QUARTERLY REPORT

FOR THE SIX MONTHS ENDED MAY 31, 2023

GOODFELLOW 125

goodfellowinc.com

Customer focused **since 1898**

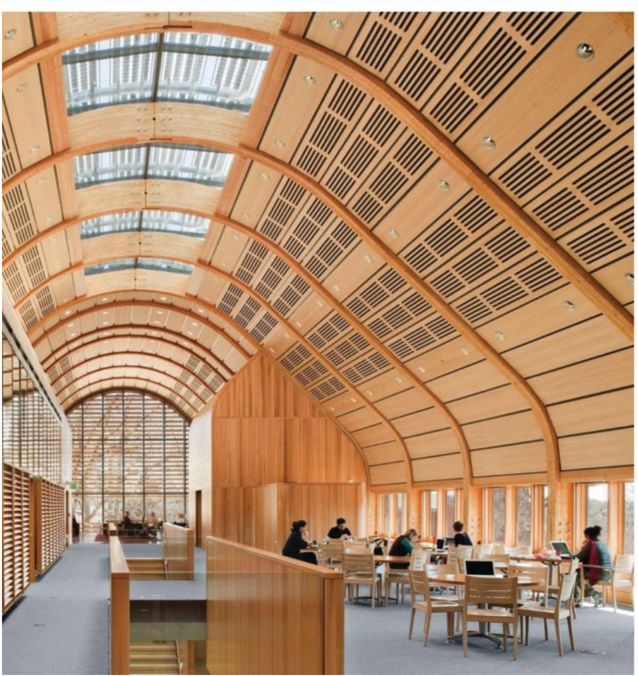


TABLE OF CONTENTS

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

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

PRESIDENT’S REPORT TO THE SHAREHOLDERS

Given the softening economy and general market uncertainty, reduced seasonal demand was in line with expectations. Goodfellow’s experienced team continued to provide excellent service to customers from coast to coast, while diligently managing rising overhead costs in order to realize strong results.

In Q2 2023, Goodfellow realized $142M in revenue with net earnings of $6.6M or $0.77 per share, as compared to $185M and $12.5M or $1.46 per share in the same quarter of 2022. While these results are lower than last year, they represent a solid performance for the second quarter.

With the arrival of normalized demand levels, the continued success of Goodfellow relies on effective inventory management to navigate increased just-in-time distribution. Moreover, driving into the market its diversified offering and custom order capabilities will be crucial in capturing opportunities.

Despite overall demand being lower than 2021 and 2022 levels, the outlook remains positive given the Company’s excellent balance sheet and prudent strategy.

Sincerely,

Patrick Goodfellow
President and Chief Executive Officer
July 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") and Goodfellow Inc. (hereafter the "Company") interim consolidated financial statements were approved by the Audit Committee and the Board of Directors on July 6, 2023. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2022 and November 30, 2021. The MD&A provides a review of the significant developments and results of operations of the Company during the six months ended May 31, 2023 and May 31, 2022. The interim consolidated financial statements ended May 31, 2023 and May 31, 2022 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, 2023 and May 31, 2022. 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 and at www.goodfellowinc.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, 2022. 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. For these reasons, we cannot guarantee the results of these forward-looking statements. The foregoing risks and uncertainties are described in greater detail in this MD&A. 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 May 31 of the period presented in the case of Shareholders Equity per share and by the weighted average number of outstanding shares for the relevant period ended May 31 presented for other measures per share.

“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 2023	May 31 2022	**May 31 2023**	May 31 2022	**November 30 2022**	November 30 2021
	$	$	**$**	$	**$**	$
Net earnings	**6,575**	12,542	**6,364**	17,659	**32,679**	37,836
Income taxes	**2,557**	4,878	**2,475**	6,868	**12,037**	12,687
Net financial costs	**921**	882	**1,195**	1,446	**3,201**	2,694
Depreciation of property, plant and equipment	**795**	577	**1,540**	1,152	**2,551**	2,552
Amortization of right-of-use assets	**1,188**	1,140	**2,445**	2,190	**4,551**	4,141
Amortization of intangible assets	**150**	152	**301**	302	**608**	621
EBITDA	**12,186**	20,171	**14,320**	29,617	**55,627**	60,531

“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 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Net Cash Flows from Operating Activities	**(7,781)**	(16,154)	**(25,420)**	(56,957)
Changes in non-cash working capital items	**15,844**	32,520	**32,124**	68,474
Interest paid	**632**	617	**740**	887
Income taxes paid	**3,019**	3,277	**6,037**	16,968
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	**11,714**	20,260	**13,481**	29,372
Net Cash Flows from Operating Activities per share	**(0.91)**	(1.89)	**(2.98)**	(6.65)
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	**1.37**	2.37	**1.58**	3.43
Weighted Average Number of Share Outstanding (thousands)	**8,536**	8,563	**8,536**	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 three months and six months ended May 31, 2023. 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 2023	November 30 2022	May 31 2022
	$	$	$
Shareholders’ Equity	**188,599**	186,779	175,182
Shareholders’ Equity per share	**22.10**	21.83	20.46
Number of share outstanding (thousands)	**8,536**	8,558	8,563

BUSINESS OVERVIEW

Goodfellow Inc. is a diversified manufacturer of value-added lumber products, as well as a wholesale distributor of building materials 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.

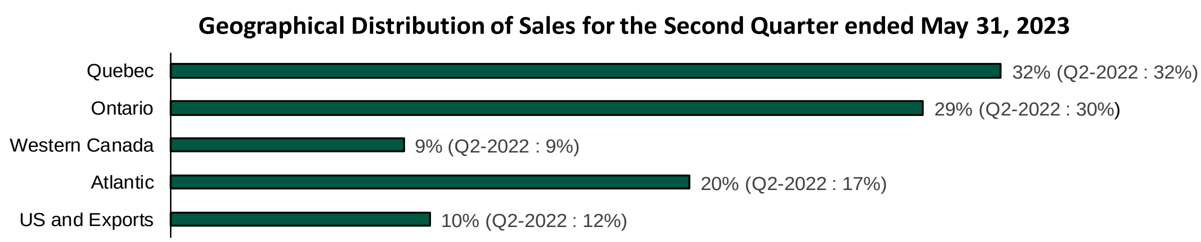
COMPARISON FOR THE THREE MONTHS ENDED MAY 31, 2023 AND 2022

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

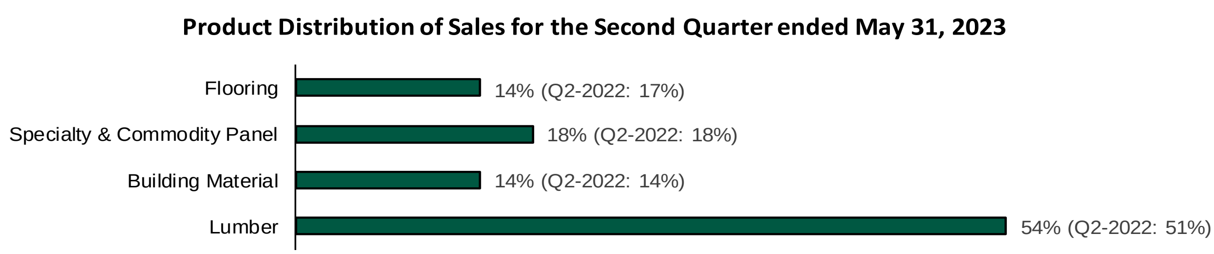
HIGHLIGHTS	Q2-2023	Q2-2022	Variance
	$	$	%
Sales	**142,326**	184,947	**-23**
Earnings before income taxes	**9,132**	17,420	**-48**
Net earnings	**6,575**	12,542	**-48**
Net earnings per share – Basic and Diluted	**0.77**	1.46	**-47**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**11,714**	20,260	**-42**
Net cash flow from Operating Activities	**(7,781)**	(16,154)	**+52**
EBITDA (1)	**12,186**	20,171	**-40**

(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 2023 decreased 21% compared to last year due to a decrease in sales of all product categories. Quebec sales decreased 24% due to a decrease in sales of all product categories. Sales in Ontario decreased 27% mainly due to a decrease in sales of all product categories. Sales in Western Canada decreased 24% due to a decrease in sales of all products categories except for lumber. Atlantic region sales decreased 6% due to a decrease in sales of all product categories except for lumber.



Sales in the United States for the second quarter of 2023 decreased 35% on a Canadian dollar basis compared to last year mostly due to a decrease in sales of all product categories except for building materials. On a US dollar basis, US denominated sales decreased 39% compared to last year. Finally, export sales decreased 36% during the second quarter of 2023 compared to last year mostly due to a decrease in sales of flooring and lumber products.



In terms of the distribution of sales by product, all product categories saw decreased sales. Flooring sales during the second quarter of 2023 decreased 37% compared to last year. Specialty and commodity panel sales decreased 26% compared to last year. Building material sales decreased 26% compared to last year. Finally, lumber sales decreased 17% compared to last year.

Cost of Goods Sold

Cost of goods sold during the second quarter of 2023 was $110.0 million compared to $143.7 million last year. Cost of goods sold decreased 24% compared to last year. Gross profits were $32.3 million compared to $41.2 million last year. Gross profits decreased 22% compared to last year. Gross margins were 22.7% for the three months ended May 31, 2023 (22.3% 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 2023	May 31 2022
	$	$
Sales	**142,326**	184,947
Cost of goods sold	**110,034**	143,745
Gross profit	**32,292**	41,202
Gross margins	**22.7%**	22.3%

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses during the second quarter of 2023 was $22.2 million compared to $22.9 million last year representing a 3% decrease compared to last year.

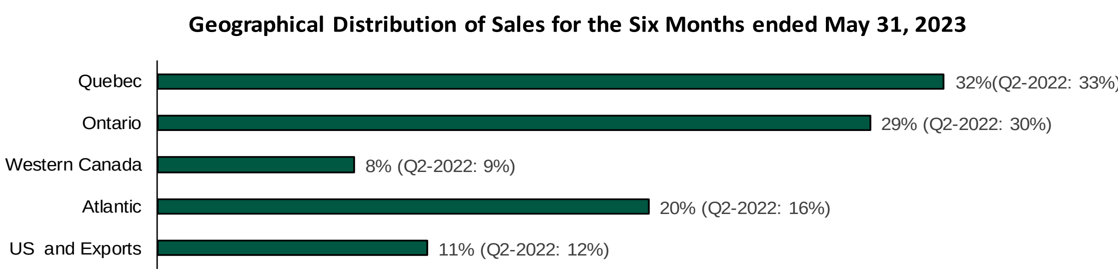
Net Financial Costs
Net financial costs during the second quarter of 2023 were $0.9 million (same last year). The average Canadian prime rate increased to 6.70% (2.93% last year). The average US prime rate increased to 8.02% (3.61% last year).

COMPARISON FOR THE SIX MONTHS ENDED MAY 31, 2023 AND 2022
(in thousands of dollars, except per share amounts - unaudited)

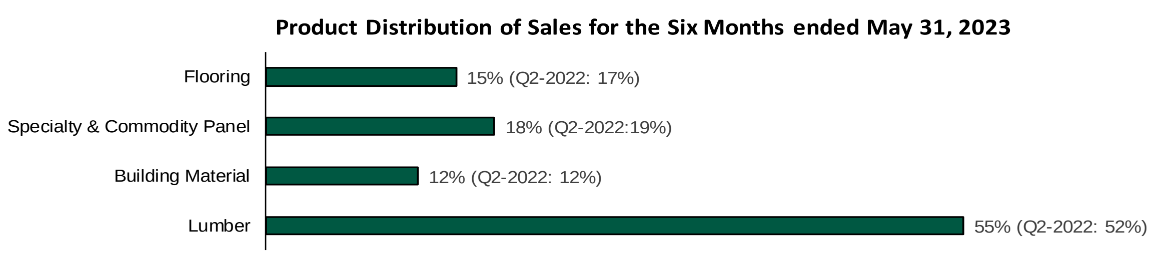
HIGHLIGHTS	2023	2022	Variance
	$	$	**%**
Sales	**248,251**	314,312	**-21**
Earnings before income taxes	**8,839**	24,527	**-64**
Net earnings	**6,364**	17,659	**-64**
Net earnings per share – Basic and Diluted	**0.75**	2.06	**-64**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**13,481**	29,372	**-54**
Net cash flow from Operating Activities	**(25,420)**	(56,957)	**+55**
EBITDA (1)	**14,320**	29,617	**-52**

(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 2023 decreased 20% compared to last year due to a decrease in sales of all product categories. Quebec sales decreased 24% due to a decrease in sales of all product categories. Sales in Ontario decreased 23% due to a decrease in sales of all product categories. Sales in Western Canada decreased 23% due to a decrease in sales of all product categories. Atlantic region sales decreased 3% due to a decrease in sales of all product categories except for lumber products.



Sales in the United States during the first six months of fiscal 2023 decreased 29% on a Canadian dollar basis compared to last year mostly due to a decrease in sales of all product categories except for building materials. On US dollar basis, US denominated sales decreased 33% compared to last year. Finally, export sales decreased 33% during the first six months of fiscal 2023 compared to last year mostly due to a decrease in sales of lumber and flooring products.



In terms of the distribution of sales by product, all product categories saw a decreased in sales. Flooring sales for the first six months of fiscal 2023 decreased 35% compared to last year. Specialty and commodity panel sales decreased 24% compared to last year. Building materials sales decreased 18% compared to last year. Finally, lumber sales decreased 16% compared to last year.

Cost of Goods Sold
Cost of goods sold during the first six months of fiscal 2023 was $194.3 million compared to $245.0 million last year. Cost of goods sold decreased 21% compared to last year. Gross profits were $54.0 million compared to $69.3 million last year. Gross profits decreased 22% compared to last year. Gross margins were 21.7% for the six months ended May 31, 2023 (22.1% 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	For the six months ended	
(in thousands of dollars, except Gross margins as % - unaudited)	**May 31 2023**	May 31 2022
	$	$
Sales	**248,251**	314,312
Cost of goods sold	**194,294**	245,001
Gross profit	**53,957**	69,311
Gross margins	**21.7%**	22.1%

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses for the first six months of fiscal 2023 was $43.9 million compared to $43.3 million last year representing a 1% increase compared to last year.

Net Financial Costs
Net financial costs for the first six months of fiscal 2023 were $1.2 million ($1.4 million last year). The average Canadian prime rate increased to 6.60% (2.69% last year). The average US prime rate increased to 7.76% (3.43% last year).

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS
(in thousands of dollars, except per share amounts - unaudited)

	Aug-2022	**Nov-2022**	**Feb-2023**	**May-2023**
	$	**$**	**$**	**$**
Sales	167,574	149,299	105,925	142,326
Net earnings (losses)	10,580	4,440	(211)	6,575
Net earnings (losses) per share	1.24	0.52	(0.02)	0.77

	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

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, 2023 were $280.5 million compared to $246.9 million as at November 30, 2022. Cash at May 31, 2023 was $3.2 million compared to $3.4 million as at November 30, 2022. Trade and other receivables at May 31, 2023 was $87.2 million ($64.4 million as at November 30, 2022). Income taxes receivable was $6.0 million compared ($2.4 million as at November 30, 2022). Inventories at May 31, 2023 was $122.3 million compared to $112.3 million as at November 30, 2022. Prepaid expenses at May 31, 2023 were $2.3 million ($2.6 million as at November 30, 2022). Defined benefit plan asset was $11.8 million at May 31, 2023 compared to $11.6 million as at November 30, 2022. Other assets were $0.8 million at May 31, 2023 (same as at November 30, 2022).

Property, plant, equipment, intangible and right-of-use assets
Property, plant and equipment at May 31, 2023 was $32.4 million compared to $32.3 million as at November 30, 2022, and intangible assets at May 31, 2023 was $1.8 million compared to $2.1 million as at November 30, 2022. Capital expenditures on property, plant and equipment and intangibles during the first six months of fiscal 2023 amounted to $1.7 million compared to $1.9 million for the same period last year. Property, plant and equipment capitalized during the first six months of fiscal 2023 mainly included buildings, yard, equipment, computers and rolling stock. Right-of-use assets at May 31, 2023 was $12.9 million ($15.0 million as at November 30, 2022). Depreciation of property, plant, equipment, intangible, and right-of-use assets during the first six months of fiscal 2023 amounted to $4.3 million compared to $3.6 million last year.

Total liabilities
Total liabilities at May 31, 2023 were $91.9 million compared to $60.1 million as at November 30, 2022. Bank indebtedness was $34.0 million compared to nil as at November 30, 2022. Trade and other payables at May 31, 2023 was $36.6 million compared to $36.3 million as at November 30, 2022. Current provision at May 31, 2023 was $2.3 million (same as at November 30, 2022) and non-current provision was $0.8 million compared to $0.6 million as at November 30, 2022. Lease liabilities at May 31, 2023 were $14.9 million compared to $17.5 million as at November 30, 2022. Deferred income taxes at May 31, 2023 were $3.4 million (same as at November 30, 2022).

Shareholders' Equity
Total Shareholders' Equity at May 31, 2023 was $188.6 million compared to $186.8 million as at November 30, 2022. The Company generated a return on Shareholders' Equity of 6.7% during the six months ended May 31, 2023 compared to 20.2% last year. The share price closed at $12.50 per share on May 31, 2023 ($12.17 on November 30, 2022). The Shareholders' Equity per share at May 31, 2023 was $22.10 per share compared to $21.83 per share as at November 30, 2022. Share capital was $9.4 million at May 31, 2023 (same as at November 30, 2022).

On November 10, 2022, following approval of the Toronto Stock Exchange (the "TSX"), the Company implemented a share repurchase program in the form of a normal course issuer bid ("NCIB"). This program allows the Company to repurchase up to an aggregate 428,127 common shares, representing approximately 5% of the common shares issued and outstanding as at November 7, 2022. All Shares purchased under the NCIB will be acquired on the open market and in accordance with the rules and policies of the TSX and applicable securities laws at the prevailing market prices, plus applicable brokerage fees, and cancelled. The share repurchase period will end no later than November 9, 2023. Moreover, the Company has entered into an automatic share purchase plan ("ASPP") with a designated broker in connection with the NCIB. The ASPP will allow for the purchase for cancellation of shares, subject to certain trading parameters, by its designated broker during times when the Company would ordinarily not be active in the market due to applicable regulatory restrictions or self-imposed blackout periods. Outside these periods, shares may be repurchased by the Company at its discretion under the NCIB. During the six months ended May 31, 2023, the Company bought back 22,400 shares.

Additional information regarding the NCIB is contained in Note 10 of the Interim Consolidated Financial Statements for the period ended May 31, 2023.

The following dividends were declared and paid by the Company for the six-month period ended May 31, 2023 and for the year ended November 30, 2022:

2023				2022			
Declared				Declared			
Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
	$	$			$	$	
Mar 2, 2023	0.50	4,274	Mar 16, 2023	Mar 4, 2022	0.40	3,425	Mar 18, 2022
	0.50	**4,274**			**0.40**	**3,425**	
				Oct 27, 2022	0.50	4,281	Nov 10, 2022
					0.90	**7,706**	

The Company is continually assessing its declaration of dividends 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 by way of bank loans and/or banker's acceptances. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days. 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, 2023, the Company was compliant with its financial covenants. As at May 31, 2023, under the credit agreement, the Company was using $28 million of its facility ($66 million last year). As at May 31, 2023, the Company has $1.0 million of issued letters of credit which reduces the availability of its facility compared to $0.8 million last year.

The Company's business follows a seasonal pattern with sales activities traditionally higher in the second and third quarter. As a result, cash flow requirements are generally higher during these periods. The current facility is considered by management to be adequate to support its current forecasted cash flow requirements. Source of funding and access to capital is disclosed in detail under LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS.

Cash Flow
Net cash flow from operating activities for the six months ended May 31, 2023 was $(25.4) million compared to $(57.0) million last year. Financing activities during the first six months of fiscal 2023 was $20.7 million compared to $58.2 million last year. Investing activities during the six months ended May 31, 2023 was $(1.5) million compared to $(1.9) 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 net debt-to-capital ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements; and
4. Provide an adequate return to its shareholders.

The Company defines its capital as net debt less shareholders' equity as follows:

	May 31 2023	November 30 2022
	$	$
Bank indebtedness	**34,002**	-
Less: Cash	**(3,171)**	(3,420)
Net Debt (cash)	**30,831**	(3,420)
Share capital	**9,394**	9,419
Retained earnings	**179,205**	177,360
Shareholders' Equity	**188,599**	186,779
Total Capital	**157,768**	190,199

The Company manages its capital and makes adjustments to it in 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.

Cost Structure, Working Capital Requirements
At May 31, 2023, the Company's debt-to-capitalization ratio stood at 14% compared to 1% as at November 30, 2022.

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, 2022 as well as in the 2022 Annual Information Form available on SEDAR (www.sedar.com) or its website (www.goodfellowinc.com).

FINANCIAL COMMITMENTS AND CONTINGENCIES

OBLIGATIONS

Payments due by period– undiscounted	**Total**	**Less than 1 year**	**2-3 Years**	**4-5 Years**	**After 5 years**
(in thousands of dollars)	$	$	$	$	$
Lease liability obligations	17,422	5,482	7,020	3,501	1,419
Total obligations	**17,422**	**5,482**	**7,020**	**3,501**	**1,419**

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, 2022, 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 six months ended May 31, 2023 (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, 2023**		May 31, 2022		**May 31, 2023**		May 31, 2022	
	$	**%**	$	%	**$**	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**20,969**	**14.7**	25,627	13.9	**37,500**	**15.1**	44,131	14.0

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 2022 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at May 31, 2023:

FINANCIAL LIABILITIES	**Carrying Amount**	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
(in thousands of dollars)	$	$	$	$
Bank indebtedness	34,002	34,002	34,002	-
Trade and other payables	36,553	36,553	36,553	-
Total financial liabilities	**70,555**	**70,555**	**70,555**	-

The following are the contractual maturities of financial liabilities as at November 30, 2022:

FINANCIAL LIABILITIES	**Carrying Amount**	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
(in thousands of dollars)	$	$	$	$
Trade and other payables	36,286	36,286	36,286	-
Total financial liabilities	**36,286**	**36,286**	**36,286**	**-**

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 100 basis point fluctuation of interest rate on average bank indebtedness throughout the six months ended May 31, 2023 would impact interest expense by $0.1 million (May 31, 2022 - $0.4 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, 2023, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at May 31, 2023, 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, 2023, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs
(in thousands of dollars, Pounds or Euros)

	USD	**GBP**	**Euro**
Cash	1,437	269	13
Bank indebtedness	(1,095)	-	-
Trade and other receivables	3,923	2	-
Trade and other payables	(2,858)	(11)	(106)
Net exposure	**1,407**	**260**	**(93)**
CAD exchange rate as at May 31, 2023	1.3577	1.6889	1.4510
Impact on net earnings based on a fluctuation of 5% on CAD	**69**	**16**	**(5)**

As at November 30, 2022, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs
(in thousands of dollars, Pounds or Euros)

	USD	**GBP**	**Euro**
Cash	156	447	9
Trade and other receivables	5,081	14	-
Trade and other payables	(1,952)	(10)	-
Net exposure	**3,285**	**451**	**9**
CAD exchange rate as at November 30, 2022	1.3412	1.6176	1.3960
Impact on net earnings based on a fluctuation of 5% on CAD	**159**	**26**	**-**

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 the 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.

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 2023	As at November 30 2022
	$	$
Current	**86,102**	59,678
31 - 60 days past due	**426**	2,664
61 - 90 days past due	**420**	1,060
91 - 120 days past due	**(100)**	370
Over 120 days past due	**1,147**	682
	87,995	64,454
Loss allowance	**(896)**	(342)
Balance, end of period	**87,099**	64,112

As at May 31, 2023, expected credit losses are limited to $0.9 million 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 and trade and other payables 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 2022 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 2022 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 2022 Annual consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 31, 2023, there were 8,535,554 common shares issued (8,557,954 as at November 30, 2022 and 8,562,554 as at May 31, 2022). The Company has authorized an unlimited number of common shares to be issued, without par value. As at July 5, 2023, there were 8,530,454 common shares outstanding.

OUTLOOK

Overall, the economy is showing some resilience as certain sectors contract while others continue to be strong. As such, demand in Q3 and Q4 of 2023 is expected to remain unpredictable. It may result in varying success of some product categories and some customer segments. However, Goodfellow's diversity of offering and broad sales channels will help offset any dramatic shifts that may arise.

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, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, July 6, 2023

(Signed) "Patrick Goodfellow"
President and Chief Executive Officer

(Signed) "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, 2023 and 2022
(in thousands of dollars, except per share amounts)
Unaudited

	For the three months ended		For the six months ended	
	May 31 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Sales (Note 15)	**142,326**	184,947	**248,251**	314,312
Expenses				
Cost of goods sold (Note 4)	**110,034**	143,745	**194,294**	245,001
Selling, administrative and general expenses (Note 4)	**22,239**	22,900	**43,923**	43,338
Net financial costs (Note 5)	**921**	882	**1,195**	1,446
	133,194	167,527	**239,412**	289,785
Earnings before income taxes	**9,132**	17,420	**8,839**	24,527
Income taxes	**2,557**	4,878	**2,475**	6,868
Total comprehensive income	**6,575**	12,542	**6,364**	17,659
Net earnings per share – Basic and Diluted (Note 10b)	**0.77**	1.46	**0.75**	2.06

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

	As at May 31 2023	As at November 30 2022	As at May 31 2022
	$	$	$
Assets			
Current Assets			
Cash	**3,171**	3,420	2,608
Trade and other receivables (Note 6)	**87,163**	64,423	101,654
Income taxes receivable	**6,001**	2,439	1,078
Inventories	**122,268**	112,294	141,126
Prepaid expenses	**2,263**	2,555	9,451
Total Current Assets	**220,866**	185,131	255,917
Non-Current Assets			
Property, plant and equipment	**32,405**	32,269	30,782
Intangible assets	**1,795**	2,096	2,388
Right-of-use assets	**12,916**	14,999	13,663
Defined benefit plan asset	**11,760**	11,620	10,426
Other assets	**802**	802	802
Total Non-Current Assets	**59,678**	61,786	58,061
Total Assets	**280,544**	246,917	313,978
Liabilities			
Current Liabilities			
Bank indebtedness (Note 7)	**34,002**	-	72,320
Trade and other payables (Note 8)	**36,553**	36,286	44,322
Provision (Note 9)	**2,252**	2,281	405
Current portion of lease liabilities	**4,748**	4,969	4,605
Total Current Liabilities	**77,555**	43,536	121,652
Non-Current Liabilities			
Provision (Note 9)	**770**	634	2,255
Lease liabilities	**10,189**	12,537	11,738
Deferred income taxes	**3,431**	3,431	3,151
Total Non-Current Liabilities	**14,390**	16,602	17,144
Total Liabilities	**91,945**	60,138	138,796
Shareholders’ Equity			
Share capital (Note 10)	**9,394**	9,419	9,424
Retained earnings	**179,205**	177,360	165,758
	188,599	186,779	175,182
Total Liabilities and Shareholders’ Equity	**280,544**	246,917	313,978

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and six months ended May 31, 2023 and 2022
(in thousands of dollars)
Unaudited

	For the three months ended		For the six months ended	
	May 31 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Operating Activities				
Net earnings	**6,575**	12,542	**6,364**	17,659
Adjustments for:				
Depreciation and amortization of:				
Property, plant and equipment	**795**	577	**1,540**	1,152
Intangible assets	**150**	152	**301**	302
Right-of-use assets	**1,188**	1,140	**2,445**	2,190
Accretion expense on provision (Note 9)	**68**	26	**136**	51
Provision (Note 9)	**(7)**	462	**(29)**	462
Income taxes	**2,557**	4,878	**2,475**	6,868
Gain on disposal of property, plant and equipment	**(171)**	(10)	**(181)**	(35)
Interest expense	**481**	385	**569**	499
Interest on lease liabilities	**158**	147	**140**	278
Funding in excess of pension plan expense	**(70)**	(15)	**(140)**	(29)
Other	**(10)**	(24)	**(139)**	(25)
	11,714	20,260	**13,481**	29,372
Changes in non-cash working capital items (Note 13)	**(15,844)**	(32,520)	**(32,124)**	(68,474)
Interest paid	**(632)**	(617)	**(740)**	(887)
Income taxes paid	**(3,019)**	(3,277)	**(6,037)**	(16,968)
	(19,495)	(36,414)	**(38,901)**	(86,329)
Net Cash Flows from Operating Activities	**(7,781)**	(16,154)	**(25,420)**	(56,957)
Financing Activities				
Net (decrease) increase in bank loans (Note 7)	**(2,000)**	-	**-**	11,000
Net increase in banker's acceptances (Note 7)	**23,000**	32,000	**28,000**	53,000
Payment of lease liabilities	**(1,287)**	(1,233)	**(2,792)**	(2,420)
Redemption of shares (Note 10b)	**(150)**	-	**(270)**	-
Dividends paid	**(4,274)**	(3,425)	**(4,274)**	(3,425)
Net Cash Flows from Financing Activities	**15,289**	27,342	**20,664**	58,155
Investing Activities				
Acquisition of property, plant and equipment	**(839)**	(1,468)	**(1,683)**	(1,912)
Increase in intangible assets	**-**	(40)	**-**	(40)
Proceeds on disposal of property, plant and equipment	**178**	10	**188**	35
Net Cash Flows from Investing Activities	**(661)**	(1,498)	**(1,495)**	(1,917)
Net cash inflow (outflow)	**6,847**	9,690	**(6,251)**	(719)
Cash position, beginning of period	**(9,678)**	(13,402)	**3,420**	(2,993)
Cash position, end of period	**(2,831)**	(3,712)	**(2,831)**	(3,712)
Cash position is comprised of:				
Cash	**3,171**	2,608	**3,171**	2,608
Bank overdraft (Note 7)	**(6,002)**	(6,320)	**(6,002)**	(6,320)
	(2,831)	(3,712)	**(2,831)**	(3,712)

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the six months ended May 31, 2023 and 2022
(in thousands of dollars)
Unaudited

	Share Capital	Retained Earnings	Total
	$	$	$
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
Dividend (Note 10c)	-	(3,425)	(3,425)
Balance as at May 31, 2022	9,424	165,758	175,182
Balance as at November 30, 2022	**9,419**	**177,360**	**186,779**
Net earnings	**-**	**6,364**	**6,364**
Total comprehensive income	**-**	**6,364**	**6,364**
Dividend (Note 10c)	**-**	**(4,274)**	**(4,274)**
Redemption of Shares (Note 10b)	**(25)**	**(245)**	**(270)**
Balance as at May 31, 2023	**9,394**	**179,205**	**188,599**

(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, 2023 and 2022 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, 2022, as set out in the 2022 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 6, 2023.

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.

Use of 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, 2022.

3. Significant Accounting Policies

The Company's significant accounting policies described in Note 3 contained in its 2022 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 six months ended	
Cost of goods sold	**May 31 2023**	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Employee benefits expense	**343**	359	**636**	658
Obsolescence adjustment	**(41)**	492	**517**	261
Depreciation	**288**	185	**577**	352
Foreign exchange losses	**88**	114	**13**	333

	For the three months ended		For the six months ended	
Selling, administrative and general expenses	**May 31 2023**	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Employee benefits expense	**13,991**	14,006	**27,054**	27,174
Depreciation and amortization included in selling, administrative and general expenses	**1,845**	1,684	**3,709**	3,292

(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 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Interest expense	**481**	385	**569**	499
Interest expense on lease liabilities	**158**	147	**140**	278
Accretion expense on provision (Note 9)	**68**	26	**136**	51
Other financial costs	**230**	326	**428**	622
Financial cost	**937**	884	**1,273**	1,450
Financial income	**(16)**	(2)	**(78)**	(4)
Net financial costs	**921**	882	**1,195**	1,446

6. Trade and other receivables

	May 31 2023	November 30 2022	May 31 2022
	$	$	$
Trade receivables	**87,995**	64,454	101,661
Allowance for doubtful accounts	**(896)**	(342)	(231)
	87,099	64,112	101,430
Other receivables	**64**	311	224
	87,163	64,423	101,654

7. Bank indebtedness

	May 31 2023	November 30 2022	May 31 2022
	$	$	$
Bank loans [1]	**-**	-	13,000
Banker's acceptances [1]	**28,000**	-	53,000
Bank overdraft	**6,002**	-	6,320
	34,002	-	72,320

[1] 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 by way of bank loans and/or banker's acceptances. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days. 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, 2023, the Company was compliant with its financial covenants. As at May 31, 2023, the Company has $1.0 million of issued letters of credit which reduces the availability of its facility compared to $0.8 million last year.

8. Trade and other payables

	May 31 2023	November 30 2022	May 31 2022
	$	$	$
Trade payables and accruals	**27,391**	25,172	34,252
Payroll related liabilities	**6,786**	6,201	7,346
Sales taxes payable	**2,376**	4,913	2,724
	36,553	36,286	44,322

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 performed in 2022. In 2022, the Company submitted a revised timetable for the site remediation which was approved by the "Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs". The Company started to implement its revised plan during the third quarter of fiscal 2022 and treatment of soil on-site will be performed over an estimated period of 3 years.

(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 2023	November 30 2022	May 31 2022
	$	$	$
Balance, beginning of the year	**2,915**	2,147	2,147
Changes due to:			
Revision of future expected expenditures	**-**	1,106	470
Accretion expense	**136**	102	51
Expenditures incurred	**(29)**	(440)	(8)
Balance, end of period	**3,022**	2,915	2,660
Current portion	**2,252**	2,281	405
Long-term portion	**770**	634	2,255

10. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	May 31 2023	November 30 2022	May 31 2022
	Number of shares	Number of shares	Number of shares
Shares outstanding at the beginning of the period	**8,557,954**	8,562,554	8,562,554
Repurchased and cancelled (b)	**(22,400)**	(4,600)	**-**
Shares outstanding at the end of the period	**8,535,554**	8,557,954	8,562,554

	May 31 2023	November 30 2022	May 31 2022
	$	$	$
Shares outstanding at the beginning of the period	**9,419**	9,424	9,424
Repurchased and cancelled (b)	**(25)**	(5)	**-**
Shares outstanding at the end of the period	**9,394**	9,419	9,424

b) Share repurchase program (NCIB)

On November 10, 2022, following approval of the Toronto Stock Exchange (the "TSX"), the Company implemented a share repurchase program in the form of a normal course issuer bid (NCIB). This program allows the Company to repurchase up to an aggregate 428,127 common shares, representing approximately 5% of the common shares issued and outstanding as at November 7, 2022. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than November 9, 2023.

The following table summarizes the Company’s share repurchase activities:

	May 31 2023	November 30 2022	May 31 2022
Common shares repurchased for cancellation (number of shares)	**22,400**	4,600	-
Average price per share	**$ 12.04**	$ 12.17	-
Total repurchase cost	**$ 270**	$ 56	-
Repurchase resulting in a reduction of:			
Share Capital	**$ 25**	$ 5	-
Deficit (1)	**$ 245**	$ 51	-

(1) The excess of repurchase cost over the average carrying value of the common shares.

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

c) 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 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Net earnings, basic and diluted	**6,575**	12,542	**6,364**	17,659
Weighted average number of common shares, basic and diluted	**8,535,554**	8,562,554	**8,535,554**	8,562,554

d) Dividends

The following dividends were declared and paid by the Company for the six-month period ended May 31, 2023 and for the year ended November 30, 2022:

2023				2022			
Declared				Declared			
Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
	$	$			$	$	
Mar 2, 2023	0.50	4,274	Mar 16, 2023	Mar 4, 2022	0.40	3,425	Mar 18, 2022
	0.50	**4,274**			**0.40**	**3,425**	
				Oct 27, 2022	0.50	4,281	Nov 10, 2022
					0.90	**7,706**	

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, 2023:

FINANCIAL LIABILITIES	**Carrying Amount**	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
	$	$	$	$
Bank indebtedness	34,002	34,002	34,002	-
Trade and other payables	36,553	36,553	36,553	-
Total financial liabilities	**70,555**	**70,555**	**70,555**	**-**

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

The following are the contractual maturities of financial liabilities as at November 30, 2022:

FINANCIAL LIABILITIES	**Carrying Amount**	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
	$	$	$	$
Trade and other payables	36,286	36,286	36,286	-
Total financial liabilities	**36,286**	**36,286**	**36,286**	**-**

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**	**-**

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 100 basis point fluctuation of interest rate on average bank indebtedness throughout the six months ended May 31, 2023 would impact interest expense by $0.1 million (May 31, 2022 - $0.4 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, 2023, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at May 31, 2023, 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, 2023, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	**GBP**	**Euro**
Cash	1,437	269	13
Bank indebtedness	(1,095)	-	-
Trade and other receivables	3,923	2	-
Trade and other payables	(2,858)	(11)	(106)
Net exposure	**1,407**	**260**	**(93)**
CAD exchange rate as at May 31, 2023	1.3577	1.6889	1.4510
Impact on net earnings based on a fluctuation of 5% on CAD	**69**	**16**	**(5)**

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

As at November 30, 2022, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	156	447	9
Trade and other receivables	5,081	14	-
Trade and other payables	(1,952)	(10)	-
Net exposure	**3,285**	**451**	**9**
CAD exchange rate as at November 30, 2022	1.3412	1.6176	1.3960
Impact on net earnings based on a fluctuation of 5% on CAD	**159**	**26**	**-**

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)**

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 the 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.

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

	As at May 31 2023	As at November 30 2022	As at May 31 2022
	$	$	$
Current	**86,102**	59,678	99,048
31 - 60 days past due	**426**	2,664	1,768
61 - 90 days past due	**420**	1,060	152
91 - 120 days past due	**(100)**	370	71
Over 120 days past due	**1,147**	682	622
	87,995	64,454	101,661
Loss allowance	**(896)**	(342)	(231)
Balance, end of period	**87,099**	64,112	101,430

As at May 31, 2023, expected credit losses are limited to $0.9 million and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

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

Economic Dependence

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 six months ended May 31, 2023 (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, 2023		May 31, 2022		**May 31, 2023**		May 31, 2022	
	$	**%**	$	%	**$**	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**20,969**	**14.7**	25,627	13.9	**37,500**	**15.1**	44,131	14.0

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 and trade and other payables 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 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Trade and other receivables	**(22,868)**	(30,550)	**(22,740)**	(38,408)
Inventories	**8,148**	(11,818)	**(9,974)**	(31,339)
Prepaid expenses	**1,397**	3,112	**298**	(5,152)
Trade and other payables	**(2,521)**	6,736	**292**	6,425
	(15,844)	(32,520)	**(32,124)**	(68,474)

The reconciliation of movements of liabilities to cash flows arising from financing activities is as follows:

	Bank loans	Banker's acceptances	Lease liabilities	Total
Liability related changes	**$**	**$**	$	$
Period ended May 31, 2023				
Interest expense	**188**	**381**	**140**	**709**
Interest paid	**213**	**387**	**140**	**740**
Year ended November 30, 2022				
Interest expense	485	745	603	1,833
Interest paid	451	677	603	1,731
Period ended May 31, 2022				
Interest expense	203	296	278	777
Interest paid	204	405	278	887

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

14. Capital management

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 net debt-to-capital ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements; and
4. Provide an adequate return to its shareholders.

The Company defines its capital as net debt less shareholders' equity as follows:

	May 31 2023	November 30 2022	May 31 2022
	$	$	$
Bank indebtedness	**34,002**	-	72,320
Less: Cash	**(3,171)**	(3,420)	(2,608)
Net Debt (cash)	**30,831**	(3,420)	69,712
Share capital	**9,394**	9,419	9,424
Retained earnings	**179,205**	177,360	165,758
Shareholders' Equity	**188,599**	186,779	175,182
Total Capital	**157,768**	190,199	105,470

The Company manages its capital and makes adjustments to it in 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.

15. Segmented Information and Sales

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

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

Primary geographic markets

The Company's sales to clients located in Canada represent approximately 89% (88% in 2022) of total sales, the sales to clients located in the United States represent approximately 7% (8% in 2022) of total sales, and the sales to clients located in other markets represent approximately 4% (same in 2022) of total sales.

	For the three months ended		**For the six months ended**	
	May 31 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Canada	**128,381**	163,528	**221,362**	275,940
US	**9,373**	14,323	**17,970**	25,157
Export	**4,572**	7,096	**8,919**	13,215
	142,326	184,947	**248,251**	314,312

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

Sales categories

	For the three months ended		For the six months ended	
	May 31 2023	May 31 2022	**May 31 2023**	May 31 2022
	$	$	**$**	$
Lumber	**77,384**	92,885	**137,233**	162,901
Specialty and commodity panels	**24,989**	33,603	**44,611**	58,831
Flooring	**20,249**	31,908	**36,014**	55,542
Building material	**19,704**	26,551	**30,393**	37,038
	142,326	184,947	**248,251**	314,312

CORPORATE INFORMATION

BOARD OF DIRECTORS

Robert Hall
Chair of the Board

Alain Côté * / **
Director and 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 and Chair of the Executive Compensation Committee

* Member of the Audit Committee
** Member of the Executive Compensation Committee

OFFICERS

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois
Chief Financial Officer and Secretary of the Board

Mary Lohmus
Executive Vice President, Ontario and Western Canada

David Warren
Senior Vice President, Atlantic

Eric Bisson
Vice President, Quebec

Luc Dignard
Vice President, Sales, Quebec

Harry Haslett
Vice President, Sales and Marketing, Atlantic

Jeff Morrison
Vice President, National Accounts

Luc Pothier
Vice President, Operations

Eric McNeely
Vice President, Business Development - Flooring

OTHER INFORMATION

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

Solicitors
Bernier Beaudry
Quebec, Quebec
Fasken Martineau
Montreal, Quebec

Auditors
KPMG LLP
Montreal, Quebec

Transfer Agent
Computershare Investor Services Inc.
Montreal, Quebec

Stock Exchange
Toronto
Trading Symbol: GDL

Wholly-owned Subsidiaries
Goodfellow Distribution Inc.
Quality Hardwoods Ltd.

goodfellowinc.com

GOODFELLOW

OUR BRANCHES

HEAD OFFICE
MONTREAL / DELSON

225 Goodfellow Street, Delson QC J5B 1V5
Tel. : 450 635-6511
1 800 361-6503
Fax. : 450 635-3729/30

QUEBEC

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

OTTAWA

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

TORONTO / CAMPBELLVILLE

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

HALIFAX / DARTMOUTH

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

MONCTON

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

NEWFOUNDLAND / DEER LAKE

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

WINNIPEG

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

SASKATOON

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

EDMONTON

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

CALGARY

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

VANCOUVER / RICHMOND

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

U.S.

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

U.K.

McCarthy Haulage
Unit 1, First Avenue
Redwither Business Park
Wrexham Industrial Estate
Wrexham UK LL13 9XP
Tel.: 01691 718872
goodfellowuk.com

DIVISIONS

CANBAR

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

OLIVER LUMBER

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

QUALITY HARDWOODS

P.O. Box 40 - 196 Latour Cres.
Powassan ON P0H 1Z0
Tel. : 705 724-2424
Fax : 705 724-6053