ANNUAL REPORT
2021

goodfellowinc.com

GOODFELLOW

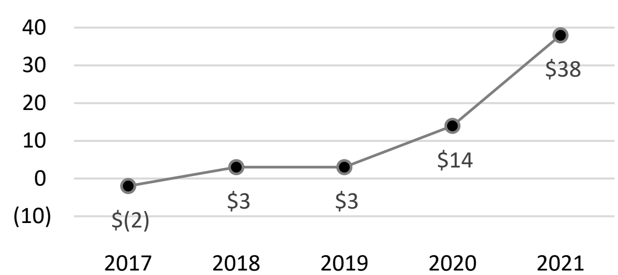
FINANCIAL HIGHLIGHTS

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

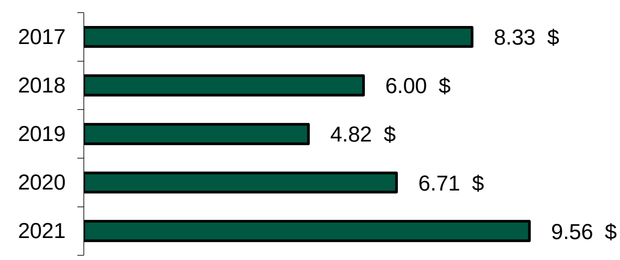
	2021	2020	2019	2018	2017
Sales	**$615,946**	$454,103	$449,587	$475,207	$523,659
Earnings (loss) before income taxes	**$50,523**	$19,022	$4,269	$3,277	$(3,275)
Net earnings (loss)	**$37,836**	$13,811	$3,054	$2,571	$(2,094)
- per share	**$4.42**	$1.61	$0.36	$0.30	$(0.25)
Net cash flow from operating activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**$60,003**	$28,645	$9,775	$9,705	$2,630
- per share (1)	**$7.01**	$3.35	$1.14	$1.14	$0.31
Net cash flow from operating activities	**$33,278**	$11,441	$13,408	$11,606	$39,661
- per share (2)	**$3.89**	$1.34	$1.57	$1.36	$4.66
Shareholders' Equity	**$160,948**	$121,229	$113,408	$112,863	$109,434
- per share (2)	**$18.80**	$14.16	$13.24	$13.27	$12.86
Share price at fiscal year-end	**$9.56**	$6.71	$4.82	$6.00	$8.33
Dividend paid per share (2)	**$0.85**	$0.20	$0.10	-	-

(1) Non-IFRS financial measure – refer to section "Non-IFRS Financial Measures" for more information and a reconciliation to the most directly comparable IFRS measure, where applicable.
(2) Supplementary financial measure – refer to section "Non-IFRS Financial Measures" for more information.

NET EARNINGS (LOSS) (in million $)



SHARE PRICE as at November 30



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GOODFELLOW

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For the year ended November 30, 2021, recorded net earnings were $4.42 per share, which represent a historic high for Goodfellow over its storied existence. This result was achieved based on a strong foundation of an unmatched value-added wood products offering.

The Company seized opportunities despite severe supply disruptions in the industry. Management was loyal to its corporate strategy of controlling costs, maintaining responsible inventory levels and efficient distribution from coast-to-coast locations. The vigilance demonstrated in 2021 served the Company well and will do so for many years to come.

With a very sound balance sheet, sights are set on expanding value-added capabilities, as well as keeping a keen eye on consolidation within the industry.

We thank Patrick Goodfellow, President and CEO, for his steadfast leadership and all shareholders for your continued trust.

Sincerely,

G. Douglas Goodfellow

G. Douglas Goodfellow
Chairman of the Board
February 17, 2022

PRESIDENT’S REPORT TO THE SHAREHOLDERS

Looking back, 2021 will be remembered as a prosperous year for Goodfellow, and for the forest products industry as a whole. Although business was characterized by hyper-inflation and supply shortages, Goodfellow successfully faced evolving pandemic conditions with great resilience. Labor shortages and very volatile commodity prices in the summer of 2021 presented the industry with quite a challenge.

Goodfellow’s performance through such uncertain times reflects the strength of its people and its diversity as Company benchmarks. Thanks to a determined and vigilant effort, Goodfellow surpassed its $600M sales revenue target, achieving historic year-end profitability highs.

The Company has laid the groundwork for 2022 with several value-added milling capability investments which will carry the Company forward. Goodfellow will continue to pursue responsible growth through expansion of its diversified offering portfolio. 2021 cemented the Goodfellow’s confidence that it can capitalize when opportunities arise and protect its shareholders interests when conditions change rapidly.

We wish to thank all who supported Goodfellow through 2021 in difficult conditions, in particular suppliers who played a key role. Goodfellow strives to offer the highest level of customer service and be the premier reference in the distribution of value-added forest products.

Sincerely,

Patrick Goodfellow
President and Chief Executive Officer
February 17, 2022

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 17, 2022.
The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2021 and November 30, 2020.
The MD&A provides a review of the significant developments and results of operations of the Company during the years ended November 30, 2021 and November 30, 2020.
The consolidated financial statements for the years ended November 30, 2021 and November 30, 2020 are prepared in accordance with International Financial Reporting Standards ("IFRS").
All amounts in this MD&A are in Canadian dollars unless otherwise indicated.
In addition, in this Management's Discussion and Analysis, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information is accordance with IFRS is presented in the section "Non-IFRS Financial Measures" and in Note 22 "Segmented Information and Sales" to the annual consolidated financial statements for the year ended November 30, 2021. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them.

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

FORWARD-LOOKING STATEMENTS

This MD&A contains implicit and/or explicit forecasts, as well as forward-looking statements on the objectives, strategies, financial position, operating results and activities of Goodfellow Inc. Forward-looking statements can be identified by words such as: "believe," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding liquidity and risk management in the current economic conditions. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, these statements are forward-looking to the extent that they are based on expectations relative to markets in which the Company exercises its activities and on various assessments and assumptions. Although we believe that the expectations reflected in the forward-looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. Our actual results could differ significantly from management's expectations if recognized or unrecognized risks and uncertainties affect our results or if our assessments or assumptions are inaccurate. These risks and uncertainties include, among other things; the effects of general economic and business conditions including the cyclical nature of our business; industry competition; inflation, credit, currency and interest rate risks; environmental risk; level of demand and financial performance of the manufacturing industry; competition from vendors; changes in customer demand; extent to which we are successful in gaining new long-term relationships with customers or retaining existing ones and the level of service failures that could lead customers to use competitors' services; increased customer bankruptcies; dependence on key personnel; impact of the COVID-19 pandemic and the related climate of uncertainty; laws and regulation; information systems, cost structure and working capital requirements; occurrence of hostilities, political instability or catastrophic events and other factors described in our public filings available at www.sedar.com. For these reasons, we cannot guarantee the results of these forward-looking statements. The MD&A gives an insight into our past performance as well as the future strategies and key performance indicators as viewed by our management team at Goodfellow Inc. The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

COVID-19

The Company's expectation of operating and financial performance in 2022 is based on certain assumptions including assumptions about the COVID-19 pandemic, such as the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company. These include in particular the assumption that the Company's manufacturing and distribution facilities will remain open and in operation, the assumption that its workforce will remain healthy, the assumption that hardware and lumber stores and other industrial and manufacturing clients will remain open and will continue ordering and selling the Company's products, the assumption that construction activity will not be halted by mandatory closures and the assumption that the Company's supply chain will not be interrupted. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

NON-IFRS FINANCIAL MEASURES
(unaudited)

We report our financial results in accordance with IFRS. However, in this document, the following non-IFRS measures, non-IFRS ratios and supplementary financial measures are used: EBITDA, Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid, Gross profit, Gross margin, Shareholders' Equity per share and dividends paid per share. These measures do not have a standardized meaning under IFRS and could be calculated differently by other companies and accordingly, may not be comparable. We believe that many of our readers analyze the financial performance of the Company's activities based on these non-IFRS financial measures as such measures may allow for easier comparisons between periods. The Company also believes that these measures are useful indicators of the performance of its operations and its ability to meet its financial obligations. Furthermore, management also uses some of these non-IFRS financial measures to assess the performance of its activities and managers. These measures should be considered as a complement to financial performance measures in accordance with IFRS. They do not substitute and are not superior to them. For measures displayed per share, the Company divided the measures by the total number of outstanding shares at November 30 of the year presented.

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

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

Reconciliation of EBITDA (In thousands of dollars)	**For the three months ended**		**For the years ended**	
	November 30 2021 (unaudited)	November 30 2020 (unaudited)	**November 30 2021**	November 30 2020
	$	$	**$**	$
Net earnings	**10,052**	5,776	**37,836**	13,811
Income taxes	**1,850**	2,086	**12,687**	5,211
Net financial costs	**553**	567	**2,694**	2,719
Depreciation of property, plant and equipment	**651**	703	**2,552**	2,705
Amortization of right-of-use assets	**1,030**	1,059	**4,141**	4,324
Amortization of intangible assets	**154**	182	**621**	728
EBITDA	**14,290**	10,373	**60,531**	29,498

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

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

Reconciliation of Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid – **Fourth quarter** (In thousands of dollars, except per share amounts)	**For the three months ended**	
	November 30 2021 (unaudited)	November 30 2020 (unaudited)
	$	$
Net Cash Flows from Operating Activities	**22,046**	(1,835)
Changes in non-cash working capital items	**(10,340)**	10,202
Interest paid	**241**	762
Income taxes paid	**1,422**	979
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	**13,369**	10,108
Net Cash Flows from Operating Activities per share	**2.57**	(0.21)
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	**1.56**	1.18
Number of share outstanding (thousands)	**8,563**	8,563

Reconciliation of Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (In thousands of dollars, except per share amounts)	**For the years ended**				
	November 30 2021	November 30 2020	November 30 2019	November 30 2018	November 30 2017
	$	$	$	$	$
Net Cash Flows from Operating Activities	**33,278**	11,441	13,408	11,606	39,661
Changes in non-cash working capital items	**15,484**	14,117	(6,856)	(3,391)	(33,296)
Interest paid	**1,541**	1,495	2,154	2,535	2,614
Income taxes paid	**9,700**	1,592	1,069	(1,045)	(6,349)
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	**60,003**	28,645	9,775	9,705	2,630
Net Cash Flows from Operating Activities per share	**3.89**	1.34	1.57	1.36	4.66
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	**7.01**	3.35	1.14	1.14	0.31
Number of share outstanding (thousands)	**8,563**	8,563	8,563	8,507	8,507

With respect to "Gross profit" and "Gross margin", these measures are used under the sections "Cost of Goods Sold" in the discussion below for the results for the year ended November 30, 2021 and the fourth quarter ended November 30, 2021. Please refer to such sections for a description of how theses measures are calculated and a reconciliation to the most directly comparable IFRS measure.

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

Reconciliation of Shareholders' Equity per share (In thousands of dollars, except per share amounts - unaudited)	**For the years ended**				
	November 30 2021	November 30 2020	November 30 2019	November 30 2018	November 30 2017
	$	$	$	$	$
Shareholders' Equity	**160,948**	121,229	113,408	112,863	109,434
Shareholders' Equity per share	**18.80**	14.16	13.24	13.27	12.86
Number of share outstanding (thousands)	**8,563**	8,563	8,563	8,507	8,507

Reconciliation of Dividend paid per share (In thousands of dollars, except per share amounts - unaudited)	**For the years ended**				
	November 30 2021	November 30 2020	November 30 2019	November 30 2018	November 30 2017
	$	$	$	$	$
Dividend paid	**7,279**	1,712	851	-	-
Dividend paid per share	**0.85**	0.20	0.10	-	-
Number of share outstanding (thousands)	**8,563**	8,563	8,563	8,507	8,507

BUSINESS OVERVIEW

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

OVERALL PERFORMANCE

Fiscal 2021 was characterized by continued pandemic conditions, such as surging demand in commodities and seasonal products, supply chain disruptions and labor shortages. Despite this context, the Company performed very well in all regions realizing the highest sales revenue on record. This was achieved by committing to needed inventory levels and ensuring superior customer service, as well as focusing on operational efficiencies in all areas which lead to substantially more output. The Company faced a commodity price collapse in the third quarter and was exposed to its repercussions. Product diversity, value-added wood manufacturing, specialty distribution lines and effective relationships with suppliers allowed the Company to successfully weather this crisis and capitalize on unprecedented circumstances.

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

	2021	2020	2019
	$	$	$
Sales	**615,946**	454,103	449,587
Earnings before income taxes	**50,523**	19,022	4,269
Net earnings	**37,836**	13,811	3,054
Total Assets	**237,591**	218,323	180,581
Total Lease Liabilities	**15,180**	17,658	28
Cash dividends paid	**7,279**	1,712	851
PER COMMON SHARE			
Net earnings per share, Basic	**4.42**	1.61	0.36
Net earnings per share, Diluted	**4.42**	1.61	0.35
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share (1)	**7.01**	3.35	1.14
Net cash flow from Operating Activities per share (1)	**3.89**	1.34	1.57
Shareholders' Equity per share (2)	**18.80**	14.16	13.24
Share Price at November 30	**9.56**	6.71	4.82
Dividends paid per share (2)	**0.85**	0.20	0.10

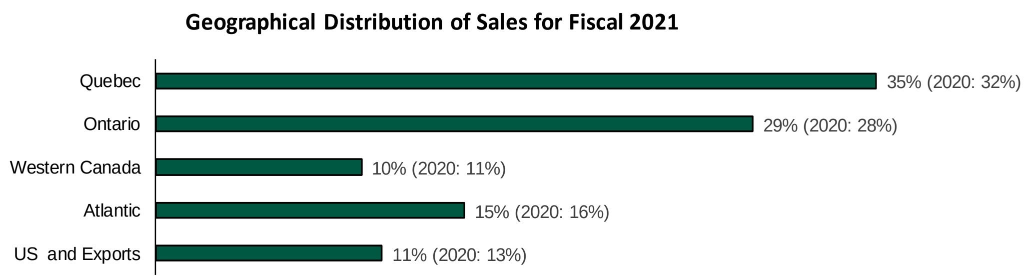
(1) Non-IFRS financial measure- refer to section "Non-IFRS Financial Measures" for more information and a reconciliation to the most directly comparable IFRS measure.
(2) Supplementary financial measure – refer to section "Non-IFRS Financial Measures" for more information.

COMPARISON FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020
(In thousands of dollars, except per share amounts)

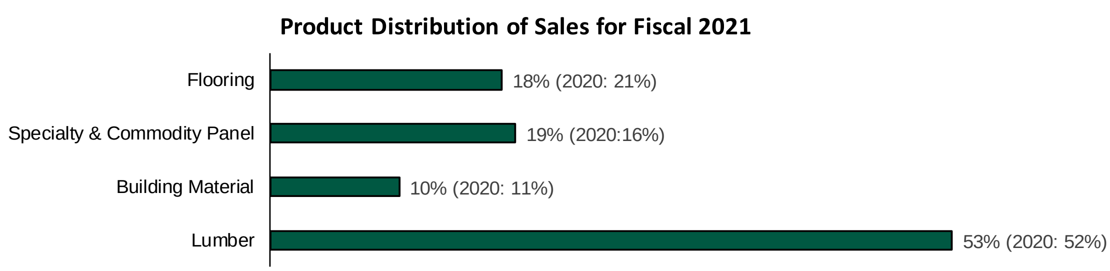
HIGHLIGHTS FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020	2021	2020	Variance
	$	$	**%**
Sales	**615,946**	454,103	**+35.6**
Earnings before income taxes	**50,523**	19,022	**+165.6**
Net earnings	**37,836**	13,811	**+174.0**
Net earnings per share – Basic and Diluted	**4.42**	1.61	**+174.5**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**60,003**	28,645	**+109.5**
Net cash flow from Operating Activities	**33,278**	11,441	**+190.9**
EBITDA (1)	**60,531**	29,498	**+105.2**

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

Sales in Canada during fiscal 2021 increased 38% compared to last year mainly due to a surging demand on all product categories. Quebec sales increased 49% due to an increase in sales of all product categories. Sales in Ontario increased 35% mainly due to an increase in sales of all product categories. Sales in Western Canada increased 26% due to an increase in sales of all product categories. Atlantic region sales increased 29% due to an increase in sales of all product categories.



Sales in the United States for fiscal 2021 increased 24% on a Canadian dollar basis compared to last year mostly due to an increase in sales of all product categories. On US dollar basis, US denominated sales increased 33% compared to last year. Finally, export sales increased 14% during fiscal 2021 compared to last year mostly due to an increase in sales of lumber and specialty and commodity panels.



In terms of the distribution of sales by product, all families saw their volume increase mostly due to a surging demand on the market. Flooring sales during fiscal 2021 increased 16% compared to last year. Specialty and commodity panel sales increased 63% compared to last year. Building materials sales increased 24% compared to last year. Finally, lumber sales increased 37% compared to last year.

Cost of Goods Sold

Cost of goods sold during fiscal 2021 was $479.4 million compared to $362.4 million last year. Cost of goods sold increased 32.3% compared to last year. Total freight outbound cost increased 13.8% compared to last year. Gross profits were $136.5 million compared to $91.7 million last year. Gross profits increased 48.8% compared to last year. Gross margins were 22.2% in fiscal 2021 (20.2% last year). Gross profit and Gross margins are non-IFRS financial measures. See section "Non-IFRS Financial Measures" for more information. Gross profit is calculated as sales less cost of goods sold. Gross margin is calculated Gross profit over sales. The table below contains a reconciliation of Gross profit to sales.

Reconciliation of Gross profit (In thousands of dollars)	For the year ended	
	November 30 2021	November 30 2020
	$	$
Sales	**615,946**	454,103
Cost of goods sold	**479,403**	362,354
Gross profit	**136,543**	91,749

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses during fiscal 2021 was $83.3 million compared to $70.0 million last year. Selling, Administrative and General Expenses increased 19.0% compared to last year.

Net Financial Costs
Net financial costs during fiscal 2021 were $2.7 million (same last year). The average Canadian prime rate was 2.45% compared to 2.87% last year. The average US prime rate was 3.25% compared to 3.63% last year.

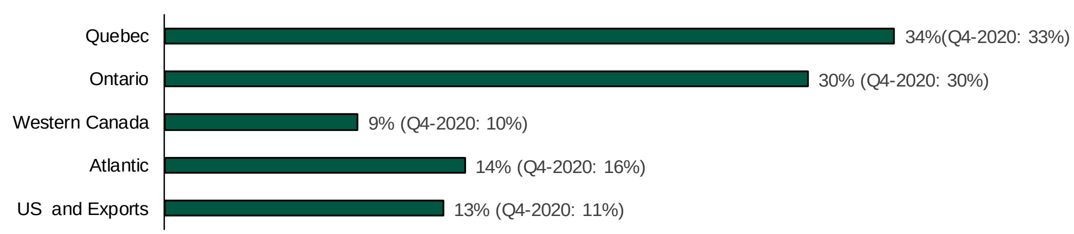
COMPARISON FOR THE THREE MONTHS ENDED NOVEMBER 30, 2021 AND 2020
(In thousands of dollars, except per share amounts - unaudited)

HIGHLIGHTS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2021 AND 2020	**Q4-2021 (unaudited)**	Q4-2020 (unaudited)	Variance
	$	$	%
Sales	**143,035**	122,641	**+16.6**
Earnings before income taxes	**11,902**	7,862	**+51.4**
Net earnings	**10,052**	5,776	**+74.0**
Net earnings per share – Basic and Diluted	**1.18**	0.67	**+76.1**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**13,369**	10,108	**+32.3**
Net cash flow from Operating Activities	**22,046**	(1,835)	**+1,301.4**
EBITDA (1)	**14,290**	10,373	**+37.8**

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

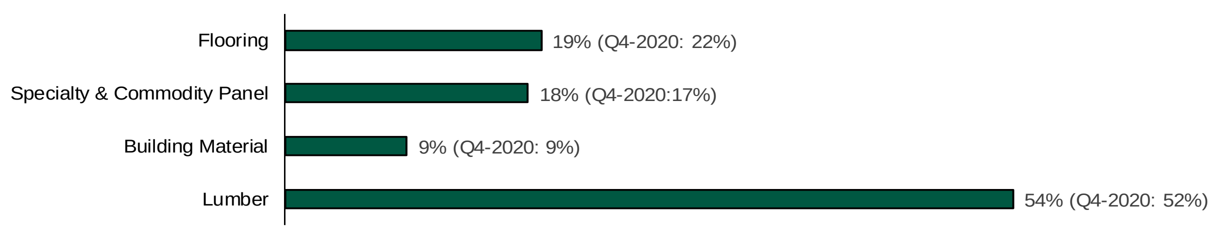
Sales in Canada during the fourth quarter of fiscal 2021 increased 14% compared to last year despite the pandemic. Quebec sales increased 18% due to an increase in sales of all product categories. Sales in Ontario increased 16% mainly due to an increase in sales of all product categories. Sales in Western Canada increased 6% due to an increase in sales of lumber and building materials. Atlantic region sales increased 3% due to an increase in sales of specialty and commodity panels, building materials and lumber.

Geographical Distribution of Sales for the Fourth Quarter ended November 30, 2021



Sales in the United States for the fourth quarter of fiscal 2021 increased 46% on a Canadian dollar basis compared to the same period last year mostly due to an increase in sales of all product categories. On a US dollar basis, US denominated sales increased 53% compared to last year. Finally, export sales increased 31% during the last three months of fiscal 2021 compared to last year mostly due to an increase in sales of lumber.

Product Distribution of Sales for the Fourth Quarter ended November 30, 2021



In terms of the distribution of sales by product, all product categories increased their sales volume mostly due to the shortage of wood that allowed us to increase our price. Flooring sales for the fourth quarter ended November 30, 2021, increased 3% compared to last year. Specialty and commodity panel sales increased 17% compared to last year. Building material sales increased 24% compared to last year. Finally, lumber sales increased 21% compared to the same period a year ago.

Cost of Goods Sold
Cost of goods sold for the fourth quarter of fiscal 2021 was $110.2 million compared to $95.7 million for the corresponding period a year ago. Cost of goods sold increased 15.2% compared to last year. Total freight outbound cost increased 8.4% compared to last year. Gross profits were $32.9 million compared to $27.0 million last year. Gross profits increased 21.5% compared to last year. Gross margins were 23.0% for the three months ended November 30, 2021 (22.0% last year). The shortages of lumber allowed us to increase our sales price. Gross profit and Gross margins are non-IFRS financial measures. See section "Non-IFRS Financial Measures" for more information. Gross profit is calculated as sales less cost of goods sold. Gross margin is calculated Gross profit over sales. The table below contains a reconciliation of Gross profit to sales.

Reconciliation of Gross profit (In thousands of dollars)	**For the three months ended**	
	November 30 2021 (unaudited)	November 30 2020 (unaudited)
	$	$
Sales	**143,035**	122,641
Cost of goods sold	**110,176**	95,606
Gross profit	**32,859**	27,035

Selling, Administrative and General Expenses
Selling, Administrative and General Expenses for the fourth quarter ended November 30, 2021 was $20.4 million compared to $18.6 million for the corresponding period last year, an increase of 9.6% compared to last year.

Net Financial Costs
Net financial costs for the three months ended November 30, 2021 were $0.6 million ($0.5 million last year). The average Canadian prime rate was 2.45% during the fourth quarter of fiscal 2021 (same last year). The average US prime rate was 3.25% (same last year).

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS
(In thousands of dollars, except per share amounts - unaudited)

	Feb-2021	**May-2021**	**Aug-2021**	**Nov-2021**
	$	**$**	**$**	**$**
Sales	119,433	185,525	167,953	143,035
Net earnings	3,769	13,976	10,039	10,052
Net earnings per share	0.44	1.63	1.17	1.18

	Feb-2020	**May-2020**	**Aug-2020**	**Nov-2020**
	$	**$**	**$**	**$**
Sales	88,856	103,763	138,843	122,641
Net (loss) earning	(2,060)	3,399	6,696	5,776
Net (loss) earnings per share	(0.24)	0.40	0.78	0.67

As indicated above, our results over the past eight quarters follow a seasonal pattern with sales activities traditionally higher in the second and third quarters. In the second quarter of 2021, revenue was unusually high compared to the second quarter of 2020 due to increasing sales prices.

STATEMENT OF FINANCIAL POSITION AT NOVEMBER 30, 2021 AND 2020

Total Assets
Total assets at November 30, 2021 were $237.6 million compared to $218.3 million last year. Cash at November 30, 2021 was $4.3 million compared to $3.5 million last year. Trade and other receivables at November 30, 2021 was $63.2 million ($76.1 million last year). Inventories at November 30, 2021 was $109.8 million compared to $84.7 million last year. Prepaid expenses at November 30, 2021 was $4.2 million ($2.6 million last year). Defined benefit plan asset was $10.4 million at November 30, 2021 compared to $1.9 million last year. Other assets were $0.8 million at November 30, 2021 (same last year).

Property, plant, equipment, intangible and right-of-use assets
Property, plant and equipment at November 30, 2021 was $30.0 million compared to $31.1 million last year. Capital expenditures during fiscal 2021 amounted to $1.4 million compared to $1.0 million for the same period last year. Property, plant and equipment capitalized during fiscal 2021 mainly included buildings, yard equipment, computers and rolling stock. Intangible assets at November 30, 2021 was $2.7 million compared to $3.2 million last year. Right-of-use assets at November 30, 2021 was $12.3 million ($14.3 million last year). Depreciation of property, plant, equipment, intangible, and right-of-use assets during fiscal 2021 amounted to $7.3 million compared to $7.8 million last year.

Total Liabilities
Total liabilities at November 30, 2021 were $76.6 million compared to $97.1 million last year. Bank indebtedness was $9.2 million compared to $28.6 million last year. Trade and other payables at November 30, 2021 was $37.9 million compared to $39.6 million last year. Income taxes payable was $9.0 million compared to $4.9 million last year. Provision at November 30, 2021 was $2.1 million ($1.5 million last year). Dividend payable at November 30, 2021 was nil ($2.1 million last year). Lease liabilities at November 30, 2021 were $15.2 million compared to $17.7 million last year. Deferred income taxes at November 30, 2021 was $3.2 million compared to $1.6 million last year. Defined benefit plan obligation was nil at November 30, 2021 compared to $1.2 million last year.

Shareholders' Equity

Total Shareholders' Equity at November 30, 2021 was $160.9 million compared to $121.2 million last year. The Company generated a return on shareholders' Equity of 23.5% during fiscal 2021 compared to 11.4% last year. The share price closed at $9.56 per share on November 30, 2021 ($6.71 on November 30, 2020). The Shareholders' Equity per share at November 30, 2021 was $18.80 per share [(1)] compared to $14.16 per share [(1)] last year. Share capital was $9.4 million at November 30, 2021 (same last year).

(1) Supplementary financial measure – refer to section "Non-IFRS Financial Measures" for more information.

The following dividends were declared and paid by the Company:

	2021 Declared				2020 Declared			
	Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
		$	$			$	$	
Quarter 1	Mar 5, 2021	0.30	2,569	Mar 19, 2021	Feb 28, 2020	0.10	856	Mar 13, 2020
Quarter 4	Nov 5, 2021	0.30	2,569	Nov 19, 2021	Nov 27, 2020	0.25	2,141	Dec 4, 2020
		0.60	**5,138**			**0.35**	**2,997**	

The Company is continually assessing its declaration of dividend in the context of overall profitability, cash flows, capital requirements, general economic conditions, and other business needs. Accordingly, the Company declared a dividend of $0.30 per share in the second and the fourth quarter.

LIQUIDITY AND CAPITAL RESOURCES

Financing

In May 2021, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2024. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days only. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable and immovable property of the Company. As at November 30, 2021, the Company was compliant with its financial covenants. As at November 30, 2021, under the credit agreement, the Company was using $2.0 million of its facility compared to $24.0 million last year. As at November 30, 2021, the Company has $851 thousand of issued letters of credits which reduces the availability of its facility compared to $736 thousand last year.

The Company's business follows a seasonal pattern with sales activities traditionally higher in the second and third quarter. As a result, cash flow requirements are generally higher during these periods. The current facility is considered by management to be adequate to support its current forecasted cash flow requirements. Source of funding and access to capital is disclosed in detail under LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS.

Cash Flow

Net cash flow from operating activities for fiscal 2021 was $33.3 million compared to $11.4 million last year. Financing activities during fiscal 2021 was $(33.8) million compared to $(12.3) million last year. Investing activities during fiscal 2021 was $(1.3) million compared to $(1.4) million last year (See Property, plant, equipment, intangible and right-of use assets for more details).

LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS

The Company's objectives are as follows:

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

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

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

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio and an Interest coverage ratio. The Company monitors the ratios on a monthly basis. The Company currently complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements. 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, 2021 and 2020, the Company achieved the following results regarding its capital management objectives:

Capital management	As at November 30 2021	As at November 30 2020
Debt-to-capitalization ratio	**3.5%**	17.3%
Interest coverage ratio	**26.2**	11.9
Return on Shareholders' Equity	**23.5%**	11.4%
Current ratio	**2.9**	2.1
EBITDA (in thousands of dollars) (1)	**$60,531**	$29,498

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

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

- Debt-to-capitalization ratio represents debt over total Shareholders' Equity, expressed as a percentage. Debt is defined as bank indebtedness less cash and cash equivalents. Capitalization is debt plus Shareholders' Equity. This ratio excludes lease liabilities under IFRS 16 to conform to the bank's covenant requirement.
- Interest coverage ratio represents the EBITDA during the period for which the calculation is made over interest expenses for the same period on a consolidated basis, calculated on a rolling four-quarter basis. This ratio excludes interest expense related to lease liabilities under IFRS 16 to conform to the bank's covenant requirement.
- Return on Shareholders' Equity is the net earnings (loss) divided by Shareholders' Equity, expressed as a percentage.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA represents earnings before income taxes, net financial costs, depreciation of property, plant and equipment 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. The accounts receivable collection period has been historically longer in the second and third quarters of its fiscal year. 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, 2021, the Company's Debt-to-capitalization ratio stood at 3.5% compared to 17.3% on November 30, 2020.

For further information, the principal risk factors to which the Company is exposed are described in the Management's Report contained in its Annual Report for the year ended November 30, 2021 as well as in the 2021 Annual Information Form available on SEDAR (www.sedar.com).

FINANCIAL COMMITMENTS AND CONTINGENCIES

Obligations	Payments due by period (in thousands of dollars) - undiscounted				
	Total	**Less than 1 year**	**2 – 3 Years**	**4 – 5 Years**	**After 5 years**
Lease liability obligations	18,034	5,048	7,928	3,421	1,637
Purchase obligations	1,294	1,294	-	-	-
Total obligations	**19,328**	**6,342**	**7,928**	**3,421**	**1,637**

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

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 fiscal 2016 and treatment of soil on-site was to be performed over an estimated period of 5 years. The remaining rehabilitation was expected to occur in fiscal 2020. Unfortunately, because of the duration and impact of the COVID-19 pandemic no work was performed in fiscal 2020. The Company continued its rehabilitation plan in fiscal 2021, with further work to be performed in 2022. In fiscal 2022, the Company will submit for approval to the Minister of the environment a revised timetable for the site remediation.

Based on current available information, the provision is considered by management to be adequate to cover any projected costs that could be incurred in the future.

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

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, become 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. Only one major customer exceeds 10% of total Company sales during fiscal 2021 (same last year).

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

	Years ended			
(in thousands of dollars)	**November 30, 2021**		November 30, 2020	
	$	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**91,849**	**14.9**	67,716	14.9

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

Dependence on Market Economic Conditions

The demand for the Company's 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 Company'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 Company.

Cyclical Nature

The business of the Company 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 Company is subject to the normal economic cycle, the housing cycle and to macroeconomic factors, such as interest rates. Although the Company 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 regulations
The Company faces multiple laws and regulations. These are laws that regulate credit practice, transporting products, importing and exporting products and employment. New laws governing the Company's business could be enacted or changes to existing laws could be implemented, each of which might have a significant impact on the Company'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 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.

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Risk Management
The Company is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates.

Financing and Liquidity Risk
The Company makes use of short-term financing with two chartered Canadian banks.

The following are the contractual maturities of financial liabilities as at November 30, 2021:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	9,246	9,246	9,246	-
Trade and other payables	37,897	37,897	37,897	-
Total financial liabilities	**47,143**	**47,143**	**47,143**	**-**

The following are the contractual maturities of financial liabilities as at November 30, 2020:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	28,570	28,570	28,570	-
Trade and other payables	39,614	39,614	39,614	-
Dividend payable	2,141	2,141	2,141	-
Total financial liabilities	**70,325**	**70,325**	**70,325**	**-**

Interest Rate Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates as well as the Company's Debt-to-capitalization ratio. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the $9.2 million ($28.6 million last year) in bank indebtedness would impact interest expense annually by $0.1 million ($0.3 million last year).

Currency Risk
Certain valuation risks exist depending on the performance of the Canadian dollar compared to the U.S. dollar, Euro and the Pound sterling. From time-to-time, the Company could enter into forward exchange contracts to hedge certain accounts payable and certain future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. During the twelve months ended November 30, 2021, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at November 30, 2021 there were no outstanding foreign exchange contracts. A fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a significant effect on the Company's net earnings.

As at November 30, 2021, the Company had the following currency exposure on:

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

	USD	**GBP**	**Euro**
Cash	2,317	275	88
Bank indebtedness	(1,993)	-	-
Trade and other receivables	7,196	63	93
Trade and other payables	(3,450)	(10)	(337)
Net exposure	**4,070**	**328**	**(155)**
CAD exchange rate as at November 30, 2021	1.2779	1.6993	1.4490
Impact on net earnings based on a fluctuation of 5% on CAD	**187**	**20**	**(8)**

As at November 30, 2020, the Company had the following currency exposure on:

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

	USD	**GBP**	**Euro**
Cash	1,416	212	10
Bank indebtedness	(1,462)	-	-
Trade and other receivables	7,051	145	-
Trade and other payables	(3,775)	(77)	(275)
Net exposure	**3,230**	**280**	**(265)**
CAD exchange rate as at November 30, 2020	1.3001	1.7318	1.5508
Impact on net earnings based on a fluctuation of 5% on CAD	**151**	**17**	**(15)**

Credit Risk
The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers, and specific credit limit for each customer is established and regularly revised. Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables that are current or past due. The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. In its assessment of the loss allowance for credit losses as at November 30, 2021, the Company considered the economic impact of the COVID-19 pandemic on its assessment. This was not considered to be significant.

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

	November 30 2021	November 30 2020
	$	$
Current	**57,966**	70,326
31 - 60 days past due	**3,131**	2,752
61 - 90 days past due	**1,079**	1,620
91 - 120 days past due	**158**	712
Over 120 days past due	**921**	653
	63,255	76,063
Loss allowance	**(170)**	(122)
Balance, end of period	**63,085**	75,941

As at November 30, 2021, expected credit losses are limited to $170 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and lease liabilities approximate their fair values.

RELATED PARTY TRANSACTIONS

Related parties include 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, 2021, the entities of the Company have not entered into business transactions with related parties that are members of the Board of the Company.

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 2021	November 30 2020
(in thousands of dollars)	**$**	$
Salaries and other short-term benefits	**2,694**	1,943
Post-employment benefits (including remeasurement of defined benefit plan obligation)	**(475)**	103
	2,219	2,046

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 sales returns*
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 involves making assumptions about discount rates, the expected rate of compensation increase, the retirement age of employees, and mortality rates. 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, and average 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. These estimates and assumptions might require additional revisions in the future depending on changes in the industry or the economic environment including any potential developments from the COVID-19 pandemic. Any changes in estimate may have a material impact on the Company's statement of financial position and consolidated statement of comprehensive income. See Note 13 for further details.

v. *Leases*
In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

vi. *Critical judgments in applying accounting policies*
The Company did not identify any critical judgements 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 statements.

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, 2021.

IFRS Standard Issued, But Not Yet Effective

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements (the 2020 amendments), to clarify the classification of liabilities as current or non-current. The 2020 amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The 2020 amendments are subject to future developments. Certain application issues resulting from the 2020 amendments have been raised with the IFRS Interpretations Committee, which referred them to the IASB. In June 2021, the IASB tentatively decided to propose further amendments to IAS 1 and to defer the effective date of the 2020 amendments to no earlier than January 1, 2024.

The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

At November 30, 2021, there were 8,562,554 common shares issued (same at November 30, 2020). The Company has authorized an unlimited number of common shares to be issued, without par value. At February 17, 2022, there were 8,562,554 common shares outstanding.

SUBSEQUENT EVENT

No subsequent events to report.

OUTLOOK

While it remains difficult to predict how pandemic conditions will unfold, the Company will be committed to maintaining suitable inventory levels, augmenting value-added capabilities and further diversifying its product offering. Mitigating impacts of inflation, rising wages, supply chain disruptions and cost of fuel will be of keen importance for the management team in order to protect market share gains and profitability margins.

COVID-19

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

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

CERTIFICATION

Disclosure Controls

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

As required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at November 30, 2021.

Procedures and Internal Controls Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control – Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at November 30, 2021.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

There has been no change in the Company's internal control over financial reporting that occurred during the three and twelve months ended November 30, 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, February 17, 2022

Patrick Goodfellow
President and Chief Executive Officer

Charles Brisebois, CPA, CMA
Chief Financial Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards, and the other financial information provided in the Annual Report, which is consistent with the financial statements, 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, and their report is included herein.

Patrick Goodfellow President and Chief Executive Officer	Charles Brisebois, CPA, CMA Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Goodfellow Inc.

Opinion

We have audited the consolidated financial statements of Goodfellow Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at November 30, 2021 and November 30, 2020;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in Shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at November 30, 2021 and November 30, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended November 30, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Description of the matter

We draw attention to Note 3 and Note 7 to the financial statements.

The Entity's inventories balance is $109.8 million. 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.

The costs of conversion of inventories also include the costs directly related to the conversion of materials to finished goods, such as direct labour and a systematic allocation of fixed and variable production overhead.

Why the matter is a key audit matter

We identified the assessment of the existence and accuracy of inventories as a key audit matter. This matter represented an area of higher assessed risk of material misstatement given the magnitude of the inventories balance. In addition, an increased extent of audit effort was needed to address the matter.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We observed the Entity's physical inventory counts for a selection of locations at or close to year-end and performed a sample of independent test counts which we compared to the Entity's records.
- We tested a sample of inventory movements to purchase invoices and shipping documents between the count date and the year-end date.
- We tested a sample of inventory items to purchase invoices and we recalculated the weighted average cost basis of the sampled inventory items.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2021".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2021" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Giuseppe Funiciello.

KPMG LLP*

Montréal, Canada

February 17, 2022

*CPA auditor, CA, public accountancy permit No. A122264

GOODFELLOW INC.
Consolidated Statements of Comprehensive Income
For the years ended November 30, 2021 and 2020
(in thousands of dollars, except per share amounts)

	Years ended	
	November 30 2021	November 30 2020
	$	$
Sales (Note 22)	**615,946**	454,103
Expenses		
Cost of goods sold (Note 4)	**479,403**	362,354
Selling, administrative and general expenses (Note 4)	**83,326**	70,008
Net financial costs (Note 5)	**2,694**	2,719
	565,423	435,081
Earnings before income taxes	**50,523**	19,022
Income taxes (Note 15)	**12,687**	5,211
Net earnings	**37,836**	13,811
Items that will not subsequently be reclassified to net earnings		
Remeasurement of defined benefit plan obligation, net of taxes of $2,730 ($165 in 2020) (Note 16)	**7,021**	(426)
Total comprehensive income	**44,857**	13,385
Net earnings per share – Basic and Diluted (Note 14)	**4.42**	1.61

The notes 1 to 22 are an integral part of these consolidated financial statements.

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

	As at November 30 2021	As at November 30 2020
	$	$
Assets		
Current Assets		
Cash	4,253	3,466
Trade and other receivables (Note 6)	63,246	76,093
Inventories (Note 7)	109,787	84,740
Prepaid expenses	4,189	2,584
Total Current Assets	181,475	166,883
Non-Current Assets		
Property, plant and equipment (Note 8)	30,022	31,148
Intangible assets (Note 9)	2,650	3,238
Right-of-use assets (Note 10)	12,262	14,324
Defined benefit plan asset (Note 16)	10,397	1,945
Other assets	785	785
Total Non-Current Assets	56,116	51,440
Total Assets	237,591	218,323
Liabilities		
Current Liabilities		
Bank indebtedness (Note 11)	9,246	28,570
Trade and other payables (Note 12)	37,897	39,614
Income taxes payable	9,022	4,859
Provision (Note 13)	2,147	1,473
Dividend payable (Note 14c))	-	2,141
Current portion of lease liabilities (Note 10)	4,256	4,315
Total Current Liabilities	62,568	80,972
Non-Current Liabilities		
Lease liabilities (Note 10)	10,924	13,343
Deferred income taxes (Note 15)	3,151	1,597
Defined benefit plan obligation (Note 16)	-	1,182
Total Non-Current Liabilities	14,075	16,122
Total Liabilities	76,643	97,094
Shareholders' Equity		
Share capital (Note 14)	9,424	9,424
Retained earnings	151,524	111,805
	160,948	121,229
Total Liabilities and Shareholders' Equity	237,591	218,323

Contingent liabilities and commitments (Note 20)

Approved by the Board

G. Douglas Goodfellow

G. Douglas Goodfellow, Director

Alain Côté, Lead Director

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the years ended November 30, 2021 and 2020
(in thousands of dollars)

	Years ended	
	November 30 2021	November 30 2020
	$	$
Operating Activities		
Net earnings	**37,836**	13,811
Adjustments for:		
Depreciation and amortization of:		
Property, plant and equipment (Note 8)	**2,552**	2,705
Intangible assets (Note 9)	**621**	728
Right-of-use assets (Note 10)	**4,141**	4,324
Accretion expense on provision (Note 13)	**44**	72
Increase (decrease) in provision (Note 13)	**630**	(69)
Income taxes	**12,687**	5,211
Gain on disposal of property, plant and equipment	**(25)**	(45)
Interest expense (Note 5)	**826**	950
Interest on lease liabilities (Note 5)	**580**	681
Funding in excess of pension plan expense	**117**	259
Other	**(6)**	18
	60,003	28,645
Changes in non-cash working capital items (Note 17)	**(15,484)**	(14,117)
Interest paid	**(1,541)**	(1,495)
Income taxes paid	**(9,700)**	(1,592)
	(26,725)	(17,204)
Net Cash Flows from Operating Activities	**33,278**	11,441
Financing Activities		
Net (decrease) increase in bank loans	**(10,000)**	7,000
Net decrease in banker's acceptances	**(12,000)**	(13,000)
Payment of lease liabilities (Note 10)	**(4,551)**	(4,572)
Dividend paid (Note 14c))	**(7,279)**	(1,712)
	(33,830)	(12,284)
Investing Activities		
Acquisition of property, plant and equipment	**(1,333)**	(1,431)
Acquisition of intangible assets	**(33)**	(39)
Proceeds on disposal of property, plant and equipment	**29**	49
	(1,337)	(1,421)
Net cash outflow	**(1,889)**	(2,264)
Cash position, beginning of year	**(1,104)**	1,160
Cash position, end of year	**(2,993)**	(1,104)
Cash position is comprised of:		
Cash	**4,253**	3,466
Bank overdraft (Note 11)	**(7,246)**	(4,570)
	(2,993)	(1,104)

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended November 30, 2021 and 2020
(in thousands of dollars)

	Share Capital	Retained Earnings	Total
	$	$	$
Balance as at November 30, 2019	9,424	103,984	113,408
IFRS 16 adoption adjustment, net of taxes of $940	-	(2,567)	(2,567)
Balance as at December 1, 2019	9,424	101,417	110,841
Net earnings	-	13,811	13,811
Other comprehensive income	-	(426)	(426)
Total comprehensive income	-	13,385	13,385
Transactions with owners of the Company			
Dividend (Note 14c))	-	(2,997)	(2,997)
Balance as at November 30, 2020	**9,424**	**111,805**	**121,229**
Net earnings	**-**	**37,836**	**37,836**
Other comprehensive income	**-**	**7,021**	**7,021**
Total comprehensive income	**-**	**44,857**	**44,857**
Transactions with owners of the Company			
Dividend (Note 14c))	**-**	**(5,138)**	**(5,138)**
Balance as at November 30, 2021	**9,424**	**151,524**	**160,948**

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, 2021 and 2020 include 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"). Certain comparative figures have been reclassified to conform to the current year's presentation.

These consolidated financial statements were authorized for issue by the Board of Directors on February 17, 2022.

b) *Basis of measurement*
The consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- Environmental provision is recorded at present value of the expected expenditure to be paid.
- Defined benefit plan assets and liabilities are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

c) Functional and presentation currency
The 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.

d) Use of estimates, judgments and assumptions

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 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 sales returns
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 involves making assumptions about discount rates, the expected rate of compensation increase, the retirement age of employees, and mortality rates. 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, and average 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. These estimates and assumptions might require additional revisions in the future depending on changes in the industry or the economic environment including any potential developments from the COVID-19 pandemic. Any changes in estimate may have a material impact on the Company's statement of financial position and consolidated statement of comprehensive income. See Note 13 for further details.

v. *Leases*
In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determinable. Management determines the incremental borrowing rate of each leased asset by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

vi. *Critical judgments in applying new accounting policies*
The Company did not identify any critical judgements 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 statements.

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. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The financial statements of subsidiaries are prepared with the same reporting period of the Company. The accounting policies of subsidiaries are aligned with the policies of the Company. All intercompany transactions, balances, revenues and expenses were fully eliminated upon consolidation.

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

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. The costs of conversion of inventories also include the costs directly related to the conversion of materials to finished goods, such as direct labour and a systematic allocation of fixed and variable production overhead. 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 of 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 Enterprise resource planning 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 recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. The lease payments include fixed and in-substance fixed payments and variable lease payments that depend on an index or rate, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or the lessee’s incremental borrowing rate. Generally, the Company uses the lessee’s incremental borrowing rate for its present value calculations. Lease payments are discounted over the lease term, which includes the fixed term and renewal options that the Company is reasonably certain to exercise. Lease payments are allocated between the lease liability and a finance cost, which is recognized in finance costs over the lease term in the consolidated statement of earnings.

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable prices for a similar asset and/or service.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling, distribution and administrative expenses as incurred.

Right-of-use assets are measured at cost, less any accumulated depreciation and accumulated impairment losses, and adjusted for any re-measurement of lease liabilities. Cost is calculated as the initial measurement of the lease liability plus any initial direct costs and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life.

The Company leases buildings, furniture and equipment, and rolling stocks.

g) *Impairment of Non-Financial Assets*

On each reporting date, the Company reviews the carrying amounts of property, plant and equipment, intangible assets and right-of-use 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.

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*

Revenue from the sale of goods from activities relating to remanufacturing, distribution of lumber and wood products is recognized, net of discounts and customer rebates, at the point in time when the transfer of control of the related products has taken place (based on shipping or delivery terms as specified in the sales contract), and collectability is reasonably assured. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

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. The Company's net liability in respect of defined benefits is calculated separately for each plan by estimating the amount of future benefits that plan members have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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 rates. 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 costs arising from plan amendments are recognized in net earnings in the period that they arise.
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.

Pension expense consists of the following:

i. the cost of pension benefits provided in exchange for plan members' services rendered in the period;
ii. net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the net defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments;
iii. past service costs; and
iv. gains or losses on settlements or curtailments.

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) Financial Instruments

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

i. Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents and trade and other receivables as assets measured at amortized cost.

Impairment of financial assets

The Company uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance if they relate to a financial asset measured at amortized cost. The carrying amount of these assets in the consolidated statement of financial position is stated net of any loss allowance.

ii. Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss. There are currently no financial assets measured at fair value with changes in fair value recognized in profit or loss.

However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss.

Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no equity instruments that are not held for trading.

iii. Financial liabilities are classified into the following categories:

Financial liabilities measured at amortized cost
The Company classifies non-derivative financial liabilities as measured at amortized cost. Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies trade and other payables, dividends payable and bank indebtedness as financial liabilities measured at amortized cost.

Financial liabilities measured at fair value
Financial liabilities measured at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in profit or loss. The Company currently has no financial liabilities measured at fair value.

iv. Non-hedge derivative financial instruments measured at fair value
Non-hedge derivative financial instruments, if any, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. Any subsequent change in the fair value of non-hedge foreign exchange contracts are accounted for in cost of goods sold for the period in which it arises. The Company currently has no derivative financial instruments measured at fair value.

n) 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.

o) 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.

p) 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.

q) 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.

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

r) *Financial costs*
Financial costs comprise interest expense on borrowings (including on lease liabilities), 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.

s) *IFRS Standard Issued, But Not Yet Effective*

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements (the 2020 amendments), to clarify the classification of liabilities as current or non-current. The 2020 amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The 2020 amendments are subject to future developments. Certain application issues resulting from the 2020 amendments have been raised with the IFRS Interpretations Committee, which referred them to the IASB. In June 2021, the IASB tentatively decided to propose further amendments to IAS 1 and to defer the effective date of the 2020 amendments to no earlier than January 1, 2024.

The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

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

	November 30 2021	November 30 2020
	$	$
Employee benefit expense [(1)]	**53,879**	45,424
Obsolescence adjustment included in cost of goods sold	**1,965**	1,359
Depreciation included in cost of goods sold	**798**	864
Depreciation and amortization included in selling, administrative and general expenses	**6,516**	6,893
Foreign exchange (gains) losses	**(269)**	307

(1) In the year ended November 30, 2021, the Company did not qualify to receive the Canada Emergency Wage Subsidy (CEWS) and therefore recognized $nil related to CEWS. In the year ended November 30, 2020, the Company did qualify to receive the CEWS and recognized $3.0 million against the related remunerations.

5. Net financial costs

	November 30 2021	November 30 2020
	$	$
Interest expense	**826**	950
Interest expense on lease liabilities	**580**	681
Accretion expense on provision (Note 13)	**44**	72
Other financial costs	**1,246**	1,017
Financial cost	**2,696**	2,720
Financial income	**(2)**	(1)
Net financial costs	**2,694**	2,719

6. Trade and other receivables

	November 30 2021	November 30 2020
	$	$
Trade receivables	**63,255**	76,063
Allowance for doubtful accounts	**(170)**	(122)
	63,085	75,941
Other receivables	**161**	152
	63,246	76,093

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

7. Inventories

	November 30 2021	November 30 2020
	$	$
Raw materials	**12,426**	7,154
Work in process	**12,525**	5,476
Finished goods	**87,562**	74,200
	112,513	86,830
Provision for obsolescence	**(2,726)**	(2,090)
	109,787	84,740

For the year ended November 30, 2021, $462.1 million (2020 - $347.0 million) of inventories were expensed as cost of goods sold. Included in inventories is a return asset for the right to recover returned goods in the amount of $1.2 million as at November 30, 2021 (November 30, 2020 - $1.0 million).

8. Property, plant and equipment

	Land	**Buildings, Yard and Leasehold improvements**	**Equipment, Furniture and Fixtures**	**Rolling Stock**	**Computer Equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost						
Cost at December 1, 2019	6,263	50,285	28,301	6,504	4,739	96,092
Additions	-	100	379	517	53	1,049
Disposals	-	-	-	(11)	-	(11)
Cost at November 30, 2020	6,263	50,385	28,680	7,010	4,792	97,130
Additions	-	213	947	181	89	1,430
Disposals	(1)	-	-	(10)	-	(11)
Cost at November 30, 2021	**6,262**	**50,598**	**29,627**	**7,181**	**4,881**	**98,549**
Accumulated depreciation						
Accumulated depreciation at December 1, 2019	-	29,153	24,485	5,894	3,752	63,284
Depreciation	-	1,496	767	238	204	2,705
Disposals	-	-	-	(7)	-	(7)
Accumulated depreciation at November 30, 2020	-	30,649	25,252	6,125	3,956	65,982
Depreciation	-	1,430	658	289	175	2,552
Disposals	-	-	-	(7)	-	(7)
Accumulated depreciation at November 30, 2021	**-**	**32,079**	**25,910**	**6,407**	**4,131**	**68,527**
Carrying Value						
At November 30, 2020	6,263	19,736	3,428	885	836	31,148
At November 30, 2021	**6,262**	**18,519**	**3,717**	**774**	**750**	**30,022**

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

9. Intangible assets

	Software and technologies	Customer relationship	Total
	$	$	$
Cost			
Cost at December 1, 2019	6,509	530	7,039
Additions	39	-	39
Cost at November 30, 2020	6,548	530	7,078
Additions	33	-	33
Cost at November 30, 2021	**6,581**	**530**	**7,111**
Accumulated depreciation			
Accumulated depreciation at December 1, 2019	2,697	415	3,112
Amortization	622	106	728
Accumulated depreciation at November 30, 2020	3,319	521	3,840
Amortization	612	9	621
Accumulated depreciation at November 30, 2021	**3,931**	**530**	**4,461**
Carrying Value			
At November 30, 2020	3,229	9	3,238
At November 30, 2021	**2,650**	**-**	**2,650**

10. Right-of-use assets and lease liabilities

Right-of-use assets

	Buildings	Furniture and Equipment	Rolling Stock	Total
	$	$	$	$
As at December 1, 2019	11,479	422	5,251	17,152
Additions	298	25	1,214	1,537
Amortization	(2,052)	(150)	(2,122)	(4,324)
Disposals	-	-	(41)	(41)
Balance at November 30, 2020	9,725	297	4,302	14,324
Additions	116	324	1,725	2,165
Amortization	(2,089)	(167)	(1,885)	(4,141)
Disposals	-	(70)	(16)	(86)
Balance at November 30, 2021	**7,752**	**384**	**4,126**	**12,262**

Lease liabilities

	November 30 2021	November 30 2020
	$	$
Balance beginning of year	**17,658**	20,710
Additions	**2,165**	1,537
Early repayment of lease liabilities	**(79)**	(41)
Interest expense on lease liabilities (Note 5)	**580**	681
Payment of lease liabilities	**(5,131)**	(5,253)
Foreign exchange movements	**(13)**	24
Balance end of year	**15,180**	17,658
Less: current portion	**(4,256)**	(4,315)
Balance end of year – long term portion	**10,924**	13,343

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

The following table presents additional amounts recognized in the statement of comprehensive income for the years ended November 30, 2021 and 2020 related to leases:

	November 30 2021	November 30 2020
	$	$
Expense related to low value and short-term leases	**423**	274
Variable lease payments (not included in the measurement of lease liabilities)	**1,092**	1,094
	1,515	1,368

The following table presents a maturity analysis of future undiscounted cash flows from lease liabilities:

	November 30 2021	November 30 2020
	$	$
Less than one year	**5,048**	5,128
One to two years	**4,502**	4,270
Two to three years	**3,426**	3,741
Three to four years	**1,986**	2,688
Four to five years	**1,435**	1,404
More than five years	**1,637**	2,681
Total undiscounted lease liabilities	**18,034**	19,912

11. Bank indebtedness

	November 30 2021	November 30 2020
	$	$
Bank loans	**2,000**	12,000
Banker's acceptances	**-**	12,000
Bank overdraft	**7,246**	4,570
	9,246	28,570

In May 2021, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2024. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days only. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the immovable and movable property of the Company. As at November 30, 2021, the Company was compliant with its financial covenants. As at November 30, 2021, under the credit agreement, the Company used $2.0 million of its facility compared to $24.0 million last year. As at November 30, 2021, the Company has $851 thousand of issued letters of credits which reduces the availability of its facility compared to $736 thousand last year.

12. Trade and other payables

	November 30 2021	November 30 2020
	$	$
Trade payables and accruals	**28,642**	31,056
Payroll related liabilities	**6,662**	5,965
Sales taxes payable	**2,593**	2,593
	37,897	39,614

13. Provision

The Company's St-André (QC) site shows continued traces of surface contamination from previous treating activities exceeding existing regulatory requirements. The Company received approval for the environmental rehabilitation plan in fiscal 2016. The Company started to implement its plan during fiscal 2016 and treatment of soil on-site was to be performed over an estimated period of 5 years. The remaining rehabilitation was expected to occur in fiscal 2020. Unfortunately, because of the duration and impact of the COVID-19 pandemic no work was performed in fiscal 2020. The Company continued its rehabilitation plan in fiscal 2021, with further work to be performed in 2022. In fiscal 2022, the Company will submit for approval to the Minister of the environment a revised timetable for the site remediation.

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

Based on current available information, the provision is considered by management to be adequate to cover any projected costs that could be incurred in the future.

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

	November 30 2021	November 30 2020
	$	$
Balance, beginning of the year	**1,473**	1,470
Changes due to:		
Revision of future expected expenditures	**1,783**	(59)
Accretion expense	**44**	72
Expenditures incurred	**(1,153)**	(10)
Balance, end of period	**2,147**	1,473
Current portion	**2,147**	1,473

14. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	November 30 2021	November 30 2020	**November 30 2021**	November 30 2020
	Number of shares	Number of shares	**$**	$
Shares outstanding at the beginning and at the end of the year	**8,562,554**	8,562,554	**9,424**	9,424

b) Net earnings

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

	November 30 2021	November 30 2020
	$	$
Net earnings, basic and diluted	**37,836**	13,811
Weighted average number of common shares, basic and diluted	**8,562,554**	8,562,554

c) Dividends

The following dividends were declared and paid by the Company:

	2021				**2020**			
	Declared				Declared			
	Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
		$	$			$	$	
Quarter 1	Mar 5, 2021	0.30	2,569	Mar 19, 2021	Feb 28, 2020	0.10	856	Mar 13, 2020
Quarter 4	Nov 5, 2021	0.30	2,569	Nov 19, 2021	Nov 27, 2020	0.25	2,141	Dec 4, 2020
		0.60	**5,138**			**0.35**	**2,997**	

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

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

15. Income Taxes

The income tax expense is as follows:

	November 30 2021	November 30 2020
	$	$
Current	**13,863**	5,717
Deferred	**(1,176)**	(506)
	12,687	5,211

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

	November 30 2021	November 30 2020
	$	$
Earnings before income taxes	**50,523**	19,022
Statutory income tax rate (%)	**26.5**	27.4
Income taxes based on above rates	**13,389**	5,212
Adjusted for:		
Permanent differences	**32**	17
Difference in expected rate of reversal versus current rate	**(109)**	(29)
Other	**(625)**	11
	12,687	5,211

Temporary differences that give rise to deferred income tax assets and liabilities are as follows:

	November 30 2021	November 30 2020
	$	$
Deferred income tax (liabilities) assets:		
Deferred pension asset	**(2,764)**	(204)
Provisions and other	**1,629**	969
Property, plant and equipment	**(2,016)**	(2,360)
Intangible assets	**-**	(2)
Net deferred tax liability	**(3,151)**	(1,597)

16. 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 member 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 was 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 member 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, 2021 was $1.4 million (2020 - $1.3 million).

B. Defined Benefit Plans

The measurement date for the plan assets and obligations is November 30. The most recent actuarial valuations for funding purposes were filed with the pension regulators on December 31, 2018 for both plans. The next actuarial valuation for both plans for funding will be no later than as of December 31, 2021.

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

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

	November 30 2021	November 30 2020
	$	$
Defined benefit obligation		
Balance, beginning of year	**54,989**	53,642
Interest cost	**1,394**	1,542
Benefits paid	**(2,721)**	(2,711)
Actuarial (gain) loss		
Changes in financial assumptions	**(5,383)**	2,516
Balance, end of year	**48,279**	54,989

	November 30 2021	**November 30 2020**
	$	$
Plan assets		
Fair value, beginning of year	**55,752**	55,255
Interest income	**1,413**	1,585
Employer contributions	**48**	41
Benefits paid	**(2,721)**	(2,711)
Administrative expenses paid from plan assets	**(184)**	(343)
Return on plan assets in excess of interest income	**4,368**	1,925
Fair value, end of year	**58,676**	55,752
Net asset	**10,397**	763

The actual return on plan assets was $5.8 million in 2021 and $3.5 million in 2020.

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

	November 30 2021	November 30 2020
	$	$
Defined benefit obligation		
- funded	**48,279**	15,615
- partly funded	**-**	39,374
Fair value of plan assets		
- funded	**58,676**	17,560
- partly funded	**-**	38,192
Funded status – surplus (deficit)		
- funded	**10,397**	1,945
- partly funded	**-**	(1,182)

The significant actuarial weighted average assumptions used are as follows:

	November 30 2021	November 30 2020
	%	%
Defined benefit obligation:		
Discount rate	**3.40**	2.60
Rate of compensation increase	**3.00**	3.00
Net benefit plan expense:		
Discount rate	**2.60**	2.95
Rate of compensation increase	**3.00**	3.00

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

Net benefit plan expense:

	November 30 2021	November 30 2020
	$	$
Interest cost	**1,394**	1,542
Interest income	**(1,413)**	(1,585)
Administrative expenses	**184**	343
Net benefit plan expense	**165**	300

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

The plan assets by asset category are as follows:

	November 30 2021	November 30 2020
	%	%
Equity security:		
Canadian stocks	**20**	20
US stocks	**19**	18
International stocks	**18**	18
Debt securities:		
Universal type	**43**	44
All investments are quoted on an active market		

History of deficit and of experience gains and losses:

	November 30 2021	November 30 2020
	$	$
Benefit obligation	**48,279**	54,989
Fair value of plan assets	**58,676**	55,752
Surplus	**10,397**	763
Experience (gain) loss on plan liabilities*		
- Amount	**-**	-
- Percentage of beginning of year liabilities	**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:

- Sensitivity analysis

Sensitivity to the discount rate:

	Down by 0.25%	**Assumption used**	**Up by 0.25%**
Defined benefit obligation	$49,819	$48,279	$46,818
Discount rate	3.15%	3.40%	3.65%

Sensitivity to the life expectancy:

	Up to one year	**Assumption used**
Defined benefit obligation	$49,760	$48,279
Mortality rates (CPM2014Priv – MI2017)		
Life expectancy of man of 65 years	23.0 years	22.1 years
Life expectancy of woman of 65 years	25.5 years	24.6 years

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

- 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 2021, consisting of cash contributed by the Company to its funded pension plans, was $50 thousand ($41 thousand in 2020). Based on the latest filed actuarial valuation for funding purposes as at December 31, 2018, the Company expects to contribute nil in 2022.

- Duration

  The weighted average duration of the defined benefit obligation is 13 years.

17. Additional Cash Flow Information

Changes in Non-Cash Working Capital Items

	November 30 2021	November 30 2020
	$	$
Trade and other receivables	**12,847**	(27,632)
Inventories	**(25,047)**	2,599
Prepaid expenses	**(1,481)**	(126)
Trade and other payables	**(1,803)**	11,042
	(15,484)	(14,117)

Non-cash transactions
The Company purchased property, plant, equipment and intangible assets for which an amount of $101 thousand was unpaid as at November 30, 2021 ($4 thousand as at November 30, 2020).

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

	Bank loans	**Banker's acceptances**	**Lease liabilities**	**Total**
Liability related changes	**$**	**$**	$	$
Year ended November 30, 2020				
Interest expense	283	667	681	1,631
Interest paid	252	562	681	1,495
Year ended November 30, 2021				
Interest expense	433	393	580	1,406
Interest paid	444	517	580	1,541

18. Financial Instruments and other instruments

Risk Management
The Company is exposed to financial risks that arise from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates.

Financing and Liquidity Risk
The Company makes use of short-term financing with two chartered Canadian banks.

The following are the contractual maturities of financial liabilities as at November 30, 2021:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	9,246	9,246	9,246	-
Trade and other payables	37,897	37,897	37,897	-
Total financial liabilities	**47,143**	**47,143**	**47,143**	-

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

The following are the contractual maturities of financial liabilities as at November 30, 2020:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Bank indebtedness	28,570	28,570	28,570	-
Trade and other payables	39,614	39,614	39,614	-
Dividend payable	2,141	2,141	2,141	-
Total financial liabilities	**70,325**	**70,325**	**70,325**	-

Interest Rate Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates as well as the Company's Debt-to-capitalization ratio. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 1% fluctuation of interest rate on the $9.2 million (November 30, 2020 - $28.6 million) in bank indebtedness would impact interest expense annually by $0.1 million (November 30, 2020 - $0.3 million).

Currency Risk
Certain valuation risks exist depending on the performance of the Canadian dollar compared to the U.S. dollar, Euro and the Pound sterling. From time-to-time, the Company could enter into forward exchange contracts to hedge certain accounts payable and certain future purchase commitments denominated in U.S. dollars, Euros and Pound sterling. During the twelve months ended November 30, 2021, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at November 30, 2021 there were no outstanding foreign exchange contracts. A fluctuation in the Canadian dollar of 5% in relation to foreign currencies would not have a significant effect on the Company's net earnings.

As at November 30, 2021, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	**GBP**	**Euro**
Cash	2,317	275	88
Bank indebtedness	(1,993)	-	-
Trade and other receivables	7,196	63	93
Trade and other payables	(3,450)	(10)	(337)
Net exposure	**4,070**	**328**	**(156)**
CAD exchange rate as at November 30, 2021	1.2779	1.6993	1.4490
Impact on net earnings based on a fluctuation of 5% on CAD	**187**	**20**	**(8)**

As at November 30, 2020, the Company had the following currency exposure on:

Financial assets and liabilities measured at amortized costs

	USD	**GBP**	**Euro**
Cash	1,416	212	10
Bank indebtedness	(1,462)	-	-
Trade and other receivables	7,051	145	-
Trade and other payables	(3,775)	(77)	(275)
Net exposure	**3,230**	**280**	**(265)**
CAD exchange rate as at November 30, 2020	1.3001	1.7318	1.5508
Impact on net earnings based on a fluctuation of 5% on CAD	**151**	**17**	**(15)**

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

Credit Risk
The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses.

Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers, and specific credit limit for each customer is established and regularly revised. Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables that are current or past due.

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. In its assessment of the loss allowance for credit losses as at November 30, 2021, the Company considered the economic impact of the COVID-19 pandemic on its assessment. This was not considered to be significant.

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

	November 30 2021	November 30 2020
	$	$
Current	**57,966**	70,326
31 - 60 days past due	**3,131**	2,752
61 - 90 days past due	**1,079**	1,620
91 - 120 days past due	**158**	712
Over 120 days past due	**921**	653
	63,255	76,063
Loss allowance	**(170)**	(122)
Balance, end of period	**63,085**	75,941

As at November 30, 2021, expected credit losses are limited to $170 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

Economic Dependence
The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Only one major customer exceeds 10% of total Company sales during fiscal 2021 (same last year).

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

	Years ended			
	November 30, 2021		November 30, 2020	
	$	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**91,849**	**14.9**	67,716	14.9

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based on available public market information or, when such information is not available, is estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate level of risk for the instrument. The estimated fair values may differ in amount from that which could be realized in an immediate settlement of the instruments. The carrying amounts of cash, trade and other receivables, bank indebtedness, trade and other payables and lease liabilities approximate their fair values.

19. 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; and
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 a normal course issuer bid, acquire or sell assets to improve its financial performance and flexibility or return capital to shareholders. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally generated cash flows and credit facilities. The Company's financial objectives and strategy remain substantially unchanged.

The Company is subject to certain covenants on its credit facilities. The covenants include a Debt-to-capitalization ratio and an Interest coverage ratio. The Company monitors the ratios on a monthly basis. The Company currently complies with all externally imposed capital requirements. Other than the covenants required for the credit facilities, the Company is not subject to any externally imposed capital requirements. 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, 2021 and 2020, the Company achieved the following results regarding its capital management objectives:

Capital management	**As at November 30 2021**	As at November 30 2020
Debt-to-capitalization ratio	**3.5%**	17.3%
Interest coverage ratio	**26.2**	11.9
Return on Shareholders' Equity	**23.5%**	11.4%
Current ratio	**2.9**	2.1
EBITDA (in thousands of dollars)	**$60,531**	$29,498

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

- Debt-to-capitalization ratio represents debt over total Shareholders' Equity, expressed as a percentage. Debt is defined as bank indebtedness less cash and cash equivalents. Capitalization is debt plus Shareholders' Equity. This ratio excludes lease liabilities under IFRS 16 to conform to the bank's covenant requirement.
- Interest coverage ratio represents the EBITDA during the period for which the calculation is made over interest expenses for the same period on a consolidated basis, calculated on a rolling four-quarter basis. This ratio excludes interest expense related to lease liabilities under IFRS 16 to conform to the bank's covenant requirement.
- Return on Shareholders' Equity is the net earnings (loss) divided by Shareholders' Equity, expressed as a percentage.
- Current ratio is total current assets divided by total current liabilities.
- EBITDA represents earnings before income taxes, net financial costs, depreciation of property, plant and equipment and amortization.

20. Contingent liabilities and commitments

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.

Commitments
As at November 30, 2021, the minimum future purchase obligation for the next year was $1.3 million (November 30, 2020 - $418 thousand).

21. Related party transactions

Related parties include 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, 2021, the entities of the Company have not entered into business transactions with related parties that are members of the Board of the Company.

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

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 2021	November 30 2020
	$	$
Salaries and other short-term benefits	**2,694**	1,943
Post-employment benefits (including remeasurement of defined benefit plan obligation)	**(475)**	103
	2,219	2,046

22. Segmented Information and Sales

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

The following table presents sales disaggregated by geographic markets and by categories, as this best depicts how the nature, amount, timing and uncertainty of sales and cash flows are affected by economic factors.

Primary geographic markets

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

	November 30 2021	November 30 2020
	$	$
Canada	**546,478**	396,636
US	**46,116**	37,054
Export	**23,352**	20,413
	615,946	454,103

Sales categories

	November 30 2021	November 30 2020
	$	$
Lumber	**323,908**	235,863
Specialty and commodity panels	**119,061**	72,858
Flooring	**110,761**	95,104
Building material	**62,216**	50,278
	615,946	454,103

CORPORATE INFORMATION

BOARD OF DIRECTORS

G. Douglas Goodfellow */**
Chairman of the Board & Chairman of the Compensation Committee

Stephen A. Jarislowsky */**
Director
Founder of Jarislowsky Fraser Ltd

Alain Côté */**
Lead Director & 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 & Secretary of the Board

G. Douglas Goodfellow
Chairman of the Board

Mary Lohmus
Executive Vice President, Ontario & Western Canada

David Warren
Senior Vice President, Atlantic

Luc Dignard
Vice President, Sales, Quebec

Jeff Morrison
Vice President, National accounts

Luc Pothier
Vice President, Operations

Eric Bisson
Vice President, Quebec

Harry Haslett
Vice President, Sales & Marketing, Atlantic

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Transfer Agent
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Stock Exchange
Toronto
Trading Symbol: GDL

Wholly-owned Subsidiaries
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