

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, 2019 and 2018

(in thousands of dollars, except per share amounts)

Unaudited

	For the three months ended		For the nine months ended	
	August 31 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Sales (Note 13)	130,594	132,455	342,460	362,465
Expenses				
Cost of goods sold (Note 4)	106,840	108,072	278,088	295,438
Selling, administrative and general expenses (Note 4)	19,426	20,650	58,053	61,153
Loss (gain) on disposal of property, plant and equipment	-	(41)	7	(2)
Net financial costs	895	1,004	2,449	2,577
	127,161	129,685	338,597	359,166
Earnings before income taxes	3,433	2,770	3,863	3,299
Income taxes	961	777	1,086	925
Total comprehensive income	2,472	1,993	2,777	2,374
Net earnings per share - Basic (Note 8 d))	0.29	0.23	0.33	0.28
Net earnings per share - Diluted (Note 8 d))	0.29	0.23	0.32	0.28

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

	As at August 31 2019	As at November 30 2018	As at August 31 2018
	\$	\$	\$
Assets			
Current Assets			
Cash	1,546	2,578	2,229
Trade and other receivables (Note 5)	65,216	50,008	65,154
Inventories	99,761	92,544	104,106
Prepaid expenses	2,552	3,143	4,151
Total Current Assets	169,075	148,273	175,640
Non-Current Assets			
Property, plant and equipment	32,754	34,356	34,834
Intangible assets	3,990	4,444	4,588
Defined benefit plan asset	2,700	2,704	2,396
Investment in a joint venture	25	25	25
Other assets	849	916	849
Total Non-Current Assets	40,318	42,445	42,692
Total Assets	209,393	190,718	218,332
Liabilities			
Current liabilities			
Bank indebtedness (Note 6)	56,579	42,835	68,205
Trade and other payables (Note 7)	32,216	29,192	31,708
Income taxes payable	667	409	461
Provision	316	336	1,019
Current portion of long-term debt (Note 6)	15	14	45
Total Current Liabilities	89,793	72,786	101,438
Non-Current Liabilities			
Provision	1,319	1,317	484
Long-term debt (Note 6)	32	43	46
Deferred income taxes	3,652	3,652	3,582
Defined benefit plan obligation	159	57	974
Total Non-Current Liabilities	5,162	5,069	5,086
Total Liabilities	94,955	77,855	106,524
Shareholders' Equity			
Share capital (Note 8)	9,152	9,152	9,152
Retained earnings	105,286	103,711	102,656
	114,438	112,863	111,808
Total Liabilities and Shareholders' Equity	209,393	190,718	218,332

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and nine months ended August 31, 2019 and 2018
(in thousands of dollars)
Unaudited

	For the three months ended		For the nine months ended	
	August 31 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Operating Activities				
Net earnings	2,472	1,993	2,777	2,374
Adjustments for:				
Depreciation	869	932	2,592	2,746
Accretion expense on provision	3	12	10	38
(Decrease) increase in provision	(28)	55	(28)	80
Income taxes	961	777	1,086	925
Loss (gain) on disposal of property, plant and equipment	-	(41)	7	(2)
Interest expense	603	737	1,708	1,866
Funding in deficit of pension plan expense	35	48	106	69
Other assets	-	-	67	33
	4,915	4,513	8,325	8,129
Changes in non-cash working capital items (Note 11)	6,126	10,863	(19,079)	(21,668)
Interest paid	(580)	(663)	(1,791)	(2,005)
Income taxes (paid) recovered	(152)	1,296	(828)	1,125
	5,394	11,496	(21,698)	(22,548)
Net Cash Flows from Operating Activities	10,309	16,009	(13,373)	(14,419)
Financing Activities				
Net (decrease) increase in bank loans	(3,000)	2,000	(1,000)	(2,000)
Net (decrease) increase in banker's acceptances	(12,000)	(16,000)	13,000	14,000
Reimbursement of long-term debt	(4)	(35)	(10)	(103)
Dividend Paid	-	-	(851)	-
	(15,004)	(14,035)	11,139	11,897
Investing Activities				
Acquisition of property, plant and equipment	(263)	(345)	(488)	(896)
Increase in intangible assets	(17)	(64)	(62)	(176)
Proceeds on disposal of property, plant and equipment	-	(3)	8	45
Dividends from the joint venture	-	260	-	260
	(280)	(152)	(542)	(767)
Net cash (outflow) inflow	(4,975)	1,822	(2,776)	(3,289)
Cash position, beginning of period	2,942	(4,798)	743	313
Cash position, end of period	(2,033)	(2,976)	(2,033)	(2,976)
Cash position is comprised of:				
Cash	1,546	2,229	1,546	2,229
Bank overdraft (Note 6)	(3,579)	(5,205)	(3,579)	(5,205)
	(2,033)	(2,976)	(2,033)	(2,976)

GOODFELLOW INC.**Consolidated Statements of Change in Shareholders' Equity****For the nine months ended August 31, 2019 and 2018***(in thousands of dollars)***Unaudited**

	Share Capital	Retained Earnings	Total
	\$	\$	\$
Balance as at November 30, 2017 (Audited)	9,152	100,282	109,434
Net income	-	2,374	2,374
Total comprehensive income	-	2,374	2,374
Balance as at August 31, 2018	9,152	102,656	111,808
Balance as at November 30, 2018 (Audited)	9,152	103,711	112,863
Net earnings	-	2,777	2,777
Total comprehensive income	-	2,777	2,777
<i>Transactions within equity</i>			
Dividend	-	(851)	(851)
Modification of share-based payment (Note 8 b))	-	(351)	(351)
Balance as at August 31, 2019	9,152	105,286	114,438

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

1. Status and nature of activities

Goodfellow Inc. (hereafter the “Company”), incorporated under the *Canada Business Corporations Act*, carries on various business activities related to remanufacturing and distribution of lumber and wood products. The Company’s head office and primary place of business is located at 225 Goodfellow Street in Delson (Quebec), Canada, J5B 1V5.

The interim consolidated financial statements of the Company as at and for the nine months ended August 31, 2019 and 2018 includes the accounts of the Company and its wholly-owned subsidiaries.

2. Basis of preparation

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2018, as set out in the 2018 annual report. Certain comparative figures have been reclassified to conform to the current year’s presentation.

The financial statements were authorized for issue by the Board of Directors on October 4, 2019.

These interim consolidated financial statements are available on the SEDAR website at www.sedar.com and on the Company’s website at www.goodfellowinc.com.

3. Significant Accounting Policies

The Company’s significant accounting policies described in Note 3 contained in its 2018 Annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim consolidated financial statements except as noted below:

Changes in accounting standards

Effective December 1, 2018, the Company adopted IFRS 9 Financial Instruments (“IFRS 9”) and IFRS 15 Revenue from Contracts with Customers (“IFRS 15”).

a) *IFRS 9, Financial Instruments*

IFRS 9 replaces IAS 39 relating to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 did not have a significant impact on these unaudited interim consolidated financial statements given the nature of the Company’s operations and the types of financial instruments that it currently holds.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

The following summarizes the classification and measurement changes for the Company’s financial assets and financial liabilities as a result of the adoption of IFRS 9:

	IAS 39	IFRS 9
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Financial liabilities:		
Trade and other payables	Other financial liabilities	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

In accordance with the transitional provisions of IFRS 9, the financial assets and financial liabilities held at December 1, 2018 were reclassified retrospectively without prior period restatement based on the new classification requirements and the characteristics of each financial instrument at December 1, 2018. The accounting for these instruments and the line item in which they are included in the consolidated statement of financial position were unaffected by the adoption of IFRS 9.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

3. Significant Accounting Policies (Continued)

The Company also applied the expected credit loss model to the assessment of impairment on trade and other receivables. The application of the expected credit loss model to determine the allowance for credit loss had a nominal effect. The Company's new policy in the allowance for credit loss is determined using both specific identification of customer accounts and the expected credit loss model. The Company uses an estimate of the net recoverable amount for specific customer accounts it has identified and the expected credit loss model for the remaining customer accounts based on historical experience of uncollectable amounts. Accounts that are considered uncollectable are written off.

b) IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Company's revenue recognition accounting policy is that revenue from the sale of products is measured based on the consideration specified in the contract with a customer. The Company recognizes revenue at a point in time when control of the goods is transferred to the customer. The Company satisfies its performance obligation and control of the goods is transferred to the customer generally when the customer has taken delivery of the goods. No component of the transaction price is allocated to unsatisfied performance obligations.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively. The new standard did not result in any change to the timing of revenue recognition for the Company for previously reported periods (as a result a consolidated statement of financial position at December 1, 2017 has not been presented) and did not have a significant impact on the financial results of the Company but does, however, result in more extensive disclosures on the Company's revenue transactions (Note 13).

Update to significant accounting policies

As a result of the initial adoption of IFRS 9 and IFRS 15, as described above, the Company has updated its significant accounting policies as follows:

a) Financial Instruments

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

i. Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

Impairment of financial assets

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance if they relate to a financial asset measured at amortized cost. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

ii. Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. There are currently no financial assets measured at fair value with changes in fair value recognized in profit or loss.

However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

3. Significant Accounting Policies (Continued)

Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no equity instruments that are not held for trading.

iii. Financial liabilities are classified into the following categories:

Financial liabilities measured at amortized cost

The Company classifies non-derivative financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies trade and other payables, bank indebtedness and long-term debt as financial liabilities measured at amortized cost.

Financial liabilities measured at fair value

Financial liabilities measured at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. The Company currently has no financial liabilities measured at fair value.

iv. Non-hedge derivative financial instruments measured at fair value

Non-hedge derivative financial instruments, if any, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises.

b) Revenue Recognition

Revenue from the sale of goods from activities relating to remanufacturing, distribution of lumber and wood products is recognized, net of discounts and customer rebates, at the point in time when the transfer of control of the related products has taken place (based on shipping or delivery terms as specified in the sales contract), and collectability is reasonably assured. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Employee benefits expense	12,776	13,158	38,049	39,351
Obsolescence adjustment included in cost of goods sold	282	168	572	384
Depreciation included in cost of goods sold	242	264	731	795
Depreciation included in selling, administrative and general expenses	627	668	1,861	1,951
Operating lease expense	1,193	1,262	3,680	3,666
Foreign exchange (losses) gains	(58)	99	(63)	179

5. Trade and other receivables

	August 31 2019	November 30 2018	August 31 2018
	\$	\$	\$
Trade receivables	65,336	50,253	65,309
Allowance for doubtful accounts	(421)	(570)	(465)
	64,915	49,683	64,844
Other receivables	301	325	310
	65,216	50,008	65,154

6. Bank indebtedness and long-term debt

a) Bank indebtedness

	August 31 2019	November 30 2018	August 31 2018
	\$	\$	\$
Bank loans	2,000	3,000	5,000
Banker's acceptances	51,000	38,000	58,000
Bank overdraft	3,579	1,835	5,205
	56,579	42,835	68,205

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

6. Bank indebtedness and long-term debt (Continued)

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.

b) Long-term debt

The Company has entered into finance leases secured by the leased lift trucks. The obligation under finance leases bear interests at a rate of 6.1% per annum, maturing August 2022.

7. Trade and other payables

	August 31 2019	November 30 2018	August 31 2018
	\$	\$	\$
Trade payables and accruals	22,664	22,789	25,717
Payroll related liabilities	5,537	6,093	5,518
Sales taxes payables	4,015	310	473
	32,216	29,192	31,708

8. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	August 31 2019	November 30 2018	August 31 2018
Number of shares outstanding at the beginning and 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 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.

c) Share option plan

The Company has implemented in 2002 a Key Employee Share Option Plan (SOP). Since there are no outstanding options under the SOP and the fact that the Directors believe that the SOP will not be of use going forward, they decided to repeal and terminate the SOP. A resolution of the Board of Directors has been adopted for this purpose as of July 4, 2019.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

8. Share Capital (Continued)

- d) Net earnings and dividend per share

The calculation of basic and diluted net earnings per share was based on the following:

	For the three months ended		For the nine months ended	
	August 31 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Net earnings				
- basic	2,472	1,993	2,777	2,374
- diluted (see Note 8b))	2,440	1,993	2,706	2,374
Weighted average number of common shares				
- basic	8,506,554	8,506,554	8,506,554	8,506,554
- diluted	8,562,554	8,562,554	8,562,554	8,562,554

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 (nil last year).

9. Seasonal Pattern

The Company's business follows a seasonal pattern with sales activities traditionally higher in the second and third quarters. As a result, a higher share of total earnings is typically earned in the second and third quarter. This business seasonality results in performance, for the nine months ended August 31, 2019 which is not necessarily indicative of performance for the balance of the year.

10. Financial instruments and other instruments

Risk Management

The Company is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates.

Financing and Liquidity Risk

The Company makes use of short-term financing with two chartered Canadian banks.

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

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 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 \$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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

10. Financial instruments and other instruments (Continued)

As at August 31, 2019, the Company had the following currency exposure:

	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:

	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.

Economic Dependence

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):

	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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

10. Financial instruments and other instruments (Continued)

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.

11. Additional Cash Flow Information

Changes in Non-Cash Working Capital Items

	For the three months ended		For the nine months ended	
	August 31 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Trade and other receivables	10,723	20,858	(15,208)	(7,548)
Inventories	8,833	5,547	(7,217)	(15,246)
Prepaid expenses	39	(621)	654	(1,165)
Trade and other payables	(13,469)	(14,921)	2,692	2,291
	6,126	10,863	(19,079)	(21,668)

The change in Trade and other payables reflects the impact of \$351 thousand that was transferred from retained earnings to Payroll related liabilities (see Note 8b)).

12. Capital Management

The Company's financial objectives and strategy remain substantially unchanged from those included in the Company's annual consolidated financial statements contained in its 2018 Annual report.

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	\$ 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2019 and 2018

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

13. Sales

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

Primary geographic markets

	For the three months ended		For the nine months ended	
	August 31 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Canada	113,269	110,361	290,252	302,484
US	9,902	13,305	30,807	36,975
Export	7,423	8,789	21,401	23,006
	130,594	132,455	342,460	362,465

Sales categories

	For the three months ended		For the nine months ended	
	August 31 2019	August 31 2018	August 31 2019	August 31 2018
	\$	\$	\$	\$
Flooring	27,285	24,770	71,669	72,017
Specialty & commodity panels	20,919	21,700	55,697	62,582
Building materials	15,891	14,616	37,168	38,802
Lumber	66,499	71,369	177,926	189,064
	130,594	132,455	342,460	362,465