ANNUAL REPORT

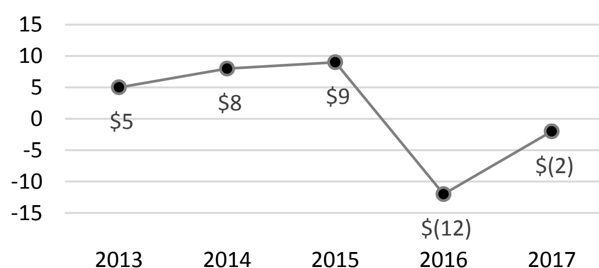
2017

FINANCIAL HIGHLIGHTS

OPERATING RESULTS
(in thousands of dollars, except per share amounts)

	2017 IFRS	**2016 IFRS**	2015 IFRS	2014 IFRS (15 months)	2013 IFRS(1) (Restated)
Sales	**$523,659**	**$565,173**	$538,975	$610,587	$483,485
(Loss) Earnings before income taxes	**$(3,275)**	**$(16,294)**	$11,874	$11,128	$7,307
Net (loss) earnings	**$(2,094)**	**$(12,105)**	$8,622	$8,125	$5,279
- per share	**$(0.25)**	**$(1.42)**	$1.01	$0.96	$0.62
Cash flow (excluding non-cash working capital, Income tax paid and interest paid)	**$2,840**	**$(10,802)**	$16,092	$15,228	$9,681
- per share (2)	**$0.33**	**$(1.27)**	$1.89	$1.79	$1.14
Shareholders' equity	**$109,434**	**$110,693**	$128,100	$119,486	$117,138
- per share (2)	**$12.86**	**$13.01**	$15.06	$14.05	$13.77
Share price at year-end	**$8.33**	**$9.05**	$10.35	$9.50	$9.06
Dividend paid per share	**-**	**$0.30**	$0.35	$0.65	$0.35

(1) Year ended August 31
(2) Non-GAAP measures – refer to "Non-GAAP Measures" section of MD&A



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ANNUAL MEETING

The annual Meeting of Shareholders will be held on April 13, 2018 at 11:00 a.m. at the Goodfellow Inc. Head Office: 225 Goodfellow Street, Delson, Quebec.

HEAD OFFICE
225 Goodfellow Street
Delson, Quebec
J5B 1V5
Canada

Toll-Free Canada: 1-800-361-6503
Tel.: 450-635-6511
Fax: 450-635-3729
info@goodfellowinc.com
www.goodfellowinc.com

After a difficult start, the executive team of Goodfellow managed to restore the company's finances during the year with a better control of our inventory and of the number of employees while restoring gross margins on our sales. We also stabilized and continued to improve our enterprise resource planning (ERP) to improve service to our customers. It is with great confidence that we look forward to 2018.

On behalf of the Board of Directors, I would like to thank our President and chief executive officer, Mr. Patrick Goodfellow, his management team and each of our employees for their efforts during this past year.

I would also like to thank our shareholders for their patience and our clients who have given us the opportunity to continue serving them throughout the year.

Claude Garcia
Chairman of the Board
February 15, 2018

PRESIDENT'S REPORT TO THE SHAREHOLDERS

December 1st, 2016 to November 30th, 2017 must be evaluated and perceived as a year of transition and correction. All attempts were made to address very compromising issues related to the very dark chapter in the same previous period. Management had the objective of restoring stability and profitability as aggressively as possible.

Inventory reductions rapidly targeted slow moving and obsolete goods. Costs were diminished by focusing on core activities and essential initiatives only. Margins were restored progressively by diligently resetting price lists and giving the Company's management team an accurate portrait of the cost of goods sold. Staffing levels were significantly right sized to reflect efficiencies achieved by process improvements in our very difficult ERP implementation.

Despite the major carry-over pre-tax loss of $7.6M in Q1, by the end of Q2 initiatives started gaining traction, which resulted in a profitable month of May 2017 and a Q2 loss of $717K. Our stated objective was the pursuit of a break-even scenario by year-end 2017.

Q3 and Q4 pre-tax signaled a return to profitable operations for Goodfellow Inc. For the Year Ended November 30th, 2017 Goodfellow Inc. showed a pre-tax loss of $3.3M (net of $2.1M) compared to a pre-tax loss of $16.3M (net of $12.1M) for the period ended November 30th, 2016; a pre-tax loss reduction of $13.0M.

Some ill-conceived operational partnerships have been unwound and Goodfellow Inc. is moving proudly forward with its core activities. The Company is now reliant on its own independent operational assets therefore in control of its destiny.

The Company has successfully renewed its traditional cash flow banking arrangement with the TD/BMO syndicate. The Company's ability to quickly right size inventory, reduce the operating loan and return to profitability promptly made this renewal with our loyal lenders possible. The Company is very grateful for its strong banking relationship. The Company would also like to recognize and thank its key suppliers that have supported Goodfellow Inc. and look forward to further strengthening those relationships.

All those changes bode well for the future and have contributed to putting the Company back on a solid conservative footing moving forward. The Company continues in its transition to consistent profitability through responsible inventory management and the ability to capitalize on asset opportunities in 2018 and beyond.

Patrick Goodfellow
President and Chief Executive Officer
February 15, 2018

PROSPECTIVE FINANCIAL INFORMATION

The following Management's Discussion and Analysis ("MD&A") and Goodfellow Inc. (hereafter the "Company") consolidated financial statements were approved by the Audit Committee and the Board of Directors on February 15, 2018. The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the twelve months ended November 30, 2017 and twelve months ended November 30, 2016. The MD&A provides a review of the significant developments and results of operations of the Company during the twelve months ended November 30, 2017 and twelve months ended November 30, 2016. The consolidated financial statements ended November 30, 2017 and November 30, 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise indicated.

This MD&A contains implicit and/or explicit forecasts, as well as forward looking statements on the objectives, strategies, financial position, operating results and activities of Goodfellow Inc., including the implementation of a plan for the remediation of the design weakness in the area of inventory controls. 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 including: the nature and magnitude of design deficiencies; the effectiveness of measures taken in the interim to provide confidence in the validity of inventory counts; and the appropriateness of the compensating controls over inventory management to be implemented under the remediation plan to mitigate the risk of a material misstatement. Although we believe that the expectations reflected in the forward-looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. Our actual results could differ significantly from management's expectations if recognized or unrecognized risks and uncertainties affect our results or if our assessments or assumptions are inaccurate. These risks and uncertainties include, among other things; the possibility that the design deficiencies and impact thereof identified in our review are significantly different than assessed and anticipated; the potential ineffectiveness of the compensating controls over inventory management proposed to be implemented under the remediation plan, 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; competition from vendors; dependence on key personnel and major customers; laws and regulation; information systems, cost structure and working capital requirements; and other factors described in our public filings available at www.sedar.com. For these reasons, we cannot guarantee the results of these forward-looking statements. The MD&A gives an insight into our past performance as well as the future strategies and key performance indicators as viewed by our management team at Goodfellow Inc. The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

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

NON-GAAP MEASURES

Cash flow per share and operating income before depreciation of property, plant and equipment and amortization of intangible assets (also referred to as earnings before interest, taxes, depreciation and amortization ["EBITDA"]), are financial measures not prescribed by the International Financial Reporting Standards ("IFRS") and are not likely to be comparable to similar measures presented by other issuers. Management considers it to be useful information to assist knowledgeable investors in evaluating the cash generating capabilities of the Company. Cash flow per share is defined as Cash flow from operations (excluding non-cash working capital, income tax paid and interest paid) of $2.8 million for the fiscal period ended November 30, 2017 divided by the total number of outstanding shares of 8,506,554.

Reconciliation of EBITDA and operating income to net income (thousands of dollars)	**For the years ended**	
	November 30 2017	November 30 2016
	$	$
Net loss for the period	**(2,094)**	(12,105)
Provision for income taxes	**(1,181)**	(4,189)
Financial expenses	**4,199**	3,640
Operating income (loss)	**924**	(12,654)
Depreciation and amortization	**4,085**	3,850
EBITDA	**5,009**	(8,804)

BUSINESS OVERVIEW

Goodfellow Inc. is a distributor of lumber products, building materials, and hardwood flooring products. The Company carries on the business of wholesale distribution of wood and associated products and remanufacturing, distribution and brokerage of lumber. The Company sells to over 7000 customers who represent three main sectors - retail trade, industrial, and manufacturing. The Company operates 13 distribution centres, 9 processing plants in Canada, and 1 distribution centre in the USA.

OVERALL PERFORMANCE

December 1st, 2016 to November 30th, 2017 must be evaluated and perceived as a year of transition and correction. All attempts were made to address very compromising issues related to the very dark chapter in the same previous period. Management had the objective of restoring stability and profitability as aggressively as possible.

Inventory reductions rapidly targeted slow moving and obsolete goods. Costs were diminished by focusing on core activities and essential initiatives only. Margins were restored progressively by diligently resetting price lists and giving the Company's management team an accurate portrait of the cost of goods sold. Staffing levels were significantly right sized to reflect efficiencies achieved by process improvements in our very difficult ERP implementation.

Despite the major carry-over pre-tax loss of $7.6M in Q1, by the end of Q2 initiatives started gaining traction, which resulted in a profitable month of May 2017 and a Q2 loss of $717K. Our stated objective was the pursuit of a break-even scenario by year-end 2017.

Q3 and Q4 pre-tax signaled a return to profitable operations for Goodfellow Inc. For the Year Ended November 30th, 2017 Goodfellow Inc. showed a pre-tax loss of $3.3M (net of $2.1M) compared to a pre-tax loss of $16.3M (net of $12.1M) for the period ended November 30th, 2016; a pre-tax loss reduction of $13.0M.

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

	2017	2016	2015
	$	$	$
Consolidated sales	**523,659**	565,173	538,975
(Loss) Earnings before income taxes	**(3,275)**	(16,294)	11,874
Net (loss) earnings	**(2,094)**	(12,105)	8,622
Total Assets	**197,233**	241,568	212,081
Total Long-Term Debt	**55**	126	-
Cash Dividends	**-**	2,552	2,977
PER COMMON SHARE			
Net (loss) earnings per share Basic and Diluted	**(0.25)**	(1.42)	1.01
Cash Flow from Operations (excluding non-cash working capital item, income tax paid and interest paid)	**0.33**	(1.27)	1.89
Shareholders' Equity	**12.86**	13.01	15.06
Share Price	**8.33**	9.05	10.35
Cash Dividends	**-**	0.30	0.35

INVESTMENT IN A JOINT VENTURE

On December 1, 2015, the Company and Groupe Lebel Inc. completed the closing of a joint venture and the creation of Traitement Lebel Goodfellow Inc. with seven wood treatment plants to serve markets across Ontario, Quebec and the Maritimes. Traitement Lebel Goodfellow Inc. became one of the largest treated wood producer in Eastern Canada with unsurpassed geographical coverage. Groupe Lebel's four plants located in Bancroft and Caledon, Ontario, Dégelis and St-Joseph, Quebec, were combined with the Company's three plants located in Delson, Quebec, Elmsdale, Nova Scotia, and Deer Lake, Newfoundland, and were leased to the joint venture forming a new business unit focused on operational excellence. With the creation of the joint venture, this transaction was supposed to enhance the strengths of the two partners to better serve the treated wood clients across Eastern Canada. In fiscal 2016, the Company invested $3.0 million in the joint venture in the form of inventory of raw material pursuant to a shareholder agreement in return of 40% of the shares of the joint venture.

In Q2-2017, both parties agreed to dissolve the joint venture. The joint venture ceased operations on May 31st, 2017. The better part of the liquidation was done in Q3-2017. Goodfellow received back its initial investment of $3.0 million and $320 thousand of dividends as part of the dissolution. The closing of the joint venture will occur in summer 2018 and a final dividend of approximately $285 thousand is expected.

BUSINESS COMBINATIONS

On December 31, 2015, the Company completed the acquisition of 100% of the shares of Quality Hardwoods Ltd. located in Powassan, Ontario. Quality Hardwoods Ltd. manufactures, sells and distributes hardwood lumber products in Ontario and in the US which is core to our business development strategy. Sales of the acquired company recognized since the acquisition date amounted to approximately $13.9 million for 11 months. The purchase price was $6.3 million, subject to post-closing adjustments. The Company has financed the acquisition through its existing revolving credit facility.

The following fair value determination of the assets acquired and liabilities assumed is final. The following is a summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The transaction was made in Canadian dollars.

	December 31, 2015
	$
Assets acquired	
Cash	892
Trade and other receivables	1,157
Inventories	2,601
Prepaid expenses	2
Property plant and equipment	3,097
Intangibles	538
Liabilities assumed	
Bank debt	560
Trade and other payables	815
Deferred income tax	576
Total net assets acquired and liabilities assumed	**6,336**
Consideration transferred	
Cash	5,100
Holdback provision	1,236
Consideration transferred	**6,336**

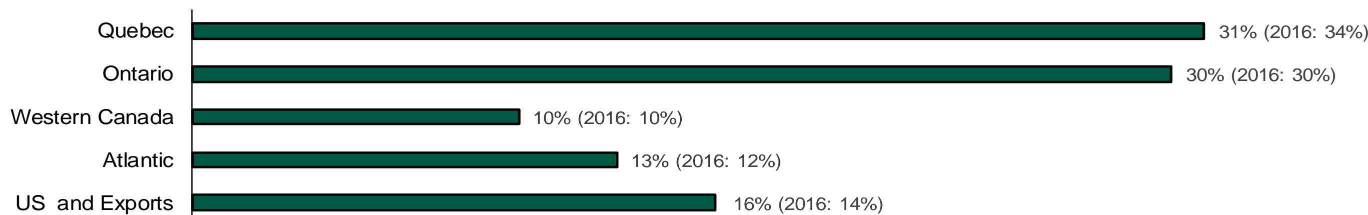
The intangible assets relate mainly to customer relationships. The assigned useful lives of customers' relationship are between 5 to 10 years. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, attrition rate, discount rate and operating income before depreciation. From the holdback provision an amount of $0.6 million has been paid during the year 2016. The remaining balance was settled for $150 thousand during the year 2017.

COMPARISON FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016
(In thousands of dollars, except per share amounts)

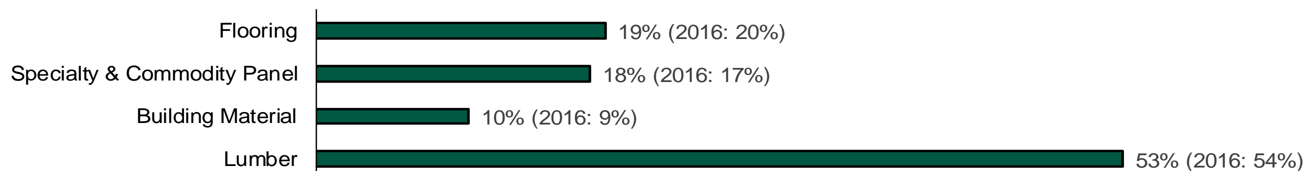
HIGHLIGHTS FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016	2017	2016	Variance
	$	$	%
Consolidated sales	**523,659**	565,173	-7.3
Loss before income taxes	**(3,275)**	(16,294)	+79.9
Net loss	**(2,094)**	(12,105)	+82.7
Net loss per share Basic and Diluted	**(0.25)**	(1.42)	+82.4
Cash Flow from Operations (excluding non-cash working capital item, income tax paid and interest paid)	**2,840**	(10,802)	+126.3
EBITDA	**5,009**	(8,804)	+156.9
Average Bank indebtedness	**80,010**	94,728	-15.5
Inventory average	**105,361**	130,940	-19.5

Sales in Canada during fiscal 2017 decreased 10% compared to last year mainly due to the decrease in sales of pressure treated wood, siding and flooring products. Sales in Quebec decreased 15% compared to last year due to a loss of a pressure treated wood contract from one of our major retail groups. Sales in Ontario decreased 8% impacted by the decreased demand for pressure treated wood and flooring products. Sales in Western Canada decreased 3% mainly due to the slower housing market in Alberta. Atlantic sales decreased 4% compared to last year mainly due to inventory reduction and cleansing initiatives.

Geographical Distribution of Sales for Fiscal 2017



Sales in the United States during fiscal 2017 decreased by 2% on a Canadian dollar basis when compared to the same period last year due to lower demand of hardwood lumber. Softwood lumber was impacted by the Countervailing and Antidumping laws effective since the beginning of 2017. On a US dollar basis, US denominated sales increased 0.1% compared to last year. Finally, export sales increased 20% during fiscal 2017 compared to the same period a year ago mainly due to increased demand of hardwood lumber in Asia, Europe and the Middle-East.



These previously discussed factors impacted to various degrees our sales mix during fiscal 2017. Flooring sales during fiscal 2017 decreased 8% compared to the corresponding period last year. Specialty and Commodity Panel sales during fiscal 2017 decreased 3% compared to the corresponding period last year. Building Materials sales during fiscal 2017 increased 4% compared to the corresponding period last year. Finally, our core lumber business sales during fiscal 2017 decreased 11% compared to the corresponding period last year.

Cost of Goods Sold

Cost of goods sold during fiscal 2017 was $442.4 million compared to $483.9 million, a decrease of 8.6% when compared to last year reflecting the decreased sales level and the cost structure related to outsourced production of Pressure Treated Wood and Siding. Total freight outbound cost decreased 11.4% compared to the same period a year ago. Average gas and diesel purchased prices during the fiscal 2017 increased approximately 18% compared to the corresponding period last year. Gross profits remained stable during fiscal 2017 compared to the corresponding period last year while gross margins increased from 14.4% to 15.5%.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses during fiscal 2017 were $81.5 million compared to $93.9 million for last year. Selling, Administrative and General Expenses decreased 13.2% as a result of the headcount reduction.

Net Financial Cost

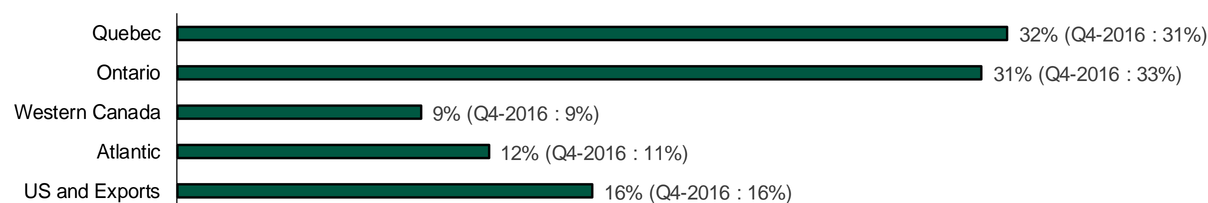
Net financial costs during fiscal 2017 were $4.2 million ($3.6 million a year ago). During the fiscal 2017, the average Canadian prime rate increased to 2.87% compared to 2.70% last year. The average US prime rate increased from 3.50% to 4.06%. Average bank indebtedness during fiscal 2017 decreased to $80.0 million compared to $94.7 million last year. Average inventory during fiscal 2017 was $105.4 million compared to $130.9 million last year.

COMPARISON FOR THE THREE MONTHS ENDED NOVEMBER 30, 2017 AND 2016

(In thousands of dollars, except per share amounts)

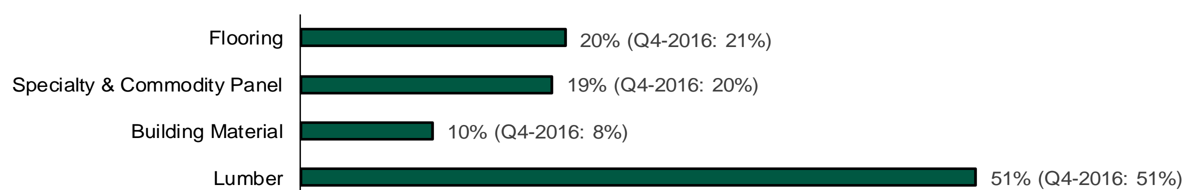
HIGHLIGHTS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2017 AND 2016	**Q4-2017**	Q4-2016	Variance
	$	$	%
Consolidated sales	**127,558**	130,748	-2.4
Earnings (loss) before income taxes	**2,711**	(14,830)	+118.3
Net earnings (loss)	**2,216**	(11,181)	+119.8
Net earnings (loss) per share Basic and Diluted	**0.26**	(1.31)	+119.8
Cash Flow from Operations (excluding non-cash working capital item, income tax paid and interest paid)	**3,635**	(13,174)	+127.6
EBITDA	**4,957**	(12,604)	+139.3
Average Bank indebtedness	**60,971**	99,678	-38.8
Inventory average	**95,956**	124,241	-22.8

Sales in Canada during the fourth quarter of fiscal 2017 decreased 4% compared to the same period a year ago mainly due to decreased volume of pressure treated wood sales. Quebec sales decreased 2% due to a decrease in demand from the retail and manufacturing customer groups. Sales in Ontario decreased 6% mainly due to a decline in sales of pressure treated wood and hardwood. Western Canada sales decreased 5% due to decreased sales of flooring products. Atlantic region sales increased 3% due to increase sales in most product groups with the exception of cedar and engineered wood products.



Sales in the United States for the fourth quarter of fiscal 2017 decreased 14% on a Canadian dollar basis compared to the same period last year due to decrease in sales of hardwood lumber products. On a US dollar basis, US denominated sales decreased 9% compared to last year. Finally, export sales increased 28% during the fourth quarter of fiscal 2017 compared to the same period a year ago mainly due to increased demand for hardwood lumber in Asia and Europe.

Product Distribution of Sales for the Fourth Quarter ended November 30, 2017



These previously discussed factors impacted to various degrees our sales mix. Flooring sales for the fourth quarter ended November 30, 2017 decreased 6% compared to the corresponding period last year. Specialty and Commodity Panel sales for the fourth quarter of fiscal 2017 decreased 6% compared to the corresponding period last year. Building Materials sales for the fourth quarter of fiscal 2017 increased 19% compared to the corresponding period last year. Finally, Lumber sales for the fourth quarter of fiscal 2017 decreased 3% compared to the corresponding period last year.

Cost of Goods Sold

Cost of goods sold for the fourth quarter of fiscal 2017 was $104.6 million compared to $119.6 million for the corresponding period a year ago. Cost of purchased goods decreased 12.5% compared to the corresponding period last year reflecting the decreased sales level and the cost structure related to outsourced production of Pressure Treated Wood and Siding. Total freight outbound cost for the fourth quarter of fiscal 2017 decreased 26.1% compared to the same period a year ago. Average gas and diesel purchased prices during the fourth quarter increased approximately 14% compared to the corresponding period a year ago. Gross profits increased 105.9% during the fourth quarter of fiscal 2017 compared to last year and gross margins increased from **8.5%** to **18.0%**.

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the fourth quarter ended November 30, 2017 were $20.3 million compared to $24.8 million for the corresponding period last year. Selling, Administrative and General Expenses decreased 18.1% compared to the fourth quarter last year due to our continued cost reduction strategy.

Net Financial Cost

Net financial costs for the fourth quarter of fiscal 2017 were $1.1 million ($1.2 million a year ago). The average Canadian prime rate increased to 3.20% during the fourth quarter of fiscal 2017 compared to 2.70% last year. The average US prime rate increased to 4.25% during the fourth quarter compared to 3.50% a year ago. Average bank indebtedness during the fourth quarter of fiscal 2017 was **$61.0** million compared to **$99.7** million for the corresponding period last year. Average inventory during the fourth quarter of fiscal 2017 was **$96.0** million compared to **$124.2** million for the same period last year.

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

(In thousands of dollars, except per share amounts)

	Feb-2017	May-2017	Aug-2017	Nov-17
	$	$	$	$
Sales	113,490	139,641	142,970	127,558
Net (loss) earnings	(5,401)	(541)	1,632	2,216
Net (loss) earnings per share Basic and Diluted	(0.63)	(0.07)	0.19	0.26

	Feb-2016	May-2016 Restated	Aug-2016	Nov-16
	$	$	$	$
Sales	108,659	166,623	159,143	130,748
Net (loss) earnings	(906)	2,473	(2,491)	(11,181)
Net (loss) earnings per share Basic and Diluted	(0.11)	0.29	(0.29)	(1.31)

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

STATEMENT OF FINANCIAL POSITION

Total Assets

Total assets at November 30, 2017 decreased from $241.6 million at November 30, 2016 to $197.2 million. Cash at November 30, 2017 closed at $1.6 million ($0.7 million at November 30, 2016). Trade and other receivables at November 30, 2017 was $58.3 million compared to $64.3 million at November 30, 2016 reflecting the lower sales volume during the fourth quarter compared to last year. Income tax receivable stood at $1.6 million compared to $6.6 million in fiscal 2016. Inventories at November 30, 2017 was $88.9 million compared to $115.4 million at November 30, 2016 reflecting the decreased sales volume and our commitment to lower the inventory. Prepaid expenses at November 30, 2017 was $3.0 million compared to $4.9 million at November 30, 2016. Defined benefit plan assets was $2.4 million at November 30, 2017 compared to $2.2 million a year ago. Investment closed at $0.3 million at November 30, 2017 compared to $3.4 million reflecting the dissolution of the joint venture.

Property, plant, equipment and intangible assets
Property, plant, equipment at November 30, 2017 was $36.2 million compared to $38.7 million at November 30, 2016. Capital expenditures during fiscal 2017 amounted to $1.3 million ($3.0 million last year). Property, plant, equipment capitalized during fiscal 2017 included leasehold improvements, computers, rolling stock and yard equipment. Intangible assets at November 30, 2017 closed at $4.9 million ($5.4 million last year). Proceeds on disposal of capital assets during fiscal 2017 amounted to $1.6 million (nil last year). Depreciation of property, plant, equipment and intangible assets during fiscal 2017 was $4.1 million ($3.9 million last year). Historically, capital expenditures in general have been capped at depreciation levels.

Total Liabilities
Total liabilities at November 30, 2017 was $87.8 million ($130.9 million last year). Bank indebtedness closed at $52.3 million compared to $94.1 million last year. Trade and other payables at November 30, 2017 was $29.4 million compared to $30.7 million a year ago. Provision at November 30, 2017 was $1.4 million (same as last year). Long-term debt at November 30, 2017 was $0.2 million ($0.3 million on November 30, 2016). Deferred income taxes at November 30, 2017 closed at $3.6 million ($3.3 million last year). Defined benefit plan obligations was $0.9 million at November 30, 2017 compared to $1.0 million at November 30, 2016.

Shareholders' Equity
Total Shareholders' Equity at November 30, 2017 decreased to $109.4 million from $110.7 million last year. The Company generated a return on equity of (1.9)% during fiscal 2017 ((10.9)% last year). Market share price closed at $8.33 per share on November 30, 2017 ($9.05 on November 30, 2016). Share book value at November 30, 2017 was $12.86 per share ($13.01 on November 30, 2016). Share capital closed at $9.2 million (same as last year). No eligible dividend was declared and paid to the holders of participating shares for the year ended November 30, 2017 ($2.6 million or $0.30 per share for the year ended November 30, 2016).

LIQUIDITY AND CAPITAL RESOURCES

Financing
As at November 30, 2017, under the credit agreement, the Company was using $51.0 million of its facility compared to $91.5 million last year. The credit agreement has a maximum revolving operating facility of $125 million renewable in May 2018. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to $100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). In addition, pursuant to the amended credit facility, the available facility has been reduced by $11.2 million in Q4-2017 due to certain tax refunds, the dissolution of the LGTI investment and $1.0 million for the sale of land in Drummondville. Therefore, the available credit was reduced from $100 million to $89 million as at November 30, 2017. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at November 30, 2017, the Company was compliant with its financial covenants.

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 fiscal 2017 increased to $39.7 million from $(34.0) million for the same period last year due to decreased inventory and collecting trade receivables. Financing activities during fiscal 2017 decreased to $(40.6) million compared to $44.5 million for the same period last year. Investing activities during fiscal 2017 increased $3.1 million compared to a decreased of $(10.6) million for the corresponding period a year ago (See Property, plant, equipment and intangible assets for more details).

LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS

The Company's objectives are as follows:

1. Maintain financial flexibility in order to preserve its ability to meet financial obligations;
2. Maintain a low debt-to-capitalization ratio to preserve its capacity to pursue its organic growth strategy;
3. Maintain financial ratios within covenants requirements;
4. Provide an adequate return to its shareholders.

The Company defines its capitalization as shareholders' equity and debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid common shares together with the retained earnings, calculated on a consolidated basis in accordance with IFRS. Debt includes bank indebtedness reduced by the amounts of cash and cash equivalents. Capitalization represents the sum of debt and shareholders' equity.

The Company manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under the normal course issuer bid, acquire or sell assets to improve its financial performance and flexibility or return capital to shareholders. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally-generated cash flows and credit facilities.

The Company incurred a net loss of $2.1 million and positive cash flow from operating activities (excluding non-cash working capital items) of $2.8 million in fiscal 2017 compared to a net loss of $12.1 million and negative cash flow from operating activities (excluding non-cash working capital items) of $10.8 million in fiscal 2016. In 2017, the Company was able to decrease its inventory levels from $115.4 million to $88.9 million, its trade

receivables and other receivables from $64.3 million to $58.3 million and its bank indebtedness from $94.1 million to $52.3 million as at November 30, 2017 as compared to November 30, 2016. Subsequent to year-end, Management renewed its banking agreement for a maximum available facility of $100 million expiring in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at November 30, 2017, the Company was compliant with its financial covenants.

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio and year-to-date EBITDA. The Company monitors the ratios on a monthly basis. The Company currently complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

The Company's financial objectives and strategy have changed in the past twelve months. The financial objectives and strategy were to stabilize the Company and bring back to traditionally conservative management. Changes to its credit agreement and working capital structure were required and Management have addressed them with a renewed credit agreement starting December 2017 and maturing in May 2019 with its lenders. The Company believes that all its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As at November 30, 2017 and 2016, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at November 30 2017**	As at November 30 2016
Debt-to-capitalization ratio	**32.8%**	47.3%
Return on shareholders' equity	**(1.9)%**	(10.9)%
Current ratio	**1.9**	1.5
EBITDA (in thousands of dollars)	**$5,009**	$(8,804)

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

- Debt-to-capitalization ratio represents the funded debt over total shareholders' equity. Funded debt is bank indebtedness less cash and cash equivalents. Capitalization is funded debt plus shareholders' equity.
- 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.

General

Management makes every effort to ensure that the Company benefits from effective risk management, which has been strengthened according to even stricter criteria with economic fluctuations. Management is responsible for identifying and assessing the potential risks that could have a material impact on the Company's operations and financial position, as well as the risk management strategies implemented within the Company. It is also responsible for setting up risk management oversight provisions, notably by developing and recommending to the Board of Directors or its Audit Committee various policies and procedures to support effective strategies in regard to internal and external control in order to improve and reduce the impact of business and operational risk factors.

Credit Risk

The Company strictly manages the credit granted to its customers. In recent months, special emphasis has been placed on the monitoring and collection of accounts receivables. For instance, the Company has performed a thorough review of all its customer credit files and credit limits have been reduced in many cases. The accounts receivable collection period has been historically longer in the second and third quarter of its fiscal year. Credit management remains relatively cautious and risks and rewards situation are analyzed on a regular basis. A rapid weakening of the economic conditions could result in further bad debts expenses.

Supplier-Related Risk

The Company's business model is largely built on long-term relationships with a network of international, national and local manufacturers, which enables it to reduce the risks associated with inventory valuation and to adjust to fluctuations in demand. In addition, the Company's practice is to take discounts and pay its suppliers on a timely basis which results in strong relationships with our key vendors and partners.

Cost Structure, Working Capital Requirements

At November 30, 2017, its total debt to capitalization ratio stood at 32.8% compared to 47.3% on November 30, 2016. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to $100 million which correspond to the low seasonality of the business (September 1, 2017 to January 31, 2018). In addition, pursuant to the amended credit facility, the available facility has been reduced by $11.2 million in Q4-2017 due to certain tax refunds, the dissolution of the LGTI investment and $1.0 million for the sale of land in Drummondville. Therefore, the available credit was reduced from $100 million to $89 million as at November 30, 2017. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company.

For further information, the principal risk factors to which the Company is exposed are described in the Management's Report contained in its Annual Report for the twelve months ended November 30, 2017 as well as in the 2017 Annual Information Form available on SEDAR (www.sedar.com).

COMMITMENTS AND CONTINGENCIES

As at November 30, 2017, the minimum future rentals payable under long-term operating leases, for offices, warehouses, vehicles, yards and equipment, did not materially change and are as follows:

Contractual obligations	Payments due by Period (in thousands of dollars)				
	Total	**Less than 1 year**	**1 – 3 Years**	**4 –5 Years**	**After 5 years**
Operating Leases	20,849	4,811	7,182	5,262	3,594
Purchase obligations	67	67	-	-	-
Total Contractual Obligations	**20,916**	**4,878**	**7,182**	**5,262**	**3,594**

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

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 enters into forward exchange contracts to hedge certain accounts payable and certain future purchase commitments denominated in U.S. dollar and Euro. During the twelve months ended November 30, 2017, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at November 30, 2017 there were no outstanding foreign exchange contracts.

Interest Risk

The Company uses a revolving line of credit to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates. The profitability of the Company could be adversely affected by increases in the bank prime rate.

Credit Risk

The Company is exposed to credit risks from customers. This risk is alleviated by minimizing the amount of exposure the Company has to any one customer, thereby ensuring a diversified customer mix. 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. The loss of any major customer could have a material effect on the company's results, operations and financial conditions.

Environmental Risk

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 the fiscal 2016 and treatment of soil on-site will be performed over an estimated period of 5 years. Based on current available information, the provision as at November 30, 2017 is considered by management to be adequate to cover any projected costs that could be incurred in the future.

Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the amounts of soil to be treated and the costs that will be incurred. In particular, the Company has assumed that the site will be restored using technology and materials that are currently available. The Company has been provided with a reasonable estimate, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.0% and an inflation rate of 2.1%. The rehabilitation is expected to occur progressively over the next 5 years.

Competition from Vendors

The Company is exposed to competition from some of its vendors in certain markets. From time to time, vendors might decide to distribute directly to some of our customers and therefore becoming competitors. This would adversely affect the Company's ability to compete effectively and thereby potentially impact its sales.

Dependence on Key Personnel

The Company is dependent on the continued services of its senior management team. Although the Company believes that it could replace such key employees in a timely fashion should the need arise, the loss of such key personnel could have a material adverse effect on the Company.

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. Two major customers exceed 10% of total company sales in the twelve months ended November 30, 2017 while only one major customer exceeded 10% of total company sales last year. The following represents the total sales consisting primarily of various wood products of the major customer(s):

	Years ended			
(in thousands of dollars)	**November 30, 2017**		November 30, 2016	
	$	**%**	$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	**110,848**	**21.2**	90,241	16.0

The loss of any major customer could have a material effect on the Company's results, operations and financial positions.

Dependence on Market Economic Conditions
The Company demand for products depends significantly upon the home improvement, new residential and commercial construction markets. The level of activity in the home improvement and new residential construction markets depends on many factors, including the general demand for housing, interest rates, availability of financing, housing affordability, levels of unemployment, shifting demographic trends, gross domestic product growth, consumer confidence and other general economic conditions. Since such markets are sensitive to cyclical changes in the economy, future downturns in the economy or lack of further improvement in the economy could have a material adverse effect on the Company.

Customer Agreements
The majority of the Corporation's supply and customer arrangements vary significantly in length. Most arrangements are for individual purchase orders and are satisfied upon delivery of the goods to the customer. Some arrangements involve customers purchasing goods several months in advance of delivery. These arrangements, known as bookings, vary in length but are generally less than six months long. There can be no assurance that these customers will renew their bookings or continue to place purchase orders with the Corporation.

Cyclical Nature
The business of the Corporation is, to a significant degree, seasonal and cyclical, and fluctuates in advance of the normal building season. Inventory is built up during the second quarter in anticipation of the building seasons, and the busy selling season begins in the last half of that second quarter and extends to the end of the third quarter. Additionally, the Corporation is subject to the normal economic cycle, the housing cycle and to macroeconomic factors, such as interest rates. Although the Corporation anticipates that these seasonal and cyclical fluctuations will continue in the foreseeable future, it is seeking to reduce their impact on its operations and sales.

Supply Chain
The Company is exposed to supply chain risks relating mainly to the Asian imports from time-to-time. Management does not expect to incur any major losses related to supply due to the fact that it has built solid long-term relationships with numerous reputable suppliers.

Laws and regulation
The Corporation faces multiple laws and regulations. These are laws that regulate credit practice, transporting products, importing and exporting products and employment. New laws governing the Corporation's business could be enacted or changes to existing laws could be implemented, each of which might have a significant impact on the Corporation's business. Many foreign laws and regulations constrain our ability to compete efficiently on those foreign markets.

Information systems
The Company enterprise resource planning ("ERP") information management system provides information to management which is used to evaluate financial controls, reporting and sales analysis and strategies. The Company has implemented a new ERP information management system in fiscal 2016. The new ERP system should provide information to the Company's management which is expected to be used to improve financial analytics, reporting and controls. There can be no assurance that the ERP system will provide the information and benefits expected by management. The Company may also experience disruptions in its business and a diversion of management's attention to the Company's business relating to the implementation of the ERP system, which may also result from the integration process related to recently completed acquisitions. Any of these risk factors could have a material adverse impact on the Business. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's results of operations. Furthermore, the Company relies on vendors to support, maintain and periodically upgrade ERP or other systems which are essential in providing management with the appropriate information for decision making. The inability of these vendors to continue to support, maintain and/or upgrade these software programs could disrupt operations if the Company were unable to convert to alternate systems in an efficient and timely manner. Information technology system disruptions, if not anticipated and appropriately mitigated, or the failure to successfully implement new or upgraded systems, could have a material adverse effect on our Business or results of operations.

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. The Company uses financial instruments from time to time to reduce the risk resulting from changes in foreign exchange rates and does not hold or issue financial instruments for trading purposes.

Financing and Liquidity Risk
The Company makes use of short term financing with two chartered Canadian banks. Should a significant decrease in cash and cash equivalents occur, the Company could make use of these facilities.

The following are the contractual maturities of financial liabilities as at November 30, 2017:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 6 Months**	**6 to 36 Months**
Bank indebtedness	52,309	52,309	52,309	-
Trade and other payables	29,409	29,409	29,409	-
Long-term debt	194	194	69	125
Total financial liabilities	**81,912**	**81,912**	**81,787**	**125**

The following are the contractual maturities of financial liabilities as at November 30, 2016:

Financial Liabilities				
	Carrying Amount	Contractual cash flows	0 to 6 Months	6 to 36 Months
Bank indebtedness	94,113	94,113	94,113	-
Trade and other payables	30,721	30,721	30,721	-
Long-term debt	262	262	74	188
Total financial liabilities	125,096	125,096	124,908	188

Interest Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the $52.3 million in bank indebtedness would impact interest expense by $0.5 million annually.

Currency Risk
The Company could enter into forward exchange contracts to economically hedge certain trade payables and from time to time future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. Fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a material effect on the Company's net earnings. As at November 30, 2017, the Company had the following currency exposure on;

Financial assets and liabilities measured at amortized costs
(in thousands of dollars)

	USD	**GBP**	**Euro**
Cash	591	273	10
Trade and other receivables	8,546	315	-
Trade and other payables	(3,304)	(27)	(768)
Long term debt	(53)	-	-
Net exposure	**5,780**	**561**	**(758)**
CAD exchange rate as at November 30, 2017	1.2897	1.7443	1.5352
Impact on net earnings based on a fluctuation of 5% on CAD	**272**	**36**	**(42)**

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. Accounts receivable over 60 days past their due date and not impaired represents 1.3% (7.1% on November 30, 2016) of total trade and other receivables at November 30, 2017.

The movement in the allowance for doubtful accounts in respect to trade and other receivables were as follows;

	November 30 2017	November 30 2016
(in thousands of dollars)	**$**	$
Balance, beginning of year	**1,816**	426
Provision	**185**	1,575
Bad debt write offs	**(1,776)**	(185)
Balance, end of year	**225**	1,816

Fair Value
Fair values of assets and liabilities approximate amounts at which these items could be exchanged in a transaction between knowledgeable and willing parties. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and long-term debt approximate their fair values.

RELATED PARTY TRANSACTIONS

Related parties include the key management and other related parties as described below. Unless otherwise noted, no related party transactions contain special features, conditions and guarantees that have been given or received. Balances are generally settled in cash. Transactions between the parent company and its subsidiaries and between subsidiaries themselves, which are related parties, have been eliminated upon consolidation.

These transactions and balances are not presented in this section. The details of these transactions occurred in the normal course of business between the Company and other related parties and are presented below.

Commercial Transactions
During the year ended November 30, 2017, the entities of the Company have not entered into business transactions with related parties that are not members of the Company.

Other related party transactions

	November 30 2017	November 30 2016
(in thousands of dollars)	**$**	$
Joint venture – Lebel-Goodfellow Treating Inc.		
Sales of goods	**2**	3,782
Purchase of goods	**26,828**	83,921
Lease rental income	**208**	415
Miscellaneous charges	**249**	734
Company controlled by a member of the Board – Jarislowsky Fraser Ltd.		
- Management fee	**187**	183

These transactions are in the normal course of business and measured at the exchange amount of considerations established and agreed to in the contractual arrangements between the related parties. The Company has an outstanding receivable balance to Lebel-Goodfellow Treating Inc. of $0.2 million as at November 30, 2017 ($3.5 million in 2016).

Loans to related parties
No executive officers, senior officers, directors or any person related to them is indebted to the Company.

Key management personnel compensation
Key management includes members of the board of directors, senior management and key executives. The following table shows the remuneration of key management personnel during the years ended:

	November 30 2017	November 30 2016
(in thousands of dollars)	**$**	$
Salaries and other short-term benefits	**2,750**	2,362
Post-employment benefits	**60**	266
	2,810	2,628

CRITICAL ACCOUNTING ESTIMATES

The preparation of 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. A discussion of the significant estimates that could have a material effect on the financial statements is provided below:

i. *Allowance for doubtful accounts and sales returns*
Management reviews its trade and other receivables at the end of each reporting period and estimates balances deemed non-collectible in the future. This review requires the use of assumptions and takes into consideration certain factors, such as historical collection trends and past due accounts for each customer balance. In the event that future collections differ from provisions estimated, future earnings will be affected.

The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise expected to be returned in the future.

ii. *Measurement of defined benefit plan assets and liabilities*
The Company's measurement of defined benefit plan assets and liabilities requires the use of statistical data and other parameters used to anticipate future changes. These parameters include the discount rate, the expected rate of return on assets, the expected rate of compensation increase, the retirement age of employees, and mortality tables. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to changes to the pension expense recognized in net earnings, and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

iii. *Valuation of inventory*
Estimating the impact of certain factors on the net realizable value of inventory, such as obsolescence and losses of inventory, as well as estimating the cost of inventory, freight accrual and inventory provisions, requires a certain level of judgment. Inventory quantities, age and condition, average costs and standard costs are measured and assessed regularly throughout the year.

iv. Environmental provisions

Environmental provisions relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties. Environmental expenditures are estimated taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The estimated amount of future remediation expenditures is reviewed periodically based on available information. The provision requires the use of estimates and assumptions such as the estimated amount of future remediation expenditures, the anticipated method of remediation, the discount rate and the estimated time frame for remediation. See note 14 of our consolidated financial statement for further details.

Critical Judgments in applying accounting policies:

i) Going concern assumption

Determining the Company's ability to continue as a going concern requires Management to exercise judgment in particular about its future operations and projected future cash flows. See note 2b) for further details.

Other than the going concern assessment mentioned above, the Company did not identify any other critical judgments that management has made in the process of applying accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statement.

ii)Interests in equity-accounted investees

Management reviews the financial statements of the joint venture at the end of each reporting period and estimates its share of the interests. This review requires the use of assumptions and takes into consideration certain factors, such as historical average prices and production costs. In the event that future prices and costs differs from provisions estimated, future earnings will be affected.

SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described in Note 3 to the consolidated financial statements for the year ended November 30, 2017.

IMPACT OF ACCOUNTING PRONOUNCEMENTS NOT YET IMPLEMENTED

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on December 1, 2018. The Company has not yet assessed the impact of adoption of IFRS 15, and does not intend to early adopt IFRS 15 in its consolidated financial statements.

IFRS 9, Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on December 1, 2018. The Company has not yet assessed the impact of adoption of IFRS 9, and does not intend to early adopt IFRS 9 in its consolidated financial statements.

IFRS 16, Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on December 1, 2019. The Company has not yet assessed the impact of adoption of IFRS 16, and does not intend to early adopt IFRS 16 in its consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

At November 30, 2017, there were 8,506,554 common shares issued (8,506,554 last year). The Company has authorized an unlimited number of common shares to be issued, without par value. At February 15, 2018, there were 8,506,554 common shares outstanding.

SUBSEQUENT EVENT

In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business.

OUTLOOK

The Company has successfully renewed its traditional cash flow banking arrangement with the TD/BMO syndicate. The Company's ability to quickly right size inventory, reduce the operating loan and return to profitability promptly made this renewal with our loyal lenders possible.

All those changes bode well for the future and have contributed to putting the Company back on a solid conservative footing moving forward. The Company continues in its transition to consistent profitability through responsible inventory management and the ability to capitalize on asset opportunities in 2018 and beyond.

CERTIFICATION

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining appropriate control systems, procedures and information systems and internal control over financial reporting. The Chief Executive Officer and the Chief Financial Officer together with Management, after evaluating the design and effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as of November 30, 2017 concluded that the Company's disclosure controls and procedures and internal control over financial reporting were ineffective and the material weakness previously disclosed was partially remediated. The material weakness remains because the controls put in place to remediate the deficiency have not operated for a sufficient length of time to properly evaluate their effectiveness.

A material weakness existed in the design of the Company's internal control over financial reporting in the area of inventory controls, principally due to the implementation of the new ERP system on December 1, 2015. For its financial year beginning on December 1, 2015, Goodfellow started using a new ERP software for its financial accounting records. In the course of the preparation of its financial statements for the quarter ended August 31, 2016, management noticed certain anomalies relating principally to the cost of inventory for its products. Management undertook an extensive review process to determine the nature of the problem and the means of remediating the financial accounting records. This material weakness was caused primarily by the absence of certain preventive and detective controls over inventory management.

Management has undertaken an extensive and thorough review of the transactions processed in the new ERP software with the objective of resolving all design deficiencies and implementing compensating controls to mitigate the risk of a material misstatement. The Company partially remediated the material weakness by implementing changes in its inventory management cycle. The significant changes in internal controls were as follows:

- Implemented many preventive and detective controls over the inventory cycle either directly in the ERP system or through management review controls;
- Established monitoring controls, exception reports, edits checks and other tools to improve the accuracy of the information from the ERP system;
- Established controls over inventory management and financial reporting including management review controls over inventory costing, valuation and inventory movements;
- Increase the level of oversight and review of inventory balances;
- Increased training and knowledge awareness throughout the organization.

The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 Framework) control framework adopted by the Company.

Other than as described above, there has been no change in the Company's internal control over financial reporting that occurred during the three months ended November 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, February 15, 2018

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois, CPA, CMA
Chief Financial Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

The accompanying consolidated financial statements, which have been prepared in accordance with International Reporting Financial Standards, and the other financial information provided in the Annual Report, which is consistent with the financial statement, are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements include some amounts that are based on management's best estimates and judgment and, in their opinion, present fairly the Company's financial position, results of operations and cash flows. The Company's procedures and internal control systems are designed to provide reasonable assurance that accounting records are reliable and safeguard the Company's assets.

The Audit Committee is responsible for reviewing the consolidated financial statements and Annual Report and recommending their approval to the Board of Directors. In order to fulfill its responsibilities, the Audit Committee meets with management and independent auditors to discuss internal control over financial reporting process, significant accounting policies, other financial matters and the results of the examination by the independent auditors.

These consolidated financial statements have been audited by the independent auditors KPMG LLP, Chartered Professional Accountants, and their report is included herein.

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois, CPA, CMA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Goodfellow Inc.

We have audited the accompanying consolidated financial statements of Goodfellow Inc., which comprise the consolidated statements of financial position as at November 30, 2017 and November 30, 2016, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Goodfellow Inc. as at November 30, 2017 and November 30, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

February 15, 2018
Montreal, Canada

*CPA Auditor, CA public accountancy permit no. A123145

GOODFELLOW INC.
Consolidated Statements of Comprehensive Income
For the years ended November 30, 2017 and 2016
(in thousands of dollars, except per share amounts)

	Years ended	
	November 30 2017	November 30 2016
	$	$
Sales	**523,659**	565,173
Expenses		
Cost of goods sold (Note 4)	**442,396**	483,885
Selling, administrative and general expenses (Note 4)	**81,533**	93,942
Gain on disposal of property, plant and equipment	**(1,194)**	-
Net financial costs (Note 5)	**4,199**	3,640
	526,934	581,467
Loss before income taxes	**(3,275)**	(16,294)
Income taxes (Note 16)	**(1,181)**	(4,189)
Net loss	**(2,094)**	(12,105)
Items that will not subsequently be reclassified to net loss		
Remeasurement of defined benefit plan obligation (asset), net of taxes of $127 (2016 – recovery of taxes of $1,070) (Note 17)	**341**	(2,750)
Total comprehensive loss	**(1,753)**	(14,855)
Net loss per share - Basic and diluted (Note 15)	**(0.25)**	(1.42)

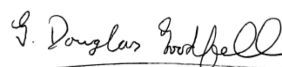
The notes 1 to 25 are an integral part of these consolidated financial statements.

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

	As at November 30 2017	As at November 30 2016
	$	$
Assets		
Current Assets		
Cash	**1,622**	703
Trade and other receivables (Note 6)	**58,317**	64,255
Income taxes receivable	**1,589**	6,598
Inventories (Note 7)	**88,860**	115,391
Prepaid expenses	**3,007**	4,863
Total Current Assets	**153,395**	191,810
Non-Current Assets		
Property, plant and equipment (Note 8)	**36,198**	38,693
Intangible assets (Note 9)	**4,942**	5,428
Defined benefit plan asset (Note 17)	**2,413**	2,234
Investment in a joint venture (Note 10)	**285**	3,403
Total Non-Current Assets	**43,838**	49,758
Total Assets	**197,233**	241,568
Liabilities		
Current liabilities		
Bank indebtedness (Note 12)	**52,309**	94,113
Trade and other payables (Note 13)	**29,409**	30,721
Provision (Note 14)	**938**	963
Current portion of long-term debt (Note 12)	**139**	136
Total Current Liabilities	**82,795**	125,933
Non-Current Liabilities		
Provision (Note 14)	**446**	475
Long-term debt (Note 12)	**55**	126
Deferred income taxes (Note 16)	**3,582**	3,296
Defined benefit plan obligation (Note 17)	**921**	1,045
Total Non-Current Liabilities	**5,004**	4,942
Total Liabilities	**87,799**	130,875
Shareholders' equity		
Share capital (Note 15)	**9,152**	9,152
Retained earnings	**100,282**	101,541
	109,434	110,693
Total Liabilities and Shareholders' Equity	**197,233**	241,568

Going concern and future operations (Note 2 b))
Commitments and contingent liabilities (Note 22)

Approved by the Board



Claude Garcia, Director

G. Douglas Goodfellow, Director

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the years ended November 30, 2017 and 2016
(in thousands of dollars)

	Years ended	
	November 30 2017	November 30 2016
	$	$
Operating Activities		
Net Loss	**(2,094)**	(12,105)
Adjustments for :		
Depreciation	**4,085**	3,850
Accretion expense on provision	**50**	52
Decrease in provision	**(104)**	(202)
Income taxes	**(1,181)**	(4,189)
Gain on disposal of property, plant and equipment	**(1,194)**	-
Interest expense	**2,821**	2,392
Funding in deficit (excess) of pension plan expense	**165**	(197)
Share of the profits of a joint venture (Note 10)	**(202)**	(403)
Share-based compensation	**494**	-
	2,840	(10,802)
Changes in non-cash working capital items (Note 18)	**33,086**	(16,054)
Interest paid	**(2,614)**	(2,482)
Income taxes recovered (paid)	**6,349**	(4,663)
	36,821	(23,199)
Net Cash Flows from Operating Activities	**39,661**	(34,001)
Financing Activities		
Net (decrease) increase in bank loans	**(4,000)**	2,000
Net (decrease) increase in banker's acceptances	**(36,500)**	45,500
Increase in long-term debt	**68**	369
Reimbursement of long-term debt	**(136)**	(780)
Dividends paid	**-**	(2,552)
	(40,568)	44,537
Investing Activities		
Acquisition of property, plant and equipment	**(1,329)**	(2,970)
Increase in intangible assets	**(446)**	(2,865)
Proceeds on disposal of property, plant and equipment	**1,585**	-
Business acquisitions, net of cash acquired (Note 11)	**-**	(4,795)
Dividends from joint venture	**320**	-
Dissolution of the joint venture	**3,000**	-
	3,130	(10,630)
Net cash inflow (outflow)	**2,223**	(94)
Cash position, beginning of year	**(1,910)**	(1,816)
Cash position, end of year	**313**	(1,910)
Cash position is comprised of :		
Cash	**1,622**	703
Bank overdraft (Note 12)	**(1,309)**	(2,613)
	313	(1,910)

GOODFELLOW INC.
Consolidated Statements of Change in Shareholders' Equity
For the years ended November 30, 2017 and 2016
(in thousands of dollars)

	Share Capital	Retained Earnings	Total
	$	$	$
Balance as at November 30, 2015	9,152	118,948	128,100
Net loss	-	(12,105)	(12,105)
Other comprehensive loss	-	(2,750)	(2,750)
Total comprehensive loss	-	(14,855)	(14,855)
Transactions within equity			
Dividends	-	(2,552)	(2,552)
Balance as at November 30, 2016	9,152	101,541	110,693
Net loss	-	**(2,094)**	**(2,094)**
Other comprehensive income	-	**341**	**341**
Total comprehensive loss	-	**(1,753)**	**(1,753)**
Transactions within equity			
Share-based compensation	**-**	**494**	**494**
Balance as at November 30, 2017	**9,152**	**100,282**	**109,434**

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 consolidated financial statements of the Company as at and for the years ended November 30, 2017 and 2016 includes the accounts of the Company and its wholly-owned subsidiaries.

2. Basis of preparation

a) *Statement of compliance*
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Boards (“IASB”).

The financial statements were authorized for issue by the Board of Directors on February 15, 2018.

b) *Going concern and future operations*
These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is subject to a number of risks and uncertainty associated with its products and services, the competition from vendors, its dependence on the economy as well as major customers, the supply chain, its information systems, environmental risk, credit risk, interest risk, currency risk as well as meeting its financing requirements for its operations. The attainment of profitable operations is dependent upon future events, including successful implementation of the Company’s operation plan and obtaining adequate financing.

The Company incurred a net loss of $2.1 million and positive cash flow from operating activities (excluding non-cash working capital items) of $2.8 million in fiscal 2017 compared to a net loss of $12.1 million and negative cash flow from operating activities (excluding non-cash working capital items) of $10.8 million in fiscal 2016. In 2017, the Company was able to decrease its inventory levels from $115.4 million to $88.9 million, its trade receivables and other receivables from $64.3 million to $58.3 million and its bank indebtedness from $94.1 million to $52.3 million as at November 30, 2017 as compared to November 30, 2016. Subsequent to year-end, Management renewed its banking agreement for a maximum available facility of $100 million expiring in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at November 30, 2017, the Company was compliant with its financial covenants.

In evaluating the Company’s ability to continue as a going concern, the Company is required to determine whether it has the ability to fund its operations, meet its cash flow requirements and comply with the covenants as established by its amended credit facility. This evaluation requires to estimate and forecast the cash flows for at least the next twelve months to determine whether the Company has sufficient resources to attain these objectives. The Company believes that it will be able to adequately fund its operations and meet its cash flow requirements for at least the next twelve months. This determination, however, could be impacted by future economic, financial and competitive factors, as well as other future events that are beyond the Company’s control.

If any of the factors or events described above result in significant variances from the assumptions used in the preparation of the going concern analysis, this could significantly impact the Company’s ability to meet its projected cash flows and meet its financial obligation.

If the going concern assumption were not appropriate for these financial statements, adjustments to the carrying value of assets and liabilities, reported expenses and statement of financial position classifications would be necessary. Such adjustments could be material and may occur in the near term.

c) *Basis of measurement*
These consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Environmental provision is recorded at present value of the expected expenditure to be paid. Pension plans are recorded at net of the fair value of plan assets and present value of obligation.

d) *Functional and presentation currency*
These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand unless otherwise noted.

e) *Use of estimates and judgments*

Key sources of estimation uncertainty:

The preparation of 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

2. Basis of preparation *(Continued)*

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. A discussion of the significant estimates that could have a material effect on the financial statements is provided below:

i. *Allowance for doubtful accounts and sales returns*
Management reviews its trade and other receivables at the end of each reporting period and estimates balances deemed non-collectible in the future. This review requires the use of assumptions and takes into consideration certain factors, such as historical collection trends and past due accounts for each customer balance. In the event that future collections differ from provisions estimated, future earnings will be affected.

The Company provides for the possibility that merchandise already sold may be returned by customers. To this end, the Company has made certain assumptions based on the quantity of merchandise expected to be returned in the future.

ii. *Measurement of defined benefit plan assets and liabilities*
The Company's measurement of defined benefit plan assets and liabilities requires the use of statistical data and other parameters used to anticipate future changes. These parameters include the discount rate, the expected rate of return on assets, the expected rate of compensation increase, the retirement age of employees, and mortality tables. If the actuarial assumptions are found to be significantly different from the actual data subsequently observed, it could lead to changes to the pension expense recognized in net earnings, and the net assets or net liabilities related to these obligations presented in the consolidated statement of financial position.

iii. *Valuation of inventory*
Estimating the impact of certain factors on the net realizable value of inventory, such as obsolescence and losses of inventory, as well as estimating the cost of inventory, freight accrual and inventory provisions, requires a certain level of judgment. Inventory quantities, age and condition, average costs and standard costs are measured and assessed regularly throughout the year.

iv. *Environmental provisions*
Environmental provisions relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties. Environmental expenditures are estimated taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The estimated amount of future remediation expenditures is reviewed periodically based on available information. The provision requires the use of estimates and assumptions such as the estimated amount of future remediation expenditures, the anticipated method of remediation, the discount rate and the estimated time frame for remediation. See note 14 for further details.

Critical Judgments in applying accounting policies:

i. *Going concern assumption*
Determining the Company's ability to continue as a going concern requires Management to exercise judgment in particular about its future operations and projected future cash flows. See note 2 b) for further details.

Other than the going concern assessment mentioned above, the Company did not identify any other critical judgments that management has made in the process of applying accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statement.

ii. *Interests in equity-accounted investees*
Management reviews the financial statements of the joint venture at the end of each reporting period and estimates its share of the interests. This review requires the use of assumptions and takes into consideration certain factors, such as historical average prices and production costs. In the event that future prices and costs differs from provisions estimated, future earnings will be affected.

3. Significant Accounting Policies

a) *Principles of Consolidation*
The consolidated financial statements incorporate the Company's accounts and the accounts of the subsidiaries, all wholly-owned, that it controls. The Company has control when it has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions, balances, revenues and expenses were fully eliminated upon consolidation.

b) *Cash and Cash Equivalents*
Cash and cash equivalents consist of cash on hand and highly liquid investments with an initial term of three months or less.

3. Significant Accounting Policies *(Continued)*

c) *Inventories*
Inventories, which consist of raw materials, work in process and finished goods are recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated selling expenses. The cost of inventory is recognized as an expense when the inventory is sold. Previous write-downs to net realizable value are reversed if there is a subsequent increase in the value of the related inventories.

d) *Property, Plant, Equipment and intangible assets*
Items of property, plant, equipment and intangible assets are measured at cost less accumulated depreciation and accumulated impairment losses. Government grants received in respect to property, plant and equipment are recognized as a reduction to the cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including any costs directly attributable to bringing the asset to a working condition for its intended use, and borrowing costs.

When an item of property, plant, equipment and intangible assets is made up of components that have differing useful lives, cost is allocated among the different components that are depreciated separately.

A gain or loss on the disposal or retirement of an item of property, plant, equipment and intangible assets, which is the difference between the proceeds from the disposal and the carrying amount of the asset, is recognized in net earnings. Leasehold improvements are amortized using the straight-line method over the terms of the leases. Other capital assets are amortized using the declining balance method with the following rates:

Buildings	4% to 20%
Yard improvements	8% to 10%
Furniture and fixtures	4% to 20%
Equipment	4% to 20%
Computer equipment	20%
Rolling stock	30%

Estimated useful lives, depreciation methods, rates and residual values are reviewed at each annual reporting date, with the effect of any changes accounted for on a prospective basis.

e) *Intangible assets*
Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available and;
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software is subject to the declining balance method at a rate of 20%. Our ERP system is subject to a linear amortization of 10 years and the customer relationship is subject to a linear amortization of 5 years.

f) *Leases*
The Company accounts for a leased asset as a capital lease when substantially all of the risks and rewards of ownership of the asset have been transferred to the Company. The asset is initially recognized at the lower of the fair value of the leased asset at the inception of the lease and of the present value of the minimum lease payments. The corresponding debt appears on the consolidated statement of financial position as a financial liability in long-term debt. Assets held under capital leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the lease term.

All other leases are classified as operating leases. Rent is recognized in net earnings on a straight-line basis over the term of the corresponding lease.

3. Significant Accounting Policies *(Continued)*

g) Impairment

i) Non-Financial Assets

On each reporting date, the Company reviews the carrying amounts of property, plant and equipment and intangible assets for any indication of impairment. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the amount of any impairment loss. If the recoverable amount of the individual asset cannot be estimated, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent basis of allocation can be identified.

Recoverable amount is the higher of fair value less costs to sell and the value in use. To measure value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the estimated recoverable amount of an asset or of a CGU is less than its carrying amount, the carrying amount of the asset or of the CGU is reduced to its recoverable amount. An impairment loss is immediately recognized in net earnings.

When an impairment loss subsequently reverses, the carrying amount of the asset or of the CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or the CGU in the prior periods. Reversals of impairment losses are immediately recognized in net earnings.

ii) Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost (loans and receivables) is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

h) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the respective transaction dates. Revenues and expenses denominated in foreign currencies are translated into the functional currency at average rates of exchange prevailing during the period. The resulting gains or losses on translation are included in cost of goods sold in the determination of net earnings.

i) Revenue Recognition

Revenues from activities relating to remanufacturing, distribution of lumber and wood products, services rendered, sales of consignment inventory and direct shipments are net of discounts and credit notes and are recognized at the fair value of the consideration received or receivable when all of the following conditions have been met:

i. The accounting policy for the provision of our services follows the same policy as set out in Note 3 to the financial statements.
ii. No services are invoiced separately. Revenue recognition (including services) were considered when all the significant risks and rewards of ownership have been transferred to the buyer.
iii. The value of work in progress related to the services offered are zero.

Sales are recorded net of estimated volume rebates, term discount and sales returns, which is based on historical experience, current trends and other known factors.

j) Post-Employment Benefits

a) Defined Contribution Plans

Defined contribution plans include pension plans offered by the Company that are regulated by the Régie des rentes du Québec and by the Canada Revenue Agency and 408 Simple IRA plans (for its US employees). The Company recognizes the contributions paid under defined contribution plans in net earnings in the period in which the employees rendered service entitling them to the contributions. The Company has no legal or constructive obligation to pay additional amounts other than those set out in the plans.

b) Defined Benefit Plans

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets, as the services are rendered.

3. Significant Accounting Policies *(Continued)*

The Company has a number of defined benefit pension plans and has adopted the following policies:

i. The cost of pensions earned by employees is actuarially determined using the projected unit credit method based on management's best estimate of salary escalation, retirement ages of employees, discount rates and mortality tables. Actuarial valuations are performed by independent actuaries on each reporting date of the annual financial statements.
ii. For the purpose of calculating the costs of the plans, assets are recorded at fair value and interest on the service cost is allowed for in the interest cost.
iii. Actuarial gains or losses are recognized, for each reporting period, through other comprehensive income. Past service cost arising from plan amendments are recognized immediately in net earnings to the extent that the benefits are already vested; otherwise, they are amortized on a straight-line basis over the average period remaining until the benefits become vested.
iv. The defined benefit plans are subject to minimum funding requirements which under certain circumstances could generate an additional liability under IFRIC 14. Any variation in that liability would be recognized immediately in net earnings.

k) Income taxes

Income taxes consist of current tax and deferred tax. Current tax and deferred tax are recognized in net earnings except when they are related to items recognized directly in shareholders' equity or in other comprehensive income, in which case the current tax and deferred tax are recognized directly in shareholders' equity or in other comprehensive income, in accordance with the accounting treatment of the item to which it relates.

The Company's income tax expense is based on tax rules and regulations that are subject to interpretation and require estimates and assumptions that may be challenged by taxation authorities. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. The Company's estimates of current income tax assets and liabilities are periodically reviewed and adjusted as circumstances warrant, such as changes to tax laws and administrative guidance, and the resolution of uncertainties through either the conclusion of tax audits or expiration of prescribed time limits within the relevant statutes. The final results of government tax audits and other events may vary materially compared to estimates and assumptions used by management in determining the income tax expense and in measuring current income tax assets and liabilities.

Deferred tax is recognized on the temporary differences between the carrying amounts of the assets and liabilities presented in the consolidated statement of financial position and the corresponding tax bases used for tax purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in net earnings in the period that includes the enactment or substantively enacted date except to the extent that it relates to an item recognized either in other comprehensive income or directly in equity in the current or in a previous period.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are recognized under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

l) Earnings per Share

Basic earnings per share (EPS) are calculated by dividing the net earnings of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the weighted average number of shares outstanding to include additional shares issued from the assumed exercise of share options, if dilutive. The number of additional shares is calculated by assuming that the proceeds from such exercises, as well as the amount of unrecognized share-based payment, if any, are used to purchase common shares at the average market share price during the reporting period.

m) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees becomes entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3. Significant Accounting Policies ***(Continued)***

n) Financial Instruments

All financial instruments are classified into one of the following five categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the statement of financial position and are measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method, less impairment and adjusted for transaction costs. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Financial instruments classified as financial assets at fair value through profit or loss are measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income. When an available-for-sale is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net earnings.

Financial assets and liabilities measured at fair value use a fair value hierarchy to prioritize the inputs used in measuring fair value. Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The Company has the following classifications:

- Cash and cash equivalents and trade and other receivables are classified as loans and receivables.
- Bank loans, banker's acceptances, bank overdraft and trade and other payables are classified as other financial liabilities.

o) Non-Interest-Bearing Debt

Non-interest-bearing debt is measured at amortized cost using the effective interest rate method. When a non-interest-bearing loan is obtained, to the extent that it was received as a grant related to an asset, the difference between the fair value of the loan and the consideration received is accounted for by deducting the grant from the carrying amount of the corresponding asset.

p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of these assets until the assets are in the condition necessary for them to be capable of operating in the manner intended by management. In instances where the Company does not have borrowings directly attributable to the acquisition of qualifying assets, the Company uses the weighted average of the borrowing costs. The borrowing costs thus added to the qualifying assets will not exceed the borrowing costs incurred during the corresponding period.

Investment revenues earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in net earnings in the period in which they are incurred.

q) Provisions

Provisions are recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties related to the obligation. If the effect of the time value of money is material, the provisions are measured at their present value.

i) Onerous contracts

A provision for onerous contracts is measured and recognized when the Company has concluded a contract for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

ii) Environmental provisions

Environmental provisions relate to the discounted present value of estimated future expenditures associated with the obligations of restoring the environmental integrity of certain properties. Environmental expenditures are estimated taking into consideration the anticipated method and extent of the remediation consistent with regulatory requirements, industry practices, current technology and possible uses of the site. The estimated amount of future remediation expenditures is reviewed periodically based on available information. The amount of the provision is the present value of the estimated future remediation expenditures discounted using a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as financial costs, while the revision of estimates of environmental expenditures and discount rates are recorded in selling, administrative and general expenses in the consolidated statement of comprehensive income.

3. Significant Accounting Policies *(Continued)*

r) Government Grants
Government grants related to depreciable assets, including investment tax credits, are recognized in the consolidated statement of financial position as a reduction of the carrying amount of the related asset. They are then recognized in net earnings, as a deduction from the depreciation expense, over the estimated useful life of the depreciable asset. Other government grants are recognized in net earnings as a deduction from the related expense.

s) Presentation of Dividends and Interest Paid in Cash Flow Statements
IFRS permits dividends and interest paid to be shown as operating or financing activities, as deemed relevant for the entity. The Company has elected to classify dividends paid as cash flows used in financing activities and interest paid as cash flows used in operating activities.

t) Financial costs
Financial costs comprise interest expense on borrowings, unwinding of the discount on provisions and other financial charges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net earnings using the effective interest method.

u) Business Combinations
The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognized in profit and loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

v) Interests in equity-accounted investees
The company's interests in equity-accounted investees comprise interests in a joint venture. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than the rights to its assets and obligations for its liabilities. Interests in the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transactions cost. Subsequent to initial recognition, the consolidated financial statements include the company's share of the profit and loss and Other Comprehensive Income of equity-accounted investees, until the date on which significant influence or joint control ceases.

w) IFRS Standard Issued, But Not Yet Effective

i) IFRS 15, Revenue from Contracts with Customers
On May 28, 2014 the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued, Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on December 1, 2018. The Company has not yet assessed the impact of adoption of IFRS 15, and does not intend to early adopt IFRS 15 in its consolidated financial statements.

ii) IFRS 9, Financial Instruments
On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on December 1, 2018. The Company has not yet assessed the impact of adoption of IFRS 9, and does not intend to early adopt IFRS 9 in its consolidated financial statements.

3. Significant Accounting Policies *(Continued)*

iii) IFRS 16, Leases

On January 13, 2016 the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on December 1, 2019. The Company has not yet assessed the impact of adoption of IFRS 16, and does not intend to early adopt IFRS 16 in its consolidated financial statements.

4. Additional information on cost of goods sold and selling, administrative and general expenses

	November 30 2017	November 30 2016
	$	$
Employee benefits expense	**52,815**	59,610
Write-down of inventories included in cost of goods sold	**(1,573)**	3,305
Depreciation included in cost of goods sold	**1,329**	1,467
Depreciation included in selling, administrative and general expenses	**2,756**	2,383
Expense related to minimum operating lease payments	**4,804**	3,877
Foreign exchange gains	**(444)**	(653)

5. Net financial costs

	November 30 2017	November 30 2016
	$	$
Interest expense	**2,821**	2,392
Accretion expense on provision	**50**	52
Other financial costs	**1,350**	1,256
Financial cost	**4,221**	3,700
Finance income	**(22)**	(60)
Net finance cost	**4,199**	3,640

6. Trade and other receivables

	November 30 2017	November 30 2016
	$	$
Trade receivables	**57,073**	64,693
Allowance for doubtful accounts	**(225)**	(1,816)
	56,848	62,877
Other receivables	**1,469**	1,378
	58,317	64,255

7. Inventories

	November 30 2017	November 30 2016
	$	$
Raw materials	**7,521**	12,613
Work in process	**7,427**	8,307
Finished goods	**76,203**	98,335
	91,151	119,255
Provision for obsolescence	**(2,291)**	(3,864)
	88,860	115,391

For the year ended November 30, 2017, $422.9 million (2016 - $461.9 million) of inventory were expensed as cost of goods sold.

8. Property, plant and equipment

	Carrying amount November 30 2016	Additions	Reclassification	Through business acquisition	Dispositions	Depreciation	Carrying amount November 30 2017
	$	$	$	$	$	$	$
Land	**6,359**	**-**	**-**	**-**	**(96)**	**-**	**6,263**
Buildings	**16,706**	**192**	**-**	**-**	**(130)**	**(926)**	**15,842**
Yard improvements	**6,597**	**-**	**-**	**-**	**-**	**(528)**	**6,069**
Leasehold improvements	**1,264**	**356**	**-**	**-**	**(41)**	**(312)**	**1,267**
Furniture and fixtures	**248**	**65**	**(113)**	**-**	**-**	**(43)**	**157**
Equipment	**5,470**	**141**	**113**	**-**	**(15)**	**(1,073)**	**4,636**
Computer equipment	**1,616**	**48**	**-**	**-**	**(1)**	**(329)**	**1,334**
Rolling Stock	**433**	**393**	**-**	**-**	**(14)**	**(182)**	**630**
	38,693	**1,195**	**-**	**-**	**(297)**	**(3,393)**	**36,198**

	November 30, 2017		
	Cost	**Accumulated depreciation**	**Carrying Amount**
	$	$	$
Land	**6,263**	**-**	**6,263**
Buildings	**34,681**	**18,839**	**15,842**
Yard improvements	**11,342**	**5,273**	**6,069**
Leasehold improvements	**3,187**	**1,920**	**1,267**
Furniture and fixtures	**1,150**	**993**	**157**
Equipment	**26,380**	**21,744**	**4,636**
Computer equipment	**4,586**	**3,252**	**1,334**
Rolling Stock	**6,297**	**5,667**	**630**
	93,886	**57,688**	**36,198**

	Carrying amount November 30 2015	Additions	Reclassification	Through business acquisition	Dispositions	Depreciation	Carrying amount November 30 2016
	$	$	$	$	$	$	$
Land	6,157	-	-	202	-	-	6,359
Buildings	15,818	566	-	1,297	-	(975)	16,706
Yard improvements	6,849	300	-	6	-	(558)	6,597
Leasehold improvements	958	374	-	-	-	(68)	1,264
Furniture and fixtures	110	164	-	4	-	(30)	248
Equipment	4,542	615	-	1,496	-	(1,183)	5,470
Computer equipment	1,335	636	-	5	-	(360)	1,616
Rolling Stock	377	115	-	87	-	(146)	433
	36,146	2,770	-	3,097	-	(3,320)	38,693

	November 30, 2016		
	Cost	Accumulated depreciation	Carrying Amount
	$	$	$
Land	6,359	-	6,359
Buildings	34,676	17,970	16,706
Yard improvements	11,342	4,745	6,597
Leasehold improvements	2,873	1,609	1,264
Furniture and fixtures	1,201	953	248
Equipment	26,180	20,710	5,470
Computer equipment	4,540	2,924	1,616
Rolling Stock	6,039	5,606	433
	93,210	54,517	38,693

Leased equipment
The company leases computer equipment and lift trucks under capital leases. The leased equipment secures the lease obligation. As at November 30, 2017, the net carrying amount of leased equipment was $194 thousand ($249 thousand in 2016).

There has been no impairments or recoveries recorded during the fiscal years ended November 30, 2017 and 2016.

9. Intangible assets

	Carrying amount November 30 2016	**Additions**	**Through business acquisition**	**Dispositions**	**Depreciation**	**Carrying amount November 30 2017**
	$	**$**	**$**	**$**	**$**	**$**
Software and technologies	**4,995**	**299**	**-**	**(93)**	**(586)**	**4,615**
Customer relationship	**433**	**-**	**-**	**-**	**(106)**	**327**
	5,428	**299**	**-**	**(93)**	**(692)**	**4,942**

	November 30, 2017		
	Cost	**Accumulated depreciation**	**Carrying Amount**
	$	**$**	**$**
Software and technologies	**6,121**	**1,506**	**4,615**
Customer relationship	**530**	**203**	**327**
	6,651	**1,709**	**4,942**

	Carrying amount November 30 2015	Additions	Through business acquisition	Dispositions	Depreciation	Carrying amount November 30 2016
	$	$	$	$	$	$
Software and technologies	2,667	2,753	8	-	(433)	4,995
Customer relationship	-	-	530	-	(97)	433
	2,667	2,753	538	-	(530)	5,428

	November 30, 2016		
	Cost	Accumulated depreciation	Carrying Amount
	$	$	$
Software and technologies	5,915	920	4,995
Customer relationship	530	97	433
	6,445	1,017	5,428

10. Investment in a joint venture

On December 1, 2015, the Company and Groupe Lebel Inc. completed the closing of a joint venture and the creation of Traitement Lebel Goodfellow Inc. with seven wood treatment plants to serve markets across Ontario, Quebec and the Maritimes. Traitement Lebel Goodfellow Inc. became one of the largest treated wood producer in Eastern Canada with unsurpassed geographical coverage. Groupe Lebel's four plants located in Bancroft and Caledon, Ontario, Dégelis and St-Joseph, Quebec, were combined with the Company's three plants located in Delson, Quebec, Elmsdale, Nova Scotia, and Deer Lake, Newfoundland, and were leased to the joint venture forming a new business unit focused on operational excellence. With the creation of the joint venture, this transaction was supposed to enhance the strengths of the two partners to better serve the treated wood clients across Eastern Canada. In fiscal 2016, the Company invested $3.0 million in the joint venture in the form of inventory of raw material pursuant to a shareholder agreement in return of 40% of the shares of the joint venture.

In Q2-2017, both parties agreed to dissolve the joint venture. The joint venture ceased operations on May 31st, 2017. The better part of the liquidation was done in Q3-2017. Goodfellow received back its initial investment of $3.0 million and $320 thousand of dividends as part of the dissolution. The closing of the joint venture will occur in summer 2018 and a final dividend of approximately $285 thousand is expected.

	$
Investment	3,000
Group's share of profit and total comprehensive income	403
Balance as at November 30, 2016	3,403
Dissolution in a joint venture	(3,000)
Dividend	(320)
Realized profit from November 2016	374
Group's share of profit and total comprehensive loss	(172)
Balance as at November 30, 2017	**285**

The following table summarises the financial information of Lebel-Goodfellow Treating Inc. as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in Lebel-Goodfellow Treating Inc.

10. Investment in a joint venture *(Continued)*

	November 30 2017	November 30 2016
	$	$
Non-current assets	**-**	821
Current assets (including cash and cash equivalent)	**914**	18,361
Non-current liabilities	**(175)**	(15)
Current liabilities (including a credit facility – nil in 2017 and $7.3 million in 2016)	**(26)**	(9,725)
Net assets (100%)	**713**	9,442
Company's share of net assets (40%)	**285**	3,777
Elimination of unrealized profit on upstream sales	**-**	(374)
Carrying amount of interest in joint venture	**285**	3,403
Revenue	**29,896**	84,336
Depreciation	**(114)**	(204)
Interest expense	**(137)**	(332)
Income tax expense	**166**	(703)
Profit and total comprehensive (loss) income (100%)	**(432)**	1,942
Profit and total comprehensive (loss) income (40%)	**(172)**	777
Elimination of unrealized profit on upstream sales	**-**	(374)
Company's share of profit and total comprehensive (loss) income	**(172)**	403

11. Business combinations

On December 31, 2015, the Company completed the acquisition of 100% of the shares of Quality Hardwoods Ltd. located in Powassan, Ontario. Quality Hardwoods Ltd. manufactures, sells and distributes hardwood lumber products in Ontario and in the US which is core to our business development strategy. Sales of the acquired company recognized since the acquisition date amounted to approximately $13.9 million for 11 months. The purchase price was $6.3 million, subject to post-closing adjustments. The Company has financed the acquisition through its existing revolving credit facility.

The following fair value determination of the assets acquired and liabilities assumed is final. The following is a summary of the assets acquired, the liabilities assumed and the consideration transferred at fair value as at the acquisition date. The transaction was made in Canadian dollars.

	December 31 2015
	$
Assets acquired	
Cash	892
Trade and other receivables	1,157
Inventories	2,601
Prepaid expenses	2
Property plant and equipment	3,097
Intangibles	538
Liabilities assumed	
Bank debt	560
Trade and other payables	815
Deferred income tax	576
Total net assets acquired and liabilities assumed	**6,336**
Consideration transferred	
Cash	5,100
Holdback provision	1,236
Consideration transferred	**6,336**

The intangible assets relate mainly to customer relationships. The assigned useful lives of customers' relationship are between 5 to 10 years. Significant assumptions used in the determination of intangible assets, as defined by Management, include year-over-year sales growth, attrition rate, discount rate and operating income before depreciation. From the holdback provision an amount of $0.6 million has been paid during the year 2016. The remaining balance was settled for $150 thousand during the year 2017.

12. Bank indebtedness and long-term debt

a) Bank indebtedness

	November 30 2017	November 30 2016
	$	$
Bank Loans	**7,000**	11,000
Banker's Acceptances	**44,000**	80,500
Bank overdraft	**1,309**	2,613
	52,309	94,113

As at November 30, 2017, under the credit agreement, the Company was using $51.0 million of its facility compared to $91.5 million last year. The credit agreement has a maximum revolving operating facility of $125 million renewable in May 2018. For 2017, the available facility was $125 million corresponding to the amount available during the peak season (February 1, 2017 to August 31, 2017) and has since been reduced to $100 million which corresponds to the low seasonality of the business (September 1, 2017 to January 31, 2018). In addition, pursuant to the amended credit facility, the available facility has been reduced by $11.2 million in Q4-2017 due to certain tax refunds, the dissolution of the LGTI investment and $1.0 million for the sale of land in Drummondville. Therefore, the available credit was reduced from $100 million to $89 million as at November 30, 2017. In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable property of the Company. As at November 30, 2017, the Company was compliant with its financial covenants.

b) Long-term debt

The Company has entered into capital leases secured by the leased computer equipment and lift trucks. The obligation under capital leases bear interests at a rate of 2.7% and 6.1% per annum, maturing December 2018 and August 2022.

13. Trade and other payables

	November 30 2017	November 30 2016
	$	$
Trade payables and accruals	**22,333**	23,034
Payroll related liabilities	**5,658**	6,357
Sales taxes payables	**1,418**	1,330
	29,409	30,721

14. 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 the fiscal 2016 and treatment of soil on-site will be performed over an estimated period of 5 years. Based on current available information, the provision as at November 30, 2017 is considered by management to be adequate to cover any projected costs that could be incurred in the future.

Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the amounts of soil to be treated and the costs that will be incurred. In particular, the Company has assumed that the site will be restored using technology and materials that are currently available. The Company has been provided with a reasonable estimate, reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.0% and an inflation rate of 2.1%. The rehabilitation is expected to occur progressively over the next 5 years.

The change in environmental provision is as follows:

	November 30 2017	November 30 2016
	$	$
Balance, beginning of year	**1,438**	1,589
Changes due to:		
Revision of future expected expenditures	**(64)**	(151)
Accretion expense	**50**	52
Expenditures incurred	**(40)**	(52)
Balance, end of year	**1,384**	1,438
Current portion	**938**	963
Long-term portion	**446**	475

14. Provision *(Continued)*

Change in estimates of future expenditures are as a result of periodic reviews of the underlying assumptions supporting the provision, including remediation costs and regulatory requirements.

15. Share Capital

a) Authorized
An unlimited number of common shares, without par value

	November 30 2017	November 30 2016
Number of shares outstanding at the beginning and at the end of the year	**8,506,554**	8,506,554

b) Share-based payments

	November 30 2017	November 30 2016
	$	$
Share-based payments	**494**	-

On January 15, 2017, the Company granted deferred shares to a key executive. Under this program, the executive was eligible to receive shares of the Company if specific non-market performance targets were met. The Company recognized the fair value of the shares at the grant date and the shares were vested at November 30, 2017 as the Company met the non-market performance targets.

c) Share option plan
The Company has a share option plan for directors, officers and employees, which provides for the purchase of common shares up to a maximum number of 420,000 issuable shares. Under the plan, the exercise price of each option equals the market price of the Company's share on the date of grant and an option's maximum term is five years. The rights relating to the options are vested over five years at a rate of 50% after three years and the balance after five years.

No options were granted or exercised and there were no outstanding options in the current and prior fiscal year. As at November 30, 2017, 220 000 common shares are reserved for the granting of options.

d) Loss and dividend per share

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

	November 30 2017	November 30 2016
	$	$
Net loss - basic and diluted	**(2,094)**	(12,105)
Weighted average number of shares – basic and diluted	**8,506,554**	8,506,554

No eligible dividend was declared and paid to the holders of participating shares for the year ended November 30, 2017 ($2.6 million or $0.30 per share for the year ended November 30, 2016).

16. Income Taxes

The income tax expenses is as follows:

	November 30 2017	November 30 2016
	$	$
Current tax expenses	**(1,340)**	(3,838)
Deferred tax expenses	**159**	(351)
	(1,181)	(4,189)

16. Income Taxes *(Continued)*

The provision for income taxes is at an effective tax rate, which differs from the basic corporate statutory tax rate as follows:

	November 30 2017	November 30 2016
	$	$
Loss before income taxes	**(3,275)**	(16,294)
Statutory income tax rate (%)	**27.1**	27.0
Income taxes based on above rates	**(886)**	(4,399)
Increase resulting from:		
Permanent differences	**(269)**	62
Difference in expected rate of reversal versus current rate	**125**	90
Other	**(151)**	58
	(1,181)	(4,189)

The tax effect of temporary differences that give rise to significant portions of the deferred income tax liability is as follows:

	November 30 2017	November 30 2016
	$	$
Deferred tax assets		
Deferred pension asset	**(400)**	(317)
Provisions and other	**1,178**	1,388
	778	1,071
Deferred tax liability		
Property, plant and equipment	**(4,360)**	(4,367)
Net deferred tax liability	**(3,582)**	(3,296)

On an annual basis, the Company assesses the need to establish a valuation allowance for its deferred income tax assets, and if it is probable its deferred income tax assets will be realized based on its taxable income projections. As at November 30, 2017, it is probable that the Company will realize its deferred income tax assets from the generation of future taxable income.

17. Post-employment benefits

The Company has a number of pension plans providing pension benefits to most of its employees.

The Pension Plan for the Hourly Employees of Goodfellow Inc. (“Hourly Plan”) is a hybrid pension plan funded by employer and members contributions. Defined benefits are based on career average earnings for service up to April 30, 2008. The Hourly Plan was a pure defined benefit plan until April 30, 2008 but has been amended effective May 1, 2008 to introduce a defined contribution (DC) component.

The Pension Plan for the Salaried Employees of Goodfellow Inc. (“Salaried Plan”) is also a hybrid pension plan funded by employer and members contributions. Defined benefits are based on length of service up to May 31, 2007 and final average earnings calculated at the earliest of retirement, termination or death. The Salaried Plan was a pure defined benefit plan until May 31, 2007 but has been amended effective June 1, 2007 to introduce a defined contribution (DC) component. As for the DC components, the Company matches employee contributions.

All employees have ceased to accrue service under the defined benefit portions of the plans.

A. Defined Contribution Plans

The Company contributes to several defined contribution plans and 408 Simple IRA plans (for its US employees). The pension expense under these plans is equal to the Company’s contributions. The pension expense for the year ended November 30, 2017 was $1.3 million (2016 - $1.6 million).

B. Defined Benefit Plans

The most recent actuarial valuations for funding purposes were filed with the pension regulators on December 31, 2015 for both plans. The next actuarial valuation for both plans for funding will be completed no later than December 31, 2018.

Full actuarial valuations of the accrued pension benefit obligations for accounting purposes were prepared as at December 31, 2015 for both plans and the results were extrapolated to November 30, 2016 based on the assumptions applicable at that date to determine the periodic net retirement expense for the period from December 1, 2016 to November 30, 2017. In addition, full actuarial valuations of the accrued pension benefit obligations for accounting purposes were prepared as at December 31, 2015 and the results have been extrapolated to November 30, 2017 on the basis of the assumptions applicable at that date in order to determine the funded status of the pension schemes as at November 30, 2017.

17. Post-employment benefits *(Continued)*

The measurement date for the plan assets and obligations is November 30.

Information about the Company's defined benefit plans is as follows:

	November 30 2017	November 30 2016
	$	$
Defined benefit obligation		
Balance, beginning of year	**51,867**	47,937
Interest cost	**1,888**	2,013
Benefits paid	**(3,065)**	(2,267)
Actuarial (gain) loss		
Effect of experience adjustments and Changes in demographic assumptions	**313**	(6)
Changes in financial assumptions	**1,829**	4,190
Balance, end of year	**52,832**	51,867
Plan assets		
Fair value, beginning of year	**53,056**	52,749
Interest income	**1,928**	2,219
Employer contributions	**55**	185
Benefits paid	**(3,065)**	(2,267)
Administrative expenses paid from plan assets	**(261)**	(205)
Return on plan assets in excess of interest income	**2,611**	375
Fair value, end of year	**54,324**	53,056
Net asset	**1,492**	1,189

The actual return on plan assets was $4.3 million in 2017 and $2.4 million in 2016.

The funded status of the defined benefits plans are as follows:

	November 30 2017	November 30 2016
	$	$
Defined benefits obligation		
- funded	**14,362**	13,983
- partly funded	**38,470**	37,884
Fair value of plan assets		
- funded	**16,775**	16,217
- partly funded	**37,549**	36,839
Funded status - surplus (deficit)		
- funded	**2,413**	2,234
- partly funded	**(921)**	(1,045)

The significant actuarial weighted average assumptions used are as follows:

	November 30 2017	November 30 2016
	%	%
Defined benefit obligation:		
Discount rate	**3.50**	3.75
Rate of compensation increase	**3.00**	3.00
Net benefit plan expense:		
Discount rate	**3.75**	4.30
Rate of compensation increase	**3.00**	3.00

17. Post-employment benefits *(Continued)*

Net benefit plan expense:

	November 30 2017	November 30 2016
	$	$
Interest cost	**1,888**	2,013
Interest income	**(1,928)**	(2,219)
Administrative expenses	**261**	205
Net benefit plan expense	**221**	(1)

The net benefit plan expense is included in Cost of goods sold, and Selling, Administrative, and General Expenses in the statement of comprehensive income.

The plan assets by asset category are as follows:

	November 30 2017	November 30 2016
	%	%
Equity security:		
Canadian stocks	**21**	21
US stocks	**18**	20
International stocks	**20**	18
Debt securities:		
Universal type	**40**	40
Treasury	**1**	1

All investments are quoted on an active market.

History of deficit and of experience gains and losses:

	November 30 2017	November 30 2016
	$	$
Benefit obligation	**52,832**	51,867
Fair value of plan assets	**54,324**	53,056
Surplus	**1,492**	1,189
Experience loss on plan liabilities*		
- Amount	**-**	(6)
- Percentage	**0.0%**	0.0%

** Excluding impact of change in assumptions*

A one percent change in discount rate would not have a significant impact on pension expense.

Amount, timetable and uncertainty of future cash flows:

- Sensitive analysis

Sensitivity to the discount rate:

	Down of 0.25 %	**Assumption used**	**Up by 0.25 %**
Defined benefit obligation	$54,799	$52,832	$50,973
Discount rate	3.25%	3.50%	3.75%

Sensitivity to the life expectancy:

	Up to one year	**Assumption used**
Defined benefit obligation	$54,248	$52,832
Mortality table (CPM2014Priv – MI2017)		
Life expectancy of man of 65 years	22.8 years	21.8 years
Life expectancy of woman of 65 years	25.3 years	24.3 years

17. Post-employment benefits *(Continued)*

- Funding policy

  Goodfellow Inc. contributes amounts required to comply with provincial and federal legislation.

- Expected contributions

  The total cash payment for post-employment benefits for 2017, consisting of cash contributed by the Company to its funded pension plans, was $0.1 million ($0.2 million in 2016). Based on the latest filed actuarial valuation for funding purposes as at December 31, 2015, the Company expects to contribute nil in 2018.

- Duration

  The weighted average duration of the defined benefit obligation is 15 years.

18. Additional Cash Flow Information

Changes in Non-Cash Working Capital Items

	November 30 2017	November 30 2016
	$	$
Trade and other receivables	**5,938**	2,572
Inventories	**26,531**	(18,125)
Prepaid expenses	**1,537**	(528)
Trade and other payables	**(920)**	27
	33,086	(16,054)

Non-cash transaction
The Company purchased property, plant, equipment and intangible assets for which an amount of $38 thousand was unpaid as at November 30, 2017 ($321 thousand as at November 30, 2016).

Joint venture
In fiscal 2016, the Company invested $3.0 million in the joint venture in the form of inventory of raw material pursuant to a shareholder agreement in return of 40% of the shares of the joint venture.

19. Segmented Information

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. The Company's sales to clients located in Canada represent approximately 84% (86% in 2016) of total sales, the sales to clients located in the United States represent approximately 10% (9% in 2016) of total sales, and the sales to clients located in other markets represent approximately 6% (5% in 2016) of total sales. All significant property, plant and equipment are located in Canada.

20. Financial Instruments and Financial Risk Management

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 November 30, 2017:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 6 Months**	**6 to 36 Months**
Bank indebtedness	52,309	52,309	52,309	-
Trade and other payables	29,409	29,409	29,409	-
Long-term debt	194	194	69	125
Total financial liabilities	**81,912**	**81,912**	**81,787**	**125**

20. Financial Instruments and Financial Risk Management *(Continued)*

The following are the contractual maturities of financial liabilities as at November 30, 2016:

Financial Liabilities				
	Carrying Amount	Contractual cash flows	0 to 6 Months	6 to 36 Months
Bank indebtedness	94,113	94,113	94,113	-
Trade and other payables	30,721	30,721	30,721	-
Long-term debt	262	262	74	188
Total financial liabilities	125,096	125,096	124,908	188

Interest 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 $52.3 million in bank indebtedness would impact interest expense annually by $0.5 million.

Currency Risk
The Company could enter into forward exchange contracts to economically hedge certain trade payables and from time to time future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. Fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a significant effect on the Company's net earnings. As at November 30, 2017, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	GBP	Euro
Cash	591	273	10
Trade and other receivables	8,546	315	-
Trade and other payables	(3,304)	(27)	(768)
Long-term debt	(53)	-	-
Net exposure	**5,780**	**561**	**(758)**
CAD exchange rate as at November 30, 2017	1.2897	1.7443	1.5352
Impact on net earnings based on a fluctuation of 5% on CAD	**272**	**36**	**(42)**

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. Accounts receivable over 60 days past their due date and not impaired represents 1.3% (7.1% on November 30, 2016) of total trade and other receivables at November 30, 2017.

The movement in the allowance for doubtful accounts in respect to trade and other receivables were as follows:

	November 30 2017	November 30 2016
	$	$
Balance, beginning of year	**1,816**	426
Provision	**185**	1,575
Bad debt write offs	**(1,776)**	(185)
Balance, end of year	**225**	1,816

20. Financial Instruments and Financial Risk Management *(Continued)*

Two major customers exceed 10% of total company sales in the twelve months ended November 30, 2017 while only one major customer exceeded 10% of total company sales last year. The following represents the total sales consisting primarily of various wood products of the major customer(s):

	Years ended			
	November 30, 2017		November 30, 2016	
	$	**%**	$	%
Sales to major customer(s) that exceeded 10% of total Company's sales	**110,848**	**21.2**	90,241	16.0

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

Fair Value
Fair values of assets and liabilities approximate amounts at which these items could be exchanged in a transaction between knowledgeable and willing parties. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and long-term debt approximate their fair values.

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

The Company defines its capitalization as shareholders' equity and debt. Shareholders' equity includes the amount of paid-up capital in respect of all issued and fully-paid common shares together with the retained earnings, calculated on a consolidated basis in accordance with IFRS. Debt includes bank indebtedness reduced by the amounts of cash and cash equivalents. Capitalization represents the sum of debt and shareholders' equity.

The Company manages its capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares under the normal course issuer bid, acquire or sell assets to improve its financial performance and flexibility or return capital to shareholders. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally-generated cash flows and credit facilities.

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio and year-to-date EBITDA. The Company monitors the ratios on a monthly basis. The Company current complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements.

The Company's financial objectives and strategy have changed in the past twelve months. The financial objectives and strategy were to stabilize the Company and bring back to traditionally conservative management. Changes to its credit agreement and working capital structure were required and Management have addressed them with a renewed credit agreement starting December 2017 and maturing in May 2019 with its lenders. The Company believes that all its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

As at November 30, 2017 and 2016, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at November 30 2017**	As at November 30 2016
Debt-to-capitalization ratio	**32.8 %**	47.3 %
Return on shareholders' equity	**(1.9) %**	(10.9) %
Current ratio	**1.9**	1.5
EBITDA	**$5,009**	$(8,804)

21. Capital Management *(Continued)*

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

- Debt-to-capitalization ratio represents the funded debt over total shareholders' equity. Funded debt is bank indebtedness less cash and cash equivalents. Capitalization is funded debt plus shareholders' equity.
- 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.

22. Commitments and Contingent liabilities

Commitments
As at November 30, 2017, the minimum future rentals payable under long-term operating leases, for offices, warehouses, vehicles, yards, and equipment are as follows:

	$
Less than 1 year	4,878
More than 1 year, but less than 5 years	12,444
More than 5 years	3,594
	20,916

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.

23. Related party transactions

Related parties include the key management personnel and other related parties as described below.

Other related party transactions

	November 30 2017	November 30 2016
	$	$
Joint venture – Lebel-Goodfellow Treating Inc.		
Sales of goods	**2**	3,782
Purchase of goods	**26,828**	83,921
Lease rental income	**208**	415
Miscellaneous charges	**249**	734
Company controlled by a member of the Board – Jarislowsky Fraser Ltd.		
- Management fee	**187**	183

These transactions are in the normal course of business and measured at the exchange amount of considerations established and agreed to in the contractual arrangements between the related parties. The Company has an outstanding receivable balance with Lebel-Goodfellow Treating Inc. of $0.2 million as at November 30, 2017 ($3.5 million in 2016).

Key management personnel compensation
Key management includes members of the board of directors, senior management and key executives. The following table shows the remuneration of key management personnel during the years ended:

	November 30 2017	November 30 2016
	$	$
Salaries and other short-term benefits	**2,750**	2,362
Post-employment benefits	**60**	266
	2,810	2,628

24. Subsequent event

In December 2017, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $100 million renewable in May 2019. On November 30, 2018, the facility will be reduced to $90 million which corresponds to the low seasonality of the business.

25. Comparative information

Certain prior period information has been reclassified to conform to the current period presentation. In 2017, the Company reclassified certain fixed assets into a separate category, leasehold improvements. To conform to the current presentation, the Company reclassified the related amounts in 2016. The amounts reclassified for the year ended November 30, 2016 were $1.3 million.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Claude Garcia */**
Chairman of the Board
.

G. Douglas Goodfellow **
Secretary of the Board
Goodfellow Inc.

Stephen A. Jarislowsky */**
Director
Partner, Jarislowsky Fraser & Co. Ltd

Normand Morin */**
Chairman of the Audit Committee

David A. Goodfellow
Director

* Member of the Audit Committee
** Member of the Executive Compensation Committee

OFFICERS

Patrick Goodfellow
President & Chief Executive Officer

Charles Brisebois
Chief Financial Officer

G. Douglas Goodfellow
Secretary of the Board

Mary Lohmus
Senior Vice President,
Ontario and Western Canada

David Warren
Vice President,
Atlantic

Luc Dignard
Vice President,
Sales, Quebec

Jeff Morrison
Vice President,
National accounts

OTHER INFORMATION

Head Office
225 Goodfellow Street
Delson, Quebec J5B 1V5
Tel.: 450-635-6511
Fax: 450-635-3730

Sollicitors
Bernier Beaudry
Quebec, Quebec

Auditors
KPMG LLP
Montreal, Quebec

Transfer Agent
Computershare Investor Services Inc.
Montreal, Quebec

Stock Exchange
Toronto
Trading Symbol: GDL

Wholly-owned Subsidiaries
Goodfellow Distribution Inc.
Quality Hardwoods Ltd.

NOTES:

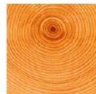
NOTES:

DIVISIONS

CANBAR
B.P. 460 - 9184 Twiss Road
Campbellville ON L0P 1B0
Tel. : 905 854-5800
1 800 263-6269
Fax : 905 854-6104

OLIVER LUMBER
B.P. 460 - 9184 Twiss Road
Campbellville ON L0P 1B0
Tel. : 416 233-1227
1 800 268-2471
Fax : 416 233-0015

QUALITY HARDWOOD LTD.
B.P. 40 - 196 Crois Latour
Powassan ON P0H 1Z0
Tel. : 705 724-2424
Fax : 705 724-6053



OUR BRANCHES

HEAD OFFICE MONTREAL / DELSON
225 Goodfellow Street
Delson QC J5B 1V5
Tel. : 450 635-6511
1 800 361-6503
Fax : 450 635-3729/30

EDMONTON
11128 – 158 Street
Edmonton AB T5M 1Y4
Tel. : 780 469-1299
Fax : 780 469-1717

SASKATOON
802 58th Street East
Saskatoon SK S7K 5Z4
Tel. : 306 242-9977
Fax : 306 242-9997

QUEBEC
5100 John Molson Street
Quebec City QC G1X 3X4
Tel. : 418 650-5100
1 800 463-4318
Fax : 418 650-0171

OTTAWA
3091 Albion Road North
Ottawa ON K1V 9V9
Tel. : 613 244-3169
1 800 577-7842
Fax : 613 244-0488

TORONTO / CAMPBELLVILLE
P.O. Box 460 9184 Twiss Road
Campbellville ON L0P 1B0
Tel. : 905 854-5800
1 800 263-6269
Fax : 905 854-6104

DARTMOUTH
20 Vidito Drive
Dartmouth NS B3B 1P5
Tel. : 902 468-2256
Maritimes 1 800 565-7563
Fax : 902 468-9409

MONCTON
660 Edinburgh Drive
Moncton NB E1E 4C6
Tel. : 506 857-2134
Maritimes 1 800 561-7965
Fax : 506 859-7184

DEER LAKE
4 Wellon Drive
Deer Lake NL A8A 2G5
Tel. : 709 635-2991
Cell. : 709 638-0574
Fax : 709 635-3079

WINNIPEG
1431 Church Avenue - Unit B
Winnipeg MB R2X 1G5
Tel. : 204 779-3370
1 800 955-9436
Fax : 204 779-3314

CALGARY
2600 61st Avenue S.E.
Calgary AB, T2C 4V2
Tel. : 403 252-9638
1 888 316-7208
Fax : 403 252-9516

VANCOUVER
2060 Van Dyke Place
Richmond BC V6V 1X9
Tel. : 604 940-9640
1 800 821-2053
Fax : 604 940-9641

AMERICAN
368 Pepsi Road
Manchester NH 03109
Tel. : 603 623-9811
1 800 990-0722
Fax : 603 623-94

EUROPEAN
P.O. Box 36
Llangollen, R.U., LL20 7ZW
Tel. : 011-44-1691718872
Fax : 011-44-1691-718436
www.goodfellowuk.com