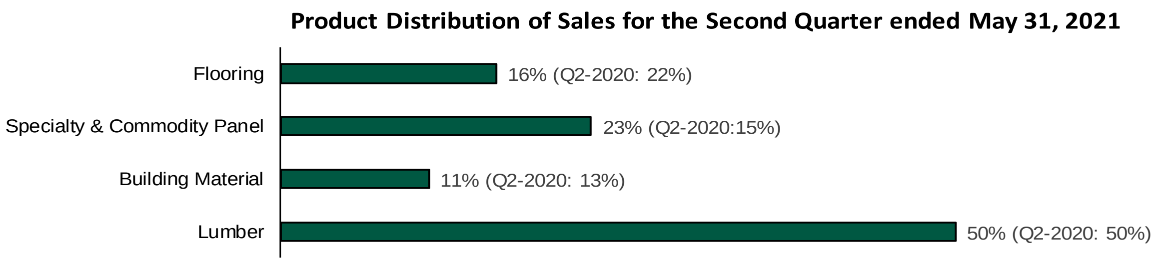
HIGHLIGHTS FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020	**Q2-2021**	Q2-2020	Variance
	$	$	%
Sales	**185,525**	103,763	**+78.8**
Earnings before income taxes	**19,443**	4,721	**+311.8**
Net earnings	**13,976**	3,399	**+311.2**
Net earnings per share – Basic and Diluted	**1.63**	0.40	**+307.5**
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**23,084**	7,271	**+217.5**
EBITDA	**22,099**	7,403	**+198.5**
Average bank indebtedness	**65,107**	47,773	**+36.3**
Inventory average	**112,895**	99,089	**+13.9**

The Company implemented rigorous sanitary practices and physical distancing measures in the workplace to mitigate health risks to its employees and the threat to its ongoing operations. The Company was able to keep most of its facilities opened in the COVID-19 pandemic, relying on exemptions from mandatory closures for essential products and services. In addition, the federal border restrictions and provincial imposed restrictions combined with government salary protection programs had a positive impact in our industry and for the Company. Many consumers decided to invest in their property, since they were restricted from travelling. This trend continued in the second quarter of fiscal 2021.

Sales in Canada during the second quarter of fiscal 2021 increased 90% compared to last year despite the pandemic. Quebec sales increased 123% due to an increase in sales of all the product categories. Sales in Ontario increased 80% mainly due to an increase in sales of specialty and commodity panels, lumber and building material. Sales in Western Canada increased 75% due to an increase in sales of lumbers, building material and specialty and commodity panels. Atlantic region sales increased 60% due to an increase in sales of specialty and commodity panels and lumber.



Sales in the United States for the second quarter of fiscal 2021 increased 13% on a Canadian dollar basis compared to the same period last year mostly due to an increase in sales of all the product categories. On a US dollar basis, US denominated sales increased 29% compared to last year. Finally, export sales increased 7% during the second three months of fiscal 2021 compared to last year mostly due to an increase in sales of the flooring and lumber.



In terms of the distribution of sales by product, all product categories increase their sales volume mostly due to consumers' investment in their property. Flooring sales for the second quarter ended May 31, 2021 increased 32% compared to last year. Specialty and commodity panel sales increased 164% compared to last year. Building material sales increased 67% compared to last year. Finally, lumber sales increased 76% compared to the same period a year ago.

Cost of Goods Sold

Cost of goods sold for the second quarter of fiscal 2021 was $142.2 million compared to $84.2 million for the corresponding period a year ago. Cost of goods sold increased 68.8% compared to last year. Total freight outbound cost increased 40.0% compared to last year. Gross profits were $43.3 million compared to $19.5 million last year. Gross profits increased 122.0% compared to last year. Gross margins were 23.4% for the three months ended May 31, 2021 (18.8% last year). The shortages of lumber allowed us to increase our margins.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the second quarter ended May 31, 2021 was $23.1 million compared to $14.1 million for the corresponding period last year, an increase of 64.1% compared to last year.

Net Financial Costs

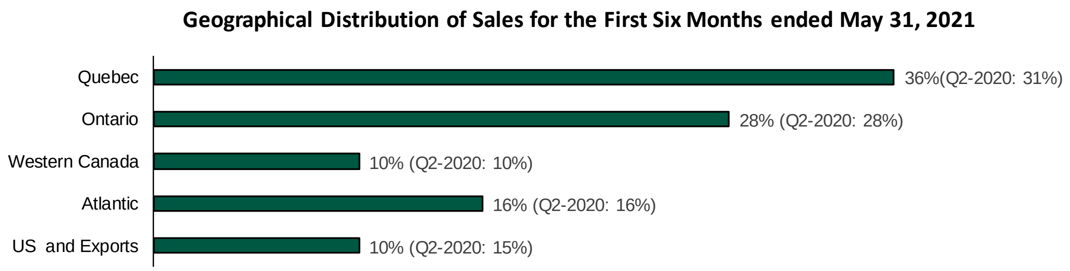
Net financial costs for the three months ended May 31, 2021 were $0.8 million compared to $0.7 million last year. The average Canadian prime rate remained stable at 2.45% during the second quarter of fiscal 2021 compared to 2.62% last year. The average US prime rate remained stable at 3.25% compared to last year. Average bank indebtedness was $65.1 million compared to $47.8 million a year ago.

COMPARISON FOR THE SIX MONTHS ENDED MAY 31, 2021 AND 2020

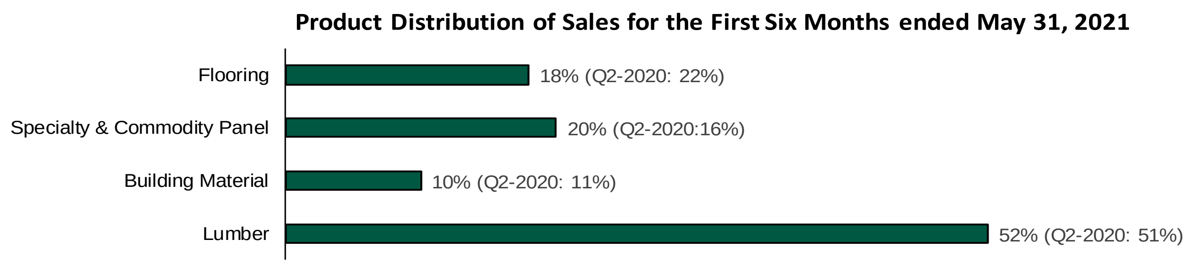
(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE SIX MONTHS ENDED MAY 31, 2021 AND 2020	**Q2-2021**	Q2-2020	Variance
	$	$	**%**
Sales	**304,958**	192,619	**+58.3**
Earnings before income taxes	**24,677**	1,860	**+1,226.7**
Net earnings	**17,745**	1,339	**+1,225.2**
Net earnings per share – Basic and Diluted	**2.07**	0.16	**+1,193.8**
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**30,438**	6,882	**+342.3**
EBITDA	**29,702**	7,201	**+312.4**
Average Bank indebtedness	**45,339**	43,780	**+3.6**
Inventory average	**102,666**	99,398	**+3.3**

Sales in Canada during the first six months of fiscal 2021 increased 67% compared to last year mainly due to a surging demand on all product categories. Quebec sales increased 86% due to an increase in sales of all the product categories. Sales in Ontario increased 55% mainly due to an increase in sales of specialty and commodity panels, lumber and building material. Sales in Western Canada increased 55% due to an increase in sales of all the product categories. Atlantic region sales increased 58% due to an increase in sales of specialty and commodity panels and lumber.



Sales in the United States for the first six months ended May 31, 2021 increased 10% on a Canadian dollar basis compared to last year mostly due to an increase in sales of lumber and flooring. On US dollar basis, US denominated sales increased 20% compared to last year. Finally, export sales increased 16% during the first six months of fiscal 2021 compared to last year mostly due to an increase in sales of lumber and specialty and commodity panels.



In terms of the distribution of sales by product, all families saw their volume increase mostly due to a surging demand on the market. Flooring sales for the first six months ended May 31, 2021 increased 30% compared to last year. Specialty and commodity panel sales increased 99% compared to last year. Building materials sales increased 39% compared to last year. Finally, lumber sales increased 62% compared to last year.

Cost of Goods Sold

Cost of goods sold for the first six months of fiscal 2021 was $236.2 million compared to $155.7 million last year. Cost of goods sold increased 51.7% compared to last year. Total freight outbound cost increased 26.7% compared to last year. Gross profits were $68.8 million compared to $36.9 million last year. Gross profits increased 86.4% compared to last year. Gross margins were 22.6% for the six months ended May 31, 2021 (19.2% last year).

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first six months ended May 31, 2021 was $42.7 million compared to $33,6 million last year. Selling, Administrative and General Expenses increased 27.2% compared to last year.

Net Financial Costs

Net financial costs for the first six months of fiscal 2021 were $1.4 million compared to $1.5 million last year. The average Canadian prime rate remained stable at 2.45% for the first six months of fiscal 2021 compared to 3.28% last year. The average US prime rate decreased to 3.25% compared to 4.00% last year. Average bank indebtedness during the first six months of fiscal 2021 was $45.3 million compared to $43.8 million last year.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts)

	Aug-2020[1]	**Nov-2020[1]**	**Feb-2021[1]**	**May-2021[1]**
	$	**$**	**$**	**$**
Sales	138,843	122,641	119,433	185,525
Net earnings	6,696	5,776	3,769	13,976
Net earnings per share	0.78	0.67	0.44	1.63

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

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 2021, revenue was unusually high compared to the second quarter of 2020 due to increasing price on the market.

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

STATEMENT OF FINANCIAL POSITION AT MAY 31, 2021 AND MAY 31, 2020

Total Assets

Total assets at May 31, 2021 were $280.8 million compared to $219.2 million last year. Cash at May 31, 2021 was $2.5 million compared to $1.9 million last year. Trade and other receivables at May 31, 2021 was $107.8 million ($69.5 million last year). Inventories at May 31, 2021 was $115.3 million compared to $92.1 million last year. Prepaid expenses at May 31, 2021 was $5.9 million ($1.5 million last year). Defined benefit plan asset was $1.9 million at May 31, 2021 compared to $2.2 million last year. Other assets were $0.8 million at May 31, 2021 (same last year).

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

Property, plant and equipment at May 31, 2021 was $30.6 million compared to $32.0 million last year. Capital expenditures during the first six months of fiscal 2021 amounted to $0.7 million compared to $0.5 million for the same period last year. Property, plant and equipment capitalized during the first six months of fiscal 2021 mainly included buildings, yard equipment, computers and rolling stock. Intangible assets at May 31, 2021 was $2.9 million compared to $3.6 million last year. Right-of-use assets at May 31, 2021 was $13.0 million ($15.7 million last year). Depreciation of property, plant, equipment, intangible, and right-of-use assets during the six months ended May 31, 2021 amounted to $3.6 million compared to $3.9 million last year.

Total Liabilities

Total liabilities at May 31, 2021 were $144.4 million compared to $107.9 million last year. Bank indebtedness was $63.3 million compared to $43.6 million last year. Trade and other payables at May 31, 2021 was $54.9 million compared to $40.5 million last year. Income taxes payable was $4.4 million compared to $0.2 million last year. Provision at May 31, 2021 was $2.8 million ($1.5 million last year). Lease liabilities at May 31, 2021 were $16.1 million compared to $19.2 million last year. Deferred income taxes at May 31, 2021 was $1.6 million compared to $2.3 million last year. Defined benefit plan obligation was $1.2 million at May 31, 2021 compared to $0.7 million last year.

Shareholders' Equity

Total Shareholders' Equity at May 31, 2021 was $136.4 million compared to $111.3 million last year. The Company generated a return on equity of 26.0% during the first six months of fiscal 2021 compared to 2.4% for the same period last year. The share price closed at $10.27 per share on May 31, 2021 ($4.00 on May 31, 2020). The book value at May 31, 2021 was $15.93 per share compared to $13.00 last year. Share capital was $9.4 million at May 31, 2021 (same last year).

The following dividends were declared and paid by the Company:

	2021				2020			
	Declared				Declared			
	Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
		$	$			$	$	
Quarter 1	Mar 5, 2021	0.30	2,569	Mar 19, 2021	Feb 28, 2020	0.10	856	Mar 13, 2020
Quarter 2	-	-	-	-	-	-	-	-
		0.30	**2,569**			**0.10**	**856**	
Quarter 3					-	-	-	-
Quarter 4					Nov 27, 2020	0.25	2,141	Dec 4, 2020
						0.35	**2,997**	

The Company is continually assessing its declaration of dividend in the context of overall profitability, cash flows, capital requirements, general economic conditions, and other business needs. Accordingly, the Company did not declare a dividend in the second quarter.

LIQUIDITY AND CAPITAL RESOURCES

Financing

In May 2021, 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 2024. 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, 2021, the Company was compliant with its financial covenants. As at May 31, 2021, under the credit agreement, the Company was using $63.3 million of its facility compared to $43.6 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 2021 was $(27.9) million compared to $(8.0) million last year. Financing activities during the first six months of fiscal 2021 was $26.1 million compared to $6.6 million last year. Investing activities during the first half of fiscal 2021 was $(0.7) million compared to $(0.5) 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, 2021 and 2020, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at May 31 2021**	As at May 31 2020
Debt-to-capitalization ratio	**30.9%**	27.1%
Interest coverage ratio	**23.4**	4.7
Return on shareholders' equity	**26.0%**	2.4%
Current ratio	**1.8**	1.8
EBITDA (in thousands of dollars)	**$29,702**	$7,201

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. Capitalization is debt plus shareholders' equity. This ratio is presented without the impact of IFRS 16 to conform to the bank's covenant requirement.
- 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. This ratio is presented without the impact of IFRS 16 to conform to the bank's covenant requirement.
- 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, 2021, the Company's total debt-to-capitalization ratio stood at 30.9% compared to 27.1% on May 31, 2020

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, 2020 as well as in the 2020 Annual Information Form available on SEDAR (www.sedar.com).

FINANCIAL COMMITMENTS AND CONTINGENCIES

Obligations	Payments due by period (in thousands of dollars) - undiscounted				
	Total	**Less than 1 year**	**2 – 3 Years**	**4 – 5 Years**	**After 5 years**
Lease obligations	18,579	5,046	7,944	3,539	2,050
Purchase obligations	105	105	-	-	-
Total obligations	18,684	5,151	7,944	3,539	2,050

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 2020 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, 2021 (same last year).

The following represents the total sales consisting primarily of various wood products of the major customer:

	For the three months ended				For the six months ended			
(in thousands of dollars)	**May 31, 2021**		May 31, 2020		**May 31, 2021**		May 31, 2020	
	$	**%**	$	%	**$**	**%**	$	%
Sales to major customer that exceeded 10% of total Company's sales	**30,030**	**16.2**	15,556	15.0	**49,803**	**16.3**	29,323	15.2

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 2020 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at May 31, 2021:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	63,258	63,258	63,258	-
Trade and other payables	54,938	54,938	54,938	-
Total financial liabilities	**118,196**	**118,196**	**118,196**	**-**

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 $63.3 million in bank indebtedness would impact interest expense annually by $0.6 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 Pounds sterling. A 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, 2021, the Company had the following currency exposure:

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

	USD	**GBP**	**Euro**
Cash	1,397	231	8
Bank indebtedness	(2,314)	-	-
Trade and other receivables	6,243	164	-
Trade and other payables	(6,432)	(22)	(933)
Lease liabilities	(376)	-	-
Net exposure	**(1,482)**	**373**	**(925)**
CAD exchange rate as at May 31, 2021	1.2064	1.7147	1.4750
Impact on net earnings based on a fluctuation of 5% on CAD	**(64)**	**23**	**(49)**

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, 2021, the Company considered the economic impact of the COVID-19 pandemic on its assessment. This was not considered to be significant.

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

	May 31 2021	May 31 2020
	$	$
Current	**104,091**	63,456
31 - 60 days past due	**1,823**	2,235
61 - 90 days past due	**723**	984
91 - 120 days past due	**281**	86
Over 120 days past due	**876**	818
	107,794	67,579
Loss allowance	**(143)**	(701)
Balance, end of period	**107,651**	66,878

As at May 31, 2021, expected credit losses are limited to $143 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 lease liabilities 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 2020 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 2020 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 2020 Annual consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

At May 31, 2021, there were 8,562,554 common shares issued (same at May 31, 2020). The Company has authorized an unlimited number of common shares to be issued, without par value. At July 8, 2021, there were 8,562,554 common shares outstanding.

OUTLOOK

While Q1 and Q2 of fiscal 2021 saw exceptional demand conditions, Goodfellow expects a return to historic levels in the near term with indications of a cooling starting to emerge. Notwithstanding, the Company remains optimistic regarding a strong second half of the fiscal year as it continues to focus on core business drivers, including a diverse product offering, value-added wood manufacturing, specialty distribution lines, successful relationships with suppliers and superior customer service. With travel limitations beginning to lift and the threat of COVID-19 variants persisting, employee health and safety is a key priority in order to reach objectives.

COVID-19

The duration and impact of the COVID-19 pandemic on the Company are unknown at this time. As such, it is not possible to reliably estimate the length and severity of the COVID-19's 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 the directives of the 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.

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, 2021 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Delson, July 8, 2021

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, 2021 and 2020
(in thousands of dollars, except per share amounts)
Unaudited

	For the three months ended		For the six months ended	
	May 31 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	**$**	$
Sales (Note 15)	**185,525**	103,763	**304,958**	192,619
Expenses (Income)				
Cost of goods sold (Note 4)	**142,187**	84,238	**236,179**	155,718
Selling, administrative and general expenses (Note 4)	**23,072**	14,060	**42,719**	33,578
Loss (gain) on disposal of property, plant and equipment	**1**	5	**(7)**	(10)
Net financial costs (Note 5)	**822**	739	**1,390**	1,473
	166,082	99,042	**280,281**	190,759
Earnings before income taxes	**19,443**	4,721	**24,677**	1,860
Income taxes	**5,467**	1,322	**6,932**	521
Total comprehensive income	**13,976**	3,399	**17,745**	1,339
Net earnings per share – Basic and Diluted (Note 10)	**1.63**	0.40	**2.07**	0.16

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

	As at May 31 2021	As at November 30 2020	As at May 31 2020
	$	$	$
Assets			
Current Assets			
Cash	**2,534**	3,466	1,854
Trade and other receivables (Note 6)	**107,788**	76,093	69,531
Inventories	**115,285**	84,740	92,071
Prepaid expenses	**5,910**	2,584	1,469
Total Current Assets	**231,517**	166,883	164,925
Non-Current Assets			
Property, plant and equipment	**30,617**	31,148	31,992
Intangible assets	**2,942**	3,238	3,600
Right-of-use assets	**13,020**	14,324	15,723
Defined benefit plan asset	**1,919**	1,945	2,198
Other assets	**785**	785	778
Total Non-Current Assets	**49,283**	51,440	54,291
Total Assets	**280,800**	218,323	219,216
Liabilities			
Current liabilities			
Bank indebtedness (Note 7)	**63,258**	28,570	43,562
Trade and other payables (Note 8)	**54,938**	39,614	40,492
Income taxes payable	**4,427**	4,859	164
Provision (Note 9)	**2,795**	1,473	1,496
Dividend payable (Note 10)	**-**	2,141	-
Current portion of lease liabilities	**4,241**	4,315	4,242
Total Current Liabilities	**129,659**	80,972	89,956
Non-Current Liabilities			
Lease liabilities	**11,904**	13,343	14,975
Deferred income taxes	**1,597**	1,597	2,269
Defined benefit plan obligation	**1,235**	1,182	692
Total Non-Current Liabilities	**14,736**	16,122	17,936
Total Liabilities	**144,395**	97,094	107,892
Shareholders' Equity			
Share capital (Note 10)	**9,424**	9,424	9,424
Retained earnings	**126,981**	111,805	101,900
	136,405	121,229	111,324
Total Liabilities and Shareholders' Equity	**280,800**	218,323	219,216

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and six months ended May 31, 2021 and 2020
(in thousands of dollars)
Unaudited

	For the three months ended		For the six months ended	
	May 31 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	**$**	$
Operating Activities				
Net earnings	**13,976**	3,399	**17,745**	1,339
Adjustments for:				
Depreciation and amortization of:				
Property, plant and equipment	**638**	673	**1,265**	1,324
Right-of-use assets	**1,043**	1,088	**2,056**	2,181
Intangible assets	**153**	182	**314**	363
Accretion expense on provision	**11**	18	**22**	36
Increase (decrease) in provision	**1,300**	-	**1,300**	(10)
Income taxes	**5,467**	1,322	**6,932**	521
Loss (gain) on disposal of property, plant and equipment	**1**	5	**(7)**	(10)
Interest expense	**312**	315	**460**	638
Interest on lease liabilities	**149**	174	**303**	353
Funding in deficit of pension plan expense	**60**	54	**79**	106
Other	**(26)**	41	**(31)**	41
	23,084	7,271	**30,438**	6,882
Changes in non-cash working capital items (Note 13)	**(47,024)**	(538)	**(49,992)**	(13,154)
Interest paid	**(696)**	(271)	**(1,013)**	(619)
Income taxes paid	**(961)**	(62)	**(7,364)**	(1,091)
	(48,681)	(871)	**(58,369)**	(14,864)
Net Cash Flows from Operating Activities	**(25,597)**	6,400	**(27,931)**	(7,982)
Financing Activities				
Net decrease in bank loans	**(7,000)**	(2,000)	**(5,000)**	(5,000)
Net increase in banker's acceptances	**35,000**	3,000	**38,000**	16,000
Payment of lease liabilities	**(1,118)**	(1,309)	**(2,234)**	(2,642)
Dividend paid (Note 10)	**(2,569)**	(856)	**(4,710)**	(1,712)
	24,313	(1,165)	**26,056**	6,646
Investing Activities				
Acquisition of property, plant and equipment	**(549)**	(149)	**(737)**	(510)
Increase in intangible assets	**(18)**	(36)	**(18)**	(36)
Proceeds on disposal of property, plant and equipment	**10**	(2)	**10**	14
	(557)	(187)	**(745)**	(532)
Net cash (outflow) inflow	**(1,841)**	5,048	**(2,620)**	(1,868)
Cash position, beginning of period	**(1,883)**	(5,756)	**(1,104)**	1,160
Cash position, end of period	**(3,724)**	(708)	**(3,724)**	(708)
Cash position is comprised of:				
Cash	**2,534**	1,854	**2,534**	1,854
Bank overdraft (Note 7)	**(6,258)**	(2,562)	**(6,258)**	(2,562)
	(3,724)	(708)	**(3,724)**	(708)

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended May 31, 2021 and 2020
(in thousands of dollars)
Unaudited

	Share Capital	**Retained Earnings**	**Total**
	$	$	$
Balance as at November 30, 2019	9,424	103,984	113,408
IFRS 16 adoption adjustment, net of taxes of $940	-	(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 10)	-	(856)	(856)
Balance as at May 31, 2020	9,424	101,900	111,324
Balance as at November 30, 2020	**9,424**	**111,805**	**121,229**
Net earnings	**-**	**17,745**	**17,745**
Total comprehensive income	**-**	**17,745**	**17,745**
Transactions with owners of the Company			
Dividend (Note 10)	**-**	**(2,569)**	**(2,569)**
Balance as at May 31, 2021	**9,424**	**126,981**	**136,405**

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

1. Status and nature of activities

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

The interim consolidated financial statements of the Company as at and for the six months ended May 31, 2021 and 2020 include 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, 2020, as set out in the 2020 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 8, 2021.

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, 2020.

3. Significant Accounting Policies

The Company's significant accounting policies described in Note 3 contained in its 2020 Annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim consolidated financial statements

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 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	**$**	$
Employee benefit expense [(1)]	**14,363**	8,390	**27,520**	21,247
Obsolescence adjustment included in cost of goods sold	**482**	337	**803**	389
Depreciation included in cost of goods sold	**195**	219	**382**	424
Depreciation and amortization included in selling, administrative and general expenses	**1,639**	454	**3,253**	900
Foreign exchange (gains) loss	**(85)**	378	**(269)**	336

(1) In the three months and six months ended May 30, 2021, the Company was not qualified to receive the Canada Emergency Wage Subsidy (CEWS), but in the three months and six months ended May 30, 2020, the Company was qualified to receive the CEWS. The Company recognized $nil related to CEWS for the three months and six months ended May 31, 2021 ($2.5 million last year) against the related remunerations.

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

5. Net financial costs

	For the three months ended		For the six months ended	
	May 31 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	**$**	$
Interest expense	**312**	315	**460**	638
Interest expense on lease liabilities	**149**	174	**303**	353
Accretion expense on provision	**11**	18	**22**	36
Other financial costs	**351**	233	**607**	447
Financial cost	**823**	740	**1,392**	1,474
Financial income	**(1)**	(1)	**(2)**	(1)
Net financial costs	**822**	739	**1,390**	1,473

6. Trade and other receivables

	May 31 2021	November 30 2020	May 31 2020
	$	$	$
Trade receivables	**107,794**	76,063	67,579
Allowance for doubtful accounts	**(143)**	(122)	(701)
	107,651	75,941	66,878
Other receivables	**137**	152	2,653
	107,788	76,093	69,531

7. Bank indebtedness

	May 31 2021	November 30 2020	May 31 2020
	$	$	$
Bank loans	**7,000**	12,000	-
Banker's acceptances	**50,000**	12,000	41,000
Bank overdraft	**6,258**	4,570	2,562
	63,258	28,570	43,562

In May 2021, 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 2024. 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, 2021, the Company was compliant with its financial covenants. As at May 31, 2021, under the credit agreement, the Company used $63.3 million of its facility compared to $43.6 million last year.

8. Trade and other payables

	May 31 2021	November 30 2020	May 31 2020
	$	$	$
Trade payables and accruals	**44,402**	31,056	30,675
Payroll related liabilities	**7,296**	5,965	5,398
Sales taxes payable	**3,240**	2,593	4,419
	54,938	39,614	40,492

9. Provision

The Company's St-André (QC) site shows continued traces of surface contamination from previous treating activities exceeding existing regulatory requirements. The Company received approval for the environmental rehabilitation plan in fiscal 2016. The Company started to implement its plan during fiscal 2016 and treatment of soil on-site was to be performed over an estimated period of 5 years. The remaining rehabilitation was expected to occur in fiscal 2020. Unfortunately, because of the duration and impact of the COVID-19 pandemic no work was performed in fiscal 2020. The remaining rehabilitation is now expected to occur in fiscal 2021 unless other delays occur due to the COVID-19 pandemic. The Company had to modify its rehabilitation plan in fiscal 2021 and submit for approval to the Minister of the environment a revised timetable to complete the rehabilitation, taking into account any possible impact from the prevailing sanitary conditions.

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

Based on current available information, the provision was increased by $1.3 million as at May 31, 2021 to take into account changes in future expected expenditures due to market conditions showing increasing costs related to decontamination. The revised provision is considered by management to be adequate to cover any projected costs that could be incurred in the future.

Because of the nature of the liability, the biggest uncertainty in estimating the provision is the amount of soil to be treated and the costs that will be incurred. Changes in estimates of future expenditures are the result of periodic reviews of the underlying assumptions supporting the provision, including remediation costs and regulatory requirements.

	May 31 2021	November 30 2020	May 31 2020
	$	$	$
Balance, beginning of the year	**1,473**	1,470	1,470
Changes due to:			
Revision of future expected expenditures	**1,300**	(59)	-
Accretion expense	**22**	72	36
Expenditures incurred	**-**	(10)	(10)
Balance, end of period	**2,795**	1,473	1,496
Current portion	**2,795**	1,473	1,496

10. Share Capital

Authorized

An unlimited number of common shares, without par value

	May 31 2021	November 30 2020	May 31 2020
Number of shares outstanding at the beginning and at the end of the period	**8,562,554**	8,562,554	8,562,554

Net earnings

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 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	$	$
Net earning, basic and diluted	**13,974**	3,399	**17,743**	1,339
Weighted average number of common shares, basic and diluted	**8,562,554**	8,562,554	**8,562,554**	8,562,554

Dividends

The following dividends were declared and paid by the Company:

	2021 Declared Record date	**2021** Declared Per share	**2021** Declared Amount	Payment date	2020 Declared Record date	2020 Declared Per share	2020 Declared Amount	Payment date
		$	$			$	$	
Quarter 1	Mar 5, 2021	0.30	2,569	Mar 19, 2021	Feb 28, 2020	0.10	856	Mar 13, 2020
Quarter 2	-	-	-	-	-	-	-	-
		0.30	**2,569**			**0.10**	**856**	
Quarter 3					-	-	-	-
Quarter 4					Nov 27, 2020	0.25	2,141	Dec 4, 2020
						0.35	**2,997**	

The Company is continually assessing its declaration of dividend in the context of overall profitability, cash flows, capital requirements, general economic conditions, and other business needs. Accordingly, the Company did not declare a dividend in the second quarter.

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

11. 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, 2021, which is not necessarily indicative of performance for the balance of the year.

12. 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, 2021:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	63,258	63,258	63,258	-
Trade and other payables	54,938	54,938	54,938	-
Total financial liabilities	**118,196**	**118,196**	**118,196**	-

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 $63.3 million in bank indebtedness would impact interest expense annually by $0.6 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 Pounds sterling. A 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, 2021, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	**GBP**	**Euro**
Cash	1,397	231	8
Bank indebtedness	(2,314)	-	-
Trade and other receivables	6,243	164	-
Trade and other payables	(6,432)	(22)	(933)
Lease liabilities	(376)	-	-
Net exposure	**(1,482)**	**373**	**(925)**
CAD exchange rate as at May 31, 2021	1.2064	1.7147	1.4750
Impact on net earnings based on a fluctuation of 5% on CAD	**(64)**	**23**	**(49)**

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.

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

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, 2021, the Company considered the economic impact of the COVID-19 pandemic on its assessment. This was not considered to be significant.

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

	May 31 2021	May 31 2020
	$	$
Current	**104,091**	63,456
31 - 60 days past due	**1,823**	2,235
61 - 90 days past due	**723**	984
91 - 120 days past due	**281**	86
Over 120 days past due	**876**	818
	107,794	67,579
Loss allowance	**(143)**	(701)
Balance, end of period	**107,651**	66,878

As at May 31, 2021, expected credit losses are limited to $143 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, 2021 (same last year). The following represents the total sales consisting primarily of various wood products of the major customer:

	For the three months ended				**For the six months ended**			
	May 31, 2021		May 31, 2020		**May 31, 2021**		May 31, 2020	
	$	**%**	$	%	**$**	**%**	$	%
Sales to major customer that exceeded 10% of total Company's sales	**30,030**	**16.2**	15,556	15.0	**49,803**	**16.3**	29,323	15.2

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.

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 lease liabilities approximate their fair values.

13. Additional Cash Flow Information

Changes in Non-Cash Working Capital Items

	For the three months ended		**For the six months ended**	
	May 31 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	$	$
Trade and other receivables	**(37,645)**	(15,449)	**(31,695)**	(21,070)
Inventories	**(19,487)**	7,230	**(30,545)**	(4,732)
Prepaid expenses	**(1,310)**	2,740	**(3,071)**	1,069
Trade and other payables	**11,418**	4,941	**15,319**	11,579
	(47,024)	(538)	**(49,992)**	(13,154)

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

14. 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 2020 Annual report.

As at May 31, 2021 and 2020, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at May 31 2021**	As at May 31 2020
Debt-to-capitalization ratio	**30.9%**	27.1%
Interest coverage ratio	**23.4**	4.7
Return on shareholders' equity	**26.0%**	2.4%
Current ratio	**1.8**	1.8
EBITDA	**$29,702**	$7,201

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. Capitalization is debt plus shareholders' equity. This ratio is presented without the impact of IFRS 16 to conform to the bank's covenant requirement.
- 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. This ratio is presented without the impact of IFRS 16 to conform to the bank's covenant requirement.
- 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.

15. 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, and right-of-use assets 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.

Primary geographic markets

The Company's sales to clients located in Canada represent approximately 89% (85% in 2020) of total sales, the sales to clients located in the United States represent approximately 7% (10% in 2020) of total sales, and the sales to clients located in other markets represent approximately 4% (5% in 2020) of total sales.

	For the three months ended		**For the six months ended**	
	May 31 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	**$**	$
Canada	**168,525**	88,469	**272,358**	163,545
US	**11,628**	10,257	**20,568**	18,680
Export	**5,372**	5,037	**12,032**	10,394
	185,525	103,763	**304,958**	192,619

Sales categories

	For the three months ended		**For the six months ended**	
	May 31 2021	May 31 2020	**May 31 2021**	May 31 2020
	$	$	**$**	$
Flooring	**29,612**	22,447	**55,161**	42,468
Specialty and commodity panels	**41,958**	15,918	**62,182**	31,231
Building material	**21,770**	13,041	**29,406**	21,142
Lumber	**92,185**	52,357	**158,209**	97,778
	185,525	103,763	**304,958**	192,619

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Alain Côté */**
Lead Director

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 &
Secretary of the Board

G. Douglas Goodfellow
Chairman of the Board

Mary Lohmus
Executive Vice President,
Ontario & Western Canada

David Warren
Senior Vice President,
Atlantic

Luc Dignard
Vice President,
Sales, Quebec

Jeff Morrison
Vice President,
National accounts

Luc Pothier
Vice President,
Operations

Eric Bisson
Vice President,
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Harry Haslett
Vice President,
Sales & Marketing, Atlantic

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