

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company’s independent auditors, KPMG LLP, has not performed a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity’s auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

### GOODFELLOW INC.

#### Consolidated Statements of Comprehensive Income

For the three and nine months ended August 31, 2018 and 2017

*(in thousands of dollars, except per share amounts)*

#### Unaudited

	For the three months ended		For the nine months ended	
	August 31 2018	August 31 2017	August 31 2018	August 31 2017
	\$	\$	\$	\$
<b>Sales</b>	<b>132,455</b>	142,970	<b>362,465</b>	396,101
Expenses				
Cost of goods sold (Note 4)	<b>108,072</b>	119,049	<b>295,438</b>	337,669
Selling, administrative and general expenses (Note 4)	<b>20,650</b>	20,554	<b>61,153</b>	61,328
Gain on disposal of property, plant and equipment	<b>(41)</b>	(68)	<b>(2)</b>	(55)
Net financial costs	<b>1,004</b>	1,121	<b>2,577</b>	3,145
	<b>129,685</b>	140,656	<b>359,166</b>	402,087
Earnings (loss) before income taxes	<b>2,770</b>	2,314	<b>3,299</b>	(5,986)
Income taxes	<b>777</b>	682	<b>925</b>	(1,676)
<b>Total comprehensive income (loss)</b>	<b>1,993</b>	1,632	<b>2,374</b>	(4,310)
Net earnings (loss) per share - Basic and diluted (Note 8)	<b>0.24</b>	0.19	<b>0.28</b>	(0.51)

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

	As at August 31 2018	As at November 30 2017	As at August 31 2017
	\$	\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash	2,229	1,622	1,121
Trade and other receivables (Note 5)	65,865	58,317	69,414
Income taxes receivable	-	1,589	8,408
Inventories	104,106	88,860	97,996
Prepaid expenses	4,289	3,007	3,861
<b>Total Current Assets</b>	<b>176,489</b>	<b>153,395</b>	<b>180,800</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	34,834	36,198	37,074
Intangible assets	4,588	4,942	5,116
Defined benefit plan asset	2,396	2,413	2,227
Investment in a joint venture	25	285	282
<b>Total Non-Current Assets</b>	<b>41,843</b>	<b>43,838</b>	<b>44,699</b>
<b>Total Assets</b>	<b>218,332</b>	<b>197,233</b>	<b>225,499</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank indebtedness (Note 6)	68,205	52,309	73,715
Trade and other payables (Note 7)	31,708	29,409	39,305
Income taxes payable	461	-	-
Provision	1,019	938	925
Current portion of long-term debt (Note 6)	45	139	138
<b>Total Current Liabilities</b>	<b>101,438</b>	<b>82,795</b>	<b>114,083</b>
<b>Non-Current Liabilities</b>			
Provision	484	446	513
Long-term debt (Note 6)	46	55	89
Deferred income taxes	3,582	3,582	3,296
Defined benefit plan obligation	974	921	1,135
<b>Total Non-Current Liabilities</b>	<b>5,086</b>	<b>5,004</b>	<b>5,033</b>
<b>Total Liabilities</b>	<b>106,524</b>	<b>87,799</b>	<b>119,116</b>
<b>Shareholders' equity</b>			
Share capital (Note 8)	9,152	9,152	9,152
Retained earnings	102,656	100,282	97,231
	<b>111,808</b>	<b>109,434</b>	<b>106,383</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>218,332</b>	<b>197,233</b>	<b>225,499</b>

Going concern and future operations (Note 2 b)

**GOODFELLOW INC.****Consolidated Statements of Cash Flows****For the three and nine months ended August 31, 2018 and 2017***(in thousands of dollars)***Unaudited**

	For the three months ended		For the nine months ended	
	August 31 2018	August 31 2017	August 31 2018	August 31 2017
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net earnings (loss)	1,993	1,632	2,374	(4,310)
Adjustments for:				
Depreciation	932	987	2,746	2,893
Accretion expense on provision	12	12	38	37
Increase (decrease) in provision	55	(4)	80	(37)
Income taxes	777	682	925	(1,676)
Gain on disposal of property, plant and equipment	(41)	(68)	(2)	(55)
Interest expense	737	781	1,866	2,255
Funding in deficit of pension plan expense	48	50	69	97
Share of the losses of a joint venture	-	122	-	1
	<b>4,513</b>	4,194	<b>8,096</b>	(795)
Changes in non-cash working capital items (Note 12)	10,863	5,475	(21,635)	21,876
Interest paid	(663)	(817)	(2,005)	(2,309)
Income taxes recovered (paid)	1,296	474	1,125	(134)
	<b>11,496</b>	5,132	<b>(22,515)</b>	19,433
<b>Net Cash Flows from Operating Activities</b>	<b>16,009</b>	9,326	<b>(14,419)</b>	18,638
<b>Financing Activities</b>				
Net increase (decrease) in bank loans	2,000	(4,000)	(2,000)	(4,000)
Net (decrease) increase in banker's acceptances	(16,000)	(12,500)	14,000	(20,500)
Increase in long-term debt	-	69	-	69
Reimbursement of long-term debt	(35)	(31)	(103)	(104)
	<b>(14,035)</b>	(16,462)	<b>11,897</b>	(24,535)
<b>Investing Activities</b>				
Acquisition of property, plant and equipment	(345)	(395)	(896)	(796)
Increase in intangible assets	(64)	(73)	(176)	(295)
Proceeds on disposal of property, plant and equipment	(3)	135	45	184
Dividends from the joint venture	260	-	260	-
Dissolution of the joint venture	-	3,120	-	3,120
	<b>(152)</b>	2,787	<b>(767)</b>	2,213
Net cash inflow (outflow)	1,822	(4,349)	(3,289)	(3,684)
Cash position, beginning of period	(4,798)	(1,245)	313	(1,910)
<b>Cash position, end of period</b>	<b>(2,976)</b>	(5,594)	<b>(2,976)</b>	(5,594)
Cash position is comprised of:				
Cash	2,229	1,121	2,229	1,121
Bank overdraft (Note 6)	(5,205)	(6,715)	(5,205)	(6,715)
	<b>(2,976)</b>	(5,594)	<b>(2,976)</b>	(5,594)

**GOODFELLOW INC.****Consolidated Statements of Change in Shareholders' Equity****For the nine months ended August 31, 2018 and 2017***(in thousands of dollars)***Unaudited**

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	\$	\$	\$
Balance as at November 30, 2016 (Audited)	9,152	101,541	110,693
Net loss	-	(4,310)	(4,310)
Total comprehensive loss	-	(4,310)	(4,310)
Balance as at August 31, 2017	9,152	97,231	106,383
<b>Balance as at November 30, 2017 (Audited)</b>	<b>9,152</b>	<b>100,282</b>	<b>109,434</b>
Net income	-	2,374	2,374
<b>Total comprehensive income</b>	<b>-</b>	<b>2,374</b>	<b>2,374</b>
<b>Balance as at August 31, 2018</b>	<b>9,152</b>	<b>102,656</b>	<b>111,808</b>

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2018 and 2017

(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, J5B 1V5, Canada.

The interim consolidated financial statements of the Company as at and for the nine months ended August 31, 2018 and 2017 includes the accounts of the Company and its wholly-owned subsidiaries.

## 2. Basis of preparation

### a) *Statement of compliance*

These interim consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2017, as set out in the 2017 annual report.

These interim consolidated financial statements were authorized for issue by the Board of Directors on October 4, 2018.

These interim consolidated financial statements are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company’s website at [www.goodfellowinc.com](http://www.goodfellowinc.com).

### b) *Going concern and future operations*

These interim consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is subject to a number of risks and uncertainty associated with its products and services, the competition from vendors, its dependence on the economy as well as major customers, the supply chain, its information systems, environmental risk, credit risk, interest risk, currency risk as well as meeting its financing requirements for its operations. The attainment of profitable operations is dependent upon future events, including successful implementation of the Company’s operation plan and obtaining adequate financing.

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.

In evaluating the Company’s ability to continue as a going concern, the Company is required to determine whether it has the ability to fund its operations, meet its cash flow requirements and comply with the covenants as established by its amended credit facility. This evaluation requires to estimate and forecast the cash flows for at least the next twelve months to determine whether the Company has sufficient resources to attain these objectives. The Company believes that it will be able to adequately fund its operations and meet its cash flow requirements for at least the next twelve months. This determination, however, could be impacted by future economic, financial and competitive factors, as well as other future events that are beyond the Company’s control.

If any of the factors or events described above result in significant variances from the assumptions used in the preparation of the going concern analysis, this could significantly impact the Company’s ability to meet its projected cash flows and meet its financial obligation.

If the going concern assumption were not appropriate for these interim consolidated financial statements, adjustments to the carrying value of assets and liabilities, reported expenses and statement of financial position classifications would be necessary. Such adjustments could be material and may occur in the near term.

## 3. Significant Accounting Policies

The Company’s significant accounting policies are described in Note 3 contained in its 2017 Annual consolidated financial statements.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2018 and 2017

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

### 4. Additional information on cost of goods sold and selling, administrative and general expenses

	For the three months ended		For the nine months ended	
	August 31 2018	August 31 2017	August 31 2018	August 31 2017
	\$	\$	\$	\$
Employee benefits expense	13,158	13,526	39,351	40,153
Write-down of inventories included in cost of goods sold	123	126	8	(752)
Depreciation included in cost of goods sold	264	338	795	991
Depreciation included in selling, administrative and general expenses	668	649	1,951	1,902
Expense related to minimum operating lease payments	1,262	1,262	3,666	3,572
Foreign exchange losses (gains)	99	(231)	179	(103)

### 5. Trade and other receivables

	August 31 2018	November 30 2017	August 31 2017
	\$	\$	\$
Trade receivables	65,309	57,073	69,048
Allowance for doubtful accounts	(465)	(225)	(590)
	64,844	56,848	68,458
Other receivables	1,021	1,469	956
	65,865	58,317	69,414

### 6. Bank indebtedness and long-term debt

#### a) Bank indebtedness

	August 31 2018	November 30 2017	August 31 2017
	\$	\$	\$
Bank loans	5,000	7,000	7,000
Banker's acceptances	58,000	44,000	60,000
Bank overdraft	5,205	1,309	6,715
	68,205	52,309	73,715

As at August 31, 2018, under the credit agreement, the Company was using \$63 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.

#### b) Long-term debt

The Company has entered into capital leases secured by the leased computer equipment and lift trucks. The obligation under capital leases bear interests at a rate of 2.7% and 6.1% per annum, maturing December 2018 and August 2022.

### 7. Trade and other payables

	August 31 2018	November 30 2017	August 31 2017
	\$	\$	\$
Trade payables and accruals	25,717	22,333	31,388
Payroll related liabilities	5,518	5,658	5,356
Sales taxes payables	473	1,418	2,561
	31,708	29,409	39,305

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2018 and 2017

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

### 8. Share Capital

#### a) Authorized

An unlimited number of common shares, without par value

	August 31 2018	November 30 2017	August 31 2017
Number of shares outstanding at the end of the period	8,506,554	8,506,554	8,506,554

#### b) Share-based payments

On January 15, 2017, the Company granted deferred shares to a key executive. Under this program, the executive was eligible to receive shares of the Company if specific non-market performance targets were met. The Company recognized the fair value of the shares of \$494,000 at the grant date and the shares were vested at November 30, 2017 as the Company met the non-market performance targets. As at August 31, 2018, no shares have been issued under this program.

#### c) Net earnings (loss) and dividend per share

The calculation of basic and diluted earnings (loss) per share was based on the following:

	For the three months ended		For the nine months ended	
	August 31 2018	August 31 2017	August 31 2018	August 31 2017
	\$	\$	\$	\$
Net earnings (loss) - basic and diluted	1,993	1,632	2,374	(4,310)
Weighted average number of common shares - basic and diluted	8,506,554	8,506,554	8,506,554	8,506,554

No eligible dividend was declared and paid to the holders of participating shares for the nine months ended August 31, 2018 (same as last year).

### 9. Seasonal Pattern

The Company's business follows a seasonal pattern, with merchandise sales traditionally higher in the second and third quarter as compared to the other quarterly periods. As a result, a higher share of total earnings is typically earned in the second and third quarter. This business seasonality results in performance, for the nine months ended August 31, 2018 which is not necessarily indicative of performance for the balance of the year.

### 10. 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 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			
	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 positions.

### 11. Financial Instruments and Financial Risk Management

#### 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.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2018 and 2017

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

### 11. Financial Instruments and Financial Risk Management (Continued)

The following are the contractual maturities of financial liabilities as at August 31, 2018:

<b>Financial Liabilities</b>				
	<b>Carrying Amount</b>	<b>Contractual cash flows</b>	<b>0 to 6 Months</b>	<b>6 to 36 Months</b>
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
<b>Total financial liabilities</b>	<b>100,004</b>	<b>100,004</b>	<b>99,952</b>	<b>52</b>

#### *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 as well as the Company's funded debt to capitalization ratio. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the \$68.2 million in bank indebtedness would impact interest expense annually by \$0.7 million.

#### *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 significant 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**

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

#### *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.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2018 and 2017

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

### 12. Additional Cash Flow Information

*Changes in Non-Cash Working Capital Items*

	For the three months ended		For the nine months ended	
	August 31 2018	August 31 2017	August 31 2018	August 31 2017
	\$	\$	\$	\$
Trade and other receivables	20,858	17,211	(7,548)	(5,159)
Inventories	5,547	3,078	(15,246)	17,395
Prepaid expenses	(621)	667	(1,132)	981
Trade and other payables	(14,921)	(15,481)	2,291	8,659
	10,863	5,475	(21,635)	21,876

### 13. Capital Management

The Company's objectives remain substantially unchanged from those included in the Company's annual consolidated financial statements contained in its 2017 Annual report.

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

Capital management	As at	As at
	August 31 2018	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	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.

### 14. Comparative information

Certain prior period information has been reclassified to conform to the current period presentation. In 2018, the Company reclassified certain expenditures from cost of goods sold to selling, administrative and general expenses. To conform to the period presentation, the Company reclassified the related amounts in 2017. The amounts reclassified for the three months ended August 31, 2017 was \$25 thousand and for the nine months ended August 31, 2017 was \$93 thousand.