QUARTERLY REPORT

FOR THE SIX MONTHS ENDED MAY 31, 2022

goodfellowinc.com

GOODFELLOW

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PRESIDENT'S REPORT TO THE SHAREHOLDERS

In Q2 2022, Goodfellow realized $185 million in revenue with net earnings of $13 million or $1.46 per share, as compared to $186 million and $14.0 million or $1.63 per share in the same quarter of 2021. While being slightly lower than for the same quarter last year, these results continue to be at historically high levels for the Company.

By delivering a well-diversified sales mix in the second quarter, softening demand in certain regions was offset by increases in others. Sales volumes were significantly up in distribution of flooring and building materials while relatively flat in value-added lumber and other specialty items.

Complex Conditions

The increasingly stressed geopolitical and economic realities in Canada and the US added further complexity to existing challenges such as spiking inflation, rising interest rates, supply chain disruptions and labour shortages.

It will be essential to closely monitor inflation and consumer behaviour, as well as tightly control overhead costs and inventory.

Despite these complexities, Goodfellow's balance sheet remains strong providing a solid foundation to continue investing in its operational efficiency and capabilities.

Sincerely,

Patrick Goodfellow
President and Chief Executive Officer
July 7, 2022

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 7, 2022.
The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2021 and November 30, 2020.
The MD&A provides a review of the significant developments and results of operations of the Company during the six months ended May 31, 2022 and May 31, 2021.
The interim consolidated financial statements ended May 31, 2022 and May 31, 2021 are prepared in accordance with International Financial Reporting Standards ("IFRS").
All amounts in this MD&A are in Canadian dollars unless otherwise indicated.
In addition, in this Management's Discussion and Analysis, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section "Non-IFRS Financial Measures" and in Note 15 "Segmented Information and Sales" to the unaudited interim consolidated financial statements for the six months ended May 31, 2022 and May 31, 2021. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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 2022 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
(unaudited)

We report our financial results in accordance with IFRS. However, in this document, the following non-IFRS measures, non-IFRS ratios and supplementary financial measures are used: EBITDA, Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid, Gross profit, Gross margin, Shareholders' Equity per share and dividends paid per share. These measures do not have a standardized meaning under IFRS and could be calculated differently by other companies and accordingly, may not be comparable. We believe that many of our readers analyze the financial performance of the Company's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. The Company also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them. For measures displayed per share, the Company divided the measures by the total number of outstanding shares at May 31 of the period presented.

"EBITDA" represents earnings before income taxes, net financial costs, depreciation of property, plant and equipment and amortization. Management believes this metric is useful as it allows comparability of operating results from one period to another by excluding the effects of items that primarily reflect the impact of long-term investment and financing decisions, rather than the results of day-to-day operations.

The table below contain a reconciliation of EBITDA to the most directly comparable IFRS measure, net earnings.

Reconciliation of EBITDA (In thousands of dollars - unaudited)	**For the three months ended**		**For the six months ended**		**For the years ended**	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021	**November 30 2021**	November 30 2020
	$	$	**$**	$	**$**	$
Net earnings	**12,542**	13,976	**17,659**	17,745	**37,836**	13,811
Income taxes	**4,878**	5,467	**6,868**	6,932	**12,687**	5,211
Net financial costs	**882**	822	**1,446**	1,390	**2,694**	2,719
Depreciation of property, plant and equipment	**577**	638	**1,152**	1,265	**2,552**	2,705
Amortization of right-of-use assets	**1,140**	1,043	**2,190**	2,056	**4,141**	4,324
Amortization of intangible assets	**152**	153	**302**	314	**621**	728
EBITDA	**20,171**	22,099	**29,617**	29,702	**60,531**	29,498

"Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid" represents net cash flows from operating activities before changes in non-cash working capital, income tax paid and interest paid. Management believes this measure is useful as it provides an indication of the Company's financial flexibility, i.e. cash available to the Company to service debt, meet other payment obligations, make investments and execute the Company's strategy.

The tables below contain a reconciliation of Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid to the most directly comparable IFRS measure, Net Cash Flows from Operating Activities.

Reconciliation of Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid – Second quarter (In thousands of dollars, except per share amounts - unaudited)	**For the three months ended**		**For the six months ended**	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Net Cash Flows from Operating Activities	**(16,154)**	(25,597)	**(56,957)**	(27,931)
Changes in non-cash working capital items	**32,520**	47,024	**68,474**	49,992
Interest paid	**617**	696	**887**	1,013
Income taxes paid	**3,277**	961	**16,968**	7,364
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	**20,260**	23,084	**29,372**	30,438
Net Cash Flows from Operating Activities per share	**(1.89)**	(2.99)	**(6.65)**	(3.26)
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	**2.37**	2.70	**3.43**	3.55
Number of share outstanding (thousands)	**8,563**	8,563	**8,563**	8,563

With respect to "Gross profit" and "Gross margin", these measures are used under the sections "Cost of Goods Sold" in the discussion below for the results for the second quarter ended May 31, 2022. Please refer to such sections for a description of how theses measures are calculated and a reconciliation to the most directly comparable IFRS measure.

In addition, the following tables set out the information supporting the per share calculation Shareholders' Equity:

Reconciliation of Shareholders' Equity per share (In thousands of dollars, except per share amounts - unaudited)	**As at**	
	May 31 2022	November 30 2021
	$	$
Shareholders' Equity	**175,182**	160,948
Shareholders' Equity per share	**20.46**	18.80
Number of share outstanding (thousands)	**8,563**	8,563

BUSINESS OVERVIEW

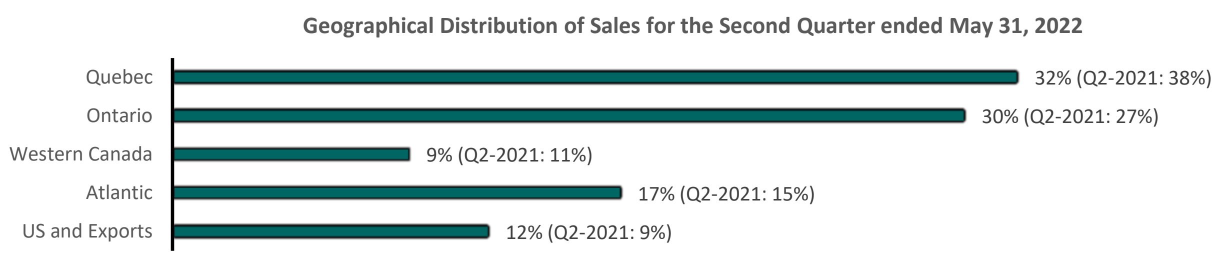
Goodfellow Inc. is a diversified manufacturer of value-added lumber products, as well as a wholesale distributor of building material and floor coverings. Goodfellow Inc. has 9 processing plants and 13 distribution centres from coast-to-coast in Canada, as well as 1 distribution centre in the USA and 1 in the United Kingdom. The Company services customers in the commercial and residential sectors through lumber yard retailer networks, manufacturers, industrial and infrastructure project partners, and floor covering specialists.

COMPARISON FOR THE THREE MONTHS ENDED MAY 31, 2022 AND 2021
(In thousands of dollars, except per share amounts - unaudited)

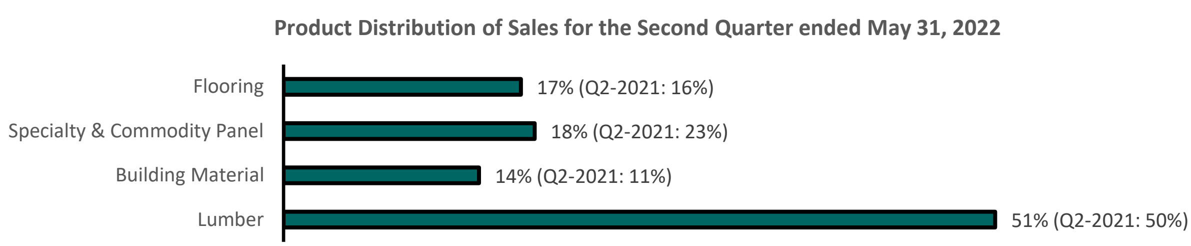
HIGHLIGHTS FOR THE THREE MONTHS ENDED MAY 31, 2022 AND 2021	Q2-2022	Q2-2021	Variance
	$	$	**%**
Sales	**184,947**	185,525	**-0.3**
Earnings before income taxes	**17,420**	19,443	**-10.4**
Net earnings	**12,542**	13,976	**-10.3**
Net earnings per share – Basic and Diluted	**1.46**	1.63	**-10.4**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**20,260**	23,084	**-12.2**
Net cash flow from Operating Activities	**(16,154)**	(25,597)	**+36.9**
EBITDA (1)	**20,171**	22,099	**-8.7**

(1) Non-IFRS financial measure – refer to section "Non-IFRS Financial Measures" for more information and a reconciliation to the most directly comparable IFRS measure.

Sales in Canada during the second quarter of 2022 decreased 3% compared to last year due to a decrease in sales of specialty and commodity panels and lumber products. Quebec sales decreased 13% due to a decrease in sales of specialty and commodity panels and lumber products. Sales in Ontario increased 9% mainly due to an increase in sales of building material and lumber products. Sales in Western Canada decreased 13% due to a decrease in sales of all products categories except for flooring products. Atlantic region sales increased 7% due to an increase in sales of building material, flooring products and lumber products.



Sales in the United States for the second quarter of 2022 increased 23% on a Canadian dollar basis compared to last year mostly due to an increase in sales of specialty and commodity panels and lumber products. On US dollar basis, US denominated sales increased 20% compared to last year. Finally, export sales increased 32% during the second quarter of 2022 compared to last year mostly due to an increase in sales of flooring and lumber products.



In terms of the distribution of sales by product, all product categories increased their sales except for specialty and commodity panels. Flooring sales during the second quarter of 2022 increased 8% compared to last year. Specialty and commodity panel sales decreased 20% compared to last year. Building material sales increased 22% compared to last year. Finally, lumber sales increased 1% compared to last year.

Cost of Goods Sold
Cost of goods sold during the second quarter of 2022 was $143.7 million compared to $142.2 million last year. Cost of goods sold increased 1.1% compared to last year. Gross profits were $41.2 million compared to $43.3 million last year. Gross profits decreased 4.9% compared to last year. Gross margins were 22.3% for the three months ended May 31, 2022 (23.4% last year). Gross profit and Gross margins are non-IFRS financial measures. See section "Non-IFRS Financial Measures" for more information. Gross profit is calculated as sales less cost of goods sold. Gross margin is calculated Gross profit over sales. The table below contains a reconciliation of Gross profit to sales.

Reconciliation of Gross profit (In thousands of dollars, except Gross margins as % - unaudited)	**For the three months ended**	
	May 31 2022	May 31 2021
	$	$
Sales	**184,947**	185,525
Cost of goods sold	**143,745**	142,187
Gross profit	**41,202**	43,338
Gross margins	**22.3%**	23.4%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses during the second quarter of 2022 was $22.9 million compared to $23.1 million last year. Selling, Administrative and General Expenses decreased 0.7% compared to last year.

Net Financial Costs

Net financial costs during the second quarter of 2022 were $0.9 million ($0.8 million last year). The average Canadian prime rate increased to 2.93% (2.45% last year). The average US prime rate increased to 3.61% (3.25% last year).

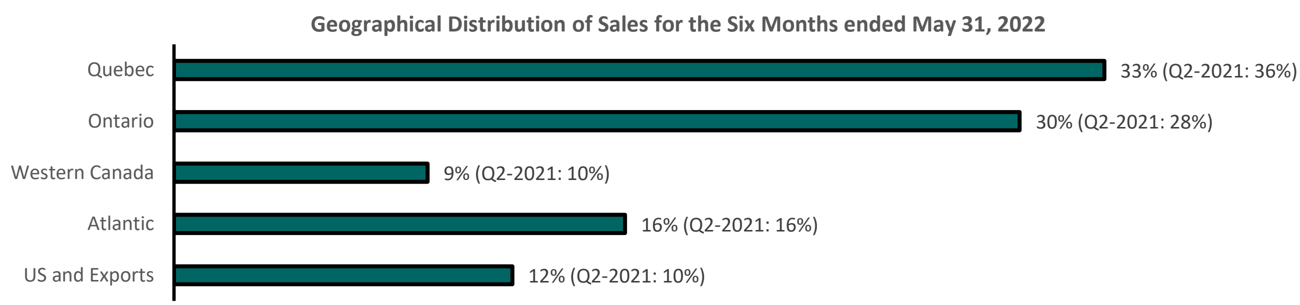
COMPARISON FOR THE SIX MONTHS ENDED MAY 31, 2022 AND 2021

(In thousands of dollars, except per share amounts - unaudited)

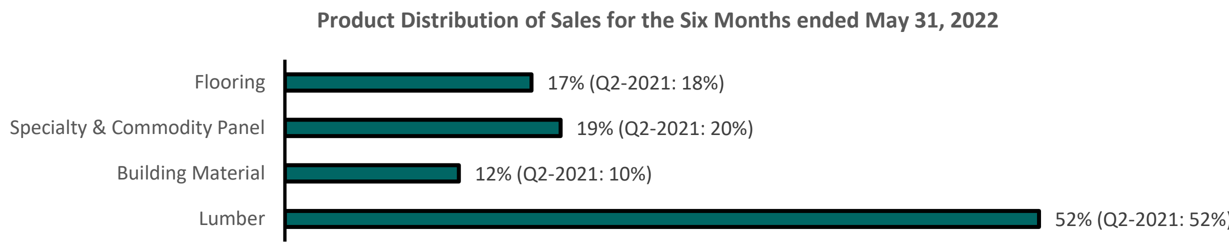
HIGHLIGHTS FOR THE SIX MONTHS ENDED MAY 31, 2022 AND 2021	**Q2-2022**	Q2-2021	Variance
	$	$	**%**
Sales	**314,312**	304,958	**+3.1**
Earnings before income taxes	**24,527**	24,677	**-0.6**
Net earnings	**17,659**	17,745	**-0.5**
Net earnings per share – Basic and Diluted	**2.06**	2.07	**-0.5**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**29,372**	30,438	**-3.5**
Net cash flow from Operating Activities	**(56,957)**	(27,931)	**-103.9**
EBITDA (1)	**29,617**	29,702	**-0.3**

(1) Non-IFRS financial measure – refer to section "Non-IFRS Financial Measures" for more information and a reconciliation to the most directly comparable IFRS measure.

Sales in Canada during the first six months of fiscal 2022 increased 1% compared to last year due to an increase in sales of all the product categories except for specialty and commodity panels. Quebec sales decreased 3% due to a decrease in sales of specialty and commodity panels and lumber products. Sales in Ontario increased 10% mainly due to an increase in sales of building material and lumber products. Sales in Western Canada decreased 12% due to a decrease in sales of all product categories. Atlantic region sales increased 5% due to an increase in sales of all product categories except for lumber products.



Sales in the United States during the first six months of fiscal 2022 increased 22% on a Canadian dollar basis compared to last year mostly due to an increase in sales of specialty and commodity panels, building material and lumber products. On US dollar basis, US denominated sales increased 21% compared to last year. Finally, export sales increased 10% during the first six months of fiscal 2022 compared to last year mostly due to an increase in sales of lumber and flooring products.



In terms of the distribution of sales by product, all product categories increased their sales except for specialty and commodity panels. Flooring sales for the first six months of fiscal 2022 increased 1% compared to last year. Specialty and commodity panel sales decreased 5% compared to last year. Building material sales increased 26% compared to last year. Finally, lumber sales increased 3% compared to last year.

Cost of Goods Sold

Cost of goods sold during the first six months of fiscal 2022 was $245.0 million compared to $236.2 million last year. Cost of goods sold increased 3.7% compared to last year. Gross profits were $69.3 million compared to $68.8 million last year. Gross profits increased 0.8% compared to last year. Gross margins were 22.1% for the six months ended May 31, 2022 (22.6% last year). Gross profit and Gross margins are non-IFRS financial measures. See section "Non-IFRS Financial Measures" for more information. Gross profit is calculated as sales less cost of goods sold. Gross margin is calculated Gross profit over sales. The table below contains a reconciliation of Gross profit to sales.

Reconciliation of Gross profit (In thousands of dollars, except Gross margins as % - unaudited)	**For the six months ended**	
	May 31 2022	May 31 2021
	$	$
Sales	**314,312**	304,958
Cost of goods sold	**245,001**	236,179
Gross profit	**69,311**	68,779
Gross margins	**22.1%**	22.6%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first six months of fiscal 2022 was $43.3 million compared to $42.7 million last year. Selling, Administrative and General Expenses increased 1.5% compared to last year.

Net Financial Costs

Net financial costs for the first six months of fiscal 2022 were $1.4 million (same last year). The average Canadian prime rate increased to 2.69% (2.45% last year). The average US prime rate increased to 3.43% (3.25% last year).

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts - unaudited)

	Aug-2021	**Nov-2021**	**Feb-2022**	**May-2022**
	$	**$**	**$**	**$**
Sales	167,953	143,035	129,365	184,947
Net earnings	10,039	10,052	5,117	12,542
Net earnings per share	1.17	1.18	0.60	1.46

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

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

STATEMENT OF FINANCIAL POSITION

Total assets

Total assets at May 31, 2022 were $314.0 million compared to $237.6 million as at November 30, 2021. Cash at May 31, 2022 was $2.6 million compared to $4.3 million as at November 30, 2021. Trade and other receivables at May 31, 2022 was $101.7 million ($63.2 million as at November 30, 2021). Income tax receivable was $1.1 million compared to nil as at November 30, 2021. Inventories at May 31, 2022 was $141.1 million compared to $109.8 million as at November 30, 2021. Prepaid expenses at May 31, 2022 was $9.5 million ($4.2 million as at November 30, 2021). Defined benefit plan asset was $10.4 million at May 31, 2022 compared to $10.4 million as at November 30, 2021. Other assets were $0.8 million at May 31, 2022 (same as at November 30, 2021).

Property, plant, equipment, intangible and right-of-use assets
Property, plant and equipment at May 31, 2022 was $30.8 million compared to $30.0 million as at November 30, 2021. Capital expenditures during the first six months of fiscal 2022 amounted to $1.9 million compared to $0.7 million for the same period last year. Property, plant and equipment capitalized during the first six months of fiscal 2022 mainly included buildings, yard equipment, computers and rolling stock. Intangible assets at May 31, 2022 was $2.4 million compared to $2.7 million as at November 30, 2021. Right-of-use assets at May 31, 2022 was $13.7 million ($12.3 million as at November 30, 2021). Depreciation of property, plant, equipment, intangible, and right-of-use assets during the six months ended May 31, 2022 amounted to $3.6 million (same last year).

Total liabilities
Total liabilities at May 31, 2022 were $138.8 million compared to $76.6 million as at November 30, 2021. Bank indebtedness was $72.3 million compared to $9.2 million as at November 30, 2021. Trade and other payables at May 31, 2022 was $44.3 million compared to $37.9 million as at November 30, 2021. Income taxes payable was nil at May 31, 2022 compared to $9.0 million as at November 30, 2021. Provision at May 31, 2022 was $2.7 million ($2.1 million as at November 30, 2021). Lease liabilities at May 31, 2022 were $16.3 million compared to $15.2 million as at November 30, 2021. Deferred income taxes at May 31, 2022 was $3.2 million (same as at November 30, 2021).

Shareholders' Equity
Total Shareholders' Equity at May 31, 2022 was $175.2 million compared to $160.9 million as at November 30, 2021. The Company generated a return on Shareholders' Equity of 20.2% at May 31, 2022 compared to 23.5% as at November 30, 2021. The share price closed at $10.90 per share on May 31, 2022 ($9.56 on November 30, 2021). The Shareholders' Equity per share at May 31, 2022 was $20.46 per share (1) compared to $18.80 per share (1) as at November 30, 2021. Share capital was $9.4 million at May 31, 2022 (same as at November 30, 2021).

(1) Supplementary financial measure – refer to section "Non-IFRS Financial Measures" for more information.

The following dividends were declared and paid by the Company:

	2022				2021			
	Declared				Declared			
	Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
		$	$			$	$	
Quarter 1	Mar 4, 2022	0.40	3,425	Mar 18, 2022	Mar 5, 2021	0.30	2,569	Mar 19, 2021
Quarter 2	-	-	-	-	-	-	-	-
		0.40	**3,425**			**0.30**	**2,569**	
Quarter 4					Nov 5, 2021	0.30	2,569	Nov 19, 2021
						0.60	**5,138**	

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.

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, 2022, the Company was compliant with its financial covenants. As at May 31, 2022, under the credit agreement, the Company was using $66.0 million of its facility compared to $2.0 million as at November 30, 2021. As at May 31, 2022, the Company has $0.8 million of issued letters of credits which reduces the availability of its facility compared to $0.9 million as at November 30, 2021.

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 six months ended May 31, 2022 was $(57.0) million compared to $(27.9) million last year. Financing activities during the first six months of fiscal 2022 was $58.2 million compared to $26.1 million last year. Investing activities during the six months ended May 31, 2022 was $(1.9) million compared to $(0.7) 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 a 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, 2022 and 2021 and November 30, 2021, the Company achieved the following results regarding its capital management objectives:

	As at	As at	As at
Capital management	**May 31 2022**	November 30 2021	May 31 2021
Debt-to-capitalization ratio	**28.5%**	3.5%	30.9%
Interest coverage ratio	**24.7**	26.2	23.4
Return on Shareholders' Equity	**20.2%**	23.5%	26.0%
Current ratio	**2.1**	2.9	1.8
EBITDA (in thousands of dollars) (1)	**$29,617**	$60,531	$29,702

(1) Non-IFRS financial measure – refer to section "Non-IFRS Financial Measures" for more information and a reconciliation to the most directly comparable IFRS measure.

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, expressed as a percentage. Debt is defined as bank indebtedness less cash and cash equivalents. Capitalization is debt plus Shareholders' Equity. This ratio excludes lease liabilities under 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 excludes interest expense related to lease liabilities under IFRS 16 to conform to the bank's covenant requirement.
- Return on Shareholders' Equity is the net earnings (loss) divided by Shareholders' Equity, expressed as a percentage.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA represents earnings before income taxes, net financial costs, depreciation of property, plant and equipment and amortization.

Cost Structure, Working Capital Requirements

At May 31, 2022, the Company's Debt-to-capitalization ratio stood at 28.5% compared to 3.5% as at November 30, 2021.

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 year ended November 30, 2021 as well as in the 2021 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 liability obligations	20,370	5,477	8,183	4,165	2,545
Purchase obligations	226	226	-	-	-
Total obligations	**20,596**	**5,703**	**8,183**	**4,165**	**2,545**

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 2021 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 during the three months and six months ended May 31, 2022 (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, 2022**		May 31, 2021		**May 31, 2022**		May 31, 2021	
	$	**%**	$	%	**$**	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**25,627**	**13.9**	30,030	16.2	**44,131**	**14.0**	49,803	16.3

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 2021 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at May 31, 2022:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	72,320	72,320	72,320	-
Trade and other payables	44,322	44,322	44,322	-
Total financial liabilities	**116,642**	**116,642**	**116,642**	**-**

The following are the contractual maturities of financial liabilities as at November 30, 2021:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	9,246	9,246	9,246	-
Trade and other payables	37,897	37,897	37,897	-
Total financial liabilities	**47,143**	**47,143**	**47,143**	**-**

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 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 $72.3 million as at May 31, 2022 ($9.2 million as at November 30, 2021) in bank indebtedness would impact interest expense annually by $0.7 million as at May 31, 2022 ($0.1 million as at November 30, 2021).

Currency Risk
Certain valuation risks exist depending on the performance of the Canadian dollar compared to the U.S. dollar, Euro and the Pound sterling. From time-to-time, the Company could enter into forward exchange contracts to hedge certain accounts payable and certain future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. During the six months ended May 31, 2022, the Company did not use foreign exchange

contracts to mitigate its effect on sales and purchases. Consequently, as at May 31, 2022 there were no outstanding foreign exchange contracts. 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, 2022, the Company had the following currency exposure on:

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

	USD	**GBP**	**Euro**
Cash	908	288	8
Bank indebtedness	(2,047)	-	-
Trade and other receivables	6,867	113	-
Trade and other payables	(4,850)	(5)	(696)
Net exposure	**878**	**396**	**(688)**
CAD exchange rate as at May 31, 2022	1.2647	1.5944	1.3576
Impact on net earnings based on a fluctuation of 5% on CAD	**40**	**23**	**(34)**

As at November 30, 2021, the Company had the following currency exposure on:

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

	USD	**GBP**	**Euro**
Cash	2,317	275	88
Bank indebtedness	(1,993)	-	-
Trade and other receivables	7,196	63	93
Trade and other payables	(3,450)	(10)	(337)
Net exposure	**4,070**	**328**	**(155)**
CAD exchange rate as at November 30, 2021	1.2779	1.6993	1.4490
Impact on net earnings based on a fluctuation of 5% on CAD	**187**	**20**	**(8)**

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, 2022, 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)

	As at May 31 2022	As at November 30 2021	As at May 31 2021
	$	$	$
Current	**99,048**	57,966	104,091
31 - 60 days past due	**1,768**	3,131	1,823
61 - 90 days past due	**152**	1,079	723
91 - 120 days past due	**71**	158	281
Over 120 days past due	**622**	921	876
	101,661	63,255	107,794
Loss allowance	**(231)**	(170)	(143)
Balance, end of period	**101,430**	63,085	107,651

As at May 31, 2022, expected credit losses are limited to $231 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 2021 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 2021 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 2021 Annual consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

At May 31, 2022, there were 8,562,554 common shares issued (same at November 30, 2021 and May 31, 2021). The Company has authorized an unlimited number of common shares to be issued, without par value. At July 7, 2022, there were 8,562,554 common shares outstanding.

OUTLOOK

While Goodfellow has had a strong first half of the year, seasonal demand in Q3 and Q4 is not expected to be as high as the previous fiscal periods due to downward pressure caused by the effects of rising inflation. Further economic measures to stifle inflation in Canada and the US may not be enough to avoid a recession in the near-term. Mitigating measures will be implemented at Goodfellow to protect its balance sheet for the duration of such a recession, while also continuing to pursue positive returns for its shareholders.

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, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, July 7, 2022

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois, CPA
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, 2022 and 2021
(in thousands of dollars, except per share amounts)
Unaudited

	For the three months ended		For the six months ended	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Sales (Note 15)	**184,947**	185,525	**314,312**	304,958
Expenses				
Cost of goods sold (Note 4)	**143,745**	142,187	**245,001**	236,179
Selling, administrative and general expenses (Note 4)	**22,900**	23,073	**43,338**	42,712
Net financial costs (Note 5)	**882**	822	**1,446**	1,390
	167,527	166,082	**289,785**	280,281
Earnings before income taxes	**17,420**	19,443	**24,527**	24,677
Income taxes	**4,878**	5,467	**6,868**	6,932
Total comprehensive income	**12,542**	13,976	**17,659**	17,745
Net earnings per share – Basic and Diluted (Note 10b)	**1.46**	1.63	**2.06**	2.07

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

	As at May 31 2022	As at November 30 2021	As at May 31 2021
	$	$	$
Assets			
Current Assets			
Cash	**2,608**	4,253	2,534
Trade and other receivables (Note 6)	**101,654**	63,246	107,788
Income taxes receivable	**1,078**	-	-
Inventories	**141,126**	109,787	115,285
Prepaid expenses	**9,451**	4,189	5,910
Total Current Assets	**255,917**	181,475	231,517
Non-Current Assets			
Property, plant and equipment	**30,782**	30,022	30,617
Intangible assets	**2,388**	2,650	2,942
Right-of-use assets	**13,663**	12,262	13,020
Defined benefit plan asset	**10,426**	10,397	1,919
Other assets	**802**	785	785
Total Non-Current Assets	**58,061**	56,116	49,283
Total Assets	**313,978**	237,591	280,800
Liabilities			
Current Liabilities			
Bank indebtedness (Note 7)	**72,320**	9,246	63,258
Trade and other payables (Note 8)	**44,322**	37,897	54,938
Income taxes payable	**-**	9,022	4,427
Provision (Note 9)	**405**	2,147	2,795
Current portion of lease liabilities	**4,605**	4,256	4,241
Total Current Liabilities	**121,652**	62,568	129,659
Non-Current Liabilities			
Provision (Note 9)	**2,255**	-	-
Lease liabilities	**11,738**	10,924	11,904
Deferred income taxes	**3,151**	3,151	1,597
Defined benefit plan obligation	**-**	-	1,235
Total Non-Current Liabilities	**17,144**	14,075	14,736
Total Liabilities	**138,796**	76,643	144,395
Shareholders' Equity			
Share capital (Note 10)	**9,424**	9,424	9,424
Retained earnings	**165,758**	151,524	126,981
	175,182	160,948	136,405
Total Liabilities and Shareholders' Equity	**313,978**	237,591	280,800

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and six months ended May 31, 2022 and 2021
(in thousands of dollars)
Unaudited

	For the three months ended		For the six months ended	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Operating Activities				
Net earnings	**12,542**	13,976	**17,659**	17,745
Adjustments for:				
Depreciation and amortization of:				
Property, plant and equipment	**577**	638	**1,152**	1,265
Intangible assets	**152**	153	**302**	314
Right-of-use assets	**1,140**	1,043	**2,190**	2,056
Accretion expense on provision (Note 9)	**26**	11	**51**	22
Increase in provision (Note 9)	**462**	1,300	**462**	1,300
Income taxes	**4,878**	5,467	**6,868**	6,932
(Gain) Loss on disposal of property, plant and equipment	**(10)**	1	**(35)**	(7)
Interest expense	**385**	312	**499**	460
Interest on lease liabilities	**147**	149	**278**	303
Funding in (excess) deficit of pension plan expense	**(15)**	60	**(29)**	79
Other	**(24)**	(26)	**(25)**	(31)
	20,260	23,084	**29,372**	30,438
Changes in non-cash working capital items (Note 13)	**(32,520)**	(47,024)	**(68,474)**	(49,992)
Interest paid	**(617)**	(696)	**(887)**	(1,013)
Income taxes paid	**(3,277)**	(961)	**(16,968)**	(7,364)
	(36,414)	(48,681)	**(86,329)**	(58,369)
Net Cash Flows from Operating Activities	**(16,154)**	(25,597)	**(56,957)**	(27,931)
Financing Activities				
Net (decrease) increase in bank loans (Note 7)	**-**	(7,000)	**11,000**	(5,000)
Net increase in banker's acceptances (Note 7)	**32,000**	35,000	**53,000**	38,000
Payment of lease liabilities	**(1,233)**	(1,118)	**(2,420)**	(2,234)
Dividend paid (Note 10c)	**(3,425)**	(2,569)	**(3,425)**	(4,710)
	27,342	24,313	**58,155**	26,056
Investing Activities				
Acquisition of property, plant and equipment	**(1,468)**	(549)	**(1,912)**	(737)
Increase in intangible assets	**(40)**	(18)	**(40)**	(18)
Proceeds on disposal of property, plant and equipment	**10**	10	**35**	10
	(1,498)	(557)	**(1,917)**	(745)
Net cash inflow (outflow)	**9,690**	(1,841)	**(719)**	(2,620)
Cash position, beginning of period	**(13,402)**	(1,883)	**(2,993)**	(1,104)
Cash position, end of period	**(3,712)**	(3,724)	**(3,712)**	(3,724)
Cash position is comprised of:				
Cash	**2,608**	2,534	**2,608**	2,534
Bank overdraft (Note 7)	**(6,320)**	(6,258)	**(6,320)**	(6,258)
	(3,712)	(3,724)	**(3,712)**	(3,724)

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended May 31, 2022 and 2021
(in thousands of dollars)
Unaudited

	Share Capital	Retained Earnings	Total
	$	$	$
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 10c)	-	(2,569)	(2,569)
Balance as at May 31, 2021	9,424	126,981	136,405
Balance as at November 30, 2021	**9,424**	**151,524**	**160,948**
Net earnings	**-**	**17,659**	**17,659**
Total comprehensive income	**-**	**17,659**	**17,659**
Transactions with owners of the Company			
Dividend (Note 10c)	**-**	**(3,425)**	**(3,425)**
Balance as at May 31, 2022	**9,424**	**165,758**	**175,182**

(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, 2022 and 2021 include the accounts of the Company and its wholly-owned subsidiaries.

2. Basis of preparation

Statement of compliance

The 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, 2021, as set out in the 2021 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 7, 2022.

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 compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates are volatile by their nature and are continuously monitored by management. 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, 2021.

3. Significant Accounting Policies

The Company's significant accounting policies described in Note 3 contained in its 2021 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

	For the three months ended		**For the six months ended**	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Employee benefit expense	**359**	305	**658**	586
Obsolescence adjustment included in cost of goods sold	**492**	482	**261**	803
Depreciation included in cost of goods sold	**185**	195	**352**	382
Foreign exchange losses (gains)	**114**	(85)	**333**	(269)

Selling, administrative and general expenses

	For the three months ended		**For the six months ended**	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Employee benefit expense	**14,006**	14,058	**27,174**	26,934
Depreciation and amortization included in selling, administrative and general expenses	**1,684**	1,639	**3,292**	3,253

(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 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Interest expense	**385**	312	**499**	460
Interest expense on lease liabilities	**147**	149	**278**	303
Accretion expense on provision	**26**	11	**51**	22
Other financial costs	**326**	351	**622**	607
Financial cost	**884**	823	**1,450**	1,392
Financial income	**(2)**	(1)	**(4)**	(2)
Net financial costs	**882**	822	**1,446**	1,390

6. Trade and other receivables

	May 31 2022	November 30 2021	May 31 2021
	$	$	$
Trade receivables	**101,661**	63,255	107,794
Allowance for doubtful accounts	**(231)**	(170)	(143)
	101,430	63,085	107,651
Other receivables	**224**	161	137
	101,654	63,246	107,788

7. Bank indebtedness

	May 31 2022	November 30 2021	May 31 2021
	$	$	$
Bank loans	**13,000**	2,000	7,000
Banker's acceptances	**53,000**	-	50,000
Bank overdraft	**6,320**	7,246	6,258
	72,320	9,246	63,258

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, 2022, the Company was compliant with its financial covenants. As at May 31, 2022, under the credit agreement, the Company used $66.0 million of its facility compared to $2.0 million as at November 30, 2021, and $57.0 million as at May 31, 2021. As at May 31, 2022, the Company has $0.8 million of issued letters of credits which reduces the availability of its facility compared to $0.9 million as at November 30, 2021, and $1.2 million as at May 31, 2021.

8. Trade and other payables

	May 31 2022	November 30 2021	May 31 2021
	$	$	$
Trade payables and accruals	**34,252**	28,642	44,402
Payroll related liabilities	**7,346**	6,662	7,296
Sales taxes payable	**2,724**	2,593	3,240
	44,322	37,897	54,938

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 Company continued its rehabilitation plan in fiscal 2021, with further work to be performed in 2022. In the second quarter of 2022, the Company has submitted for approval to the Minister of the environment a revised timetable for the site remediation.

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

Based on current available information, the 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 to remove it. 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 2022	November 30 2021	May 31 2021
	$	$	$
Balance, beginning of the year	**2,147**	1,473	1,473
Changes due to:			
Revision of future expected expenditures	**470**	1,783	1,300
Accretion expense	**51**	44	22
Expenditures incurred	**(8)**	(1,153)	-
Balance, end of period	**2,660**	2,147	2,795
Current portion	**405**	2,147	2,795
Long-term portion	**2,255**	-	-

10. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	May 31 2022	November 30 2021	May 31 2021
Number of shares outstanding at the beginning and at the end of the period	**8,562,554**	8,562,554	8,562,554

b) 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 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Net earnings, basic and diluted	**12,542**	13,976	**17,659**	17,745
Weighted average number of common shares, basic and diluted	**8,562,554**	8,562,554	**8,562,554**	8,562,554

c) Dividends

The following dividends were declared and paid by the Company:

	2022				**2021**			
	Declared				Declared			
	Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
		$	$			$	$	
Quarter 1	Mar 4, 2022	0.40	3,425	Mar 18, 2022	Mar 5, 2021	0.30	2,569	Mar 19, 2021
Quarter 2	-	-	-	-	-	-	-	-
		0.40	**3,425**			**0.30**	**2,569**	
Quarter 4					Nov 5, 2021	0.30	2,569	Nov 19, 2021
						0.60	**5,138**	

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.

(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.

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, 2022:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	72,320	72,320	72,320	-
Trade and other payables	44,322	44,322	44,322	-
Total financial liabilities	**116,642**	**116,642**	**116,642**	**-**

The following are the contractual maturities of financial liabilities as at November 30, 2021:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	9,246	9,246	9,246	-
Trade and other payables	37,897	37,897	37,897	-
Total financial liabilities	**47,143**	**47,143**	**47,143**	**-**

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 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 $72.3 million as at May 31, 2022, $9.2 million as at November 30, 2021, and $63.3 million as at May 31, 2021 in bank indebtedness would impact interest expense annually by $0.7 million (November 30, 2021 - $0.1 million; May 31, 2021 - $0.6 million).

Currency Risk
Certain valuation risks exist depending on the performance of the Canadian dollar compared to the U.S. dollar, Euro and the Pound sterling. From time-to-time, the Company could enter into forward exchange contracts to hedge certain accounts payable and certain future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. During the six months ended May 31, 2022, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at May 31, 2022 there were no outstanding foreign exchange contracts. 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.

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

As at May 31, 2022, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	908	288	8
Bank indebtedness	(2,047)	-	-
Trade and other receivables	6,867	113	-
Trade and other payables	(4,850)	(5)	(696)
Net exposure	**878**	**396**	**(688)**
CAD exchange rate as at May 31, 2022	1.2647	1.5944	1.3576
Impact on net earnings based on a fluctuation of 5% on CAD	**40**	**23**	**(34)**

As at November 30, 2021, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	2,317	275	88
Bank indebtedness	(1,993)	-	-
Trade and other receivables	7,196	63	93
Trade and other payables	(3,450)	(10)	(337)
Net exposure	**4,070**	**328**	**(155)**
CAD exchange rate as at November 30, 2021	1.2779	1.6993	1.4490
Impact on net earnings based on a fluctuation of 5% on CAD	**187**	**20**	**(8)**

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)
Net exposure	**(1,106)**	**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	**(48)**	**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, 2022, the Company considered the economic impact of the COVID-19 pandemic on its assessment. This was not considered to be significant.

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

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

	May 31 2022	November 30 2021	May 31 2021
	$	$	$
Current	**99,048**	57,966	104,091
31 - 60 days past due	**1,768**	3,131	1,823
61 - 90 days past due	**152**	1,079	723
91 - 120 days past due	**71**	158	281
Over 120 days past due	**622**	921	876
	101,661	63,255	107,794
Loss allowance	**(231)**	(170)	(143)
Balance, end of period	**101,430**	63,085	107,651

As at May 31, 2022, expected credit losses are limited to $231 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 during the three months and six months ended May 31, 2022 (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, 2022		May 31, 2021		**May 31, 2022**		May 31, 2021	
	$	**%**	$	%	**$**	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**25,627**	**13.9**	30,030	16.2	**44,131**	**14.0**	49,803	16.3

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 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Trade and other receivables	**(30,550)**	(37,645)	**(38,408)**	(31,695)
Inventories	**(11,818)**	(19,487)	**(31,339)**	(30,545)
Prepaid expenses	**3,112**	(1,310)	**(5,152)**	(3,071)
Trade and other payables	**6,736**	11,418	**6,425**	15,319
	(32,520)	(47,024)	**(68,474)**	(49,992)

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 2021 Annual report.

As at May 31, 2022 and 2021 and November 30, 2021, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at May 31 2022**	As at November 30 2021	As at May 31 2021
Debt-to-capitalization ratio	**28.5%**	3.5%	30.9%
Interest coverage ratio	**24.7**	26.2	23.4
Return on Shareholders' Equity	**20.2%**	23.5%	26.0%
Current ratio	**2.1**	2.9	1.8
EBITDA (in thousands of dollars)	**$29,617**	$60,531	$29,702

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, expressed as a percentage. Debt is defined as bank indebtedness less cash and cash equivalents. Capitalization is debt plus Shareholders' Equity. This ratio excludes lease liabilities under 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 excludes interest expense related to lease liabilities under IFRS 16 to conform to the bank's covenant requirement.
- Return on Shareholders' Equity is the net earnings (loss) divided by Shareholders' Equity, expressed as a percentage.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA represents earnings before income taxes, net financial costs, depreciation of property, plant and equipment 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 88% (89% in 2021) of total sales, the sales to clients located in the United States represent approximately 8% (7% in 2021) of total sales, and the sales to clients located in other markets represent approximately 4% (same in 2021) of total sales.

	For the three months ended		**For the six months ended**	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Canada	**163,528**	168,525	**275,940**	272,358
US	**14,323**	11,628	**25,157**	20,568
Export	**7,096**	5,372	**13,215**	12,032
	184,947	185,525	**314,312**	304,958

Sales categories

	For the three months ended		**For the six months ended**	
	May 31 2022	May 31 2021	**May 31 2022**	May 31 2021
	$	$	**$**	$
Lumber	**92,885**	92,185	**162,901**	158,209
Specialty and commodity panels	**33,603**	41,958	**58,831**	62,182
Flooring	**31,908**	29,612	**55,542**	55,161
Building material	**26,551**	21,770	**37,038**	29,406
	184,947	185,525	**314,312**	304,958

CORPORATE INFORMATION

BOARD OF DIRECTORS

Robert Hall
Chair of the Board

Alain Côté */**
Director & Chair
of the Audit Committee

David Goodfellow
Director

Douglas Goodfellow **
Director

James Hewitt *
Director

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

Sarah Prichard **
Director & Chair
of the Executive Compensation
Committee

Paule Têtu *
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

Mary Lohmus
Executive Vice President,
Ontario & Western Canada

David Warren
Senior Vice President,
Atlantic

Eric Bisson
Vice President,
Quebec

Luc Dignard
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