

MANAGEMENT'S DISCUSSION AND ANALYSIS

PROSPECTIVE FINANCIAL INFORMATION

The following Management's Discussion and Analysis ("MD&A") and Goodfellow Inc. (hereafter the "Company") consolidated financial statements were approved by the Audit Committee and the Board of Directors on October 12, 2017. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the twelve months ended November 30, 2016 and 2015. The MD&A provides a review of the significant developments and results of operations of the Company during the nine months ended August 31, 2017 and nine months ended August 31, 2016. The consolidated financial statements ended August 31, 2017 and August 31, 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A contains implicit and/or explicit forecasts, as well as forward looking statements on the objectives, strategies, financial position, operating results and activities of Goodfellow Inc., including the implementation of a plan for the remediation of the design weakness in the area of inventory controls. 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 including: the nature and magnitude of design deficiencies; the effectiveness of measures taken in the interim to provide confidence in the validity of inventory counts and the appropriateness of the compensating controls over inventory management to be implemented under the remediation plan to mitigate the risk of a material misstatement. Although we believe that the expectations reflected in the forward-looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. Our actual results could differ significantly from management's expectations if recognized or unrecognized risks and uncertainties affect our results or if our assessments or assumptions are inaccurate. These risks and uncertainties include, among other things: the possibility that the design deficiencies and impact thereof identified in our review are significantly different than assessed and anticipated; the potential ineffectiveness of the compensating controls over inventory management proposed to be implemented under the remediation plan; and other factors described in our public filings available at www.sedar.com. For these reasons, we cannot guarantee the results of these forward looking statements. The MD&A gives an insight into our past performance as well as the future strategies and key performance indicators as viewed by our management team at Goodfellow Inc. The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

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

NON-GAAP MEASURES

Cash flow per share and operating income before depreciation of property, plant and equipment and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization ["EBITDA"]), are financial measures not prescribed by the International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers it to be useful information to assist knowledgeable investors in evaluating the cash generating capabilities of the Company. Cash flow per share is defined as Cash flow from operations (excluding non-cash working capital, income tax paid and interest paid) of \$4.2 million for the three months and \$(0.8) million for the nine months period ended August 31, 2017 divided by the total number of outstanding shares of 8,506,544.

Reconciliation of EBITDA and operating income to net income (in thousands of dollars)	For the three months ended		For the nine months ended	
	August 31 2017	August 31 2016	August 31 2017	August 31 2016
	\$	\$	\$	\$
Net income (loss) for the period	1,632	(2,491)	(4,310)	(924)
Provision for income taxes	682	(975)	(1,676)	(540)
Financial expenses	1,121	1,014	3,145	2,473
Operating income (loss)	3,435	(2,452)	(2,841)	1,009
Depreciation and amortization	987	1,055	2,893	2,791
EBITDA	4,422	(1,397)	52	3,800

BUSINESS OVERVIEW

Goodfellow Inc. is a distributor of lumber products, building materials, and hardwood flooring products. The Company carries on the business of wholesale distribution of wood and associated products and remanufacturing, distribution and brokerage of lumber. The Company sells to over 7000 customers who represent three main sectors - retail trade, industrial, and manufacturing. The Company operates 12 distribution centres, 7 processing plants in Canada, and 1 distribution centre in the USA.

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

	2016 (12 months)	2015 (12 months)	2014 (15 months)
	\$	\$	\$
Consolidated sales	565,173	538,975	610,587
(Loss) Earnings before income taxes	(16,294)	11,874	11,128
Net (loss) earnings	(12,105)	8,622	8,125
Total Assets	241,568	212,081	195,847
Total Long-Term Debt	126	-	692
Cash Dividends	2,552	2,977	5,529
PER COMMON SHARE			
(Loss) Earnings per share Basic and Diluted	(1.42)	1.01	0.96
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	(1.27)	1.89	1.79
Shareholders' Equity	13.01	15.06	14.05
Share Price	9.05	10.35	9.50
Cash Dividends	0.30	0.35	0.65

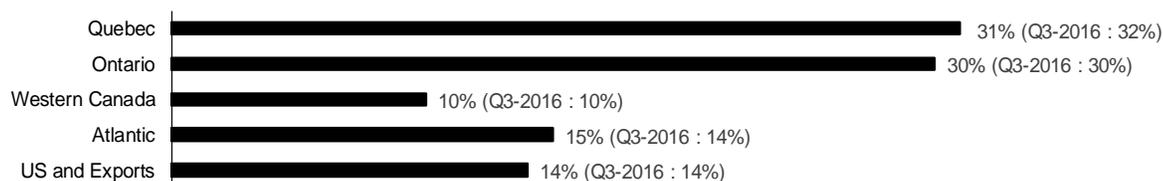
COMPARISON FOR THE THREE MONTHS ENDED AUGUST 31, 2017 AND 2016

(in thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE THREE MONTHS ENDED AUGUST 31, 2017	Q3-2017 \$	Q3-2016 \$	Variance %
Consolidated sales	142,970	159,143	-10.2
Earnings (Loss) before income taxes	2,314	(3,466)	+166.8
Net earnings (loss)	1,632	(2,491)	+165.5
Earnings (Loss) per share Basic and Diluted	0.19	(0.29)	+165.5
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	4,194	(1,732)	+342.1
EBITDA	4,422	(1,397)	+416.5
Average Bank indebtedness	80,787	105,186	-23.2
Inventory average	101,909	133,753	-23.8

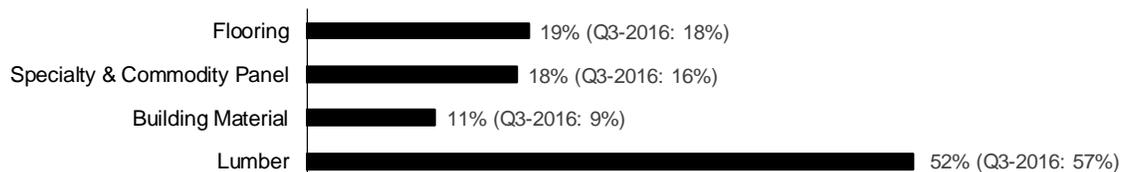
Sales in Canada during the third quarter of fiscal 2017 decreased 10% compared to the same period a year ago mainly due to decreased volume of Pressure Treated wood sales. Quebec sales decreased 14% due to decrease demand from the retailers and manufacturing sales groups. Sales in Ontario decreased 10% mainly due to decline in sales of pressure treated wood and hardwood. Western Canada sales decreased 5% due to decreased sales of flooring products. Sales in the Atlantic Provinces decreased 2% due to fir and pine products.

Geographical Distribution of Sales for the Third Quarter ended August 31, 2017



Sales in the United States for the third quarter ended August 31, 2017 decreased 20% on a Canadian dollar basis compared to the same period last year due to decrease in sales of hardwood lumber products. On a US dollar basis, US denominated sales decreased 19% compared to last year. Finally, export sales decreased 1% during the third quarter of fiscal 2017 compared to the same period a year ago mainly due to slight decrease in demand of value-added products in Asia and Europe.

Product Distribution of Sales for the Third Quarter ended August 31, 2017



These previously discussed factors impacted to various degrees our sales mix during the third quarter of fiscal 2017. Flooring sales for the third quarter ended August 31, 2017 decreased 2% compared to the same quarter a year ago. Specialty and Commodity Panel sales decreased 1% compared

to the corresponding period last year. Building Materials sales increased 9% compared to the corresponding period last year. Finally, our core lumber business sales decreased 18% compared to the corresponding period last year.

Cost of Goods Sold

Cost of goods sold for the third quarter of fiscal 2017 was \$119.1 million compared to \$137.6 million for the corresponding period a year ago. Cost of purchased goods decreased 13.4% compared to last year reflecting the decreased sales level and the cost structure regarding outsourced production of Pressure Treated wood and siding product line. Total freight outbound cost decreased 16.0% compared to the same period a year ago. This decrease was due to lower levels of imported products. Average gas and diesel purchased prices during the third quarter increased approximately 10% compared to the corresponding period a year ago. Gross profits increased 10.7% during the third quarter ended August 31, 2017 compared to last year while gross margins increased from 13.6% to 16.7% due to our cost structure regarding Pressure Treated wood.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the third quarter ended August 31, 2017 were \$20.5 million compared to \$24.0 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 14.9% due to our continued cost reduction strategy.

Net Financial Cost

Net financial costs for the third quarter ended August 31, 2017 were \$1.1 million (\$1.0 million a year ago). The average Canadian prime rate increased to 2.87% during the third quarter ended August 31, 2017 compared to 2.70% a year ago. The average US prime rate increased to 4.25% compared to 3.50% a year ago. Average bank indebtedness during the third quarter ended August 31, 2017 was \$80.8 million compared to \$105.2 million for the corresponding period last year. Average inventory during the third quarter ended August 31, 2017 was \$101.9 million compared to \$133.8 million for the same period last year.

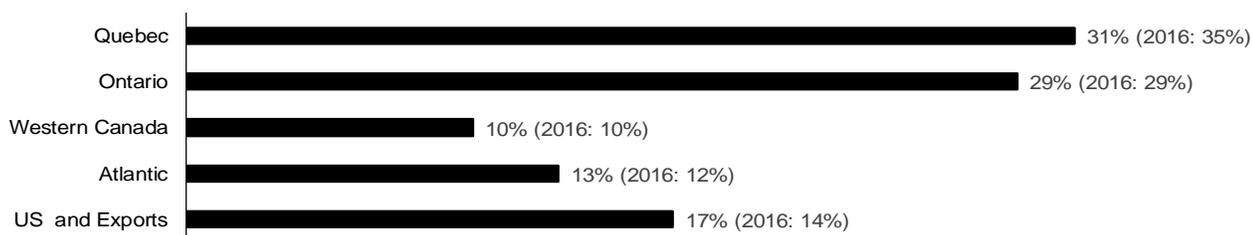
COMPARISON FOR THE NINE MONTHS ENDED AUGUST 31, 2017 AND 2016

(in thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE NINE MONTHS ENDED AUGUST 31, 2017	Q3-2017	Q3-2016	Variance
	\$	\$	%
Consolidated sales	396,101	434,425	-8.8
Loss before income taxes	(5,986)	(1,464)	-308.9
Net loss	(4,310)	(924)	-366.5
Loss per share Basic and Diluted	(0.51)	(0.11)	-363.6
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	(795)	2,372	-133.5
EBITDA	52	3,800	-98.6
Average Bank indebtedness	86,357	93,078	-7.2
Inventory average	108,540	133,175	-18.5

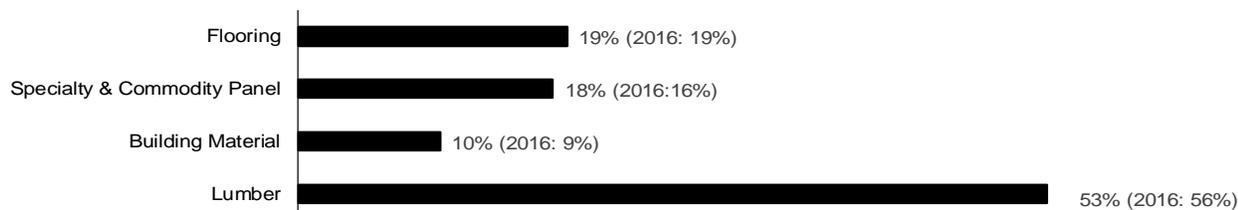
Sales in Canada during the first nine months of fiscal 2017 decreased 11% compared to the same period a year ago mainly due to decrease in sales of pressure treated wood and flooring products. Quebec sales decreased 18% compared to last year due to the pressure treated wood contract with one of our major retailer's group. Sales in Ontario decreased 8% impacted by the decrease demand for pressure treated wood and flooring products. Sales in Western Canada decreased 3% mainly due to the slower housing market in Alberta. Atlantic region sales decreased 6% mainly due to a decrease demand for pressure treated wood during the first nine months of fiscal 2017.

Geographical Distribution of Sales for the First Nine Months ended August 31, 2017



Sales in the United States for the first nine months ended August 31, 2017 increased 2% on a Canadian dollar basis compared to the same period last year due to slight increase in demand of hardwood lumber and flooring products. On a US dollar basis, US denominated sales increased 3% compared to last year. Finally, Export sales increased 16% during the first nine months of fiscal 2017 compared to the same period a year ago mainly due to increasing demand of hardwood and lumber products in Asia and Europe.

Product Distribution of Sales for the First Nine Months ended August 31, 2017



These previously discussed factors impacted to various degrees our sales mix. Flooring and Specialty sales for the first nine months ended August 31, 2017 decreased 8% compared to the corresponding period last year. Specialty and Commodity Panel sales for the first nine months decreased 1% compared to the corresponding period last year. Building Materials sales for the first nine months of fiscal 2017 remained unchanged compared to the corresponding period last year. Finally, Lumber sales for the first nine months of fiscal 2017 decreased 13% compared to the corresponding period last year.

Cost of Goods Sold

Cost of goods sold for the first nine months of fiscal 2017 was \$337.8 million compared to \$364.3 million for the corresponding period a year ago. Cost of purchased goods decreased 7.3% compared to the corresponding period last year reflecting the decreased sales level and the cost structure regarding outsourced production of Pressure Treated wood and siding product line. Total freight outbound cost decreased 5.6% compared to the same period a year ago. Average gas and diesel purchased prices during the first nine months increased approximately 19% compared to the nine months ended August 31, 2016. Gross profits decreased 16.8% during the first nine months ended August 31, 2017 compared to the corresponding period last year while gross margins decreased from 16.2% to 14.7%.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first nine months ended August 31, 2017 was \$61.2 million compared to \$69.1 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 11.5% compared to the corresponding period last year. The decrease results from the headcount reduction.

Net Financial Cost

Net financial costs for the first nine months of fiscal 2017 were \$3.1 million (\$2.5 million a year ago). The average Canadian prime rate increased to 2.76% for the first nine months of fiscal 2017 compared to 2.70% a year ago. The average US prime rate increased to 4.00% compared to 3.50% a year ago. Average bank indebtedness during the first nine months of fiscal 2017 was \$86.4 million compared to \$93.1 million for the corresponding period last year. Average inventory during the first nine months of fiscal 2017 was \$108.5 million compared to \$133.2 million for the same period last year.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except earnings per share)

	Nov-2016	Feb-2017	May-2017	Aug-2017
	\$	\$	\$	\$
Sales	130,748	113,490	139,641	142,970
Net (loss) earnings	(11,181)	(5,401)	(541)	1,632
(Loss) earnings per share Basic and Diluted	(1.31)	(0.63)	(0.07)	0.19

	Nov-2015	Feb-2016	May-2016 Restated	Aug-2016
	\$	\$	\$	\$
Sales	135,154	108,659	166,623	159,143
Net earnings (loss)	2,000	(906)	2,473	(2,491)
Earnings (loss) per share Basic and Diluted	0.23	(0.11)	0.29	(0.29)

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

STATEMENT OF FINANCIAL POSITION

Total Assets

Total assets decreased from \$276.2 million at August 31, 2016 to \$225.5 million at August 31, 2017. Cash at August 31, 2017 closed at \$1.1 million (\$1.3 million at August 31, 2016). Trade and other receivables at August 31, 2017 was \$69.4 million compared to \$84.9 million at August 31, 2016 reflecting a better collection rate from our collections department and reduction of backlog of invoicing due to better efficiency (re: new systems) and less sales compared to the corresponding period last year. Income taxes receivable at August 31, 2017 were \$8.4 million compared to \$2.5 million last year. Inventories at August 31, 2017 was \$98.0 million compared to \$129.8 million at August 31, 2016. This decrease was due to the decreased sales volume and lower Goods in Transit and work in process. Prepaid expenses at August 31, 2017 was \$3.9 million compared to \$5.8 million at August 31, 2016. Defined benefit plan assets was \$2.2 million at August 31, 2017 compared to \$5.0 million a year ago. Investment closed at \$0.3 million on August 31, 2017 compared to \$3.5 million at August 31, 2016.

Property, plant, equipment and intangible assets

Property, plant, equipment at August 31, 2017 was \$37.1 million compared to \$39.9 million at August 31, 2016. Capital expenditures during the nine months of fiscal 2017 amounted to \$0.8 million (\$2.0 million for the nine months ended August 31, 2016). Property, plant and equipment capitalized during the nine months ended August 31, 2017 included asphalt paving, computers, and yard equipment. Intangible assets at August 31, 2017 closed at \$5.1 million (\$3.6 million last year). Proceeds on disposal of property, plant, equipment and intangible assets during the first nine months of fiscal 2017 were \$0.2 million (\$nil for the nine months ended August 31, 2016). Depreciation of property, plant, equipment and intangible assets during the nine months of fiscal 2017 was \$2.9 million (\$2.8 million for the nine months ended August 31, 2016). Historically, capital expenditures in general have been capped at depreciation levels. Capital expenditures were financed from operational cash flows. No major capital expenditures are committed for at this time.

Total Liabilities

Total liabilities at August 31, 2017 was \$119.1 million (\$151.6 million last year). Bank indebtedness was \$73.7 million compared to \$108.0 million on August 31, 2016. Trade and other payables at August 31, 2017 was \$39.3 million compared to \$37.0 million on August 31, 2016. Provision at August 31, 2017 was \$1.4 million (\$1.6 million last year). Long-term debt was \$0.2 million (\$0.3 million on August 31, 2016). Deferred income taxes at August 31, 2017 closed at \$3.3 million (\$4.7 million on August 31, 2016). Defined benefit plan obligations was \$1.1 million at August 31, 2017 compared to \$nil at August 31, 2016.

Shareholders' Equity

Total Shareholders' Equity at August 31, 2017 decreased to \$106.4 million from \$124.6 million last year. The Company generated a return on equity of (5.4) % during the first nine months of fiscal 2017 ((1.0) % for the nine months ended August 31, 2016). Market share price closed at \$7.81 per share on August 31, 2017 (\$11.50 on August 31, 2016). Share book value at August 31, 2017 was \$12.51 per share (\$14.65 on August 31, 2016). Share capital closed at \$9.2 million (same as last year). No eligible dividend payments during the nine months of fiscal 2017 (\$2.6 million or \$0.30 per share paid during the same period last year).

LIQUIDITY AND CAPITAL RESOURCES

Financing

As at August 31, 2017, under the new credit agreement, the Company was using \$67 million of its facility compared to \$105 million last year. The credit agreement has a maximum revolving operating facility of \$125 million renewable in May 2018. For 2017, the available facility was \$125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to \$100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). 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 property of the Company.

As at August 31, 2017, the Company was compliant with its financial covenants and the lenders issued a waiver for financial covenant breaches reported in prior quarters of fiscal 2017. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

As a result of the dissolution of the joint venture, the company's investment decreased by \$3.1 million. Consequently, the credit facility was reduced by \$3.1 million, from \$125 million to \$122 million as at August 31st, 2017.

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

Cash Flow

Net cash flow from operating activities for the first nine months of fiscal 2017 increased to \$18.6 million from \$(49.9) million for the same period last year. Financing activities during the first nine months of fiscal 2017 decreased to \$(24.5) million compared to \$58.7 million for the nine months ended August 31, 2016. Investing activities during the first nine months of fiscal 2017 were \$2.2 million (\$8.6) million for the corresponding period a year ago). Investing activities in 2016 reflected the capital expenditures and investments required for our new ERP system as well as the net cash effect of the acquisition of Quality Hardwoods Ltd.

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 capital as Shareholders' equity and funded debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid and non-assessable shares of the share capital together with the contributed surplus and retained earnings, calculated on a consolidated basis in accordance with IFRS.

The Company manages its capital structure 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 structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under normal course issuer bids, 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 operating lines of credit.

Due to the impact of the Company's financial performance in fiscal 2016 and the level of inventories and capital requirements, there is a possibility that its existing cash, cash generated from operations and funds available under its credit agreement could be insufficient to fund its future operations. As at November 30, 2016, the Company was in default of its financial covenants under its credit agreement and borrowings under the revolving credit facility exceeded the borrowing base under its credit agreement. Subsequent to year-end, Management obtained from its lenders waivers of the defaults and amended the terms of its credit facility. For 2017, the available facility was \$125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to \$100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). Furthermore, the Company needs to comply with monthly maximum funded debt to capitalization ratio, a minimum debt service coverage ratio only at December 31, 2017 and achieve minimum quarterly year-to-date EBITDA budget approved by the lenders (see notes 12 and 24 in the 2016 Annual Report). As at August 31, 2017, the Company was compliant with its financial

covenants and the lenders issued a waiver for financial covenant breaches reported in prior quarters of fiscal 2017. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

As at August 31, 2017 and 2016, the Company achieved the following results regarding its capital management objectives:

	As at	As at
Capital management (in thousands of dollars)	August 31 2017	August 31 2016
Debt-to-capitalization ratio	39.2 %	46.2 %
Return on shareholders' equity	(5.4) %	(1.0) %
Current ratio	1.6	1.5
EBITDA	\$52	\$3,800

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

- Debt-to-capitalization ratio represents the funded debt over total shareholders' equity. Funded debt is bank indebtedness less cash and cash equivalents. Capitalization is funded debt plus shareholders' equity.
- Return on shareholders' equity is the net earnings (loss) divided by shareholders' equity.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA is earnings before interest, taxes, depreciation and amortization.

Cost Structure, Working Capital Requirements

At August 31, 2017, its total debt to capitalization ratio stood at 39.2% compared to 46.2% last year. For 2017, the available facility was \$125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has been subsequently reduced to \$100 million which correspond to the low seasonality of the business (September 1, 2017 to January 31, 2018). Furthermore, the Company needs to comply with monthly maximum funded debt to capitalization ratio and achieve minimum quarterly EBITDA budget approved by the lenders with a maturity date of May 2018.

For further information, the principal risk factors to which the Company is exposed are described in the Management's Report contained in its Annual Report for the twelve months ended November 30, 2016 as well as in the 2016 Annual Information Form available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

As at August 31, 2017, the minimum future rentals payable under long-term operating leases, for offices, warehouses, vehicles, yards and equipment, did not materially change and are as follows:

Contractual obligations	Payments due by Period (in thousands of dollars)				
	Total	Less than 1 year	1 – 3 Years	4 – 5 Years	After 5 years
Operating Leases	21,517	4,805	7,183	5,520	4,009
Purchase obligations	76	76	-	-	-
Total Contractual Obligations	21,593	4,881	7,183	5,520	4,009

Contingent liabilities

The Company is party to claims which are being contested relate primarily to damaged goods, quality issues or transportation related issues. The amount of claims currently being contested and/or addressed is approximately \$0.2 million. Management believes that the resolution of these claims will not have a material adverse effect on the Company's financial position, earnings or cash flows.

RISKS AND UNCERTAINTIES

The risks and uncertainty factors affecting the Company in the future remains substantially unchanged from those included in the Company's Annual MD&A contained in its 2016 Annual report. Only those factors with variability components are described below:

Dependence on Major Customers

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Two major customers exceed 10% of total company sales in the three and nine months ended August 31, 2017 while only one major customer exceeded 10% of total company sales in the three and nine months ended August 31, 2016. The following represents the total sales consisting primarily of various wood products of the major customers:

	For the three months ended				For the nine months ended			
	August 31, 2017		August 31, 2016		August 31, 2017		August 31, 2016	
	\$	%	\$	%	\$	%	\$	%
Sales of major customer(s) that exceeded 10% of total Company's sales	32,180	22.5	29,668	18.6	84,703	21.4	75,152	17.3

The loss of any major customer could have a material effect on the Company's results, operations and financial positions.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Financial instruments and other instruments remains substantially unchanged from those included in the Company's Annual MD&A contained in its 2016 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at August 31, 2017:
(in thousands of dollars)

Financial Liabilities	Carrying Amount	Contractual cash flows	0 to 6 Months	6 to 60 Months
Bank indebtedness	73,715	73,715	73,715	-
Trade and other payables	39,305	39,305	39,305	-
Long-term debt	227	227	68	159
Total financial liabilities	113,247	113,247	113,088	159

Currency Risk

As at August 31, 2017, the Company had the following currency exposure on;

Financial assets and liabilities measured at amortized costs

(in thousands of dollars)

	USD	GBP	Euro
Cash	644	329	9
Trade and other receivables	7,893	295	-
Trade and other payables	(7,969)	(75)	(303)
Long-term debt	(55)	-	-
Net exposure	513	549	(294)
CAD exchange rate as at August 31, 2017	1.2536	1.6161	1.4887
Impact on net earnings based on a fluctuation of 5% on CAD	23	32	(16)

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 for foreign accounts to reduce the potential for credit losses in foreign countries. 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. Accounts receivable over 60 days past their due date and not impaired represents 1.3% (8.6% on August 31, 2016) of total trade and other receivables as at August 31, 2017.

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 not past due 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.

RELATED PARTY TRANSACTIONS

The Related Party Transactions remains substantially unchanged from those included in the Company's Annual MD&A contained in its 2016 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 2016 Annual report.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies remain substantially unchanged from those included in its 2016 Annual report.

SIGNIFICANT ACCOUNTING POLICIES & USE OF ESTIMATES AND JUDGEMENTS

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 2016 Annual Report.

DISCLOSURE OF OUTSTANDING SHARE DATA

At August 31, 2017, there were 8,506,554 common shares issued (same last year). The Company has authorized an unlimited number of common shares to be issued, without par value. At October 12, 2017, there were 8,506,554 common shares outstanding.

SUBSEQUENT EVENT

In September 2017, the Company closed the sale of a parcel of land and building in Drummondville. Proceeds from the sale adds up to \$1.4 million, resulting in a gain from disposal of \$1.0 million net of tax.

In addition, pursuant to the amended credit facility, the available facility has been reduced by \$11.0 million in September 2017 due to tax refunds of \$6.9 million, \$3.1 million for the LGTI investment and \$1.0 million for the sale of land in Drummondville. Therefore, the available credit is reduced from \$100 million to \$89 million. The current facility is considered by management to be adequate to support its current forecasted cash flow requirements. Furthermore, the Company is currently in negotiation with its lenders to refinance and extend the credit facility for a longer term.

OUTLOOK

The company is continuing in its focused strategy to steadily increase margin levels while simultaneously addressing elements of obsolete inventory. Inventory levels have been right sized in order to give Goodfellow the opportunity to capitalize on asset opportunities. Q4 will bring many seasonal inventory and transitional challenges. Nonetheless Goodfellow now has a profitable framework moving forward. The Company is committed to improving its customer experience on an ongoing basis.

CERTIFICATION

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining appropriate control systems, procedures and information systems and internal control over financial reporting. The Chief Executive Officer and the Chief Financial Officer together with Management, after evaluating the design of the Company's disclosure controls and procedures and internal control over financial reporting as of August 31, 2017 concluded that the Company's disclosure controls and procedures and internal control over financial reporting were ineffective because of the material weakness described below.

A material weakness existed in the design of the Company's internal control over financial reporting in the area of inventory controls, principally due to the implementation of the new ERP system on December 1, 2015. For its financial year beginning on December 1, 2015, Goodfellow started using a new ERP software for its financial accounting records. In the course of the preparation of its financial statements for the quarter ended August 31, 2016, management noticed certain anomalies relating principally to the cost of inventory for its products. Management undertook an extensive review process to determine the nature of the problem and the means of remediating the financial accounting records. This material weakness, which we now realize existed in earlier quarters, was caused primarily by the absence of certain preventive and detective controls over inventory management.

This control deficiency resulted in the Company determining that its interim financial statements for the three and six-month periods ended May 31, 2016 were materially misstated. The Company has restated and refiled those financial statements. This control deficiency also delayed the filing of its interim financial statements for the three and nine-month periods ended August 31, 2016 while management performed additional substantive procedures to validate the recorded value of inventory.

While it is possible that this design weakness, if left unaddressed, could result in a material misstatement of the Company's inventory balances now or in the future, management has concluded that the consolidated financial statements included in this interim report fairly present the Company's financial position, consolidated results of operations and cash flows for the three month and nine month periods ended August 31, 2017.

Management has undertaken an extensive and thorough review of the transactions processed in the new ERP software with the objective of resolving all design deficiencies and implementing compensating controls to mitigate the risk of a material misstatement. The Company is in the process of implementing a plan for the remediation of this material weakness. In the short term, the number of inventory counts increased to a level at which the Company can be confident of the statistical validity of the results of those counts and the Company has established many review procedures to ensure the accuracy of the financial information. The Company will report on its progress of remediation in the second part of 2017.

The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework) control framework adopted by the Company.

On January 17, 2017, the Company changed its President and CEO. Other than as described above, there has been no change in the Company's internal control over financial reporting that occurred during the three months and nine months ended August 31, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Subsequent to Q1 results, on March 3, 2017, the Company announced a change to the CFO position.

Delson, October 12, 2017



Patrick Goodfellow
President and C.E.O.



Charles Brisebois, CPA, CMA
C.F.O