QUARTERLY REPORT

FOR THE NINE MONTHS ENDED AUGUST 31, 2022

goodfellowinc.com

GOODFELLOW

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PRESIDENT'S REPORT TO THE SHAREHOLDERS

Sales revenues in the third quarter of 2022 were $168 million, virtually the same as compared to the third quarter of 2021. Led by sustained demand in manufacturing and construction sectors, the Company generated net earnings of $11 million or $1.24 per share, as compared to $10 million or $1.17 per share in Q3 in 2021.

As recession conditions loomed, impacts were not felt consistently across all regions. The Company relied on its coast-to-coast footprint and a well-diversified sales mix to offset these fluctuations and generate an encouraging return.

Goodfellow is fully committed to providing complementary services and custom solutions within its value-added wood products offering. As such, installation was completed in Q3 of several automated wood processing systems in Delson, QC. These important capital investment projects increased our output of custom fabricated orders and will continue to contribute to productivity improvements into Q4 and beyond.

Goodfellow expects rising interest rates, inflation, supply cost fluctuations and competition for talent to continue to challenge its positive momentum. However, it remains committed to its integrated strategy of value-added product diversity and superior customer service. They remain the right strategies to face near-term challenges while continuing to focus on profitability.

Sincerely,

Patrick Goodfellow
President and Chief Executive Officer
October 13, 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 October 13, 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 nine months ended August 31, 2022 and August 31, 2021.
The interim consolidated financial statements ended August 31, 2022 and August 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 nine months ended August 31, 2022 and August 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 forward-looking statements relating, inter alia, to objectives, strategies, priorities, goals, plans, financial position, operating results, trends and activities of Goodfellow Inc. and its markets and industries. 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. Some of these expectations and assumptions relate to the state of the global economy and the economies of the regions in which the Company operates; the level of demand for the Company's products including from its recurring client base, including bookings from customers; prices and margins for its products; competitors; reliability of supply chains; inflation; interest rates; foreign currency fluctuations; the COVID-19 pandemic; overhead expenses; working capital requirements and access to capital or funding to finance same; the collection of accounts receivable; the availability and sufficiency insurance coverage; the sufficiency and reliability of the Company's workforce; the successful management of environmental and health and safety risk; the sufficiency, reliability and effectiveness of information systems; the sufficiency, reliability and effectiveness of internal and disclosure controls; and the absence of adverse change in the Company's regulatory environment and legal proceedings. In particular, expectations and assumptions relating to the COVID-19 pandemic are more fully described in the Company's Annual MD&A for the year ended November 30, 2021. 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 or prove to be accurate. 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. The foregoing risks and uncertainties are described in greater detail in the Company's Annual MD&A for the year ended November 30, 2021 under the headings "Risks and Uncertainties", "Financial Instruments and Other Instruments" and "COVID-19", and in this MD&A under "Risks and Uncertainties. 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.

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 August 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 nine months ended**		**For the years ended**	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021	**November 30 2021**	November 30 2020
	$	$	**$**	$	**$**	$
Net earnings	**10,580**	10,039	**28,239**	27,784	**37,836**	13,811
Income taxes	**4,115**	3,905	**10,983**	10,837	**12,687**	5,211
Net financial costs	**1,038**	751	**2,484**	2,141	**2,694**	2,719
Depreciation of property, plant and equipment	**636**	636	**1,788**	1,901	**2,552**	2,705
Amortization of right-of-use assets	**1,175**	1,055	**3,365**	3,111	**4,141**	4,324
Amortization of intangible assets	**153**	153	**455**	467	**621**	728
EBITDA	**17,697**	16,539	**47,314**	46,241	**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 – Third quarter (In thousands of dollars, except per share amounts - unaudited)	**For the three months ended**		**For the nine months ended**	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Net Cash Flows from Operating Activities	**42,675**	39,163	**(14,282)**	11,232
Changes in non-cash working capital items	**(29,012)**	(24,168)	**39,462**	25,824
Interest paid	**539**	287	**1,426**	1,300
Income taxes paid	**3,070**	914	**20,038**	8,278
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	**17,272**	16,196	**46,644**	46,634
Net Cash Flows from Operating Activities per share	**4.98**	4.57	**(1.67)**	1.31
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	**2.02**	1.89	**5.45**	5.45
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 third quarter ended August 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**	
	August 31 2022	November 30 2021
	$	$
Shareholders' Equity	**185,762**	160,948
Shareholders' Equity per share	**21.69**	18.80
Number of share outstanding (thousands)	**8,563**	8,563

BUSINESS OVERVIEW

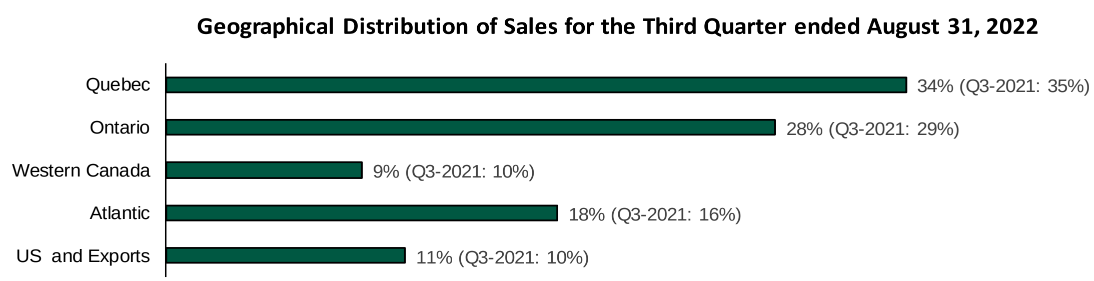
Goodfellow Inc. is a diversified manufacturer of value-added lumber products, as well as a wholesale distributor of building material and floor coverings. Goodfellow Inc. has 9 processing plants and 13 distribution centres from coast-to-coast in Canada, as well as 1 distribution centre in the USA and 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 AUGUST 31, 2022 AND 2021
(In thousands of dollars, except per share amounts - unaudited)

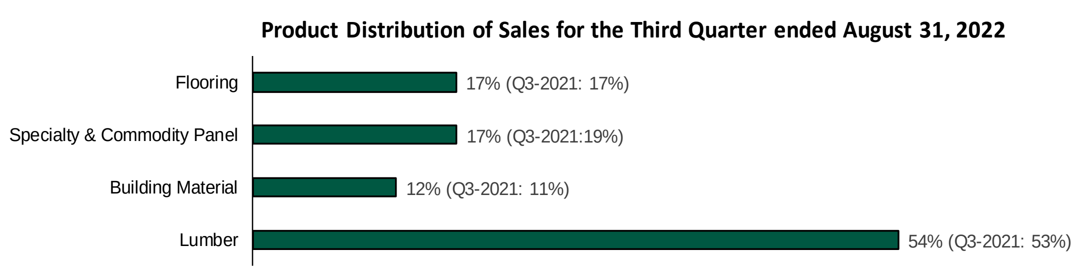
HIGHLIGHTS	**Q3-2022**	Q3-2021	Variance
	$	$	**%**
Sales	**167,574**	167,953	**-0.2**
Earnings before income taxes	**14,695**	13,944	**+5.4**
Net earnings	**10,580**	10,039	**+5.4**
Net earnings per share – Basic and Diluted	**1.24**	1.17	**+6.0**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**17,272**	16,196	**+6.6**
Net cash flow from Operating Activities	**42,675**	39,163	**+9.0**
EBITDA (1)	**17,697**	16,539	**+7.0**

(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 third quarter of 2022 decreased 1% compared to last year due to a decrease in sales of specialty and commodity panels. Quebec sales decreased 5% due to a decrease in sales of specialty and commodity panels and lumber products. Sales in Ontario decreased 4% mainly due to a decrease in sales of specialty and commodity panels and flooring products. Sales in Western Canada decreased 7% due to a decrease in sales of specialty and commodity panels and building materials. Atlantic region sales increased 16% due to an increase in sales of all product categories.



Sales in the United States for the third quarter of 2022 decreased 4% on a Canadian dollar basis compared to last year mostly due to an decrease in sales of flooring and lumber products. On US dollar basis, US denominated sales decreased 7% compared to last year. Finally, export sales increased 32% during the third quarter of 2022 compared to last year mostly due to an increase in sales of 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 third quarter of 2022 increased 1% compared to last year. Specialty and commodity panel sales decreased 9% compared to last year. Building material sales increased 1% compared to last year. Finally, lumber sales increased 2% compared to last year.

Cost of Goods Sold
Cost of goods sold during the third quarter of 2022 was $129.7 million compared to $133.0 million last year. Cost of goods sold decreased 2.5% compared to last year. Gross profits were $37.9 million compared to $34.9 million last year. Gross profits increased 8.5% compared to last year. Gross margins were 22.6% for the three months ended August 31, 2022 (20.8% 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**	
	August 31 2022	August 31 2021
	$	$
Sales	**167,574**	167,953
Cost of goods sold	**129,715**	133,048
Gross profit	**37,859**	34,905
Gross margins	**22.6%**	20.8%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses during the third quarter of 2022 was $22.1 million compared to $20.2 million last year. Selling, Administrative and General Expenses increased 9.5% compared to last year.

Net Financial Costs

Net financial costs during the third quarter of 2022 were $1.0 million ($0.8 million last year). The average Canadian prime rate increased to 4.17% (2.45% last year). The average US prime rate increased to 4.91% (3.25% last year).

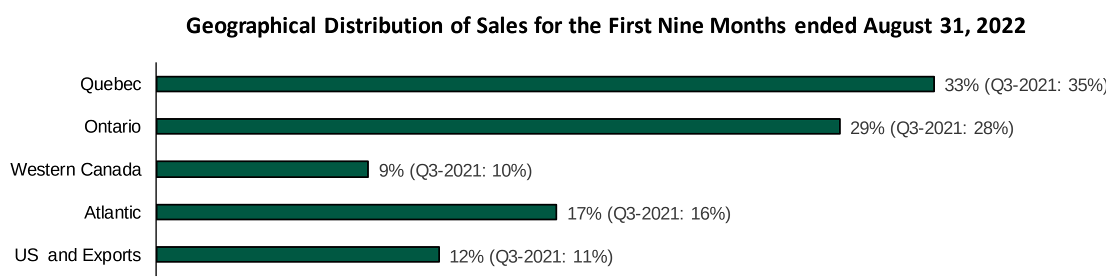
COMPARISON FOR THE NINE MONTHS ENDED AUGUST 31, 2022 AND 2021

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

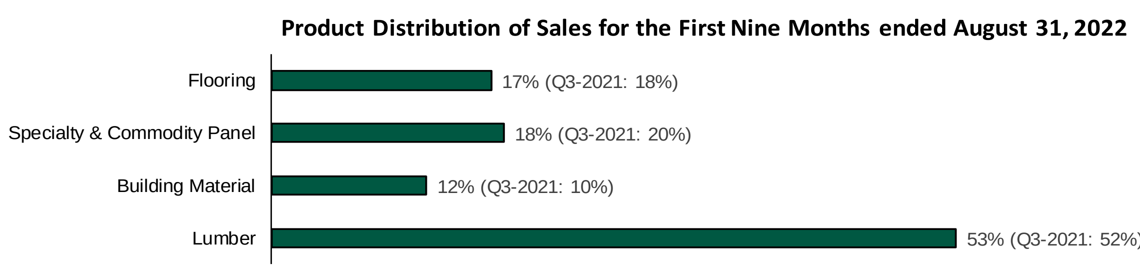
HIGHLIGHTS	**Q3-2022**	Q3-2021	Variance
	$	$	**%**
Sales	**481,886**	472,911	**+1.9**
Earnings before income taxes	**39,222**	38,621	**+1.6**
Net earnings	**28,239**	27,784	**+1.6**
Net earnings per share – Basic and Diluted	**3.30**	3.24	**+1.9**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**46,644**	46,634	**-**
Net cash flow from Operating Activities	**(14,282)**	11,232	**-227.2**
EBITDA (1)	**47,314**	46,241	**+2.3**

(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 nine 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 5% mainly due to an increase in sales of building material and lumber products. Sales in Western Canada decreased 10% due to a decrease in sales of all product categories. Atlantic region sales increased 9% due to an increase in sales of all product categories.



Sales in the United States during the first nine months of fiscal 2022 increased 13% 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 10% compared to last year. Finally, export sales increased 14% during the first nine 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 nine months of fiscal 2022 increased 1% compared to last year. Specialty and commodity panel sales decreased 7% compared to last year. Building material sales increased 16% compared to last year. Finally, lumber sales increased 3% compared to last year.

Cost of Goods Sold

Cost of goods sold during the first nine months of fiscal 2022 was $374.7 million compared to $369.2 million last year. Cost of goods sold increased 1.5% compared to last year. Gross profits were $107.2 million compared to $103.7 million last year. Gross profits increased 3.4% compared to last year. Gross margins were 22.2% for the nine months ended August 31, 2022 (21.9% 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 nine months ended**	
	August 31 2022	August 31 2021
	$	$
Sales	**481,886**	472,911
Cost of goods sold	**374,716**	369,227
Gross profit	**107,170**	103,684
Gross margins	**22.2%**	21.9%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first nine months of fiscal 2022 was $65.5 million compared to $62.9 million last year. Selling, Administrative and General Expenses increased 4.0% compared to last year.

Net Financial Costs

Net financial costs for the first nine months of fiscal 2022 were $2.5 million ($2.1 million last year). The average Canadian prime rate increased to 3.18% (2.45% last year). The average US prime rate increased to 3.92% (3.25% last year).

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

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

	Nov-2021	**Feb-2022**	**May-2022**	**Aug-2022**
	$	**$**	**$**	**$**
Sales	143,035	129,365	184,947	167,574
Net earnings	10,052	5,117	12,542	10,580
Net earnings per share	1.18	0.60	1.46	1.24

	Nov-2020	**Feb-2021**	**May-2021**	**Aug-2021**
	$	**$**	**$**	**$**
Sales	122,641	119,433	185,525	167,953
Net earning	5,776	3,769	13,976	10,039
Net earnings per share	0.67	0.44	1.63	1.17

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 August 31, 2022 were $283.1 million compared to $237.6 million as at November 30, 2021. Cash at August 31, 2022 was $2.3 million compared to $4.3 million as at November 30, 2021. Trade and other receivables at August 31, 2022 was $76.2 million ($63.2 million as at November 30, 2021). Income tax receivable was $33 thousand compared to nil as at November 30, 2021. Inventories at August 31, 2022 was $142.1 million compared to $109.8 million as at November 30, 2021. Prepaid expenses at August 31, 2022 was $3.2 million ($4.2 million as at November 30, 2021). Defined benefit plan asset was $10.4 million at August 31, 2022 compared to $10.4 million as at November 30, 2021. Other assets were $0.8 million at August 31, 2022 (same as at November 30, 2021).

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

Property, plant and equipment at August 31, 2022 was $31.1 million compared to $30.0 million as at November 30, 2021. Capital expenditures during the first nine months of fiscal 2022 amounted to $2.9 million compared to $1.0 million for the same period last year. Property, plant and equipment capitalized during the first nine months of fiscal 2022 mainly included buildings, yard, equipments, computers and rolling stock. Intangible assets at August 31, 2022 was $2.2 million compared to $2.7 million as at November 30, 2021. Right-of-use assets at August 31, 2022 was $14.6 million ($12.3 million as at November 30, 2021). Depreciation of property, plant, equipment, intangible, and right-of-use assets during the nine months ended August 31, 2022 amounted to $5.6 million ($5.5 million last year).

Total liabilities
Total liabilities at August 31, 2022 were $97.3 million compared to $76.6 million as at November 30, 2021. Bank indebtedness was $31.6 million compared to $9.2 million as at November 30, 2021. Trade and other payables at August 31, 2022 was $42.7 million compared to $37.9 million as at November 30, 2021. Income taxes payable was nil at August 31, 2022 compared to $9.0 million as at November 30, 2021. Provision at August 31, 2022 was $2.7 million ($2.1 million as at November 30, 2021). Lease liabilities at August 31, 2022 were $17.2 million compared to $15.2 million as at November 30, 2021. Deferred income taxes at August 31, 2022 was $3.2 million (same as at November 30, 2021).

Shareholders' Equity
Total Shareholders' Equity at August 31, 2022 was $185.8 million compared to $160.9 million as at November 30, 2021. The Company generated a return on Shareholders' Equity of 20.3% at August 31, 2022 compared to 23.5% as at November 30, 2021. The share price closed at $10.59 per share on August 31, 2022 ($9.56 on November 30, 2021). The Shareholders' Equity per share at August 31, 2022 was $21.69 per share (1) compared to $18.80 per share (1) as at November 30, 2021. Share capital was $9.4 million at August 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	-	-	-	-	-	-	-	-
Quarter 3	-	-	-	-	-	-	-	-
		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 August 31, 2022, the Company was compliant with its financial covenants. As at August 31, 2022, under the credit agreement, the Company was using $26.0 million of its facility compared to $2.0 million as at November 30, 2021. As at August 31, 2022, the Company has $1.2 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 nine months ended August 31, 2022 was $(14.3) million compared to $11.2 million last year. Financing activities during the first nine months of fiscal 2022 was $16.9 million compared to $(11.1) million last year. Investing activities during the nine months ended August 31, 2022 was $(2.9) million compared to $(1.0) 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 August 31, 2022 and 2021 and November 30, 2021, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at August 31 2022**	As at November 30 2021	As at August 31 2021
Debt-to-capitalization ratio	**14.0%**	3.5%	13.8%
Interest coverage ratio	**22.4**	26.2	24.5
Return on Shareholders' Equity	**20.3%**	23.5%	25.3%
Current ratio	**2.8**	2.9	2.4
EBITDA (in thousands of dollars) (1)	**$47,314**	$60,531	$46,241

(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 August 31, 2022, the Company's Debt-to-capitalization ratio stood at 14.0% 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	19,830	5,545	7,819	4,148	2,318
Purchase obligations	81	81			
Total obligations	**19,911**	**5,626**	**7,819**	**4,148**	**2,318**

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 uncertainties affecting the Company remain substantially unchanged from those described in the Company's Annual MD&A for the year ended November 30, 2021, which are hereby incorporated by reference. These include the risks and uncertainties described under the headings "Risks and Uncertainties", "Financial Instruments and Other Instruments" and "COVID-19" of such Annual MD&A. Only those factors with notable 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 nine months ended August 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 nine months ended**			
(in thousands of dollars)	**August 31, 2022**		August 31, 2021		**August 31, 2022**		August 31, 2021	
	$	**%**	$	%	**$**	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**24,051**	**14.4**	24,820	14.8	**68,182**	**14.1**	74,623	15.8

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 August 31, 2022:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	31,590	31,590	31,590	-
Trade and other payables	42,744	42,744	42,744	-
Total financial liabilities	**74,334**	**74,334**	**74,334**	**-**

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 $31.6 million as at August 31, 2022 ($9.2 million as at November 30, 2021) in bank indebtedness would impact interest expense annually by $0.3 million as at August 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 nine months ended August 31, 2022, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at August 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 August 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	658	348	10
Bank indebtedness	(869)	-	-
Trade and other receivables	4,804	120	-
Trade and other payables	(2,931)	(5)	(54)
Net exposure	**1,662**	**463**	**(44)**
CAD exchange rate as at August 31, 2022	1.3130	1.5261	1.3201
Impact on net earnings based on a fluctuation of 5% on CAD	**79**	**25**	**(2)**

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 August 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 August 31 2022	As at November 30 2021	As at August 31 2021
	$	$	$
Current	**71,008**	57,966	66,221
31 - 60 days past due	**3,136**	3,131	3,175
61 - 90 days past due	**1,303**	1,079	1,131
91 - 120 days past due	**507**	158	621
Over 120 days past due	**120**	921	895
	76,074	63,255	72,043
Loss allowance	**(280)**	(170)	(81)
Balance, end of period	**75,794**	63,085	71,962

As at August 31, 2022, expected credit losses are limited to $280 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 August 31, 2022, there were 8,562,554 common shares issued (same at November 30, 2021 and August 31, 2021). The Company has authorized an unlimited number of common shares to be issued, without par value. At October 13, 2022, there were 8,562,554 common shares outstanding.

OUTLOOK

Goodfellow expects the rising interest rates, inflation, supply cost fluctuations and competition for talent to continue to challenge growth and soften consumer demand. Export markets are showing signs of significant slowing and are expected to decrease further. Heightened competition will put downward pressure on prices and margins, and therefore success will be achieved through creative customer solutions and offering custom value-added services.

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 nine months ended August 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, October 13, 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 nine months ended August 31, 2022 and 2021
(in thousands of dollars, except per share amounts)
Unaudited

	For the three months ended		For the nine months ended	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Sales (Note 15)	**167,574**	167,953	**481,886**	472,911
Expenses				
Cost of goods sold (Note 4)	**129,715**	133,048	**374,716**	369,227
Selling, administrative and general expenses (Note 4)	**22,126**	20,210	**65,464**	62,922
Net financial costs (Note 5)	**1,038**	751	**2,484**	2,141
	152,879	154,009	**442,664**	434,290
Earnings before income taxes	**14,695**	13,944	**39,222**	38,621
Income taxes	**4,115**	3,905	**10,983**	10,837
Total comprehensive income	**10,580**	10,039	**28,239**	27,784
Net earnings per share – Basic and Diluted (Note 10b)	**1.24**	1.17	**3.30**	3.24

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

	As at August 31 2022	As at November 30 2021	As at August 31 2021
	$	$	$
Assets			
Current Assets			
Cash	**2,279**	4,253	1,726
Trade and other receivables (Note 6)	**76,201**	63,246	72,118
Income taxes receivable	**33**	-	-
Inventories	**142,082**	109,787	115,046
Prepaid expenses	**3,237**	4,189	4,290
Total Current Assets	**223,832**	181,475	193,180
Non-Current Assets			
Property, plant and equipment	**31,148**	30,022	30,220
Intangible assets	**2,235**	2,650	2,789
Right-of-use assets	**14,614**	12,262	12,630
Defined benefit plan asset	**10,441**	10,397	1,901
Other assets	**802**	785	785
Total Non-Current Assets	**59,240**	56,116	48,325
Total Assets	**283,072**	237,591	241,505
Liabilities			
Current Liabilities			
Bank indebtedness (Note 7)	**31,590**	9,246	24,681
Trade and other payables (Note 8)	**42,744**	37,897	41,680
Income taxes payable	**-**	9,022	7,418
Provision (Note 9)	**370**	2,147	2,730
Current portion of lease liabilities	**4,836**	4,256	4,270
Total Current Liabilities	**79,540**	62,568	80,779
Non-Current Liabilities			
Provision (Note 9)	**2,281**	-	-
Lease liabilities	**12,338**	10,924	11,405
Deferred income taxes	**3,151**	3,151	1,597
Defined benefit plan obligation	**-**	-	1,280
Total Non-Current Liabilities	**17,770**	14,075	14,282
Total Liabilities	**97,310**	76,643	95,061
Shareholders' Equity			
Share capital (Note 10)	**9,424**	9,424	9,424
Retained earnings	**176,338**	151,524	137,020
	185,762	160,948	146,444
Total Liabilities and Shareholders' Equity	**283,072**	237,591	241,505

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

	For the three months ended		For the nine months ended	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Operating Activities				
Net earnings	**10,580**	10,039	**28,239**	27,784
Adjustments for:				
Depreciation and amortization of:				
Property, plant and equipment	**636**	636	**1,788**	1,901
Intangible assets	**153**	153	**455**	467
Right-of-use assets	**1,175**	1,055	**3,365**	3,111
Accretion expense on provision (Note 9)	**25**	11	**76**	33
(Decrease) increase in provision (Note 9)	**(34)**	(76)	**428**	1,224
Income taxes	**4,115**	3,905	**10,983**	10,837
Gain on disposal of property, plant and equipment	**(10)**	(1)	**(45)**	(8)
Interest expense	**508**	247	**1,007**	707
Interest on lease liabilities	**152**	143	**430**	446
Funding in (excess) deficit of pension plan expense	**(15)**	63	**(44)**	142
Other	**(13)**	21	**(38)**	(10)
	17,272	16,196	**46,644**	46,634
Changes in non-cash working capital items (Note 13)	**29,012**	24,168	**(39,462)**	(25,824)
Interest paid	**(539)**	(287)	**(1,426)**	(1,300)
Income taxes paid	**(3,070)**	(914)	**(20,038)**	(8,278)
	25,403	22,967	**(60,926)**	(35,402)
Net Cash Flows from Operating Activities	**42,675**	39,163	**(14,282)**	11,232
Financing Activities				
Net (decrease) increase in bank loans (Note 7)	**(5,000)**	14,000	**6,000**	9,000
Net (decrease) increase in banker’s acceptances (Note 7)	**(35,000)**	(50,000)	**18,000**	(12,000)
Payment of lease liabilities	**(1,282)**	(1,156)	**(3,702)**	(3,390)
Dividend paid (Note 10c)	**-**	-	**(3,425)**	(4,710)
	(41,282)	(37,156)	**16,873**	(11,100)
Investing Activities				
Acquisition of property, plant and equipment	**(1,002)**	(238)	**(2,914)**	(975)
Increase in intangible assets	**-**	-	**(40)**	(18)
Proceeds on disposal of property, plant and equipment	**10**	-	**45**	10
	(992)	(238)	**(2,909)**	(983)
Net cash inflow (outflow)	**401**	1,769	**(318)**	(851)
Cash position, beginning of period	**(3,712)**	(3,724)	**(2,993)**	(1,104)
Cash position, end of period	**(3,311)**	(1,955)	**(3,311)**	(1,955)
Cash position is comprised of:				
Cash	**2,279**	1,726	**2,279**	1,726
Bank overdraft (Note 7)	**(5,590)**	(3,681)	**(5,590)**	(3,681)
	(3,311)	(1,955)	**(3,311)**	(1,955)

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended August 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	-	27,784	27,784
Total comprehensive income	-	27,784	27,784
Transactions with owners of the Company			
Dividend (Note 10c)	-	(2,569)	(2,569)
Balance as at August 31, 2021	9,424	137,020	146,444
Balance as at November 30, 2021	**9,424**	**151,524**	**160,948**
Net earnings	**-**	**28,239**	**28,239**
Total comprehensive income	**-**	**28,239**	**28,239**
Transactions with owners of the Company			
Dividend (Note 10c)	**-**	**(3,425)**	**(3,425)**
Balance as at August 31, 2022	**9,424**	**176,338**	**185,762**

(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 nine months ended August 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 October 13, 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:

	For the three months ended		**For the nine months ended**	
Cost of goods sold	**August 31 2022**	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Employee benefit expense	**350**	407	**1,008**	993
Obsolescence adjustment included in cost of goods sold	**152**	3,154	**413**	3,957
Depreciation included in cost of goods sold	**230**	213	**582**	595
Foreign exchange (gains) losses	**(129)**	67	**204**	(202)

	For the three months ended		**For the nine months ended**	
Selling, administrative and general expenses	**August 31 2022**	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Employee benefit expense	**13,712**	13,119	**40,886**	40,053
Depreciation and amortization included in selling, administrative and general expenses	**1,734**	1,631	**5,026**	4,884

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

5. Net financial costs

	For the three months ended		**For the nine months ended**	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Interest expense	**508**	247	**1,007**	707
Interest expense on lease liabilities	**152**	143	**430**	446
Accretion expense on provision	**25**	11	**76**	33
Other financial costs	**354**	350	**976**	957
Financial cost	**1,039**	751	**2,489**	2,143
Financial income	**(1)**	-	**(5)**	(2)
Net financial costs	**1,038**	751	**2,484**	2,141

6. Trade and other receivables

	August 31 2022	November 30 2021	August 31 2021
	$	$	$
Trade receivables	**76,074**	63,255	72,043
Allowance for doubtful accounts	**(280)**	(170)	(81)
	75,794	63,085	71,962
Other receivables	**407**	161	156
	76,201	63,246	72,118

7. Bank indebtedness

	August 31 2022	November 30 2021	August 31 2021
	$	$	$
Bank loans	**8,000**	2,000	21,000
Banker's acceptances	**18,000**	-	-
Bank overdraft	**5,590**	7,246	3,681
	31,590	9,246	24,681

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 August 31, 2022, the Company was compliant with its financial covenants. As at August 31, 2022, under the credit agreement, the Company used $26.0 million of its facility compared to $2.0 million as at November 30, 2021, and $21.0 million as at August 31, 2021. As at August 31, 2022, the Company has $1.2 million of issued letters of credits which reduces the availability of its facility compared to $0.9 million as at November 30, 2021, and as at August 31, 2021.

8. Trade and other payables

	August 31 2022	November 30 2021	August 31 2021
	$	$	$
Trade payables and accruals	**33,020**	28,642	31,896
Payroll related liabilities	**6,610**	6,662	6,796
Sales taxes payable	**3,114**	2,593	2,988
	42,744	37,897	41,680

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. The Company received approval for the environmental rehabilitation plan in Q3-2022.

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

The Company started to implement its plan during the third quarter of fiscal 2022 and treatment of soil on-site will be performed over an estimated period of 3 years.

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.

	August 31 2022	November 30 2021	August 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	**76**	44	33
Expenditures incurred	**(42)**	(1,153)	(76)
Balance, end of period	**2,651**	2,147	2,730
Current portion	**370**	2,147	2,730
Long-term portion	**2,281**	-	-

10. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	August 31 2022	November 30 2021	August 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 nine months ended**	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Net earnings, basic and diluted	**10,580**	10,039	**28,239**	27,784
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	-	-	-	-	-	-	-	-
Quarter 3	-	-	-	-	-	-	-	-
		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 August 31, 2022:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	31,590	31,590	31,590	-
Trade and other payables	42,744	42,744	42,744	-
Total financial liabilities	**74,334**	**74,334**	**74,334**	**-**

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 August 31, 2021:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	24,681	24,681	24,681	-
Trade and other payables	41,680	41,680	41,680	-
Total financial liabilities	**66,361**	**66,361**	**66,361**	**-**

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 $31.6 million as at August 31, 2022, $9.2 million as at November 30, 2021, and $24.7 million as at August 31, 2021 in bank indebtedness would impact interest expense annually by $0.3 million (November 30, 2021 - $0.1 million; August 31, 2021 - $0.2 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 nine months ended August 31, 2022, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at August 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 August 31, 2022, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	658	348	10
Bank indebtedness	(869)	-	-
Trade and other receivables	4,804	120	-
Trade and other payables	(2,931)	(5)	(54)
Net exposure	**1,662**	**463**	**(44)**
CAD exchange rate as at August 31, 2022	1.3130	1.5261	1.3201
Impact on net earnings based on a fluctuation of 5% on CAD	**79**	**25**	**(2)**

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 August 31, 2021, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	836	267	17
Bank indebtedness	(613)	-	-
Trade and other receivables	7,322	67	-
Trade and other payables	(4,215)	(2)	(182)
Net exposure	**3,330**	**332**	**(165)**
CAD exchange rate as at August 31, 2021	1.2616	1.7353	1.4899
Impact on net earnings based on a fluctuation of 5% on CAD	**151**	**21**	**(9)**

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 August 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:

	August 31 2022	November 30 2021	August 31 2021
	$	$	$
Current	**71,008**	57,966	66,221
31 - 60 days past due	**3,136**	3,131	3,175
61 - 90 days past due	**1,303**	1,079	1,131
91 - 120 days past due	**507**	158	621
Over 120 days past due	**120**	921	895
	76,074	63,255	72,043
Loss allowance	**(280)**	(170)	(81)
Balance, end of period	**75,794**	63,085	71,962

As at August 31, 2022, expected credit losses are limited to $280 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 nine months ended August 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 nine months ended**			
	August 31, 2022		August 31, 2021		**August 31, 2022**		August 31, 2021	
	$	**%**	$	%	**$**	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**24,051**	**14.4**	24,820	14.8	**68,182**	**14.1**	74,623	15.8

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 nine months ended**	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Trade and other receivables	**25,453**	35,670	**(12,955)**	3,975
Inventories	**(956)**	239	**(32,295)**	(30,306)
Prepaid expenses	**6,087**	1,511	**935**	(1,560)
Trade and other payables	**(1,572)**	(13,252)	**4,853**	2,067
	29,012	24,168	**(39,462)**	(25,824)

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

Capital management	**As at August 31 2022**	As at November 30 2021	As at August 31 2021
Debt-to-capitalization ratio	**14.0%**	3.5%	13.8%
Interest coverage ratio	**22.4**	26.2	24.5
Return on Shareholders' Equity	**20.3%**	23.5%	25.3%
Current ratio	**2.8**	2.9	2.4
EBITDA (in thousands of dollars)	**$47,314**	$60,531	$46,241

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 nine months ended**	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Canada	**149,170**	150,664	**425,110**	422,644
US	**11,798**	12,273	**36,955**	32,842
Export	**6,606**	5,016	**19,821**	17,425
	167,574	167,953	**481,886**	472,911

Sales categories

	For the three months ended		**For the nine months ended**	
	August 31 2022	August 31 2021	**August 31 2022**	August 31 2021
	$	$	**$**	$
Lumber	**90,639**	88,700	**253,540**	246,908
Specialty and commodity panels	**28,867**	31,681	**87,698**	93,863
Flooring	**28,427**	28,172	**83,969**	83,334
Building material	**19,641**	19,400	**56,679**	48,806
	167,574	167,953	**481,886**	472,911

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
Vice President,
Sales, Quebec

Harry Haslett
Vice President,
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Wholly-owned Subsidiaries
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NOTES:

NOTES:

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