

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 July 6, 2023. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2022 and November 30, 2021. The MD&A provides a review of the significant developments and results of operations of the Company during the six months ended May 31, 2023 and May 31, 2022. The interim consolidated financial statements ended May 31, 2023 and May 31, 2022 are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise indicated. In addition, in this Management's Discussion and Analysis, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section "Non-IFRS Financial Measures" and in Note 15 "Segmented Information and Sales" to the unaudited interim consolidated financial statements for the six months ended May 31, 2023 and May 31, 2022. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them. Additional information relating to Goodfellow Inc., including the Annual Information Form and the Annual Report can be found on SEDAR at www.sedar.com and at www.goodfellowinc.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains implicit and/or explicit forward-looking statements relating, inter alia, to objectives, strategies, priorities, goals, plans, financial position, operating results, trends and activities of Goodfellow Inc. and its markets and industries. 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. Some of these expectations and assumptions relate to the state of the global economy and the economies of the regions in which the Company operates; the level of demand for the Company's products including from its recurring client base, including bookings from customers; prices and margins for its products; competitors; reliability of supply chains; inflation; interest rates; foreign currency fluctuations; the COVID-19 pandemic; overhead expenses; working capital requirements and access to capital or funding to finance same; the collection of accounts receivable; the availability and sufficiency insurance coverage; the sufficiency and reliability of the Company's workforce; the successful management of environmental and health and safety risk; the sufficiency, reliability and effectiveness of information systems; the sufficiency, reliability and effectiveness of internal and disclosure controls; and the absence of adverse change in the Company's regulatory environment and legal proceedings. In particular, expectations and assumptions relating to the COVID-19 pandemic are more fully described in the Company's Annual MD&A for the year ended November 30, 2022. 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 or prove to be accurate. 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 foregoing risks and uncertainties are described in greater detail in this MD&A. 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.

NON-IFRS FINANCIAL MEASURES

(unaudited)

We report our financial results in accordance with IFRS. However, in this document, the following non-IFRS measures, non-IFRS ratios and supplementary financial measures are used: EBITDA, Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid, Gross profit, Gross margin, Shareholders' Equity per share and dividends paid per share. These measures do not have a standardized meaning under IFRS and could be calculated differently by other companies and accordingly, may not be comparable. We believe that many of our readers analyze the financial performance of the Company's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. The Company also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them. For measures displayed per share, the Company divided the measures by the total number of outstanding shares at May 31 of the period presented in the case of Shareholders Equity per share and by the weighted average number of outstanding shares for the relevant period ended May 31 presented for other measures per share.

“EBITDA” represents earnings before income taxes, net financial costs, depreciation of property, plant and equipment and amortization. Management believes this metric is useful as it allows comparability of operating results from one period to another by excluding the effects of items that primarily reflect the impact of long-term investment and financing decisions, rather than the results of day-to-day operations.

The table below contain a reconciliation of EBITDA to the most directly comparable IFRS measure, net earnings.

Reconciliation of EBITDA (in thousands of dollars - unaudited)	For the three months ended		For the six months ended		For the years ended	
	May 31	May 31	May 31	May 31	November 30	November 30
	2023	2022	2023	2022	2022	2021
	\$	\$	\$	\$	\$	\$
Net earnings	6,575	12,542	6,364	17,659	32,679	37,836
Income taxes	2,557	4,878	2,475	6,868	12,037	12,687
Net financial costs	921	882	1,195	1,446	3,201	2,694
Depreciation of property, plant and equipment	795	577	1,540	1,152	2,551	2,552
Amortization of right-of-use assets	1,188	1,140	2,445	2,190	4,551	4,141
Amortization of intangible assets	150	152	301	302	608	621
EBITDA	12,186	20,171	14,320	29,617	55,627	60,531

“Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid” represents net cash flows from operating activities before changes in non-cash working capital, income tax paid and interest paid. Management believes this measure is useful as it provides an indication of the Company’s financial flexibility, i.e. cash available to the Company to service debt, meet other payment obligations, make investments and execute the Company’s strategy.

The tables below contain a reconciliation of Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid to the most directly comparable IFRS measure, Net Cash Flows from Operating Activities.

Reconciliation of Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid – Second quarter (in thousands of dollars, except per share amounts - unaudited)	For the three months ended		For the six months ended	
	May 31	May 31	May 31	May 31
	2023	2022	2023	2022
	\$	\$	\$	\$
Net Cash Flows from Operating Activities	(7,781)	(16,154)	(25,420)	(56,957)
Changes in non-cash working capital items	15,844	32,520	32,124	68,474
Interest paid	632	617	740	887
Income taxes paid	3,019	3,277	6,037	16,968
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	11,714	20,260	13,481	29,372
Net Cash Flows from Operating Activities per share	(0.91)	(1.89)	(2.98)	(6.65)
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	1.37	2.37	1.58	3.43
Weighted Average Number of Share Outstanding (thousands)	8,536	8,563	8,536	8,563

With respect to “Gross profit” and “Gross margin”, these measures are used under the sections “Cost of Goods Sold” in the discussion below for the results for the three months and six months ended May 31, 2023. Please refer to such sections for a description of how these measures are calculated and a reconciliation to the most directly comparable IFRS measure.

In addition, the following tables set out the information supporting the per share calculation Shareholders’ Equity:

Reconciliation of Shareholders’ Equity per share (in thousands of dollars, except per share amounts – unaudited)	As at		
	May 31	November 30	May 31
	2023	2022	2022
	\$	\$	\$
Shareholders’ Equity	188,599	186,779	175,182
Shareholders’ Equity per share	22.10	21.83	20.46
Number of share outstanding (thousands)	8,536	8,558	8,563

BUSINESS OVERVIEW

Goodfellow Inc. is a diversified manufacturer of value-added lumber products, as well as a wholesale distributor of building materials and floor coverings. Goodfellow Inc. has 9 processing plants and 13 distribution centres from coast-to-coast in Canada, as well as 1 distribution centre in the USA and 1 in the United Kingdom. The Company services customers in the commercial and residential sectors through lumber yard retailer networks, manufacturers, industrial and infrastructure project partners, and floor covering specialists.

COMPARISON FOR THE THREE MONTHS ENDED MAY 31, 2023 AND 2022

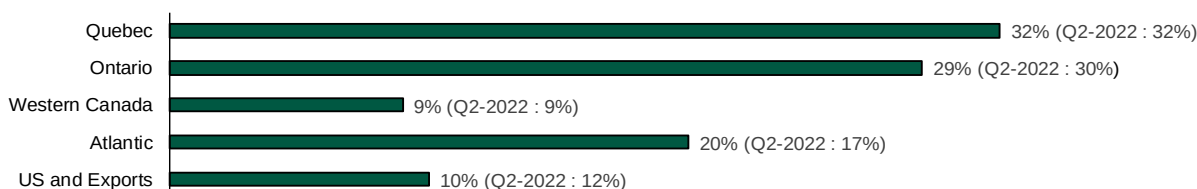
(in thousands of dollars, except per share amounts - unaudited)

HIGHLIGHTS	Q2-2023	Q2-2022	Variance
	\$	\$	%
Sales	142,326	184,947	-23
Earnings before income taxes	9,132	17,420	-48
Net earnings	6,575	12,542	-48
Net earnings per share – Basic and Diluted	0.77	1.46	-47
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid ⁽¹⁾	11,714	20,260	-42
Net cash flow from Operating Activities	(7,781)	(16,154)	+52
EBITDA ⁽¹⁾	12,186	20,171	-40

⁽¹⁾ Non-IFRS financial measure – refer to section “Non-IFRS Financial Measures” for more information and a reconciliation to the most directly comparable IFRS measure.

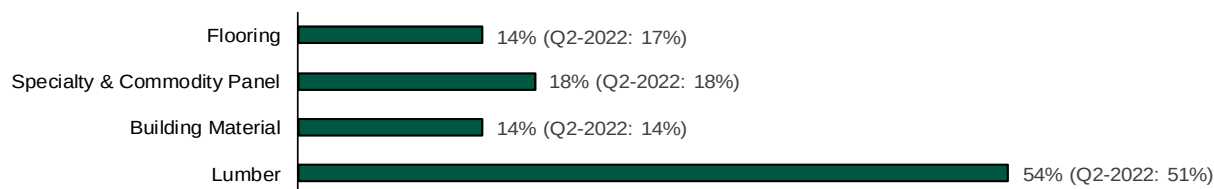
Sales in Canada during the second quarter of 2023 decreased 21% compared to last year due to a decrease in sales of all product categories. Quebec sales decreased 24% due to a decrease in sales of all product categories. Sales in Ontario decreased 27% mainly due to a decrease in sales of all product categories. Sales in Western Canada decreased 24% due to a decrease in sales of all products categories except for lumber. Atlantic region sales decreased 6% due to a decrease in sales of all product categories except for lumber.

Geographical Distribution of Sales for the Second Quarter ended May 31, 2023



Sales in the United States for the second quarter of 2023 decreased 35% on a Canadian dollar basis compared to last year mostly due to a decrease in sales of all product categories except for building materials. On a US dollar basis, US denominated sales decreased 39% compared to last year. Finally, export sales decreased 36% during the second quarter of 2023 compared to last year mostly due to a decrease in sales of flooring and lumber products.

Product Distribution of Sales for the Second Quarter ended May 31, 2023



In terms of the distribution of sales by product, all product categories saw decreased sales. Flooring sales during the second quarter of 2023 decreased 37% compared to last year. Specialty and commodity panel sales decreased 26% compared to last year. Building material sales decreased 26% compared to last year. Finally, lumber sales decreased 17% compared to last year.

Cost of Goods Sold

Cost of goods sold during the second quarter of 2023 was \$110.0 million compared to \$143.7 million last year. Cost of goods sold decreased 24% compared to last year. Gross profits were \$32.3 million compared to \$41.2 million last year. Gross profits decreased 22% compared to last year. Gross margins were 22.7% for the three months ended May 31, 2023 (22.3% last year). Gross profit and Gross margins are non-IFRS financial measures. See section “Non-IFRS Financial Measures” for more information. Gross profit is calculated as sales less cost of goods sold. Gross margin is calculated Gross profit over sales. The table below contains a reconciliation of Gross profit to sales.

Reconciliation of Gross profit

(in thousands of dollars, except Gross margins as % - unaudited)

	For the three months ended	
	May 31 2023	May 31 2022
	\$	\$
Sales	142,326	184,947
Cost of goods sold	110,034	143,745
Gross profit	32,292	41,202
Gross margins	22.7%	22.3%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses during the second quarter of 2023 was \$22.2 million compared to \$22.9 million last year representing a 3% decrease compared to last year.

Net Financial Costs

Net financial costs during the second quarter of 2023 were \$0.9 million (same last year). The average Canadian prime rate increased to 6.70% (2.93% last year). The average US prime rate increased to 8.02% (3.61% last year).

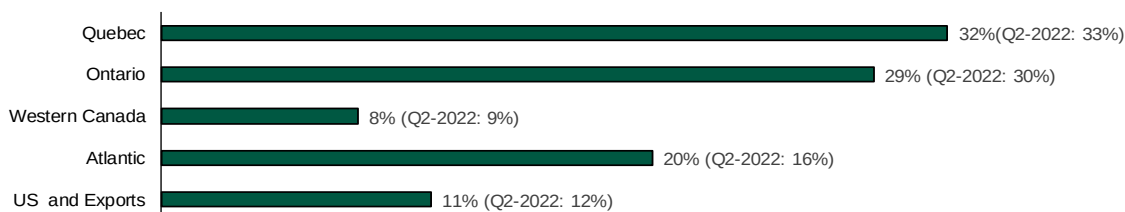
COMPARISON FOR THE SIX MONTHS ENDED MAY 31, 2023 AND 2022

(in thousands of dollars, except per share amounts - unaudited)

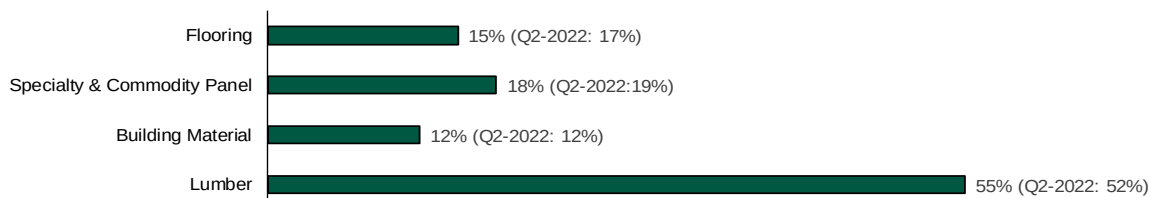
HIGHLIGHTS	2023	2022	Variance
	\$	\$	%
Sales	248,251	314,312	-21
Earnings before income taxes	8,839	24,527	-64
Net earnings	6,364	17,659	-64
Net earnings per share – Basic and Diluted	0.75	2.06	-64
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid ⁽¹⁾	13,481	29,372	-54
Net cash flow from Operating Activities	(25,420)	(56,957)	+55
EBITDA ⁽¹⁾	14,320	29,617	-52

⁽¹⁾ Non-IFRS financial measure – refer to section “Non-IFRS Financial Measures” for more information and a reconciliation to the most directly comparable IFRS measure.

Sales in Canada during the first six months of fiscal 2023 decreased 20% compared to last year due to a decrease in sales of all product categories. Quebec sales decreased 24% due to a decrease in sales of all product categories. Sales in Ontario decreased 23% due to a decrease in sales of all product categories. Sales in Western Canada decreased 23% due to a decrease in sales of all product categories. Atlantic region sales decreased 3% due to a decrease in sales of all product categories except for lumber products.

Geographical Distribution of Sales for the Six Months ended May 31, 2023

Sales in the United States during the first six months of fiscal 2023 decreased 29% on a Canadian dollar basis compared to last year mostly due to a decrease in sales of all product categories except for building materials. On US dollar basis, US denominated sales decreased 33% compared to last year. Finally, export sales decreased 33% during the first six months of fiscal 2023 compared to last year mostly due to a decrease in sales of lumber and flooring products.

Product Distribution of Sales for the Six Months ended May 31, 2023

In terms of the distribution of sales by product, all product categories saw a decreased in sales. Flooring sales for the first six months of fiscal 2023 decreased 35% compared to last year. Specialty and commodity panel sales decreased 24% compared to last year. Building materials sales decreased 18% compared to last year. Finally, lumber sales decreased 16% compared to last year.

Cost of Goods Sold

Cost of goods sold during the first six months of fiscal 2023 was \$194.3 million compared to \$245.0 million last year. Cost of goods sold decreased 21% compared to last year. Gross profits were \$54.0 million compared to \$69.3 million last year. Gross profits decreased 22% compared to last year. Gross margins were 21.7% for the six months ended May 31, 2023 (22.1% last year). Gross profit and Gross margins are non-IFRS financial measures. See section "Non-IFRS Financial Measures" for more information. Gross profit is calculated as sales less cost of goods sold. Gross margin is calculated Gross profit over sales. The table below contains a reconciliation of Gross profit to sales.

Reconciliation of Gross profit

(in thousands of dollars, except Gross margins as % - unaudited)

	For the six months ended	
	May 31 2023	May 31 2022
	\$	\$
Sales	248,251	314,312
Cost of goods sold	194,294	245,001
Gross profit	53,957	69,311
Gross margins	21.7%	22.1%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the first six months of fiscal 2023 was \$43.9 million compared to \$43.3 million last year representing a 1% increase compared to last year.

Net Financial Costs

Net financial costs for the first six months of fiscal 2023 were \$1.2 million (\$1.4 million last year). The average Canadian prime rate increased to 6.60% (2.69% last year). The average US prime rate increased to 7.76% (3.43% last year).

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(in thousands of dollars, except per share amounts - unaudited)

	Aug-2022	Nov-2022	Feb-2023	May-2023
	\$	\$	\$	\$
Sales	167,574	149,299	105,925	142,326
Net earnings (losses)	10,580	4,440	(211)	6,575
Net earnings (losses) per share	1.24	0.52	(0.02)	0.77

	Aug-2021	Nov-2021	Feb-2022	May-2022
	\$	\$	\$	\$
Sales	167,953	143,035	129,365	184,947
Net earnings	10,039	10,052	5,117	12,542
Net earnings per share	1.17	1.18	0.60	1.46

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

STATEMENT OF FINANCIAL POSITION

Total assets

Total assets at May 31, 2023 were \$280.5 million compared to \$246.9 million as at November 30, 2022. Cash at May 31, 2023 was \$3.2 million compared to \$3.4 million as at November 30, 2022. Trade and other receivables at May 31, 2023 was \$87.2 million (\$64.4 million as at November 30, 2022). Income taxes receivable was \$6.0 million compared (\$2.4 million as at November 30, 2022). Inventories at May 31, 2023 was \$122.3 million compared to \$112.3 million as at November 30, 2022. Prepaid expenses at May 31, 2023 were \$2.3 million (\$2.6 million as at November 30, 2022). Defined benefit plan asset was \$11.8 million at May 31, 2023 compared to \$11.6 million as at November 30, 2022. Other assets were \$0.8 million at May 31, 2023 (same as at November 30, 2022).

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

Property, plant and equipment at May 31, 2023 was \$32.4 million compared to \$32.3 million as at November 30, 2022, and intangible assets at May 31, 2023 was \$1.8 million compared to \$2.1 million as at November 30, 2022. Capital expenditures on property, plant and equipment and intangibles during the first six months of fiscal 2023 amounted to \$1.7 million compared to \$1.9 million for the same period last year. Property, plant and equipment capitalized during the first six months of fiscal 2023 mainly included buildings, yard, equipment, computers and rolling stock. Right-of-use assets at May 31, 2023 was \$12.9 million (\$15.0 million as at November 30, 2022). Depreciation of property, plant, equipment, intangible, and right-of-use assets during the first six months of fiscal 2023 amounted to \$4.3 million compared to \$3.6 million last year.

Total liabilities

Total liabilities at May 31, 2023 were \$91.9 million compared to \$60.1 million as at November 30, 2022. Bank indebtedness was \$34.0 million compared to nil as at November 30, 2022. Trade and other payables at May 31, 2023 was \$36.6 million compared to \$36.3 million as at November 30, 2022. Current provision at May 31, 2023 was \$2.3 million (same as at November 30, 2022) and non-current provision was \$0.8 million compared to \$0.6 million as at November 30, 2022. Lease liabilities at May 31, 2023 were \$14.9 million compared to \$17.5 million as at November 30, 2022. Deferred income taxes at May 31, 2023 were \$3.4 million (same as at November 30, 2022).

Shareholders' Equity

Total Shareholders' Equity at May 31, 2023 was \$188.6 million compared to \$186.8 million as at November 30, 2022. The Company generated a return on Shareholders' Equity of 6.7% during the six months ended May 31, 2023 compared to 20.2% last year. The share price closed at \$12.50 per share on May 31, 2023 (\$12.17 on November 30, 2022). The Shareholders' Equity per share at May 31, 2023 was \$22.10 per share compared to \$21.83 per share as at November 30, 2022. Share capital was \$9.4 million at May 31, 2023 (same as at November 30, 2022).

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 purchased under the NCIB will be acquired on the open market and in accordance with the rules and policies of the TSX and applicable securities laws at the prevailing market prices, plus applicable brokerage fees, and cancelled. The share repurchase period will end no later than November 9, 2023. Moreover, the Company has entered into an automatic share purchase plan ("ASPP") with a designated broker in connection with the NCIB. The ASPP will allow for the purchase for cancellation of shares, subject to certain trading parameters, by its designated broker during times when the Company would ordinarily not be active in the market due to applicable regulatory restrictions or self-imposed blackout periods. Outside these periods, shares may be repurchased by the Company at its discretion under the NCIB. During the six months ended May 31, 2023, the Company bought back 22,400 shares.

Additional information regarding the NCIB is contained in Note 10 of the Interim Consolidated Financial Statements for the period ended May 31, 2023.

The following dividends were declared and paid by the Company for the six-month period ended May 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
	0.50	4,274			0.40	3,425	
				Oct 27, 2022	0.50	4,281	Nov 10, 2022
					0.90	7,706	

The Company is continually assessing its declaration of dividends in the context of overall profitability, cash flows, capital requirements, general economic conditions, and other business needs.

LIQUIDITY AND CAPITAL RESOURCES

Financing

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 May 31, 2023, the Company was compliant with its financial covenants. As at May 31, 2023, under the credit agreement, the Company was using \$28 million of its facility (\$66 million last year). As at May 31, 2023, the Company has \$1.0 million of issued letters of credit which reduces the availability of its facility compared to \$0.8 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 six months ended May 31, 2023 was \$(25.4) million compared to \$(57.0) million last year. Financing activities during the first six months of fiscal 2023 was \$20.7 million compared to \$58.2 million last year. Investing activities during the six months ended May 31, 2023 was \$(1.5) million compared to \$(1.9) 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 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:

	May 31 2023	November 30 2022
	\$	\$
Bank indebtedness	34,002	-
Less: Cash	(3,171)	(3,420)
Net Debt (cash)	30,831	(3,420)
Share capital	9,394	9,419
Retained earnings	179,205	177,360
Shareholders' Equity	188,599	186,779
Total Capital	157,768	190,199

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.

Cost Structure, Working Capital Requirements

At May 31, 2023, the Company's debt-to-capitalization ratio stood at 14% compared to 1% as at November 30, 2022.

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 year ended November 30, 2022 as well as in the 2022 Annual Information Form available on SEDAR (www.sedar.com) or its website (www.goodfellowinc.com).

FINANCIAL COMMITMENTS AND CONTINGENCIES

OBLIGATIONS

Payments due by period— undiscounted

(in thousands of dollars)

	Total	Less than 1 year	2-3 Years	4-5 Years	After 5 years
	\$	\$	\$	\$	\$
Lease liability obligations	17,422	5,482	7,020	3,501	1,419
Total obligations	17,422	5,482	7,020	3,501	1,419

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 uncertainties affecting the Company remain substantially unchanged from those described in the Company's Annual MD&A for the year ended November 30, 2022, which are hereby incorporated by reference. These include the risks and uncertainties described under the headings "Risks and Uncertainties", "Financial Instruments and Other Instruments" and "COVID-19" of such Annual MD&A. Only those factors with notable 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 during the three months and six months ended May 31, 2023 (same last year).

The following represents the total sales consisting primarily of various wood products of the major customer:

(in thousands of dollars)	For the three months ended				For the six months ended			
	May 31, 2023		May 31, 2022		May 31, 2023		May 31, 2022	
	\$	%	\$	%	\$	%	\$	%
Sales to the major customer that exceeded 10% of total Company's sales	20,969	14.7	25,627	13.9	37,500	15.1	44,131	14.0

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The financial instruments and other instruments remain substantially unchanged from those included in the Company's Annual MD&A contained in its 2022 Annual report. Only those factors with variability components are described below:

The following are the contractual maturities of financial liabilities as at May 31, 2023:

FINANCIAL LIABILITIES (in thousands of dollars)	Carrying Amount \$	Contractual cash flows \$	0 to 12 Months \$	12 to 36 Months \$
Bank indebtedness	34,002	34,002	34,002	-
Trade and other payables	36,553	36,553	36,553	-
Total financial liabilities	70,555	70,555	70,555	-

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

FINANCIAL LIABILITIES (in thousands of dollars)	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	-

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 six months ended May 31, 2023 would impact interest expense by \$0.1 million (May 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 six months ended May 31, 2023, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at May 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 May 31, 2023, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

(in thousands of dollars, Pounds or Euros)

	USD	GBP	Euro
Cash	1,437	269	13
Bank indebtedness	(1,095)	-	-
Trade and other receivables	3,923	2	-
Trade and other payables	(2,858)	(11)	(106)
Net exposure	1,407	260	(93)
CAD exchange rate as at May 31, 2023	1.3577	1.6889	1.4510
Impact on net earnings based on a fluctuation of 5% on CAD	69	16	(5)

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

Financial assets and liabilities measured at amortized costs

(in thousands of dollars, Pounds or Euros)

	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	-

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: (in thousands of dollars)

	As at May 31 2023	As at November 30 2022
	\$	\$
Current	86,102	59,678
31 - 60 days past due	426	2,664
61 - 90 days past due	420	1,060
91 - 120 days past due	(100)	370
Over 120 days past due	1,147	682
	87,995	64,454
Loss allowance	(896)	(342)
Balance, end of period	87,099	64,112

As at May 31, 2023, expected credit losses are limited to \$0.9 million 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 and trade and other payables 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 2022 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 2022 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 2022 Annual consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 31, 2023, there were 8,535,554 common shares issued (8,557,954 as at November 30, 2022 and 8,562,554 as at May 31, 2022). The Company has authorized an unlimited number of common shares to be issued, without par value. As at July 5, 2023, there were 8,530,454 common shares outstanding.

OUTLOOK

Overall, the economy is showing some resilience as certain sectors contract while others continue to be strong. As such, demand in Q3 and Q4 of 2023 is expected to remain unpredictable. It may result in varying success of some product categories and some customer segments. However, Goodfellow's diversity of offering and broad sales channels will help offset any dramatic shifts that may arise.

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 six months ended May 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, July 6, 2023

(Signed) "Patrick Goodfellow"
President and Chief Executive Officer

(Signed) "Charles Brisebois", CPA
Chief Financial Officer