

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, 2023 and 2022

(in thousands of dollars, except per share amounts)

Unaudited

	For the three months ended		For the nine months ended	
	August 31 2023	August 31 2022	August 31 2023	August 31 2022
	\$	\$	\$	\$
Sales (Note 15)	139,155	167,574	387,406	481,886
Expenses				
Cost of goods sold (Note 4)	107,535	129,715	301,829	374,716
Selling, administrative and general expenses (Note 4)	22,220	22,126	66,143	65,464
Net financial costs (Note 5)	802	1,038	1,997	2,484
	130,557	152,879	369,969	442,664
Earnings before income taxes	8,598	14,695	17,437	39,222
Income taxes	2,407	4,115	4,882	10,983
Total comprehensive income	6,191	10,580	12,555	28,239
Net earnings per share – Basic and Diluted (Note 10b)	0.72	1.24	1.47	3.30

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

	As at August 31 2023	As at November 30 2022	As at August 31 2022
	\$	\$	\$
Assets			
Current Assets			
Cash	7,973	3,420	2,279
Trade and other receivables (Note 6)	66,235	64,423	76,201
Income taxes receivable	3,946	2,439	33
Inventories	113,346	112,294	142,082
Prepaid expenses	2,177	2,555	3,237
Total Current Assets	193,677	185,131	223,832
Non-Current Assets			
Property, plant and equipment	32,906	32,269	31,148
Intangible assets	1,644	2,096	2,235
Right-of-use assets	11,697	14,999	14,614
Defined benefit plan asset	11,829	11,620	10,441
Other assets	777	802	802
Total Non-Current Assets	58,853	61,786	59,240
Total Assets	252,530	246,917	283,072
Liabilities			
Current Liabilities			
Bank indebtedness (Note 7)	-	-	31,590
Trade and other payables (Note 8)	37,551	36,286	42,744
Provision (Note 9)	2,253	2,281	370
Current portion of lease liabilities	4,863	4,969	4,836
Total Current Liabilities	44,667	43,536	79,540
Non-Current Liabilities			
Provision (Note 9)	837	634	2,281
Lease liabilities	8,867	12,537	12,338
Deferred income taxes	3,431	3,431	3,151
Total Non-Current Liabilities	13,135	16,602	17,770
Total Liabilities	57,802	60,138	97,310
Shareholders' Equity			
Share capital (Note 10)	9,388	9,419	9,424
Retained earnings	185,340	177,360	176,338
	194,728	186,779	185,762
Total Liabilities and Shareholders' Equity	252,530	246,917	283,072

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the three and nine months ended August 31, 2023 and 2022
(in thousands of dollars)
Unaudited

	For the three months ended		For the nine months ended	
	August 31 2023	August 31 2022	August 31 2023	August 31 2022
	\$	\$	\$	\$
Operating Activities				
Net earnings	6,191	10,580	12,555	28,239
Adjustments for:				
Depreciation and amortization of:				
Property, plant and equipment	856	636	2,396	1,788
Intangible assets	151	153	452	455
Right-of-use assets	1,164	1,175	3,609	3,365
Gain on disposal of property, plant and equipment	-	(10)	(181)	(45)
Accretion expense on provision (Note 9)	68	25	204	76
Provision (Note 9)	-	(34)	(29)	428
Income taxes	2,407	4,115	4,882	10,983
Interest expense	341	508	910	1,007
Interest on lease liabilities	146	152	286	430
Funding in excess of pension plan expense	(69)	(15)	(209)	(44)
Other	152	(13)	13	(38)
	11,407	17,272	24,888	46,644
Changes in non-cash working capital items (Note 13)	30,890	29,012	(1,234)	(39,462)
Interest paid	(436)	(539)	(1,176)	(1,426)
Income taxes paid	(352)	(3,070)	(6,389)	(20,038)
	30,102	25,403	(8,799)	(60,926)
Net Cash Flows from Operating Activities	41,509	42,675	16,089	(14,282)
Financing Activities				
Net (decrease) increase in bank loans (Note 7)	-	(5,000)	-	6,000
Net (decrease) increase in banker's acceptances (Note 7)	(28,000)	(35,000)	-	18,000
Payment of lease liabilities	(1,304)	(1,282)	(4,096)	(3,702)
Redemption of shares (Note 10b)	(62)	-	(332)	-
Dividends paid	-	-	(4,274)	(3,425)
Net Cash Flows from Financing Activities	(29,366)	(41,282)	(8,702)	16,873
Investing Activities				
Acquisition of property, plant and equipment	(1,357)	(1,002)	(3,040)	(2,914)
Increase in intangible assets	-	-	-	(40)
Proceeds on disposal of property, plant and equipment	-	10	188	45
Dividend from joint venture	25	-	25	-
Dissolution of the joint venture	(7)	-	(7)	-
Net Cash Flows from Investing Activities	(1,339)	(992)	(2,834)	(2,909)
Net cash inflow (outflow)	10,804	401	4,553	(318)
Cash position, beginning of period	(2,831)	(3,712)	3,420	(2,993)
Cash position, end of period	7,973	(3,311)	7,973	(3,311)
Cash position is comprised of:				
Cash	7,973	2,279	7,973	2,279
Bank overdraft (Note 7)	-	(5,590)	-	(5,590)
	7,973	(3,311)	7,973	(3,311)

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended August 31, 2023 and 2022
(in thousands of dollars)
Unaudited

	Share Capital	Retained Earnings	Total
	\$	\$	\$
Balance as at November 30, 2021	9,424	151,524	160,948
Net earnings (Note 10c)	-	28,239	28,239
Total comprehensive income	-	28,239	28,239
Dividend (Note 10d)	-	(3,425)	(3,425)
Balance as at August 31, 2022	9,424	176,338	185,762
Balance as at November 30, 2022	9,419	177,360	186,779
Net earnings (Note 10c)	-	12,555	12,555
Total comprehensive income	-	12,555	12,555
Dividend (Note 10d)	-	(4,274)	(4,274)
Redemption of Shares (Note 10b)	(31)	(301)	(332)
Balance as at August 31, 2023	9,388	185,340	194,728

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2023 and 2022

(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, 2023 and 2022 include the accounts of the Company and its wholly owned subsidiaries.

2. Basis of preparation

Statement of compliance

The 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, 2022, as set out in the 2022 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 4, 2023.

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.

Use of estimates, judgments and assumptions

The preparation of the interim consolidated financial statements in compliance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates are volatile by their nature and are continuously monitored by management. 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, 2022.

3. Significant Accounting Policies

The Company's significant accounting policies described in Note 3 contained in its 2022 Annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim consolidated financial statements.

4. Additional information on:

	For the three months ended		For the nine months ended	
	August 31	August 31	August 31	August 31
	2023	2022	2023	2022
Cost of goods sold				
	\$	\$	\$	\$
Employee benefits expense	344	350	980	1,008
Obsolescence adjustment	(501)	152	16	413
Depreciation	287	230	864	582
Foreign exchange (gains) losses	(28)	(129)	(15)	204
	For the three months ended		For the nine months ended	
	August 31	August 31	August 31	August 31
	2023	2022	2023	2022
Selling, administrative and general expenses				
	\$	\$	\$	\$
Employee benefits expense	13,566	13,712	40,620	40,886
Depreciation and amortization included in selling, administrative and general expenses	1,884	1,734	5,593	5,026

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2023 and 2022

(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 2023	August 31 2022	August 31 2023	August 31 2022
	\$	\$	\$	\$
Interest expense	341	508	910	1,007
Interest expense on lease liabilities	146	152	286	430
Accretion expense on provision (Note 9)	68	25	204	76
Other financial costs	277	354	705	976
Financial cost	832	1,039	2,105	2,489
Financial income	(30)	(1)	(108)	(5)
Net financial costs	802	1,038	1,997	2,484

6. Trade and other receivables

	August 31 2023	November 30 2022	August 31 2022
	\$	\$	\$
Trade receivables	66,835	64,454	76,074
Allowance for doubtful accounts	(803)	(342)	(280)
	66,032	64,112	75,794
Other receivables	203	311	407
	66,235	64,423	76,201

7. Bank indebtedness

	August 31 2023	November 30 2022	August 31 2022
	\$	\$	\$
Bank loans ⁽¹⁾	-	-	8,000
Banker's acceptances ⁽¹⁾	-	-	18,000
Bank overdraft	-	-	5,590
	-	-	31,590

⁽¹⁾ 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 by way of bank loans and/or banker's acceptances. In addition, an accordion of \$10 million is available once per fiscal year for a maximum of 150 days. 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, 2023, the Company was compliant with its financial covenants. As at August 31, 2023, the Company has \$1.2 million of issued letters of credit which reduces the availability of its facility (same last year).

8. Trade and other payables

	August 31 2023	November 30 2022	August 31 2022
	\$	\$	\$
Trade payables and accruals	27,536	25,172	33,020
Payroll related liabilities	6,760	6,201	6,610
Sales taxes payable	3,255	4,913	3,114
	37,551	36,286	42,744

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 Company continued its rehabilitation plan in fiscal 2021, with further work performed in 2022. In 2022, the Company submitted a revised timetable for the site remediation which was approved by the "Ministère de l'Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs". The Company started to implement its revised plan during the third quarter of fiscal 2022 and treatment of soil on-site will be performed over an estimated period of 3 years.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2023 and 2022

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

Based on current available information, the 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 to remove it. 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 2023	November 30 2022	August 31 2022
	\$	\$	\$
Balance, beginning of the year	2,915	2,147	2,147
Changes due to:			
Revision of future expected expenditures	-	1,106	470
Accretion expense	204	102	76
Expenditures incurred	(29)	(440)	(42)
Balance, end of period	3,090	2,915	2,651
Current portion	2,253	2,281	370
Long-term portion	837	634	2,281

10. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	August 31 2023	November 30 2022	August 31 2022
	Number of shares	Number of shares	Number of shares
Shares outstanding at the beginning of the period	8,557,954	8,562,554	8,562,554
Repurchased and cancelled (b)	(27,500)	(4,600)	-
Shares outstanding at the end of the period	8,530,454	8,557,954	8,562,554

	August 31 2023	November 30 2022	August 31 2022
	\$	\$	\$
Shares outstanding at the beginning of the period	9,419	9,424	9,424
Repurchased and cancelled (b)	(31)	(5)	-
Shares outstanding at the end of the period	9,388	9,419	9,424

b) Share repurchase program (NCIB)

On November 10, 2022, following approval of the Toronto Stock Exchange (the "TSX"), the Company implemented a share repurchase program in the form of a normal course issuer bid (NCIB). This program allows the Company to repurchase up to an aggregate 428,127 common shares, representing approximately 5% of the common shares issued and outstanding as at November 7, 2022. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than November 9, 2023.

The following table summarizes the Company's share repurchase activities:

	August 31 2023	November 30 2022	August 31 2022
Common shares repurchased for cancellation (number of shares)	27,500	4,600	-
Average price per share	\$ 12.06	\$ 12.17	-
Total repurchase cost	\$ 332	\$ 56	-
Repurchase resulting in a reduction of:			
Share Capital	\$ 31	\$ 5	-
Deficit ⁽¹⁾	\$ 301	\$ 51	-

⁽¹⁾ The excess of repurchase cost over the average carrying value of the common shares.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

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

c) 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 2023	August 31 2022	August 31 2023	August 31 2022
Net earnings, basic and diluted	\$ 6,191	\$ 10,580	\$ 12,555	\$ 28,239
Weighted average number of common shares, basic and diluted	8,530,454	8,562,554	8,540,054	8,562,554

d) Dividends

The following dividends were declared and paid by the Company for the nine-month period ended August 31, 2023 and for the year ended November 30, 2022:

2023				2022			
Declared				Declared			
Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
	\$	\$			\$	\$	
Mar 2, 2023	0.50	4,274	Mar 16, 2023	Mar 4, 2022	0.40	3,425	Mar 18, 2022
	<u>0.50</u>	<u>4,274</u>			<u>0.40</u>	<u>3,425</u>	
				Oct 27, 2022	0.50	4,281	Nov 10, 2022
					<u>0.90</u>	<u>7,706</u>	

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.

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, 2023:

FINANCIAL LIABILITIES	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
	\$	\$	\$	\$
Trade and other payables	37,551	37,551	37,551	-
Total financial liabilities	37,551	37,551	37,551	-

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2023 and 2022

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

The following are the contractual maturities of financial liabilities as at November 30, 2022:

FINANCIAL LIABILITIES	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
	\$	\$	\$	\$
Trade and other payables	36,286	36,286	36,286	-
Total financial liabilities	36,286	36,286	36,286	-

The following are the contractual maturities of financial liabilities as at August 31, 2022:

FINANCIAL LIABILITIES	Carrying Amount	Contractual cash flows	0 to 12 Months	12 to 36 Months
	\$	\$	\$	\$
Bank indebtedness	31,590	31,590	31,590	-
Trade and other payables	42,744	42,744	42,744	-
Total financial liabilities	74,334	74,334	74,334	-

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 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 100 basis point fluctuation of interest rate on average bank indebtedness throughout the nine months ended August 31, 2023 would impact interest expense by \$0.2 million (August 31, 2022 - \$0.4 million).

Currency Risk

Certain valuation risks exist depending on the performance of the Canadian dollar compared to the U.S. dollar, Euro and the Pound sterling. From time-to-time, the Company could enter into forward exchange contracts to hedge certain accounts payable and certain future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. During the nine months ended August 31, 2023, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at August 31, 2023, there were no outstanding foreign exchange contracts. 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, 2023, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	2,645	411	12
Bank indebtedness	(1,777)	-	-
Trade and other receivables	4,447	31	-
Trade and other payables	(2,979)	(3)	(139)
Net exposure	2,336	440	(127)
CAD exchange rate as at August 31, 2023	1.3507	1.7119	1.4646
Impact on net earnings based on a fluctuation of 5% on CAD	114	27	(7)

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

As at November 30, 2022, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	156	447	9
Trade and other receivables	5,081	14	-
Trade and other payables	(1,952)	(10)	-
Net exposure	3,285	451	9
CAD exchange rate as at November 30, 2022	1.3412	1.6176	1.3960
Impact on net earnings based on a fluctuation of 5% on CAD	159	26	-

As at August 31, 2022, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	658	348	10
Bank indebtedness	(869)	-	-
Trade and other receivables	4,804	120	-
Trade and other payables	(2,931)	(5)	(54)
Net exposure	1,662	463	(44)
CAD exchange rate as at August 31, 2022	1.3130	1.5261	1.3201
Impact on net earnings based on a fluctuation of 5% on CAD	79	25	(2)

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 the 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:

	As at August 31 2023	As at November 30 2022	As at August 31 2022
	\$	\$	\$
Current	62,218	59,678	71,008
31 - 60 days past due	2,555	2,664	3,136
61 - 90 days past due	334	1,060	1,303
91 - 120 days past due	283	370	507
Over 120 days past due	1,445	682	120
	66,835	64,454	76,074
Loss allowance	(803)	(342)	(280)
Balance, end of period	66,032	64,112	75,794

As at August 31, 2023, expected credit losses are limited to \$0.8 million and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

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

Economic Dependence

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Only one major customer exceeds 10% of total Company sales during the three months and nine months ended August 31, 2023 (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, 2023		August 31, 2022		August 31, 2023		August 31, 2022	
	\$	%	\$	%	\$	%	\$	%
Sales to the major customer that exceeded 10% of total Company's sales	22,395	16.1	24,051	14.4	59,895	15.5	68,182	14.1

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 and trade and other payables 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	August 31	August 31	August 31
	2023	2022	2023	2022
	\$	\$	\$	\$
Trade and other receivables	20,928	25,453	(1,812)	(12,955)
Inventories	8,922	(956)	(1,052)	(32,295)
Prepaid expenses	38	6,087	336	935
Trade and other payables	1,002	(1,572)	1,294	4,853
	30,890	29,012	(1,234)	(39,462)

The reconciliation of movements of liabilities to cash flows arising from financing activities is as follows:

	Bank loans	Banker's acceptances	Lease liabilities	Total
	\$	\$	\$	\$
<i>Liability related changes</i>				
Period ended August 31, 2023				
Interest expense	282	628	286	1,196
Interest paid	303	587	286	1,176
Year ended November 30, 2022				
Interest expense	485	745	603	1,833
Interest paid	451	677	603	1,731
Period ended August 31, 2022				
Interest expense	322	685	430	1,437
Interest paid	329	667	430	1,426

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the three and nine months ended August 31, 2023 and 2022

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

14. Capital management

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 net debt-to-capital ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements; and
4. Provide an adequate return to its shareholders.

The Company defines its capital as net debt less shareholders' equity as follows:

	As at August 31 2023	As at November 30 2022	As at August 31 2022
Bank indebtedness	\$ -	\$ -	\$ 31,590
Less: Cash	(7,973)	(3,420)	(2,279)
Net Cash	(7,973)	(3,420)	29,311
Share capital	9,388	9,419	9,424
Retained earnings	185,340	177,360	176,338
Shareholders' Equity	194,728	186,779	185,762
Total Capital	202,701	190,199	76,159

The Company manages its capital and makes adjustments to it in 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 a 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three and nine months ended August 31, 2023 and 2022

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

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% (88% in 2022) of total sales, the sales to clients located in the United States represent approximately 7% (8% in 2022) of total sales, and the sales to clients located in other markets represent approximately 4% (same in 2022) of total sales.

	For the three months ended		For the nine months ended	
	August 31 2023	August 31 2022	August 31 2023	August 31 2022
	\$	\$	\$	\$
Canada	125,192	149,170	346,554	425,110
US	9,167	11,798	27,137	36,955
Export	4,796	6,606	13,715	19,821
	139,155	167,574	387,406	481,886

Sales categories

	For the three months ended		For the nine months ended	
	August 31 2023	August 31 2022	August 31 2023	August 31 2022
	\$	\$	\$	\$
Lumber	78,216	90,639	215,449	253,540
Specialty and commodity panels	23,439	28,867	68,050	87,698
Flooring	18,572	28,427	54,586	83,969
Building material	18,928	19,641	49,321	56,679
	139,155	167,574	387,406	481,886