PROSPECTIVE FINANCIAL INFORMATION

The following Management's Discussion and Analysis ("MD&A") and Goodfellow Inc. (hereafter the "Company") interim consolidated financial statements were approved by the Audit Committee and the Board of Directors on October 4, 2018. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the twelve months ended November 30, 2017 and twelve months ended November 30, 2016. The MD&A provides a review of the significant developments and results of operations of the Company during the nine months ended August 31, 2018 and nine months ended August 31, 2017. The interim consolidated financial statements ended August 31, 2018 and August 31, 2017 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, 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; competition from vendors; dependence on key personnel and major customers; laws and regulation; information systems, cost structure and working capital requirements; 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-IFRS FINANCIAL MEASURES

Cash flow per share and operating income (loss) 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 items, income tax paid and interest paid) of $4.5 million for the three months and $8.1 million for the nine months period ended August 31, 2018 divided by the total number of outstanding shares of 8,506,554.

Reconciliation of EBITDA	**For the three months ended**		**For the nine months ended**	
and operating income to net income (loss)	**August 31**	August 31	**August 31**	August 31
(thousands of dollars)	**2018**	2017	**2018**	2017
	$	$	**$**	$
Net income (loss) for the period	**1,993**	1,632	**2,374**	(4,310)
Provision for income taxes	**777**	682	**925**	(1,676)
Net financial costs	**1,004**	1,121	**2,577**	3,145
Operating income (loss)	**3,774**	3,435	**5,876**	(2,841)
Depreciation and amortization	**932**	987	**2,746**	2,893
EBITDA	**4,706**	4,422	**8,622**	52

BUSINESS OVERVIEW

Goodfellow Inc. is a distributor of lumber products, building materials, and hardwood flooring products. The Company carries on the business of wholesale distribution of wood and associated products and remanufacturing, distribution and brokerage of lumber. The Company sells to over 7000 customers who represent three main sectors - retail trade, industrial, and manufacturing. The Company operates 13 distribution centres, 9 processing plants in Canada, and 1 distribution centre in the USA.

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

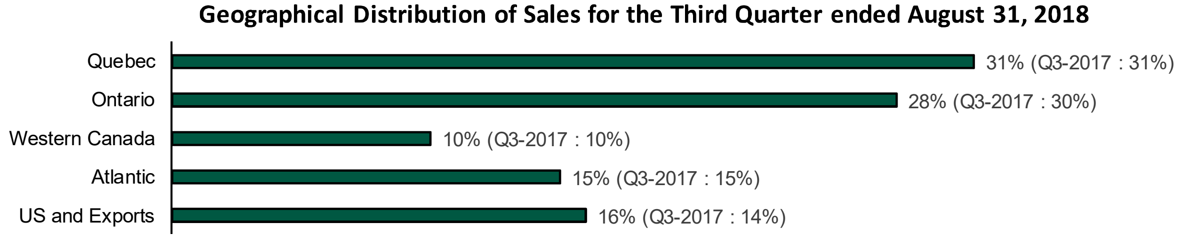
	2017	2016	2015
	$	$	$
Consolidated sales	523,659	565,173	538,975
(Loss) Earnings before income taxes	(3,275)	(16,294)	11,874
Net (loss) earnings	(2,094)	(12,105)	8,622
Total Assets	197,233	241,568	212,081
Total Long-Term Debt	55	126	-
Cash Dividends	-	2,552	2,977
PER COMMON SHARE			
Net (loss) earnings per share Basic and Diluted	(0.25)	(1.42)	1.01
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	0.33	(1.27)	1.89
Shareholders' Equity	12.86	13.01	15.06
Share Price	8.33	9.05	10.35
Cash Dividends	-	0.30	0.35

COMPARISON FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017
(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE THREE MONTHS ENDED AUGUST 31, 2018 AND 2017	**Q3-2018**	Q3-2017	Variance
	$	$	%
Consolidated sales	**132,455**	142,970	-7.4
Earnings before income taxes	**2,770**	2,314	+19.7
Net earnings	**1,993**	1,632	+22.1
Net earnings per share Basic and Diluted	**0.24**	0.19	+26.3
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**4,513**	4,194	+7.6
EBITDA	**4,706**	4,422	+6.4
Average Bank indebtedness	**79,060**	80,787	-2.1
Inventory average	**110,535**	101,909	+8.5

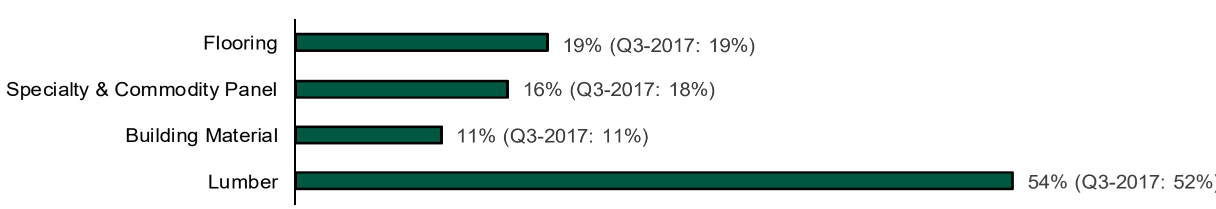
Sales in Canada during the third quarter of fiscal 2018 decreased 9% compared to the same period a year ago mainly due to decreased volume of pressure treated wood sales, panel and flooring products. Quebec sales decreased 8% due to decreased volume of pressure treated wood and panel sales. Sales in Ontario decreased 12% mainly due to a decline in sales of pressure treated wood and flooring products. Western Canada sales decreased 11% due to decreased sales of flooring and siding products. Atlantic region sales decreased 4% due to decrease sales of pressure treated wood and siding products.

Geographical Distribution of Sales for the Third Quarter ended August 31, 2018



Sales in the United States for the third quarter of fiscal 2018 increased 11% on a Canadian dollar basis compared to the same period last year due to increase in sales of hardwood lumber products. On a US dollar basis, US denominated sales increased 9% compared to last year. Finally, export sales decreased 8% during the third quarter of fiscal 2018 compared to the same period a year ago mainly due to decreased demand for hardwood lumber in Asia and Europe.

Product Distribution of Sales for the Third Quarter ended August 31, 2018



These previously discussed factors impacted to various degrees our sales mix. Flooring sales for the third quarter ended August 31, 2018 decreased 9% compared to the corresponding period last year. Specialty and Commodity Panel sales for the third quarter of fiscal 2018 decreased 15% compared to the corresponding period last year. Building Materials sales for the third quarter of fiscal 2018 decreased 11% compared to the corresponding period last year. Finally, Lumber sales for the third quarter of fiscal 2018 decreased 3% compared to the corresponding period last year.

Cost of Goods Sold
Cost of goods sold for the third quarter of fiscal 2018 was $108.1 million compared to $119.0 million for the corresponding period a year ago. Cost of goods sold decreased 9.2% compared to the third quarter last year. Total freight outbound cost for the third quarter of fiscal 2018 decreased 7.6% compared to the same period a year ago. Gross profits increased 2.0% during the third quarter of fiscal 2018 compared to last year and gross margins increased from 16.7% to 18.4%.

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses for the third quarter ended August 31, 2018 were $20.7 million compared to $20.6 million for the corresponding period last year. Selling, Administrative and General Expenses increased 0.5% compared to the third quarter last year.

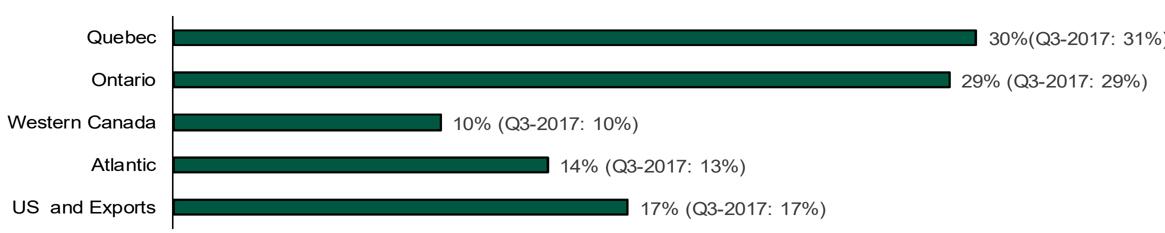
Net Financial Costs
Net financial costs for the third quarter of fiscal 2018 were $1.0 million ($1.1 million a year ago). The average Canadian prime rate increased to 3.60% during the third quarter of fiscal 2018 compared to 2.87% last year. The average US prime rate increased to 4.97% during the third quarter compared to 4.25% a year ago. Average bank indebtedness during the third quarter of fiscal 2018 was $79.1 million compared to $80.8 million for the corresponding period last year. Average inventory during the third quarter of fiscal 2018 was $110.5 million compared to $101.9 million for the same period last year.

COMPARISON FOR THE NINE MONTHS ENDED AUGUST 31, 2018 AND 2017
(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE NINE MONTHS ENDED AUGUST 31, 2018 AND 2017	**Q3-2018**	Q3-2017	Variance
	$	$	%
Consolidated sales	**362,465**	396,101	-8.5
Earnings (loss) before income taxes	**3,299**	(5,986)	+155.1
Net earnings (loss)	**2,374**	(4,310)	+155.1
Net earnings (loss) per share Basic and Diluted	**0.28**	(0.51)	+154.9
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	**8,096**	(795)	+1,118.4
EBITDA	**8,622**	52	+16,480.8
Average Bank indebtedness	**74,054**	86,357	-14.2
Inventory average	**106,485**	108,540	-1.9

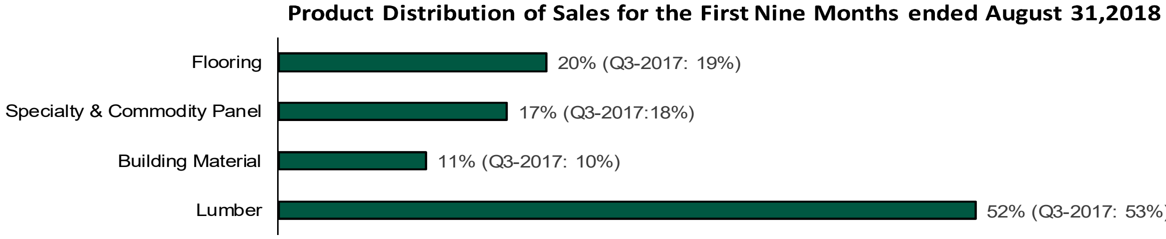
Sales in Canada during the first nine months of fiscal 2018 decreased 9% compared to the same period a year ago mainly due to decrease in sales of pressure treated wood and hardwood products. Quebec sales decreased 12% compared to last year due to decrease in sales of pressure treated wood and panels. Sales in Ontario decreased 10% mainly due to a decline in sales of pressure treated wood and flooring products. Sales in Western Canada decreased 14% mainly due to decreased sales of flooring, siding, building materials and hardwood products. Atlantic region sales increased 3% due to an increase in sales of Specialty and Commodity Panel, engineering and flooring products.

Geographical Distribution of Sales for the First Nine Months ended August 31, 2018



Sales in the United States for the first nine months ended August 31, 2018 decreased 8% on a Canadian dollar basis compared to the same period last year due to lower demand of hardwood lumber products. On US dollar basis, US denominated sales decreased 6% compared to last year. Finally, export sales decreased 2% during the first nine months of fiscal 2018 compared to the same period a year ago mainly due to lower demand of hardwood products in Asia but increase the hardwood sales in Europe.

Product Distribution of Sales for the First Nine Months ended August 31,2018



These previously discussed factors impacted to various degrees our sales mix. Flooring and Specialty sales for the first nine months ended August 31, 2018 decreased 5% compared to the corresponding period last year. Specialty and Commodity Panel sales for the first nine months of fiscal 2018 decreased 11% compared to the corresponding period last year. Building Materials sales for the first nine months of fiscal 2018 decreased 5% compared to the corresponding period last year. Finally, Lumber sales for the first nine months of fiscal 2018 decreased 10% compared to the corresponding period last year.

Cost of Goods Sold
Cost of goods sold for the first nine months of fiscal 2018 was $295.4 million compared to $337.7 million for the corresponding period a year ago. Cost of goods sold decreased 12.5% compared to the corresponding period last year. Total freight outbound cost decreased 14.4% compared to the same period a year ago. Gross profits increased 14.7% during the first nine months ended August 31, 2018 compared to the corresponding period last year while gross margins increased from 14.8% to 18.5%.

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses for the first nine months ended August 31, 2018 was $61.2 million compared to $61.3 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 0.3% compared to the corresponding period last year.

Net Financial Costs
Net financial costs for the first nine months of fiscal 2018 were $2.6 million ($3.1 million a year ago). The average Canadian prime rate increased to 3.45% for the first nine months of fiscal 2018 (2.76% a year ago). The average US prime rate increased to 4.71% compared to 4.00% a year ago. Average bank indebtedness during the first nine months of fiscal 2018 was $74.1 million compared to $86.4 million for the corresponding period last year. Average inventory during the first nine months of fiscal 2018 was $106.5 million compared to $108.5 million for the same period last year.

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

	Nov-2017	**Feb-2018**	**May-2018**	**Aug-2018**
	$	**$**	**$**	**$**
Sales	127,558	96,684	133,326	132,455
Net earnings (loss)	2,216	(1,431)	1,812	1,993
Net earnings (loss) per share Basic and Diluted	0.26	(0.17)	0.21	0.24

	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
Net (loss) earnings per share Basic and Diluted	(1.31)	(0.63)	(0.07)	0.19

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 at August 31, 2018 decreased from $225.5 million at August 31, 2017 to $218.3 million. Cash at August 31, 2018 closed at $2.2 million ($1.1 million at August 31, 2017). Trade and other receivables at August 31, 2018 was $65.9 million compared to $69.4 million at August 31, 2017. Income taxes receivable was nil compared to $8.4 million last year. Inventories at August 31, 2018 was $104.1 million compared to $98.0 million at August 31, 2017. Prepaid expenses at August 31, 2018 was $4.3 million compared to $3.9 million at August 31, 2017. Defined benefit plan assets were $2.4 million at August 31, 2018 compared to $2.2 million a year ago. Investment closed at $25 thousand at August 31, 2018 compared to $282 thousand reflecting the dissolution of the joint venture.

Property, plant, equipment and intangible assets
Property, plant, equipment at August 31, 2018 was $34.8 million compared to $37.1 million at August 31, 2017. Capital expenditures during the first nine months of fiscal 2018 amounted to $0.9 million ($0.8 million last year). Property, plant, equipment capitalized during the first nine months of fiscal 2018 included leasehold improvements, computers, rolling stock and yard equipment. Intangible assets at August 31, 2018 closed at $4.6 million ($5.1 million last year). Proceeds on disposal of capital assets during the first nine months of fiscal 2018 amounted to $45 thousand ($184 thousand last year). Depreciation of property, plant, equipment and intangible assets during the first nine months of fiscal 2018 was $2.7 million ($2.9 million last year). Historically, capital expenditures in general have been capped at depreciation levels.

Total Liabilities
Total liabilities at August 31, 2018 was $106.5 million ($119.1 million last year). Bank indebtedness closed at $68.2 million compared to $73.7 million last year. Trade and other payables at August 31, 2018 was $31.7 million compared to $39.3 million a year ago. Income taxes payable was $0.5 million compared to nil last year. Provision at August 31, 2018 was $1.5 million ($1.4 million last year). Long-term debt at August 31, 2018 was $91 thousand ($227 thousand last year). Deferred income taxes at August 31, 2018 closed at $3.6 million ($3.3 million last year). Defined benefit plan obligations was $1.0 million at August 31, 2018 compared to $1.1 million at August 31, 2017.

Shareholders' Equity
Total Shareholders' Equity at August 31, 2018 increased to $111.8 million from $106.4 million last year. The Company generated a return on equity of 2.8 % during the first nine months of fiscal 2018 ((5.4) % last year). Market share price closed at $7.10 per share on August 31, 2018 ($7.81 on August 31, 2017). Share book value at August 31, 2018 was $13.14 per share ($12.51 on August 31, 2017). Share capital closed at $9.2 million (same as last year). No eligible dividend was declared and paid to the holders of participating shares during the first nine months of fiscal 2018 and 2017.

LIQUIDITY AND CAPITAL RESOURCES

Financing
As at August 31, 2018, under the credit agreement, the Company was using $63.0 million of its facility compared to $67 million last year. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. 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, 2018, the Company was compliant with its financial covenants.

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 2018 decreased to $(14.4) million from $18.6 million for the same period last year. Financing activities during the first nine months of fiscal 2018 increased to $11.9 million compared to $(24.5) million for the same period last year. Investing activities during the first nine months of fiscal 2018 were $(0.8) million, $2.2 million for the corresponding period a year ago (See Property, plant, equipment and intangible assets for more details).

LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS

The Company's objectives are as follows:

1. Maintain financial flexibility in order to preserve its ability to meet financial obligations;
2. Maintain a low debt-to-capitalization ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements;
4. Provide an adequate return to its shareholders.

The Company defines its capitalization as shareholders' equity and debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid common shares together with the retained earnings, calculated on a consolidated basis in accordance with IFRS. Debt includes bank indebtedness reduced by the amounts of cash and cash equivalents. Capitalization represents the sum of debt and shareholders' equity.

The Company manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under the normal course issuer bid, acquire or sell assets to improve its financial performance and flexibility or return capital to shareholders. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally-generated cash flows and credit facilities.

The Company realized a net income of $2.0 million and positive cash flow from operating activities (excluding non-cash working capital items) of $4.5 million in Q3-2018 compared to a net income of $1.6 million and positive cash flow from operating activities (excluding non-cash working capital items) of $4.2 million in Q3-2017. For the nine months ended August 31, 2018, the Company realized a net income of $2.4 million and positive cash flow from operating activities (excluding non-cash working capital items) of $8.1 million compared to a net loss of $4.3 million and negative cash flow from operating activities (excluding non-cash working capital items) of $0.8 million for the corresponding period last year. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. 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, 2018, the Company was compliant with its financial covenants.

The Company is subject to certain covenants on its credit facilities. The covenants include a debt-to-capitalization ratio, year-to-date EBITDA (not required after Q1-2018) and an interest coverage ratio. The Company monitors the ratios on a monthly basis. The Company currently complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

The Company's financial objectives and strategy have changed in Fiscal 2017. The financial objectives and strategy were to stabilize the Company and bring back to traditionally conservative management. Changes to its credit agreement and working capital structure were required and Management have addressed them with a renewed credit agreement starting December 2017 and maturing in May 2019 with its lenders. The Company believes that all its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As at August 31, 2018 and 2017, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at August 31 2018**	As at August 31 2017
Debt-to-capitalization ratio	**37.3%**	39.2%
Interest coverage ratio	**3.7**	- *
Return on shareholders' equity	**2.8 %**	(5.4) %
Current ratio	**1.7**	1.6
EBITDA (in thousands of dollars)	**8,622**	52

* The interest coverage ratio was not required in Fiscal 2017.

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.
- Interest Coverage ratio represents the EBITDA during the period for which the calculation is made over interest expenses for the same period on a consolidated basis, calculated on a rolling four-quarter basis.
- 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, 2018, its total debt-to-capitalization ratio stood at 37.3% compared to 39.2% on August 31, 2017. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. 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.

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, 2017 as well as in the Annual Information Form 2017 available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

As at August 31, 2018, 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	20,159	5,161	7,402	5,268	2,328
Purchase obligations	184	184	-	-	-
Total Contractual Obligations	**20,343**	**5,345**	**7,402**	**5,268**	**2,328**

Contingent liabilities

During the normal course of business, certain product liability and other claims have been brought against the Company and, where applicable, its suppliers. While there is inherent difficulty in predicting the outcome of such matters, management has vigorously contested the validity of these claims, where applicable, and based on current knowledge, believes that they are without merit and does not expect that the outcome of any of these matters, in consideration of insurance coverage maintained, or the nature of the claims, individually or in the aggregate, would have a material adverse effect on the consolidated financial position, results of operations or future earnings of the Company.

RISKS AND UNCERTAINTIES

The risks and uncertainty factors affecting the Company in the future remain substantially unchanged from those included in the Company's Annual MD&A contained in its 2017 Annual report. Only those factors with variability components are described below:

Dependence on Major Customers
The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Only one major customer exceeded 10% of total company sales during the three months ended August 31, 2018 compared to two last year and two major customers exceeded 10% of total company sales during the nine months ended August 31, 2018 (same last year). The following represents the total sales consisting primarily of various wood products of the major customer(s):

	For the three months ended				For the nine months ended			
(in thousands of dollars)	**August 31, 2018**		August 31, 2017		**August 31, 2018**		August 31, 2017	
	$	**%**	$	%	**$**	**%**	$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	**17,766**	**13.4**	32,180	22.5	**87,985**	**24.3**	84,703	21.4

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

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 2017 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at August 31, 2018:
(in thousands of dollars)

Financial Liabilities	**Carrying Amount**	**Contractual cash flows**	**0 to 6 Months**	**6 to 36 Months**
Bank indebtedness	68,205	68,205	68,205	-
Trade and other payables	31,708	31,708	31,708	-
Long-term debt	91	91	39	52
Total financial liabilities	**100,004**	**100,004**	**99,952**	**52**

Interest Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the $68.2 million in bank indebtedness would impact interest expense by $0.7 million annually.

Currency Risk
The Company could enter into forward exchange contracts to economically hedge certain trade payables and from time to time future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. Fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a material effect on the Company's net earnings. As at August 31, 2018, the Company had the following currency exposure on;

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

	USD	**GBP**	**Euro**
Cash	2,205	276	16
Trade and other receivables	9,772	373	-
Trade and other payables	(3,792)	(58)	(189)
Long term debt	(45)	-	-
Net exposure	**8,140**	**591**	**(173)**
CAD exchange rate as at August 31, 2018	1.3095	1.6853	1.5215
Impact on net earnings based on a fluctuation of 5% on CAD	**384**	**36**	**(9)**

Credit Risk
The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers and specific credit limit for each customer is established and regularly revised. Accounts receivable over 60 days past their due date and not impaired represents 1.0% (1.3% on August 31, 2017) of total trade and other receivables at August 31, 2018.

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.

Fair Value
Fair values of assets and liabilities approximate amounts at which these items could be exchanged in a transaction between knowledgeable and willing parties. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and long-term debt 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 2017 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 2017 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 2017 Annual consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

At August 31, 2018, 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 4, 2018, there were 8,506,554 common shares outstanding.

OUTLOOK

During Fiscal 2018, the Company will focus on growing sales while maintaining margin discipline and keep looking for growth opportunity to increase its market share. Our focus on value-added product lines will continue to be at the forefront of our core strategy. Management is committed to keep operating costs in line with the variability of the economic situation. Furthermore, 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, 2018 concluded that the Company's disclosure controls and procedures and internal control over financial reporting were ineffective and the material weakness previously disclosed continues to only be partially remediated. The material weakness remains because the controls put in place to remediate the deficiency have not operated for a sufficient length of time to properly evaluate their effectiveness.

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 was caused primarily by the absence of certain preventive and detective controls over inventory management.

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 partially remediated the material weakness by implementing changes in its inventory management cycle. The significant changes in internal controls were as follows:

- Implemented many preventive and detective controls over the inventory cycle either directly in the ERP system or through management review controls;
- Established monitoring controls, exception reports, edits checks and other tools to improve the accuracy of the information from the ERP system;
- Established controls over inventory management and financial reporting including management review controls over inventory costing, valuation and inventory movements;
- Increased the level of oversight and review of inventory balances;
- Increased training and knowledge awareness throughout the organization.

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.

Other than as described above, there has been no change in the Company's internal control over financial reporting that occurred during the three and nine months ended August 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, October 4, 2018

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois, CPA, CMA
Chief Financial Officer