

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, 2019. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the twelve months ended November 30, 2018 and twelve months ended November 30, 2017. The MD&A provides a review of the significant developments and results of operations of the Company during the nine months ended August 31, 2019 and nine months ended August 31, 2018. The interim consolidated financial statements ended August 31, 2019 and August 31, 2018 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. These statements are forward-looking to the extent that they are based on expectations relative to markets in which the Company exercises its activities and on various assessments and assumptions. Although we believe that the expectations reflected in the forward-looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. 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 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 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 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 \$4.9 million for the three months and \$8.3 million for the nine months ended August 31, 2019 divided by the total number of outstanding shares of 8,506,554.

Reconciliation of net income to EBITDA (thousands of dollars)	For the three months ended		For the nine months ended	
	August 31 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Net income for the period	2,472	1,993	2,777	2,374
Provision for income taxes	961	777	1,086	925
Financial expenses	895	1,004	2,449	2,577
Operating income	4,328	3,774	6,312	5,876
Depreciation and amortization	869	932	2,592	2,746
EBITDA	5,197	4,706	8,904	8,622

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)

	2018	2017	2016
	\$	\$	\$
Sales	475,207	523,659	565,173
Earnings (loss) before income taxes	3,277	(3,275)	(16,294)
Net earnings (loss)	2,571	(2,094)	(12,105)
Total Assets	190,718	197,233	241,568
Total Long-Term Debt	43	55	126
Cash Dividends	-	-	2,552
PER COMMON SHARE			
Net earnings (loss) per share, Basic and Diluted	0.30	(0.25)	(1.42)
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	1.14	0.31	(1.27)
Shareholders' Equity	13.27	12.86	13.01
Share Price	6.00	8.33	9.05
Cash Dividends	-	-	0.30

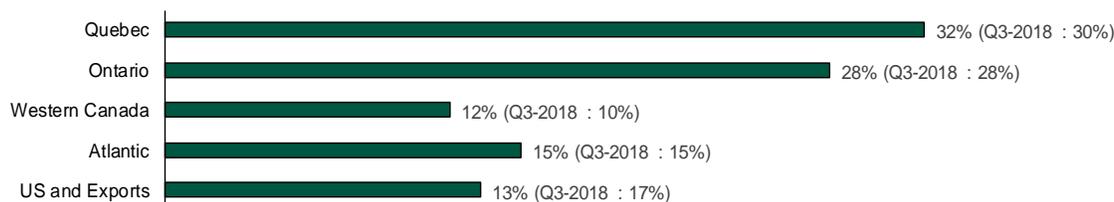
COMPARISON FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018

(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE THREE MONTHS ENDED AUGUST 31, 2019 AND 2018	Q3-2019	Q3-2018	Variance
	\$	\$	%
Sales	130,594	132,455	-1.4
Earnings before income taxes	3,433	2,770	+23.9
Net earnings - Basic	2,472	1,993	+24.0
Net earnings - Diluted	2,440	1,993	+22.4
Net earnings per share - Basic	0.29	0.23	+26.1
Net earnings per share - Diluted	0.29	0.23	+26.1
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	4,915	4,513	+8.9
EBITDA	5,197	4,706	+10.4
Average Bank indebtedness	69,902	79,060	-11.6
Inventory average	107,383	110,535	-2.9

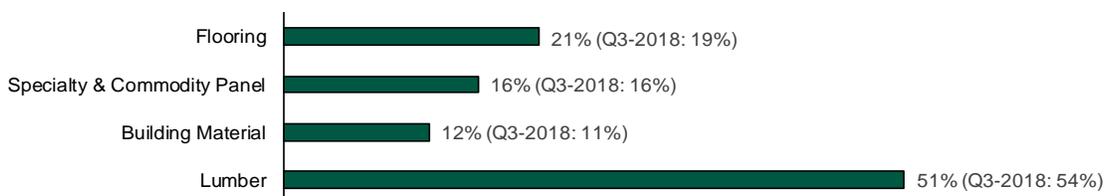
Sales in Canada during the third quarter of fiscal 2019 increased 3% compared to last year due to increased volume of flooring products, pressure treated wood, siding and building materials. Quebec sales increased 3% due to an increase in sales of flooring products, siding and building materials. Sales in Ontario decreased 1% mainly due to a decline in sales of commodity panels and hardwood products. Western Canada sales increased 19% due to increased sales of flooring and siding products. Atlantic region sales decreased 3% due to decreased sales of siding and lumber products.

Geographical Distribution of Sales for the Third Quarter ended August 31, 2019



Sales in the United States for the third quarter of fiscal 2019 decreased 26% on a Canadian dollar basis compared to last year due to lower demand of hardwood and engineered wood products. On a US dollar basis, US denominated sales decreased 26% compared to last year. Finally, export sales decreased 16% during the third quarter of fiscal 2019 compared to last year mainly due to a decrease demand for hardwood and flooring products in the United Kingdom

Product Distribution of Sales for the Third Quarter ended August 31, 2019



In terms of the distribution of sales by product, flooring sales for the third quarter ended August 31, 2019 increased 10% compared to last year. Specialty and Commodity Panel sales decreased 4% compared to last year. Building Materials sales increased 9% compared to last year. Finally, Lumber sales decreased 7% compared to last year.

Cost of Goods Sold

Cost of goods sold for the third quarter of fiscal 2019 was \$106.8 million compared to \$108.1 million last year. Cost of goods sold decreased 1.1% compared to last year. Total freight outbound cost decreased 3.3% compared to last year. Gross profits decreased 2.6% compared to last year while gross margins decreased from 18.4% to 18.2%.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the third quarter ended August 31, 2019 were \$19.4 million compared to \$20.7 million last year. Selling, Administrative and General Expenses decreased 5.9% compared to last year.

Net Financial Costs

Net financial costs for the third quarter of fiscal 2019 were \$0.9 million compared to \$1.0 million last year. The average Canadian prime rate increased to 3.95% during the third quarter of fiscal 2019 compared to 3.60% last year. The average US prime rate increased to 5.50% compared to 4.97% last year. Average bank indebtedness was \$69.9 million compared to \$79.1 million last year.

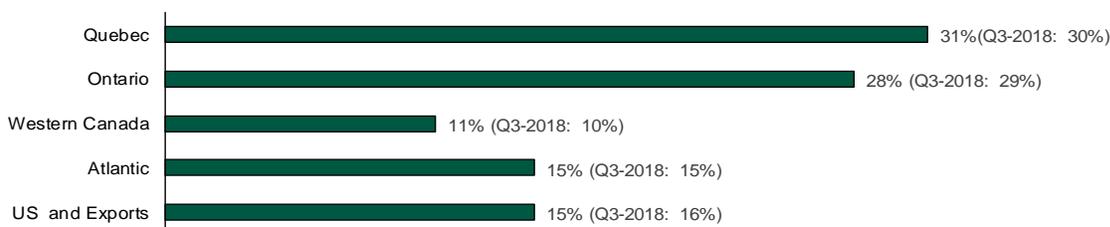
COMPARISON FOR THE NINE MONTHS ENDED AUGUST 31, 2019 AND 2018

(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE NINE MONTHS ENDED AUGUST 31, 2019 AND 2018	Q3-2019	Q3-2018	Variance
	\$	\$	%
Sales	342,460	362,465	-5.5
Earnings before income taxes	3,863	3,299	+17.1
Net earnings - Basic	2,777	2,374	+17.0
Net earnings - Diluted	2,706	2,374	+14.0
Net earnings per share - Basic	0.33	0.28	+17.9
Net earnings per share - Diluted	0.32	0.28	+14.3
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	8,325	8,129	+2.4
EBITDA	8,904	8,622	+3.3
Average Bank indebtedness	63,390	74,054	-14.4
Inventory average	107,087	106,485	+0.6

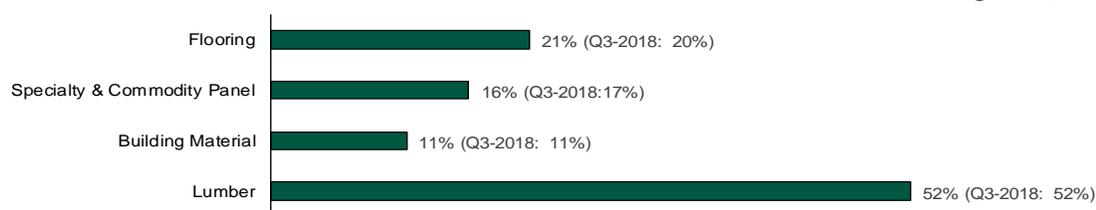
Sales in Canada during the first nine months of fiscal 2019 decreased 4% compared to last year mainly due to decrease in sales of commodity panels, building materials and lumber products. Quebec sales decreased 2% due to decrease in sales of specialty and commodity panels and lumber products. Sales in Ontario decreased 8% mainly due to a decline in sales of flooring, commodity panels and hardwood products. Sales in Western Canada increased 6% mainly due to increased sales of flooring products. Atlantic region sales decreased 6% due to decreased sales of siding and hardwood products.

Geographical Distribution of Sales for the First Nine Months ended August 31, 2019



Sales in the United States for the first nine months ended August 31, 2019 decreased 17% on a Canadian dollar basis compared to last year due to lower demand of hardwood products. On US dollar basis, US denominated sales decreased 20% compared to last year. Finally, export sales decreased 7% during the first nine months of fiscal 2019 compared to last year mainly due to decreasing demand of hardwood and flooring products in the United Kingdom.

Product Distribution of Sales for the First Nine Months ended August 31, 2019



In terms of the distribution of sales by product, flooring sales for the first nine months ended August 31, 2019 remained stable compared to last year. Specialty and Commodity Panel sales decreased 11% compared to last year. Building Materials sales decreased 4% compared to last year. Finally, Lumber sales decreased 6% compared to last year.

Cost of Goods Sold

Cost of goods sold for the first nine months of fiscal 2019 was \$278.1 million compared to \$295.4 million last year. Cost of goods sold decreased 5.9% compared to last year. Total freight outbound cost decreased 7.3% compared to last year. Gross profits decreased 4.0% during the first nine months ended August 31, 2019 compared to last year while gross margins increased from 18.5% to 18.8%.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first nine months ended August 31, 2019 was \$58.1 million compared to \$61.2 million last year. Selling, Administrative and General Expenses decreased 5.1% compared to last year.

Net Financial Costs

Net financial costs for the first nine months of fiscal 2019 were \$2.4 million compared to \$2.6 million last year. The average Canadian prime rate increased to 3.95% for the first nine months of fiscal 2019 compared to 3.45% last year. The average US prime rate increased to 5.48% compared to 4.71% last year. Average bank indebtedness during the first nine months of fiscal 2019 was \$63.4 million compared to \$74.1 million last year.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts)

	Nov-2018	Feb-2019	May-2019	Aug-2019
	\$	\$	\$	\$
Sales	112,742	88,153	123,713	130,594
Net earnings (loss) - Basic	197	(1,550)	1,855	2,472
Net earnings (loss) - Diluted	197	(1,550)	1,816	2,440
Net earnings (loss) per share - Basic	0.02	(0.18)	0.22	0.29
Net earnings (loss) per share - Diluted	0.02	(0.18)	0.21	0.29
	Nov-2017	Feb-2018	May-2018	Aug-2018
	\$	\$	\$	\$
Sales	127,558	96,684	133,326	132,455
Net earnings (loss) - Basic	2,216	(1,431)	1,812	1,993
Net earnings (loss) - Diluted	2,216	(1,431)	1,812	1,993
Net earnings (loss) per share - Basic	0.26	(0.17)	0.21	0.23
Net earnings (loss) per share - Diluted	0.26	(0.17)	0.21	0.23

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

STATEMENT OF FINANCIAL POSITION

Total Assets

Total assets at August 31, 2019 was \$209.4 million compared to \$218.3 million last year. Cash at August 31, 2019 closed at \$1.5 million compared to \$2.2 million last year. Trade and other receivables at August 31, 2019 was \$65.2 million (same last year). Inventories at August 31, 2019 was \$99.8 million compared to \$104.1 million last year. Prepaid expenses at August 31, 2019 was \$2.6 million compared to \$4.2 million last year. Defined benefit plan assets was \$2.7 million at August 31, 2019 compared to \$2.4 million last year. Investment was \$25 thousand at August 31, 2019 (same last year), reflecting the carrying amount of the investment in the JV. Other assets was \$0.9 million at August 31, 2019 (same last year).

Property, plant, equipment and intangible assets

Property, plant and equipment at August 31, 2019 was \$32.8 million compared to \$34.8 million last year. Capital expenditures during the first nine months of fiscal 2019 amounted to \$0.5 million compared to \$0.9 million last year. Property, plant and equipment capitalized during the first nine months of fiscal 2019 mainly included buildings, yard equipment, computers and rolling stock. Intangible assets at August 31, 2019 was \$4.0 million compared to \$4.6 million last year. Proceeds on disposal of capital assets during the first nine months of fiscal 2019 was \$8 thousand compared to \$45 thousand last year. Depreciation of property, plant, equipment and intangible assets during the first nine months of fiscal 2019 was \$2.6 million compared to \$2.7 million last year. Historically, capital expenditures in general have been capped at depreciation levels.

Total Liabilities

Total liabilities at August 31, 2019 was \$95.0 million compared to \$106.5 million last year. Bank indebtedness was \$56.6 million compared to \$68.2 million last year. Trade and other payables at August 31, 2019 was \$32.2 million compared to \$31.7 million last year. Income taxes payable was \$0.7 million compared to \$0.5 million last year. Provision at August 31, 2019 was \$1.6 million compared to \$1.5 million last year. Long-term debt at August 31, 2019 was \$47 thousand compared to \$91 thousand last year. Deferred income taxes at August 31, 2019 was \$3.7 million compared to \$3.6 million last year. Defined benefit plan obligation was \$0.2 million at August 31, 2019 compared to \$1.0 million last year.

Shareholders' Equity

Total Shareholders' Equity at August 31, 2019 was \$114.4 million compared to \$111.8 million last year. The Company generated a return on equity of 3.2 % during the first nine months of fiscal 2019 compared to 2.8 % last year. Market share price closed at \$4.52 per share on August 31, 2019 (\$7.10 on August 31, 2018). Share book value at August 31, 2019 was \$13.45 per share compared to \$13.14 last year. Share capital was \$9.2 million at August 31, 2019 (same last year). On February 14, 2019, the Company declared a dividend of \$0.10 per share, totaling \$851 thousand to shareholders of record on February 28, 2019, which was paid on March 15, 2019 (none last year).

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 at the grant date (\$494 thousand) and the shares were vested at November 30, 2017 as the Company met the non-market performance targets. On April 12, 2019, the Company modified these deferred shares to allow for a cash alternative at the key executive's discretion. The cash alternative allows the key executive to a cash payment equal to the number of deferred shares exercised multiplied by the fair value of the shares calculated using the average closing trading price during the preceding twenty trading days of the exercise. On April 12, 2019 (the date of the modification), based on an average closing share price of \$6.27 for the twenty trading days preceding April 12, 2019, an amount of \$351 thousand was transferred from retained earnings to Payroll related liabilities.

At the end of each reporting period until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognized in profit and loss for the period. As at August 31, 2019, based on a closing share price of \$4.52, the Company recognized a share-based compensation recovery of \$44 thousand in Employee benefits expense for the three months ended August 31, 2019 with a corresponding change in Payroll related liabilities and a \$98 thousand share-based compensation recovery for the nine months ended August 31, 2019. As at August 31, 2019, the deferred share liability included in Payroll related liabilities is \$253 thousand, and no shares have been issued or exercised for cash.

LIQUIDITY AND CAPITAL RESOURCES

Financing

In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of \$90 million renewable in May 2021. In addition, an accordion of \$10 million is available once per fiscal year for a maximum of 150 days only. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at August 31, 2019, the Company was compliant with its financial covenants. As at August 31, 2019, under the credit agreement, the Company was using \$53.0 million of its facility compared to \$63.0 million last year.

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

Cash Flow

Net cash flow from operating activities for the first nine months of fiscal 2019 was \$(13.4) million compared to \$(14.4) million last year. Financing activities during the first nine months of fiscal 2019 was \$11.1 million compared to \$11.9 million last year. Investing activities during the first nine months of fiscal 2019 was \$(0.5) million compared to \$(0.8) million last year (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's financial objectives and strategy remain substantially unchanged.

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio and an Interest coverage ratio. The Company monitors the ratios on a monthly basis. The Company currently complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements. The Company believes that all its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As at August 31, 2019 and 2018, the Company achieved the following results regarding its capital management objectives:

	As at August 31 2019	As at August 31 2018
Capital management		
Debt-to-capitalization ratio	32.7%	37.3%
Interest coverage ratio	3.2	3.7
Return on shareholders' equity	3.2%	2.8%
Current ratio	1.9	1.7
EBITDA (in thousands of dollars)	8,904	8,622

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, 2019, its total debt-to-capitalization ratio stood at 32.7% compared to 37.3% on August 31, 2018. In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of \$90 million renewable in May 2021. In addition, an accordion of \$10 million is available once per fiscal year for a maximum of 150 days only. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at August 31, 2019, the Company was compliant with its financial covenants. As at August 31, 2019, under the credit agreement, the Company was using \$53.0 million of its facility compared to \$63.0 million last year.

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, 2018 as well as in the 2018 Annual Information Form available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

As at August 31, 2019, 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	17,120	4,547	7,336	4,076	1,161
Purchase obligations	22	22	-	-	-
Total Contractual Obligations	17,142	4,569	7,336	4,076	1,161

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 2018 Annual report. Only those factors with variability components are described below:

Dependence on Major Customers

Only one major customer exceeds 10% of total Company sales in the three months ended August 31, 2019 (same last year) and one major customer exceeds 10% of total company sales during the nine months ended August 31, 2019 compared to two last year. The following represents the total sales consisting primarily of various wood products of the major customer(s):

(in thousands of dollars)	For the three months ended				For the nine months ended			
	August 31, 2019		August 31, 2018		August 31, 2019		August 31, 2018	
	\$	%	\$	%	\$	%	\$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	17,555	13.4	17,766	13.4	45,408	13.3	87,985	24.3

The loss of any major customer could have a material effect on the Company's results, operations and financial position. The carrying amounts of financial assets represent the maximum credit exposure.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The financial instruments and other instruments remain substantially unchanged from those included in the Company's Annual MD&A contained in its 2018 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at August 31, 2019:

(in thousands of dollars)

Financial Liabilities	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
Bank indebtedness	56,579	56,579	56,579	-
Trade and other payables	32,216	32,216	32,216	-
Long-term debt	47	47	15	32
Total financial liabilities	88,842	88,842	88,810	32

Interest Rate Risk

The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates. 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 \$56.6 million in bank indebtedness would impact interest expense annually by \$0.6 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, 2019, the Company had the following currency exposure:

Financial assets and liabilities measured at amortized costs

(in thousands of dollars)

	USD	GBP	Euro
Cash	1,780	219	13
Trade and other receivables	6,276	238	-
Trade and other payables	(4,414)	(30)	(408)
Long-term debt	(35)	-	-
Net exposure	3,607	427	(395)
CAD exchange rate as at August 31, 2019	1.3311	1.6186	1.4622
Impact on net earnings based on a fluctuation of 5% on CAD	173	25	(21)

Credit Risk

The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers and specific credit limit for each customer is established and regularly revised. Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables that are current or past due. The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked.

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable: (in thousands of dollars)

	August 31 2019	August 31 2018
	\$	\$
Current	60,416	61,039
31 - 60 days past due	2,890	3,113
61 - 90 days past due	1,340	719
91 - 120 days past due	342	14
Over 120 days past due	348	424
	65,336	65,309
Loss allowance	(421)	(465)
Balance, end of period	64,915	64,844

As at August 31, 2019, an amount of \$241 thousand included in the loss allowance represents a specific allowance for trade accounts receivable that amount to \$241 thousand. Other than specific allowance, expected credit losses are limited to \$180 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and 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 2018 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 2018 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 2018 Annual consolidated financial statements, except as described in Note 3 contained in the interim consolidated financial statements ended August 31, 2019 in the changes in accounting standards section.

DISCLOSURE OF OUTSTANDING SHARE DATA

At August 31, 2019, 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, 2019, there were 8,506,554 common shares outstanding.

OUTLOOK

During Fiscal 2019, 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.

According to CMHC, the housing starts are expected to slow down gradually until 2020 from the elevated levels of 2017 ranging between 193,700 units to 204,500 units in 2019. Homes sales are expected to gradually moderate following the high of 2016. (Source: Housing Market Outlook). In the United States, the housing market remains strong which represents growth opportunities and potential.

CERTIFICATION

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

There has been no change in the Company's internal control over financial reporting that occurred during the three and nine months ended August 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, October 4, 2019



Patrick Goodfellow
President and Chief Executive Officer



Charles Brisebois, CPA, CMA
Chief Financial Officer