

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 15, 2020.

The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2019 and November 30, 2018.

The MD&A provides a review of the significant developments and results of operations of the Company during the nine months ended August 31, 2020 and nine months ended August 31, 2019.

The interim consolidated financial statements ended August 31, 2020 and August 31, 2019 are prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

As outlined in the "Significant accounting policies" section of this MD&A, the Company adopted IFRS 16, Leases, using the modified retrospective approach, effective for the annual reporting period beginning on December 1, 2019. Accordingly, comparative figures as at and for the year ended November 30, 2019 and for the nine months ended August 31, 2019, have not been restated and continue to be reported under IAS 17, Leases.

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

FORWARD-LOOKING STATEMENTS

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. Forward-looking statements can be identified by words such as: "believe," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding liquidity and risk management in the current economic conditions. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, 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; level of demand and financial performance of the manufacturing industry; competition from vendors; changes in customer demand; extent to which we are successful in gaining new long-term relationships with customers or retaining existing ones and the level of service failures that could lead customers to use competitors' services; increased customer bankruptcies; dependence on key personnel; impact of the COVID-19 pandemic and the related climate of uncertainty; laws and regulation; information systems, cost structure and working capital requirements; occurrence of hostilities, political instability or catastrophic events 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.

COVID-19

The Company's expectation of operating and financial performance in 2020 is based on certain assumptions including assumptions about the COVID-19 pandemic, such as the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company. These include in particular the assumption that the Company's manufacturing and distribution facilities will remain opened and in operation, the assumption that its workforce will remain healthy, the assumption that hardware and lumber stores and other industrial and manufacturing clients will remain opened and will continue ordering and selling the Company's products, the assumption that construction activity will not be halted by mandatory closures and the assumption that the Company's supply chain will not be interrupted. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

NON-IFRS FINANCIAL MEASURES

In addition to discussing earnings in accordance with IFRS, this MD&A provides cash flow per share and earnings before interest, taxes, depreciation and amortization ["EBITDA"] as a non-IFRS financial measure. These financial measures are 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 \$11.7 million for the three months and \$18.5 million for the nine months ended August 31, 2020 divided by the total number of outstanding shares of 8,562,554.

Reconciliation of net income to EBITDA
(thousands of dollars)

	For the three months ended		For the nine months ended	
	August 31 2020	August 31 2019	August 31 2020	August 31 2019
	\$	\$	\$	\$
Net income for the period	6,696	2,472	8,035	2,777
Provision for income taxes	2,604	961	3,125	1,086
Financial expenses	679	895	2,152	2,449
Operating income	9,979	4,328	13,312	6,312
Depreciation and amortization	861	869	2,548	2,592
Amortization of right-of-use assets	1,084	-	3,265	-
EBITDA	11,924	5,197	19,125	8,904

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 and, 9 processing plants in Canada, and 1 distribution centre in the USA.

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

	2019	2018	2017
	\$	\$	\$
Consolidated Sales	449,587	475,207	523,659
Earnings (loss) before income taxes	4,269	3,277	(3,275)
Net earnings (loss)	3,054	2,571	(2,094)
Total Assets	180,581	190,718	197,233
Total Long-Term Debt	28	43	55
Cash Dividends	851	-	-

PER COMMON SHARE

Net earnings (loss) per share, Basic	0.36	0.30	(0.25)
Net earnings (loss) per share, Diluted	0.35	0.30	(0.25)
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	1.14	1.14	0.31
Shareholders' Equity	13.24	13.27	12.86
Share Price	4.82	6.00	8.33
Cash Dividends	0.10	-	-

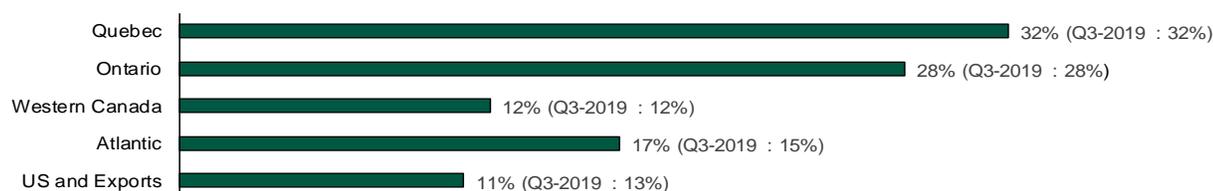
COMPARISON FOR THE THREE MONTHS ENDED AUGUST 31, 2020 AND 2019

(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE THREE MONTHS ENDED AUGUST 31, 2020 AND 2019	Q3-2020	Q3-2019	Variance
	\$	\$	%
Consolidated Sales	138,843	130,594	+6.3
Earnings before income taxes	9,300	3,433	+170.9
Net earnings – Basic	6,696	2,472	+170.9
Net earnings – Diluted	6,696	2,440	+174.4
Net earnings per share – Basic & Diluted	0.78	0.29	+169.0
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	11,655	4,915	+137.1
EBITDA	11,924	5,197	+129.4
Average Bank indebtedness	34,315	69,902	-50.9
Inventory average	87,977	107,383	-18.1

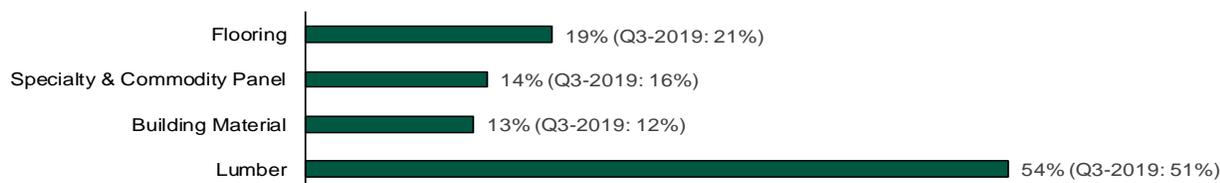
Sales in Canada during the third quarter of fiscal 2020 increased 9% compared to the same period a year ago mostly due to the fact that some restrictions were lifted except for the travelling restrictions. The travelling restrictions imposed combined with governments salary protection programs had a positive impact in our industry and for the Company. Many consumers have decided to invest in their property, since they were restricted from travelling during the summer. Quebec sales increased by 11% mainly due to an increase in building material and lumber products. Sales in Ontario increased by 6% mainly due to an increase in building material, lumber and specialty & commodity products. Western Canada sales increased 1% due to an increase in sales of lumber products and building material, but a decrease in flooring products and commodity panels. Atlantic region sales increased 18% due to an increase in sales of lumber product and building materials.

Geographical Distribution of Sales for the Third Quarter ended August 31, 2020



Sales in the United States for the third quarter of fiscal 2020 decreased 6% on a Canadian dollar basis compared to the same period last year mostly due to decrease in sales of lumber products and specialty & commodity panels. On a US dollar basis, US denominated sales decreased 9% compared to last year. Finally, export sales decreased 23% during the third quarter of fiscal 2020 compared to last year mostly due to decrease of sales in lumber and flooring products.

Product Distribution of Sales for the Third Quarter ended August 31, 2020



In terms of the distribution of sales by product, the flooring and the specialty & commodity panel saw their volume reduced mostly due to a focus by the customer on the building material and lumber where we saw a strong increase in the third quarter of fiscal 2020. Flooring sales for the third quarter ended August 31, 2020 decreased 4% compared to last year. Specialty and commodity panel sales decreased 4% compared to last year. Building materials sales increased 15% compared to last year. Finally, lumber sales increased 12% compared to the same period a year ago.

Cost of Goods Sold

Cost of goods sold for the third quarter of fiscal 2020 was \$111.0 million compared to \$106.8 million for the corresponding period a year ago. Cost of goods sold increased 3.9% compared to last year. Total freight outbound cost decreased 2.6% compared to last year. Gross profits were \$27.8 million compared to \$23.8 million last year. Gross profits increased 17.1% compared to last year. Gross margins were 20.0% for the three months ended August 31, 2020 (18.2% last year).

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the third quarter ended August 31, 2020 were \$17.8 million compared to \$19.4 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 8.2% compared to last year. This decline results from the measures taken by the Company to reduce costs and improve its operational efficiency during the second quarter of 2020 in response to the COVID-19 pandemic. The Company implemented a number of cost-reduction measures such as reduced expenses related to non-essential travel and all of the workforce was not fully reintegrated at the beginning of the quarter. Furthermore, the Company benefited from the Canada Emergency Wage Subsidy that contributed in particular to maintaining jobs relating to the production and distribution of essential services.

Total selling, distribution and administrative expenses for the third quarter of 2020, excluding the impact of IFRS 16, would have been \$18.1 million. IFRS 16 impact on selling, distribution and administrative expenses is due to operating lease expenses under IAS 17 being replaced with a smaller amount of depreciation expense related to the right-of-use assets.

Net Financial Costs

Net financial costs for the three months ended August 31, 2020 were \$0.7 million (\$0.9 million last year). The average Canadian prime rate was at 2.45% during the third quarter of fiscal 2020 compared to 3.95% last year. The average US prime rate decreased to 3.25% compared to 5.50% last year. Average bank indebtedness was \$34.3 million compared to \$69.9 million a year ago.

Total net financial costs for the third quarter of 2020, excluding the impact of IFRS 16, would have been \$0.5 million. The adoption of IFRS 16 increased the interest expense by \$0.2 million related to lease liabilities.

COMPARISON FOR THE NINE MONTHS ENDED AUGUST 31, 2020 AND 2019

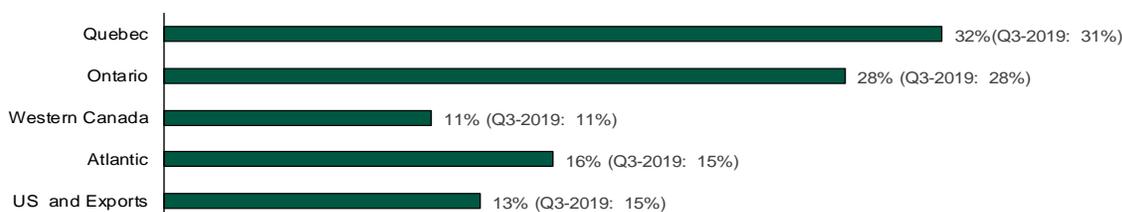
(In thousands of dollars, except per share amounts)

HIGHLIGHTS FOR THE NINE MONTHS ENDED AUGUST 31, 2020 AND 2019	Q3-2020	Q3-2019	Variance
	\$	\$	%
Consolidated Sales	331,462	342,460	-3.2
Earnings before income taxes	11,160	3,863	+188.9
Net earnings – Basic	8,035	2,777	+189.3
Net earnings – Diluted	8,035	2,706	+196.9
Net earnings per share – Basic	0.94	0.33	+184.4
Net earnings per share – Diluted	0.94	0.32	+193.8
Cash Flow from Operations (excluding non-cash working capital items, income tax paid and interest paid)	18,537	8,325	+122.7
EBITDA	19,125	8,904	+114.8
Average Bank indebtedness	40,625	63,390	-35.9
Inventory average	95,591	107,087	-10.7

During the second quarter, in the face of the COVID-19 pandemic, the Company implemented rigorous sanitary practices and physical distancing measures in the workplace to mitigate health risks to its employees and the threat to its ongoing operations. The Company was able to keep most of its facilities opened in the early day of the COVID-19 pandemic, relying on exemptions from mandatory closures for essential products and services, the severe economic downturn caused by the COVID-19 pandemic and related government-imposed closures have adversely impacted demand for the Company's products. In addition, construction activity in most of Canada was halted for several weeks in second quarter as part of provincial government-imposed closures. In the third quarter, some restrictions were lifted except for the travelling restrictions. In Canada, the federal border restrictions and provincial imposed restrictions combined with governments salary protection programs had a positive impact in our industry and for the Company. Many consumers have decided to invest in their property, since they were restricted from travelling in the summer of 2020.

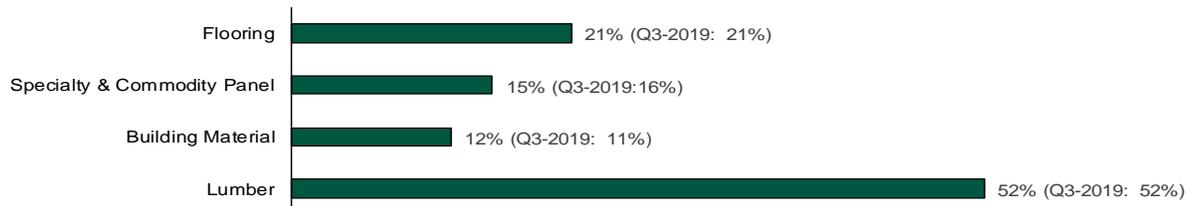
Sales in Canada during the first nine months of fiscal 2020 decreased only 1% compared to last year despite the pandemic, mainly due to strong sales in the third quarter of fiscal 2020. Quebec sales decreased 3% due to decline in sales of specialty and commodity panels destined to manufacturers. Sales in Ontario decreased 1% mainly due to a decline in sales of flooring and lumber products. Sales in Western Canada decreased 5% due to a decline in sales of flooring and specialty and commodity panels. Atlantic region sales increased 8% due to increase sales of lumber products and building materials.

Geographical Distribution of Sales for the First Nine Months ended August 31, 2020



Sales in the United States for the first nine months ended August 31, 2020 decreased 9% on a Canadian dollar basis compared to last year mostly due to the impact of the COVID-19 pandemic. On US dollar basis, US denominated sales decreased 10% compared to last year. Finally, export sales decreased 25% during the first nine months of fiscal 2020 compared to last year mostly due to the impact of the COVID-19 pandemic, and a strike at the Port of Montreal.

Product Distribution of Sales for the First Nine Months ended August 31, 2020



In terms of the distribution of sales by product, all product categories with the exception of building materials saw their volume reduced mostly due to the impact of the COVID-19 pandemic. Flooring sales for the first nine months ended August 31, 2020 decreased 4% compared to last year. Specialty and commodity panel sales decreased 8% compared to last year. Building materials sales increased 6% compared to last year. Finally, lumber sales decreased 3% compared to last year.

Cost of Goods Sold

Cost of goods sold for the first nine months of fiscal 2020 was \$266.7 million compared to \$278.1 million last year. Cost of goods sold decreased 4.1% compared to last year. Total freight outbound cost decreased 7.3% compared to last year. Gross profits were \$64.7 million compared to \$64.4 million last year. Gross profits increased 0.5% compared to last year. Gross margins were 19.5% for the nine months ended August 31, 2020 (18.8% last year).

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first nine months ended August 31, 2020 was \$51.4 million compared to \$58.1 million last year. Selling, Administrative and General Expenses decreased 11.4% compared to last year. In response to the COVID-19 pandemic, the Company implemented in the second quarter a number of cost-reduction measures such as reduced expenses related to non-essential travel and has furloughed up to 29% of its workforce. Furthermore, the Company benefited from the Canada Emergency Wage Subsidy that contributed in particular to maintaining jobs relating to the production and distribution of essential services.

Total selling, distribution and administrative expenses for the nine months ended 2020, excluding the impact of IFRS 16, would have been \$52.1 million. IFRS 16 impact on selling, distribution and administrative expenses is due to operating lease expenses under IAS 17 being replaced with a smaller amount of depreciation expense related to the right-of-use assets.

Net Financial Costs

Net financial costs for the first nine months of fiscal 2020 were \$2.2 million compared to \$2.4 million last year. The average Canadian prime rate decreased to 3.01% for the first nine months of fiscal 2020 compared to 3.95% last year. The average US prime rate decreased to 3.75% compared to 5.48% last year. Average bank indebtedness during the first nine months of fiscal 2020 was \$40.6 million compared to \$63.4 million last year.

Total net financial costs for the first nine months of fiscal 2020, excluding the impact of IFRS 16, would have been \$1.6 million. The adoption of IFRS 16 increased the interest expense by \$0.6 million related to lease liabilities.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts)

	Nov-2019	Feb-2020 ⁽¹⁾	May-2020 ⁽¹⁾	Aug-2020 ⁽¹⁾
	\$	\$	\$	\$
Sales	107,127	88,856	103,763	138,843
Net earnings (loss)	277	(2,060)	3,399	6,696
Net earnings (loss) per share	0.03	(0.24)	0.40	0.78

	Nov-2018	Feb-2019	May-2019	Aug-2019
	\$	\$	\$	\$
Sales	112,742	88,153	123,713	130,594
Net earnings (loss)	197	(1,550)	1,855	2,472
Net earnings (loss) per share	0.02	(0.18)	0.22	0.29

As indicated above, our results over the past eight quarters follow a seasonal pattern with sales activities traditionally higher in the second and third quarters. In the second quarter of 2020, revenue is unusually low compared to the second quarter of 2019 due to COVID-19.

¹ Includes the impact of the adoption of IFRS 16

STATEMENT OF FINANCIAL POSITION

Total Assets

Total assets at August 31, 2020 was \$204.0 million compared to \$209.4 million last year. Cash at August 31, 2020 closed at \$1.9 million compared to \$1.5 million last year. Trade and other receivables at August 31, 2020 was \$64.5 million (\$65.2 million last year). Inventories at August 31, 2020 was \$82.5 million compared to \$99.8 million last year. Prepaid expenses at August 31, 2020 was \$2.1 million compared to \$2.6 million last year. Defined benefit plan asset was \$2.2 million at August 31, 2020 compared to \$2.7 million last year. Investment was \$25 thousand at August 31, 2020 (same last year), reflecting the carrying amount of the investment in the JV. Other assets were \$0.8 million at August 31, 2020 (\$0.9 million last year).

Property, plant, equipment, intangible and right-of-use assets

Property, plant and equipment at August 31, 2020 was \$31.5 million compared to \$32.8 million last year. Capital expenditures during the first nine months of fiscal 2020 amounted to \$0.7 million compared to \$0.5 million last year. Property, plant and equipment capitalized during the first nine months of fiscal 2020 mainly included buildings, yard equipment, computers and rolling stock. Intangible assets at August 31, 2020 was \$3.4 million compared to \$4.0 million last year. Proceeds on disposal of capital assets during the first three quarters of fiscal 2020 was \$13 thousand compared to \$8 thousand last year. Right-of-use assets at August 31, 2020 was \$15.1 million (nil last year). Depreciation of property, plant, equipment, intangible, and right-of-use assets during the nine months ended August 31, 2020 amounted to \$5.8 million compared to \$2.6 million last year.

Total Liabilities

Total liabilities at August 31, 2020 was \$86.0 million compared to \$95.0 million last year. Bank indebtedness was \$23.9 million compared to \$56.6 million last year. Trade and other payables at August 31, 2020 was \$35.8 million compared to \$32.2 million last year. Income taxes payable was \$3.2 million compared to \$0.7 million last year. Provision at August 31, 2020 was \$1.5 million compared to \$1.6 million last year. Lease liabilities at August 31, 2020 were \$18.5 million compared to \$47 thousand last year. Deferred income taxes at August 31, 2020 was \$2.3 million compared to \$3.7 million last year. Defined benefit plan obligation was \$0.7 million at August 31, 2020 compared to \$0.2 million last year.

Shareholders' Equity

Total Shareholders' Equity at August 31, 2020 was \$118.0 million compared to \$114.4 million last year. The Company generated a return on equity of 9.1% during the first nine months of fiscal 2020 compared to 3.2% last year. The share price closed at \$6.20 per share on August 31, 2020 (\$4.52 on August 31, 2019). The book value at August 31, 2020 was \$13.78 per share compared to \$13.45 last year. Share capital was \$9.4 million at August 31, 2020 (\$9.2 million last year). Dividends of \$0.20 and \$0.10 per share were paid for the nine-month periods ended August 31, 2020 and August 31, 2019.

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 maturing 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 and immovable property of the Company. As at August 31, 2020, the Company was compliant with its financial covenants. As at August 31, 2020, under the credit agreement, the Company was using \$20.0 million of its facility compared to \$53.0 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 2020 was \$13.3 million compared to \$(13.4) million last year. Financing activities during the first nine months of fiscal 2020 was \$(15.7) million compared to \$11.1 million last year. Investing activities during the first nine months of fiscal 2020 was \$(0.7) million compared to \$(0.5) million last year (See Property, plant, equipment, intangible and right-of use 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, 2020 and 2019, the Company achieved the following results regarding its capital management objectives:

	As at August 31 2020	As at August 31 2019
Capital management		
Debt-to-capitalization ratio	15.8%	32.7%
Interest coverage ratio	7.4	3.2
Return on shareholders' equity	9.1%	3.2%
Current ratio	2.2	1.9
EBITDA (in thousands of dollars)	\$19,125	\$8,904

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

- Debt-to-capitalization ratio represents debt over total shareholders' equity. Debt is defined as bank indebtedness less cash and cash equivalents (ie debt excludes lease liabilities). Capitalization is 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, 2020, its total debt-to-capitalization ratio stood at 15.8% compared to 32.7% on August 31, 2019. In May 2019, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks – see details under **Financing**.

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, 2019 as well as in the 2019 Annual Information Form available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

Contractual obligations	Payments due by period (in thousands of dollars)				
	Total	Less than 1 year	1 – 3 Years	4 – 5 Years	After 5 years
Purchase obligations	211	156	55	-	-

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 2019 Annual report. Only those factors with variability components are described below:

Dependence on Major Customers

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Only one major customer exceeds 10% of total Company sales in the three months and nine months ended August 31, 2020 (same 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, 2020		August 31, 2019		August 31, 2020		August 31, 2019	
	\$	%	\$	%	\$	%	\$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	21,188	15.1	17,555	13.4	50,510	15.1	45,408	13.3

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.

Cybersecurity

The Company is exposed to risks associated with data breaches, malicious software, unauthorized access, hacking, phishing, identity theft, intellectual property theft, asset theft, industrial espionage, and other cybersecurity threats. Cyberattacks could cause in particular loss of data, disruption of business operations, costs relating to restoration and investigation, cost hikes to maintain and upgrade technological infrastructures and systems, increased costs for cybersecurity insurance, financial loss, non-compliance with privacy legislation, legal claims and disputes, fines and reputational damage, all of which could affect the Company's operating results or financial position. Notwithstanding the measures implemented to protect itself against cyberattacks, the Company may be unsuccessful in preventing or implementing effective preventive measures against every potential cyberthreat, as the tactics used are multiplying, change frequently, come from a wide range of sources and are increasingly sophisticated. Moreover, cybersecurity insurance coverage may not be sufficient to insulate the Company from the losses or costs stemming from any or all cybersecurity breaches.

In the note to its financial statements for the quarter ended August 31, 2020 relating to subsequent events, the Company reported a cyberattack that affected some of its data and information systems. As disclosed in such note to the financial statements, the Company is in the process of re-establishing its data and systems and is hopeful it will be successful in doing so with limited impact on its operations and sales. However, as this work and the investigation of the attack is still ongoing, the full extent of the impact of the attack cannot be determined at this stage.

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 2019 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at August 31, 2020:
(in thousands of dollars)

Financial Liabilities	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
Bank indebtedness	23,872	23,872	23,872	-
Trade and other payables	35,818	35,818	35,818	-
Lease liabilities	18,532	18,532	4,338	14,194
Total financial liabilities	78,222	78,222	64,028	14,194

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 \$23.9 million in bank indebtedness would impact interest expense annually by \$0.2 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, 2020, the Company had the following currency exposure:

Financial assets and liabilities measured at amortized costs

(in thousands of dollars)

	USD	GBP	Euro
Cash	1,732	243	11
Trade and other receivables	4,468	105	-
Trade and other payables	(5,339)	(76)	(109)
Lease liabilities	(587)	-	-
Net exposure	274	272	(98)
CAD exchange rate as at August 31, 2020	1.3047	1.7443	1.5574
Impact on net earnings based on a fluctuation of 5% on CAD	13	17	(6)

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. In its assessment of the loss allowance for credit losses as at August 31, 2020, the Company considered the economic impact of the COVID-19 pandemic on its assessment, including the risk of default of its customers given the economic downturn caused by this pandemic

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

	August 31 2020	August 31 2019
	\$	\$
Current	61,464	60,416
31 - 60 days past due	2,077	2,890
61 - 90 days past due	464	1,340
91 - 120 days past due	331	342
Over 120 days past due	371	348
	64,707	65,336
Loss allowance	(460)	(421)
Balance, end of period	64,247	64,915

As at August 31, 2020, an amount of \$261 thousand included in the loss allowance represents a specific allowance for trade accounts receivable that amount to \$636 thousand. Other than specific allowance, expected credit losses are limited to \$199 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 2019 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 2019 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 2019 Annual consolidated financial statements, except for IFRS 16 – *Leases* as described in Note 3 contained in the interim consolidated financial statements ended August 31, 2020 in the changes in accounting standards section.

DISCLOSURE OF OUTSTANDING SHARE DATA

At August 31, 2020, there were 8,562,554 common shares issued compared to 8,506,554 common shares issued last year. The Company has authorized an unlimited number of common shares to be issued, without par value. At October 15, 2020, there were 8,562,554 common shares outstanding.

COVID-19

The duration and impact of the COVID-19 pandemic on the Company is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company continues to closely monitor the situation as it evolves day-to-day and may take further actions in response to directives of government and public health authorities or that are in the best interests of its colleagues, customers, suppliers or other stakeholders, as necessary. The Company has already taken and will continue to take swift actions to mitigate the effects of COVID-19 on its day-to-day business operations, with the best interests of its employees, customers, suppliers and other stakeholders at the crux of every action taken.

These changes and any additional changes in operations in response to COVID-19 could materially impact financial results and may include temporary closures of facilities, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on supply chains and distribution channels, temporary or long-term restrictions on cross-border commerce and travel, greater currency volatility, and increased risks to IT systems, networks and digital services. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact operations and the financial performance of the Company. The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may adversely affect the performance of the Company. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact demand for the Company's products and/or the debt and equity markets, both of which could adversely affect the Company's financial performance. Governmental interventions aimed at containing COVID-19 could also impact the Company's available workforce, its supply chain and distribution channels and/or its ability to engage in cross-border commerce, which could in turn adversely affect the operations or financial performance of the Company.

SUBSEQUENT EVENT

On September 24, 2020 the Company detected a ransomware cyberattack on its information technology systems. The malware used to perform the attack encrypted certain electronic data stored on the Company's network so it cannot be read or used. The attack took place after the close of business on September 23, 2020 and was immediately detected at the opening of business on the following day, with steps immediately taken to contain and mitigate any potential impact to the Company's data and operations and start the recovery process.

In collaboration with its cybersecurity insurance carriers, independent cybersecurity experts were brought in to assist the Company in dealing with the matter in accordance with industry best practices. The Company also reported the attack to law enforcement agencies.

At present time there is no evidence that customers' personal information was compromised as a result of this attack, and the Company generally does not receive personal information from its clients comprised mainly of businesses. However, some employee personal information may have been compromised and the Company is taking measures to minimize the impact for affected employees, including retaining the services of TransUnion to proactively monitor and manage their credit record.

The Company is in the process of re-establishing its data and systems and is hopeful it will be successful in doing so with limited impact on its operations and sales. However, as this work and the investigation of the attack is still ongoing, the full extent of the impact of the attack cannot be determined at this stage.

OUTLOOK

The evolution of COVID-19 is currently unpredictable and due new spiking of new cases of infection makes an end of the pandemic impossible to determine at this date. It may well not materialize before year-end 2020. In consequence, risk management requires caution. It is imperative to maintain a strong balance throughout the period ahead.

CERTIFICATION

Disclosure Controls

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.

Procedures and Internal Controls Over Financial Reporting

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, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, October 15, 2020



Patrick Goodfellow
President and Chief Executive Officer



Charles Brisebois, CPA, CMA
Chief Financial Officer