

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, 2021 and 2020

(in thousands of dollars, except per share amounts)

Unaudited

	For the three months ended		For the nine months ended	
	August 31 2021	August 31 2020	August 31 2021	August 31 2020
	\$	\$	\$	\$
Sales (Note 15)	167,953	138,843	472,911	331,462
Expenses				
Cost of goods sold (Note 4)	133,048	111,030	369,227	266,748
Selling, administrative and general expenses (Note 4)	20,210	17,834	62,922	51,402
Net financial costs (Note 5)	751	679	2,141	2,152
	154,009	129,543	434,290	320,302
Earnings before income taxes	13,944	9,300	38,621	11,160
Income taxes	3,905	2,604	10,837	3,125
Total comprehensive income	10,039	6,696	27,784	8,035
Net earnings per share – Basic and Diluted (Note 10)	1.17	0.78	3.24	0.94

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

	As at August 31 2021	As at November 30 2020	As at August 31 2020
	\$	\$	\$
Assets			
Current Assets			
Cash	1,726	3,466	1,884
Trade and other receivables (Note 6)	72,118	76,093	64,511
Inventories	115,046	84,740	82,498
Prepaid expenses	4,290	2,584	2,077
Total Current Assets	193,180	166,883	150,970
Non-Current Assets			
Property, plant and equipment	30,220	31,148	31,536
Intangible assets	2,789	3,238	3,420
Right-of-use assets	12,630	14,324	15,113
Defined benefit plan asset	1,901	1,945	2,188
Other assets	785	785	778
Total Non-Current Assets	48,325	51,440	53,035
Total Assets	241,505	218,323	204,005
Liabilities			
Current liabilities			
Bank indebtedness (Note 7)	24,681	28,570	23,872
Trade and other payables (Note 8)	41,680	39,614	35,818
Income taxes payable	7,418	4,859	3,246
Provision (Note 9)	2,730	1,473	1,514
Dividend payable (Note 10)	-	2,141	-
Current portion of lease liabilities	4,270	4,315	4,338
Total Current Liabilities	80,779	80,972	68,788
Non-Current Liabilities			
Lease liabilities	11,405	13,343	14,194
Deferred income taxes	1,597	1,597	2,269
Defined benefit plan obligation	1,280	1,182	734
Total Non-Current Liabilities	14,282	16,122	17,197
Total Liabilities	95,061	97,094	85,985
Shareholders' Equity			
Share capital (Note 10)	9,424	9,424	9,424
Retained earnings	137,020	111,805	108,596
	146,444	121,229	118,020
Total Liabilities and Shareholders' Equity	241,505	218,323	204,005

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and nine months ended August 31, 2021 and 2020
(in thousands of dollars)
Unaudited

	For the three months ended		For the nine months ended	
	August 31 2021	August 31 2020	August 31 2021	August 31 2020
	\$	\$	\$	\$
Operating Activities				
Net earnings	10,039	6,696	27,784	8,035
Adjustments for:				
Depreciation and amortization of:				
Property, plant and equipment	636	678	1,901	2,002
Right-of-use assets	1,055	1,084	3,111	3,265
Intangible assets	153	183	467	546
Accretion expense on provision	11	18	33	54
Increase (decrease) in provision	(76)	-	1,224	(10)
Income taxes	3,905	2,604	10,837	3,125
Gain on disposal of property, plant and equipment	(1)	(1)	(8)	(11)
Interest expense	247	187	707	825
Interest on lease liabilities	143	167	446	520
Funding in deficit of pension plan expense	63	52	142	158
Other	21	(13)	(10)	28
	16,196	11,655	46,634	18,537
Changes in non-cash working capital items (Note 13)	24,168	9,239	(25,824)	(3,915)
Interest paid	(287)	(114)	(1,300)	(733)
Income taxes paid	(914)	478	(8,278)	(613)
	22,967	9,603	(35,402)	(5,261)
Net Cash Flows from Operating Activities	39,163	21,258	11,232	13,276
Financing Activities				
Net increase (decrease) in bank loans	14,000	-	9,000	(5,000)
Net decrease in banker's acceptances	(50,000)	(21,000)	(12,000)	(5,000)
Payment of lease liabilities	(1,156)	(1,312)	(3,390)	(3,954)
Dividend paid (Note 10)	-	-	(4,710)	(1,712)
	(37,156)	(22,312)	(11,100)	(15,666)
Investing Activities				
Acquisition of property, plant and equipment	(238)	(222)	(975)	(732)
Increase in intangible assets	-	(3)	(18)	(39)
Proceeds on disposal of property, plant and equipment	-	(1)	10	13
	(238)	(226)	(983)	(758)
Net cash inflow (outflow)	1,769	(1,280)	(851)	(3,148)
Cash position, beginning of period	(3,724)	(708)	(1,104)	1,160
Cash position, end of period	(1,955)	(1,988)	(1,955)	(1,988)
Cash position is comprised of:				
Cash	1,726	1,884	1,726	1,884
Bank overdraft (Note 7)	(3,681)	(3,872)	(3,681)	(3,872)
	(1,955)	(1,988)	(1,955)	(1,988)

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended August 31, 2021 and 2020
(in thousands of dollars)
Unaudited

	Share Capital	Retained Earnings	Total
	\$	\$	\$
Balance as at November 30, 2019	9,424	103,984	113,408
IFRS 16 adoption adjustment, net of taxes of \$940	-	(2,567)	(2,567)
Balance as at December 1, 2019	9,424	101,417	110,841
Net earnings	-	8,035	8,035
Total comprehensive income	-	8,035	8,035
<i>Transactions with owners of the Company</i>			
Dividend (Note 10)	-	(856)	(856)
Balance as at August 31, 2020	9,424	108,596	118,020
Balance as at November 30, 2020	9,424	111,805	121,229
Net earnings	-	27,784	27,784
Total comprehensive income	-	27,784	27,784
<i>Transactions with owners of the Company</i>			
Dividend (Note 10)	-	(2,569)	(2,569)
Balance as at August 31, 2021	9,424	137,020	146,444

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2021 and 2020

(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, 2021 and 2020 include 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 Boards (“IASB”). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2020, as set out in the 2020 annual report. Certain comparative figures have been reclassified to conform to the current year’s presentation.

These interim consolidated financial statements were authorized for issue by the Board of Directors on October 7, 2021.

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.

Estimates, Judgments and Assumptions

The preparation of the interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Company’s accounting policies and key sources of estimation of uncertainty were the same as those applied and described in the Company’s audited annual consolidated financial statements for the year ended November 30, 2020.

3. Significant Accounting Policies

The Company’s significant accounting policies described in Note 3 contained in its 2020 Annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim consolidated financial statements.

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	August 31	August 31	August 31
	2021	2020	2021	2020
	\$	\$	\$	\$
Employee benefit expense ⁽¹⁾	13,526	12,316	41,046	33,563
Obsolescence adjustment included in cost of goods sold	3,154	896	3,957	1,285
Depreciation included in cost of goods sold	213	219	595	643
Depreciation and amortization included in selling, administrative and general expenses	1,631	1,726	4,884	5,170
Foreign exchange loss (gains)	67	(45)	(202)	291

- (1) In the three months and nine months ended August 31, 2021, the Company was not qualified to receive the Canada Emergency Wage Subsidy (CEWS), but in the three months and nine months ended August 31, 2020, the Company was qualified to receive the CEWS. The Company recognized \$nil related to CEWS for the three months and nine months ended August 31, 2021 ((\$0.5 million for the three months ended August 31, 2020, and \$3.0 million for the nine months ended August 31, 2020) against the related remunerations.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2021 and 2020

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

5. Net financial costs

	For the three months ended		For the nine months ended	
	August 31 2021	August 31 2020	August 31 2021	August 31 2020
	\$	\$	\$	\$
Interest expense	247	187	707	825
Interest expense on lease liabilities	143	167	446	520
Accretion expense on provision	11	18	33	54
Other financial costs	350	307	957	754
Financial cost	751	679	2,143	2,153
Financial income	-	-	(2)	(1)
Net financial costs	751	679	2,141	2,152

6. Trade and other receivables

	August 31 2021	November 30 2020	August 31 2020
	\$	\$	\$
Trade receivables	72,043	76,063	64,707
Allowance for doubtful accounts	(81)	(122)	(460)
	71,962	75,941	64,247
Other receivables	156	152	264
	72,118	76,093	64,511

7. Bank indebtedness

	August 31 2021	November 30 2020	August 31 2020
	\$	\$	\$
Bank loans	21,000	12,000	-
Banker's acceptances	-	12,000	20,000
Bank overdraft	3,681	4,570	3,872
	24,681	28,570	23,872

In May 2021, 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 2024. 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 immovable and movable property of the Company. As at August 31, 2021, the Company was compliant with its financial covenants. As at August 31, 2021, under the credit agreement, the Company used \$24.7 million of its facility compared to \$23.9 million last year.

8. Trade and other payables

	August 31 2021	November 30 2020	August 31 2020
	\$	\$	\$
Trade payables and accruals	31,896	31,056	27,537
Payroll related liabilities	6,796	5,965	5,618
Sales taxes payable	2,988	2,593	2,663
	41,680	39,614	35,818

9. Provision

The Company's St-André (QC) site shows continued traces of surface contamination from previous treating activities exceeding existing regulatory requirements. The Company received approval for the environmental rehabilitation plan in fiscal 2016. The Company started to implement its plan during fiscal 2016 and treatment of soil on-site was to be performed over an estimated period of 5 years. The remaining rehabilitation was expected to occur in fiscal 2020. Unfortunately, because of the duration and impact of the COVID-19 pandemic no work was performed in fiscal 2020. The remaining rehabilitation is now expected to occur in fiscal 2021 unless other delays occur due to the COVID-19 pandemic. The Company had to modify its rehabilitation plan in fiscal 2021 and submit for approval to the Minister of the environment a revised timetable to complete the rehabilitation, taking into account any possible impact from the prevailing sanitary conditions.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2021 and 2020

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

Based on current available information, the provision was increased by \$1.3 million in the second quarter of 2021 to take into account changes in future expected expenditures due to market conditions showing increasing costs related to decontamination. The revised provision is considered by management to be adequate to cover any projected costs that could be incurred in the future.

Because of the nature of the liability, the biggest uncertainty in estimating the provision is the amount of soil to be treated and the costs that will be incurred. Changes in estimates of future expenditures are the result of periodic reviews of the underlying assumptions supporting the provision, including remediation costs and regulatory requirements.

	August 31 2021	November 30 2020	August 31 2020
	\$	\$	\$
Balance, beginning of the year	1,473	1,470	1,470
Changes due to:			
Revision of future expected expenditures	1,300	(59)	-
Accretion expense	33	72	54
Expenditures incurred	(76)	(10)	(10)
Balance, end of period	2,730	1,473	1,514
Current portion	2,730	1,473	1,514

10. Share Capital

Authorized

An unlimited number of common shares, without par value

	August 31 2021	November 30 2020	August 31 2020
Number of shares outstanding at the beginning and at the end of the period	8,562,554	8,562,554	8,562,554

Net earnings

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 2021	August 31 2020	August 31 2021	August 31 2020
	\$	\$	\$	\$
Net earning, basic and diluted	10,039	6,696	27,784	8,035
Weighted average number of common shares, basic and diluted	8,562,554	8,562,554	8,562,554	8,562,554

Dividends

The following dividends were declared and paid by the Company:

	2021				2020			
	Record date	Per share	Amount		Record date	Per share	Amount	
Quarter 1	Mar 5, 2021	0.30	2,569	Mar 19, 2021	Feb 28, 2020	0.10	856	Mar 13, 2020
Quarter 2		-	-			-	-	
Quarter 3		-	-			-	-	
		0.30	2,569			0.10	856	
Quarter 4					Nov 27, 2020	0.25	2,141	Dec 4, 2020
						0.35	2,997	

The Company is continually assessing its declaration of dividend in the context of overall profitability, cash flows, capital requirements, general economic conditions, and other business needs. Accordingly, the Company did not declare a dividend in the third quarter.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2021 and 2020

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

11. 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, 2021, which is not necessarily indicative of performance for the balance of the year.

12. 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, 2021:

Financial Liabilities	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
Bank indebtedness	24,681	24,681	24,681	-
Trade and other payables	41,680	41,680	41,680	-
Total financial liabilities	66,361	66,361	66,361	-

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 \$24.7 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 Pounds sterling. A 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, 2021, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	836	267	17
Bank indebtedness	(613)	-	-
Trade and other receivables	7,322	67	-
Trade and other payables	(4,215)	(2)	(182)
Lease liabilities	(305)	-	-
Net exposure	3,025	332	(165)
CAD exchange rate as at August 31, 2021	1.2616	1.7353	1.4899
Impact on net earnings based on a fluctuation of 5% on CAD	137	21	(9)

Credit Risk

The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers, and specific credit limit for each customer is established and regularly revised. 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2021 and 2020

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

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, 2021, the Company considered the economic impact of the COVID-19 pandemic on its assessment. This was not considered to be significant.

The following table presents information on credit risk exposure and expected credit losses related to trade accounts receivable:

	August 31 2021	August 31 2020
	\$	\$
Current	66,221	61,464
31 - 60 days past due	3,175	2,077
61 - 90 days past due	1,131	464
91 - 120 days past due	621	331
Over 120 days past due	895	371
	72,043	64,707
Loss allowance	(81)	(460)
Balance, end of period	71,962	64,247

As at August 31, 2021, expected credit losses are limited to \$81 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 and nine months ended August 31, 2021 (same last year). The following represents the total sales consisting primarily of various wood products of the major customer:

	For the three months ended				For the nine months ended			
	August 31, 2021		August 31, 2020		August 31, 2021		August 31, 2020	
	\$	%	\$	%	\$	%	\$	%
Sales to major customer that exceeded 10% of total Company's sales	24,820	14.8	21,188	15.1	74,623	15.8	50,510	15.1

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.

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 lease liabilities approximate their fair values.

13. Additional Cash Flow Information

Changes in Non-Cash Working Capital Items

	For the three months ended		For the nine months ended	
	August 31 2021	August 31 2020	August 31 2021	August 31 2020
	\$	\$	\$	\$
Trade and other receivables	35,670	5,020	3,975	(16,050)
Inventories	239	9,573	(30,306)	4,841
Prepaid expenses	1,511	(653)	(1,560)	416
Trade and other payables	(13,252)	(4,701)	2,067	6,878
	24,168	9,239	(25,824)	(3,915)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2021 and 2020

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

14. 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 2020 Annual report.

As at August 31, 2021 and 2020, the Company achieved the following results regarding its capital management objectives:

	As at August 31 2021	As at August 31 2020
Capital management		
Debt-to-capitalization ratio	13.8%	15.8%
Interest coverage ratio	24.5	7.4
Return on shareholders' equity	25.3%	9.1%
Current ratio	2.4	2.2
EBITDA	\$46,241	\$19,125

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. Capitalization is debt plus shareholders' equity. This ratio is presented without the impact of IFRS 16 to conform to the bank's covenant requirement.
- 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. This ratio is presented without the impact of IFRS 16 to conform to the bank's covenant requirement.
- 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.

15. Segmented Information and Sales

The Company manages its operations under one operating segment. Revenues are generated from the sale of various wood products and operating expenses are managed at the aggregate Company level. All significant property, plant and equipment, and right-of-use assets are located in Canada.

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

The Company's sales to clients located in Canada represent approximately 89% (87% in 2020) of total sales, the sales to clients located in the United States represent approximately 7% (8% in 2020) of total sales, and the sales to clients located in other markets represent approximately 4% (5% in 2020) of total sales.

	For the three months ended		For the nine months ended	
	August 31 2021	August 31 2020	August 31 2021	August 31 2020
Canada	\$ 150,664	\$ 123,792	\$ 422,644	\$ 287,337
US	12,273	9,337	32,842	28,017
Export	5,016	5,714	17,425	16,108
	167,953	138,843	472,911	331,462

Sales categories

	For the three months ended		For the nine months ended	
	August 31 2021	August 31 2020	August 31 2021	August 31 2020
Flooring	\$ 28,172	\$ 26,092	\$ 83,334	\$ 68,560
Specialty and commodity panels	31,681	20,110	93,863	51,341
Building material	19,400	18,291	48,806	39,433
Lumber	88,700	74,350	246,908	172,128
	167,953	138,843	472,911	331,462