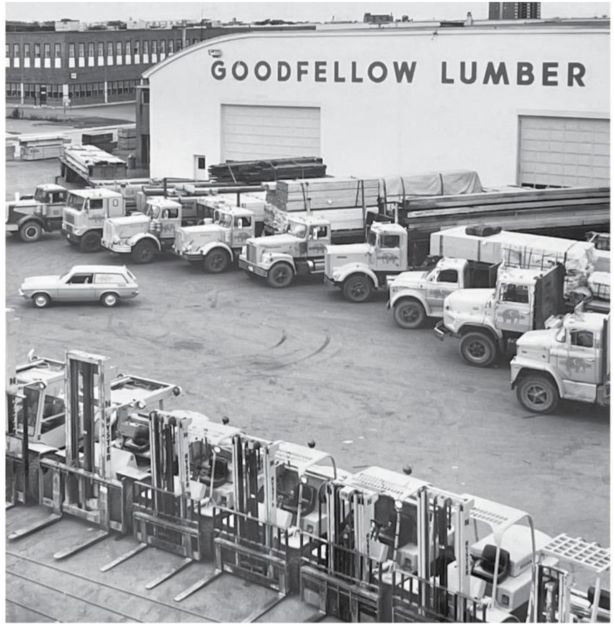
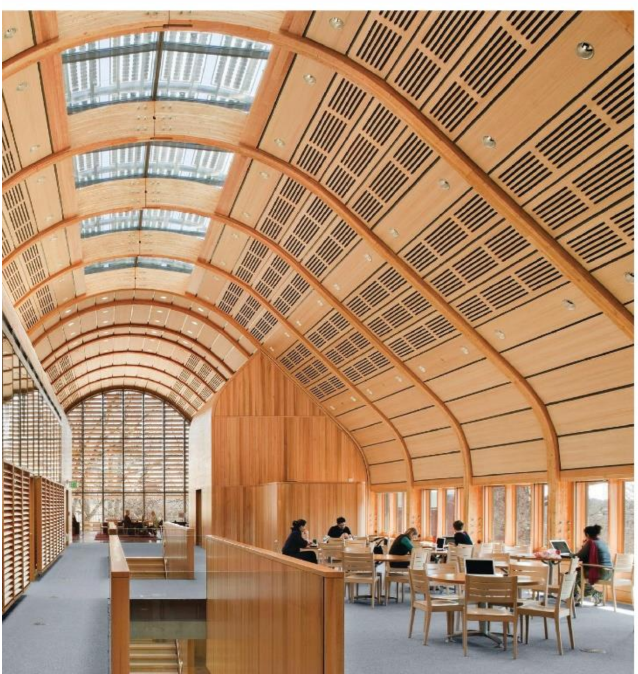



ANNUAL REPORT
2022

GOODFELLOW 125

goodfellowinc.com Customer focused **since 1898**



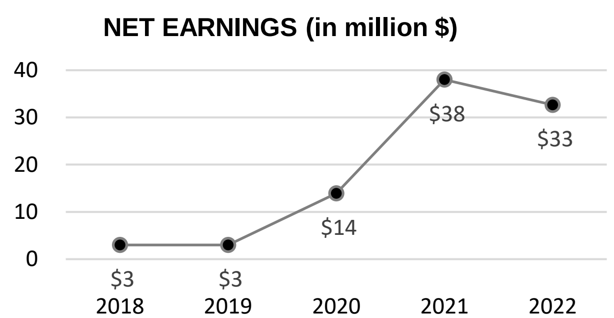
FINANCIAL HIGHLIGHTS

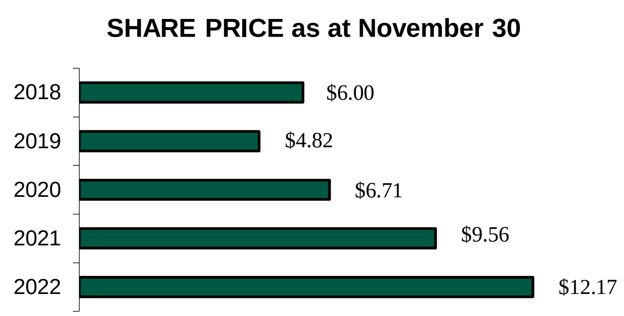
OPERATING ANNUAL RESULTS

(in thousands of dollars, except per share amounts)

	2022	2021	2020	2019	2018
Sales	**$631,185**	$615,946	$454,103	$449,587	$475,207
Earnings before income taxes	**$44,716**	$50,523	$19,022	$4,269	$3,277
Net earnings	**$32,679**	$37,836	$13,811	$3,054	$2,571
- per share	**$3.82**	$4.42	$1.61	$0.36	$0.30
Net cash flow from operating activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**$55,051**	$60,003	$28,645	$9,775	$9,705
- per share (1)	**$6.43**	$7.01	$3.35	$1.14	$1.14
Net cash flow from operating activities	**$26,013**	$33,278	$11,441	$13,408	$11,606
- per share (2)	**$3.04**	$3.89	$1.34	$1.57	$1.36
Shareholders' Equity	**$186,779**	$160,948	$121,229	$113,408	$112,863
- per share (2)	**$21.83**	$18.80	$14.16	$13.24	$13.27
Share price at fiscal year-end	**$12.17**	$9.56	$6.71	$4.82	$6.00
Dividend paid per share (2)	**$0.90**	$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.





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CHAIR'S REPORT TO THE SHAREHOLDERS

In 2022, Goodfellow's Board of Directors saw significant change with the appointment of new Directors and a new Chair. While they are new to the Company, their extensive and diverse experience provides new avenues to strengthen Goodfellow's leadership position in the industry.

For the year ended November 30, 2022, recorded earnings were $3.82 per share, which represent a solid performance by Goodfellow. This result was achieved thanks to sustained market demand, and a portfolio that was product and geographically diverse.

Management was loyal to its strategy of controlling costs while driving growth in all markets where it operates. This strength served the Company well in 2022 and will do so for many years to come.

With a very sound balance sheet, sights are set on reinvesting in the business, paying a stable and sustainable dividend, as well as keeping a keen eye on consolidation opportunities within the industry.

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

(Signed) "Robert Hall"
Chair of the Board
February 16, 2023

PRESIDENT'S REPORT TO THE SHAREHOLDERS

2022 was an excellent year for Goodfellow. Despite significant challenges such as rising fuel costs, fluctuating market demand and labour shortages, talented and dedicated employees met these obstacles head on and persisted in keeping the Company's interests in focus. Goodfellow's financial performance reflects this commitment generating $631M in sales, a historic high for the second year in a row. This result is testament of what can be accomplished with an incredible team.

Since its founding in 1898, Goodfellow has strived to offer quality products and exceptional customer service. These fundamentals remain at the core of its strategy as it continues to pursue the expansion of its diversified portfolio and value-added capabilities.

Goodfellow expects increased competition and challenges ahead in 2023, the same year it will celebrate its 125th anniversary. However, with a disciplined and diversified approach, Goodfellow will be positioned to continue to create shareholder value for many years to come.

Recognition and appreciation go out to all those who contributed to Goodfellow's success in 2022, including the Board of Directors who provided support and guidance.

(Signed) "Patrick Goodfellow"
President and Chief Executive Officer
February 16, 2023

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 16, 2023.
The MD&A should be read in conjunction with the consolidated financial statements and the corresponding notes for the years ended November 30, 2022 and November 30, 2021.
The MD&A provides a review of the significant developments and results of operations of the Company during the years ended November 30, 2022 and November 30, 2021.
The consolidated financial statements ended November 30, 2022 and November 30, 2021 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 MD&A, we also use non-IFRS financial measures for which a complete definition is presented below and for which a reconciliation to financial information in accordance with IFRS is presented in the section "Non-IFRS Financial Measures" and in Note 22 "Segmented Information and Sales" to the annual consolidated financial statements for the years ended November 30, 2022 and 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 forward-looking statements relating, inter alia, to objectives, strategies, priorities, goals, plans, financial position, operating results, trends and activities of Goodfellow Inc. and its markets and industries. Forward-looking statements can be identified by words such as: "believe," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding liquidity and risk management in the current economic conditions. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, these statements are forward-looking to the extent that they are based on expectations relative to markets in which the Company exercises its activities and on various assessments and assumptions. Although we believe that the expectations reflected in the forward-looking statements contained in this document, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. Some of these expectations and assumptions relate to the state of the global economy and the economies of the regions in which the Company operates; the level of demand for the Company's products including from its recurring client base, including bookings from customers; prices and margins for its products; competitors; reliability of supply chains; inflation; interest rates; foreign currency fluctuations; the COVID-19 pandemic; overhead expenses; working capital requirements and access to capital or funding to finance same; the collection of accounts receivable; the availability and sufficiency insurance coverage; the sufficiency and reliability of the Company's workforce; the successful management of environmental and health and safety risk; the sufficiency, reliability and effectiveness of information systems; the sufficiency, reliability and effectiveness of internal and disclosure controls; and the absence of adverse change in the Company's regulatory environment and legal proceedings. In particular, expectations and assumptions relating to the COVID-19 pandemic are more fully described in the Company's Annual MD&A for the year ended November 30, 2022. Readers are cautioned not to place undue reliance on forward-looking statements included in this document, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur or prove to be accurate. Our actual results could differ significantly from management's expectations if recognized or unrecognized risks and uncertainties affect our results or if our assessments or assumptions are inaccurate. These risks and uncertainties include, among other things; the effects of general economic and business conditions including the cyclical nature of our business; industry competition; inflation, credit, currency and interest rate risks; environmental risk; level of demand and financial performance of the manufacturing industry; competition from vendors; changes in customer demand; extent to which we are successful in gaining new long-term relationships with customers or retaining existing ones and the level of service failures that could lead customers to use competitors' services; increased customer bankruptcies; dependence on key personnel; impact of the COVID-19 pandemic and the related climate of uncertainty; laws and regulation; information systems, cost structure and working capital requirements; occurrence of hostilities, political instability or catastrophic events and other factors described in our public filings available at www.sedar.com. For these reasons, we cannot guarantee the results of these forward-looking statements. The foregoing risks and uncertainties are described in greater detail in this MD&A. The MD&A gives an insight into our past performance as well as the future strategies and key performance indicators as viewed by our management team at Goodfellow Inc. The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

NON-IFRS FINANCIAL MEASURES
(unaudited)

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

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

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

Reconciliation of EBITDA (In thousands of dollars)	**For the three months ended**		**For the years ended**	
	November 30 2022 (unaudited)	November 30 2021 (unaudited)	**November 30 2022**	November 30 2021
	$	$	**$**	$
Net earnings	**4,440**	10,052	**32,679**	37,836
Income taxes	**1,054**	1,850	**12,037**	12,687
Net financial costs	**717**	553	**3,201**	2,694
Depreciation of property, plant and equipment	**763**	651	**2,551**	2,552
Depreciation of right-of-use assets	**1,186**	1,030	**4,551**	4,141
Amortization of intangible assets	**153**	154	**608**	621
EBITDA	**8,313**	14,290	**55,627**	60,531

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

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

Reconciliation of Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid – Fourth quarter (In thousands of dollars, except per share amounts)	**For the three months ended**	
	November 30 2022 (unaudited)	November 30 2021 (unaudited)
	$	$
Net Cash Flows from Operating Activities	**40,295**	22,046
Changes in non-cash working capital items	**(35,728)**	(10,340)
Interest paid	**305**	241
Income taxes paid	**3,535**	1,422
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	**8,407**	13,369
Net Cash Flows from Operating Activities per share	**4.71**	2.57
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	**0.98**	1.56
Weighted Average Number of Share Outstanding (thousands)	**8,561**	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 2022	November 30 2021	November 30 2020	November 30 2019	November 30 2018
	$	$	$	$	$
Net Cash Flows from Operating Activities	**26,013**	33,278	11,441	13,408	11,606
Changes in non-cash working capital items	**3,734**	15,484	14,117	(6,856)	(3,391)
Interest paid	**1,731**	1,541	1,495	2,154	2,535
Income taxes paid	**23,573**	9,700	1,592	1,069	(1,045)
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid	**55,051**	60,003	28,645	9,775	9,705
Net Cash Flows from Operating Activities per share	**3.04**	3.89	1.34	1.57	1.36
Net Cash Flows from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid per share	**6.43**	7.01	3.35	1.14	1.14
Weighted Average Number of Share Outstanding (thousands)	**8,562**	8,563	8,563	8,563	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, 2022, and the fourth quarter ended November 30, 2022. 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)	**For the years ended**				
	November 30 2022	November 30 2021	November 30 2020	November 30 2019	November 30 2018
	$	$	$	$	$
Shareholders' Equity	**186,779**	160,948	121,229	113,408	112,863
Shareholders' Equity per share	**21.83**	18.80	14.16	13.24	13.27
Number of Share Outstanding (thousands)	**8,558**	8,563	8,563	8,563	8,507

Reconciliation of Dividend paid per share (In thousands of dollars, except per share amounts)	**For the years ended**				
	November 30 2022	November 30 2021	November 30 2020	November 30 2019	November 30 2018
	$	$	$	$	$
Dividend paid	**7,706**	7,279	1,712	851	-
Dividend paid per share	**0.90**	0.85	0.20	0.10	-
Weighted average number of share at payment (thousands)	**8,563**	8,563	8,563	8,563	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

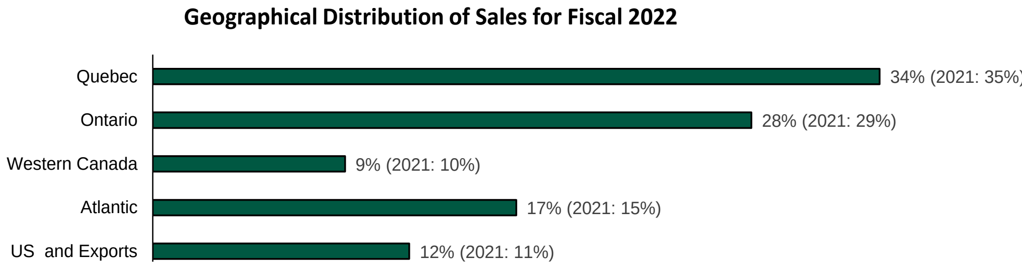
The Company performed very well in fiscal 2022 realizing the highest sales revenue on record. These results were achieved despite extremely challenging and shifting market conditions resulting from surging inflation, rising energy costs, labour shortages and changes in international markets. The Company's success is attributed to its strengths in operations, product diversity, value-added and customization offering, and customer service.

COMPARISON FOR THE YEARS ENDED NOVEMBER 30, 2022 AND 2021
(In thousands of dollars, except per share amounts)

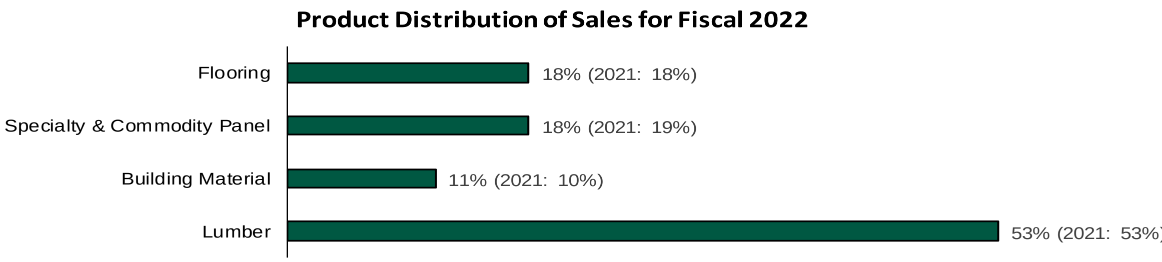
HIGHLIGHTS	**2022**	2021	Variance
	$	$	**%**
Sales	**631,185**	615,946	**+2.5**
Earnings before income taxes	**44,716**	50,523	**-11.5**
Net earnings	**32,679**	37,836	**-13.6**
Net earnings per share – Basic and Diluted	**3.82**	4.42	**-13.6**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**55,051**	60,003	**-8.3**
Net cash flow from Operating Activities	**26,013**	33,278	**-21.8**
EBITDA (1)	**55,627**	60,531	**-8.1**

(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 2022 increased 2% compared to last year due to an increase in sales of all product categories except for specialty and commodity panels. Quebec sales remained stable as sales increases of flooring products and building materials were offset by a decrease in sales of specialty and commodity panels and lumber products. Sales in Ontario increased 4% mainly due to an increase in sales of building materials and lumber products. Sales in Western Canada decreased 8% due to a decrease in sales of all product categories except lumber products. Atlantic region sales increased 10% due to an increase in sales of all product categories.



Sales in the United States for fiscal 2022 on a US dollar basis remained stable compared to last year, and on a Canadian dollar basis they increased 4% compared to last year. Finally, export sales increased 6% during fiscal 2022 compared to last year mostly due to an increase in sales of lumber and flooring products.



In terms of the distribution of sales by product, all product categories increased their sales except for specialty and commodity panels. Flooring sales during fiscal 2022 increased 1%, specialty and commodity panel sales decreased 4%, building materials sales increased 12%, and lumber sales increased 4% compared to last year.

Cost of Goods Sold

Cost of goods sold during fiscal 2022 was $495.1 million compared to $479.4 million last year. Cost of goods sold increased 3.3% compared to last year. Gross profits were $136.1 million compared to $136.5 million last year a decrease of 0.4% as compared to last year. Gross margins were 21.6% in fiscal 2022 (22.2% 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, except Gross margins as %)	**For the years ended**	
	November 30 2022	November 30 2021
	$	$
Sales	**631,185**	615,946
Cost of goods sold	**495,125**	479,403
Gross profit	**136,060**	136,543
Gross margins	**21.6%**	22.2%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses during fiscal 2022 was $88.1 million compared to $83.3 million last year an increase of 5.8% compared to last year.

Net Financial Costs

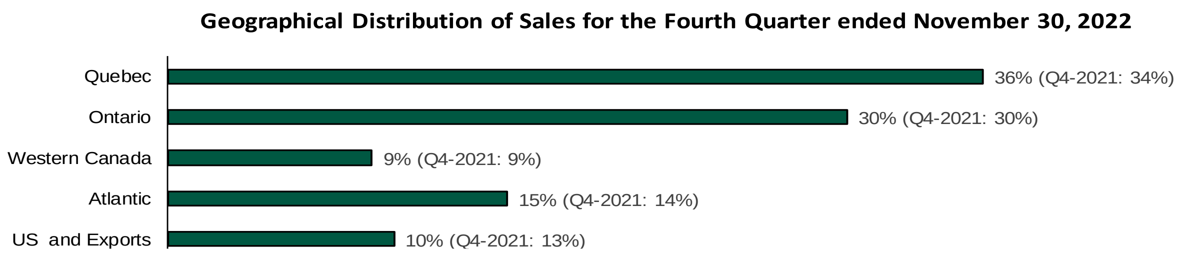
Net financial costs during fiscal 2022 were $3.2 million ($2.7 million last year). The average Canadian prime rate increased to 3.78% (2.45% last year). The average US prime rate increased to 4.52% (3.25% last year).

COMPARISON FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 AND 2021
(In thousands of dollars, except per share amounts - unaudited)

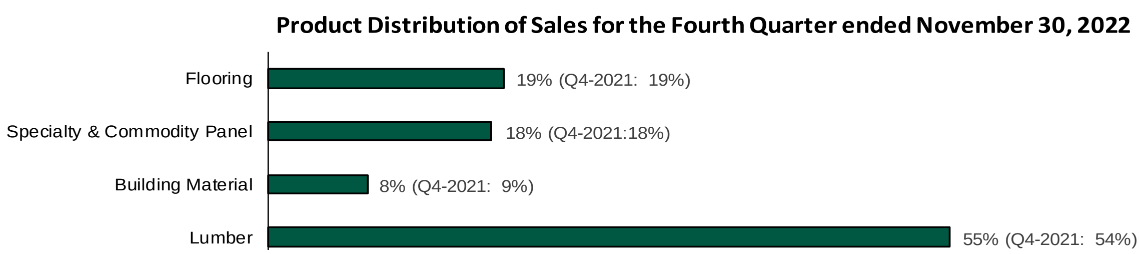
HIGHLIGHTS	Q4-2022	Q4-2021	Variance
	$	$	**%**
Sales	**149,299**	143,035	**+4.4**
Earnings before income taxes	**5,494**	11,902	**-53.8**
Net earnings	**4,440**	10,052	**-55.8**
Net earnings per share – Basic and Diluted	**0.52**	1.18	**-55.9**
Net cash flow from Operating Activities excluding impact of changes in non-cash working capital, income tax paid and interest paid (1)	**8,407**	13,369	**-37.1**
Net cash flow from Operating Activities	**40,295**	22,046	**+82.8**
EBITDA (1)	**8,313**	14,290	**-41.8**

(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 2022 increased 8% compared to last year due to an increase in sales of specialty and commodity panels, flooring, and lumber products. Quebec sales increased 12% due to an increase in sales of specialty and commodity panels, flooring, and lumber products. Sales in Ontario increased 2% mainly due to an increase in sales of lumber products. Sales in Western Canada decreased 2% due to a decrease in sales of specialty and commodity panels and building materials. Atlantic region sales increased 16% due to an increase in sales of all product categories except flooring products.



Sales in the United States for the fourth quarter of 2022 on US dollar basis decreased 24% compared to last year and decreased 18% on a Canadian dollar basis mostly due to a decrease in sales of all product categories except building materials. Finally, export sales decreased 18% during the fourth quarter of 2022 compared to last year mostly due to a decrease in sales of flooring and lumber products.



In terms of the distribution of sales by product, all product categories increased their sales except for building materials. Flooring sales during the fourth quarter of fiscal 2022 increased 2%, specialty and commodity panel sales increased 6%, building materials sales decreased 5%, and lumber sales increased 6% compared to last year.

Cost of Goods Sold

Cost of goods sold for the fourth quarter of fiscal 2022 was $120.4 million compared to $110.2 million for the corresponding period a year ago, an increase of 9.3% compared to last year. Gross profits were $28.9 million compared to $32.9 million last year. Gross profits decreased 12.1% compared to last year. Gross margins were 19.4% for the three months ended November 30, 2022 (23.0% last year). Gross profit and Gross margins are non-IFRS financial measures. See section "Non-IFRS Financial Measures" for more information. Gross profit is calculated as sales less cost of goods sold. Gross margin is calculated Gross profit over sales. The table below contains a reconciliation of Gross profit to sales.

Reconciliation of Gross profit (In thousands of dollars, except Gross margins as % - unaudited)	**For the three months ended**	
	November 30 2022	November 30 2021
	$	$
Sales	**149,299**	143,035
Cost of goods sold	**120,409**	110,176
Gross profit	**28,890**	32,859
Gross margins	**19.4%**	23.0%

Selling, Administrative and General Expenses

Selling, Administrative and General Expenses for the fourth quarter ended November 30, 2022 was $22.7 million compared to $20.4 million for the corresponding period last year, an increase of 11.1% compared to last year.

Net Financial Costs

Net financial costs for the three months ended November 30, 2022 were $0.7 million ($0.6 million last year). The average Canadian prime rate increased to 5.55% (2.45% last year). The average US prime rate increased to 6.31% (3.25% last year).

SUMMARY OF THE LAST EIGHT MOST RECENTLY COMPLETED QUARTERS

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

	Feb-2022	**May-2022**	**Aug-2022**	**Nov-2022**
	$	**$**	**$**	**$**
Sales	129,365	184,947	167,574	149,299
Net earnings	5,117	12,542	10,580	4,440
Net earnings per share	0.60	1.46	1.24	0,52

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

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

STATEMENT OF FINANCIAL POSITION

Total assets

Total assets at November 30, 2022 were $246.9 million compared to $237.6 million last year. Cash at November 30, 2022 was $3.4 million compared to $4.3 million last year. Trade and other receivables at November 30, 2022 was $64.4 million ($63.2 million last year). Income tax receivable was $2.4 million compared to nil last year. Inventories at November 30, 2022 was $112.3 million compared to $109.8 million last year. Prepaid expenses at November 30, 2022 was $2.6 million ($4.2 million last year). Defined benefit plan asset was $11.6 million at November 30, 2022 compared to $10.4 million last year. Other assets were $0.8 million at November 30, 2022 (same last year).

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

Property, plant and equipment at November 30, 2022 was $32.3 million compared to $30.0 million last year, and intangible assets at November 30, 2022 was $2.1 million compared to $2.7 million last year. Capital expenditures on property, plant and equipment and intangibles during fiscal 2022 amounted to $4.9 million compared to $1.4 million for the same period last year. Property, plant and equipment capitalized during fiscal 2022 mainly included buildings, yard, equipment, computers and rolling stock. Right-of-use assets at November 30, 2022 was $15.0 million ($12.3 million last year). Depreciation of property, plant, equipment, intangible, and right-of-use assets during fiscal 2022 amounted to $7.7 million compared to $7.3 million last year.

Total liabilities

Total liabilities at November 30, 2022 were $60.1 million compared to $76.6 million last year. Bank indebtedness was nil compared to $9.2 million last year. Trade and other payables at November 30, 2022 was $36.3 million compared to $37.9 million last year. Income taxes payable was nil at November 30, 2022 compared to $9.0 million last year. Current provision at November 30, 2022 was $2.3 million ($2.1 million last year). Non-current provision was $0.6 million compared to nil last year. Lease liabilities at November 30, 2022 were $17.5 million compared to $15.2 million last year. Deferred income taxes at November 30, 2022 was $3.4 million ($3.2 million last year).

Shareholders' Equity
Total Shareholders' Equity at November 30, 2022 was $186.8 million compared to $160.9 million last year. The Company generated a return on Shareholders' Equity of 17.5% during fiscal 2022 compared to 23.5% last year. The share price closed at $12.17 per share on November 30, 2022 ($9.56 on November 30, 2021). The Shareholders' Equity per share at November 30, 2022 was $21.83 per share compared to $18.80 per share last year. Share capital was $9.4 million at November 30, 2022 (same last year).

On November 10, 2022, following approval of the Toronto Stock Exchange (the "TSX"), the Company implemented a share repurchase program in the form of a normal course issuer bid ("NCIB"). This program allows the Company to repurchase up to an aggregate 428,127 common shares, representing approximately 5% of the common shares issued and outstanding as at November 7, 2022. All Shares purchased under the NCIB will be acquired on the open market and in accordance with the rules and policies of the TSX and applicable securities laws at the prevailing market prices, plus applicable brokerage fees, and cancelled. The share repurchase period will end no later than November 9, 2023. Moreover, the Company has entered into an automatic share purchase plan ("ASPP") with a designated broker in connection with the NCIB. The ASPP will allow for the purchase for cancellation of shares, subject to certain trading parameters, by its designated broker during times when the Company would ordinarily not be active in the market due to applicable regulatory restrictions or self-imposed blackout periods. Outside these periods, shares may be repurchased by the Company at its discretion under the NCIB. During fiscal year 2022, the Company bought back 4,600 shares.

Additional information regarding the NCIB is contained in Note 14 of the Consolidated Financial Statements for the year ended November 30, 2022.

The following dividends were declared and paid by the Company for the years ended:

November 30, 2022				**November 30, 2021**			
Declared				Declared			
Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
	$	$			$	$	
Mar 4, 2022	0.40	3,425	Mar 18, 2022	Mar 5, 2021	0.30	2,569	Mar 19, 2021
Oct 27, 2022	0.50	4,281	Nov 10, 2022	Nov 5, 2021	0.30	2,569	Nov 19, 2021
	0.90	**7,706**			**0.60**	**5,138**	

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

LIQUIDITY AND CAPITAL RESOURCES

Financing
In May 2021, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2024 by way of bank loans and / or banker's acceptances. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable and immovable property of the Company. As at November 30, 2022, the Company was compliant with its financial covenants. As at November 30, 2022, the Company was not using its facility (2021: $2.0 million). As at November 30, 2022, the Company has $1.0 million of issued letters of credits which reduces the availability of its facility compared to $0.9 million last year.

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

Cash Flow
Net cash flow from operating activities for fiscal 2022 was $26.0 million compared to $33.3 million last year. Financing activities during fiscal 2022 was $(14.7) million compared to $(33.8) million last year. Investing activities during fiscal 2022 was $(4.8) million compared to $(1.3) million last year (See Property, plant, equipment, intangible and right-of use assets for more details).

LIQUIDITY AND RISK MANAGEMENT IN THE CURRENT ECONOMIC CONDITIONS

The Company's objectives are as follows:

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

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

	November 30 2022	November 30 2021
	$	$
Bank indebtedness	**-**	9,246
Less: Cash	**(3,420)**	(4,253)
Net Debt	**(3,420)**	4,993
Share capital	**9,419**	9,424
Retained earnings	**177,360**	151,524
Shareholders' Equity	**186,779**	160,948
Total Capital	**183,359**	165,941

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.

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, 2022, the Company's Debt-to-capitalization ratio stood at 0.5% compared to 3.5% as at November 30, 2021.

FINANCIAL COMMITMENTS AND CONTINGENCIES

O**bligations**	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	19,587	5,646	7,788	4,132	2,021
Total obligations	**19,587**	**5,646**	**7,788**	**4,132**	**2,021**

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

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 2022 (same last year).

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

	For the years ended			
(in thousands of dollars)	**November 30, 2022**		November 30, 2021	
	$	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**88,782**	**14.1**	91,849	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 imports from Asia 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 is subject to 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, 2022:
(in thousands of dollars)

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Trade and other payables	36,286	36,286	36,286	-
Total financial liabilities	**36,286**	**36,286**	**36,286**	**-**

The following are the contractual maturities of financial liabilities as at 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**	**-**

Interest Rate Risk

The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates as well as the Company's Debt-to-capitalization ratio. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 100 basis point fluctuation of interest rate on average bank indebtedness throughout 2022 would impact interest expense annually by $0.3 million (November 30, 2021 - $0.1 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, 2022, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at November 30, 2022, 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, 2022, the Company had the following currency exposure on:

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

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

As at 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**	**(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)**

Credit Risk
The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers, and specific credit limit for each customer is established and regularly revised. Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from the provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables that are current or past due.

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked.

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

	November 30 2022	November 30 2021
	$	$
Current	**59,678**	57,966
31 – 60 days past due	**2,664**	3,131
61 – 90 days past due	**1,060**	1,079
91 – 120 days past due	**370**	158
Over 120 days past due	**682**	921
	64,454	63,255
Loss allowance	**(342)**	(170)
Balance, end of period	**64,112**	63,085

As at November 30, 2022, expected credit losses are limited to $342 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 and trade and other payables 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, 2022, 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 2022	November 30 2021
(in thousands of dollars)	**$**	$
Salaries and other short-term benefits	**3,122**	2,694
Post-employment benefits (including remeasurement of defined benefit plan obligation)	**42**	(475)
	3,164	2,219

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. 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. *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, 2022.

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. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants.

The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. A company that applies the 2020 amendments early is required to also apply the 2022 amendments. The Corporation will assess the impact of its adoption on its financial statements.

IFRS2 Practice Statement Making Materiality Judgments, and amendments to IAS 1 Presentation of Financial Statements
In February 2021, the IASB issued amendments to IAS 1 Disclosure of Accounting Policies. The amendments are intended to help entities in disclosing useful accounting policy information. The main amendments: – require entities to disclose their material accounting policies rather than their significant accounting policies; – specify that accounting policies that relate to immaterial transactions, other events or conditions are immaterial and need not be disclosed; – specify that not all accounting policies that relate to material transactions, other events or conditions are material to the Corporation's financial statements. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023, but earlier application is permitted. The Corporation is currently assessing the impact on disclosures of accounting policies.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors
In February 2021, the IASB issued amendments to IAS 8 Definition of Accounting Estimates, to help entities make a distinction between accounting policies and accounting estimates. The amendments present a new definition of accounting estimates, which specifies that they are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also specify the relationship between accounting policies and accounting estimates by stating that an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

Amendments to IAS 12 Income Taxes In May 2021, the IASB issued amendments to IAS 12
Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments limit the scope of the initial recognition exemption so that it does not apply to transactions that give rise to offsetting and equal temporary differences. As a result, entities will have to recognize deferred tax assets and liabilities for temporary differences arising from the initial recognition of a lease and a decommissioning provision. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA

At November 30, 2022, there were 8,557,954 common shares issued (8,562,554 common shares at November 30, 2021). The Company has authorized an unlimited number of common shares to be issued, without par value. At February 16, 2023, there were 8,548,054 common shares outstanding.

SUBSEQUENT EVENT

No subsequent events to report.

OUTLOOK

The Company expects differentiated growth rates across customer segments in 2023. The outlook for residential construction and manufacturing sectors is more pessimistic, as compared to the industrial segment which is likely to continue to be strong. As such, competition and challenges may increase significantly. Mitigating such challenges from inflation, rising wages, supply chain issues and cost of fuel will be of keen importance for the management team in order to protect market share and profitability.

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, 2022.

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, 2022.

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, 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Delson, February 16, 2023

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

(Signed) "Charles Brisebois", CPA
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.

(Signed) “Patrick Goodfellow”
President and Chief Executive Officer

(Signed) “Charles Brisebois”, CPA
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, 2022 and November 30, 2021;
- 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, 2022 and November 30, 2021, 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, 2022. 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 $112.3 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 2022".

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 2022" 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 IFRS, 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 16, 2023

*CPA auditor, public accountancy permit No. A122264

GOODFELLOW INC.
Consolidated Statements of Comprehensive Income
For the years ended November 30, 2022 and 2021
(in thousands of dollars, except per share amounts)

	Years ended	
	November 30 2022	November 30 2021
	$	$
Sales (Note 22)	**631,185**	615,946
Expenses		
Cost of goods sold (Note 4)	**495,125**	479,403
Selling, administrative and general expenses (Note 4)	**88,143**	83,326
Net financial costs (Note 5)	**3,201**	2,694
	586,469	565,423
Earnings before income taxes	**44,716**	50,523
Income taxes (Note 15)	**12,037**	12,687
Net earnings	**32,679**	37,836
Items that will not subsequently be reclassified to net earnings		
Remeasurement of defined benefit plan obligation net of taxes of $355 ($2,730 in 2021) (Note 16)	**914**	7,021
Total comprehensive income	**33,593**	44,857
Net earnings per share – Basic and Diluted (Note 14)	**3.82**	4.42

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 2022	As at November 30 2021
	$	$
Assets		
Current Assets		
Cash	**3,420**	4,253
Trade and other receivables (Note 6)	**64,423**	63,246
Income taxes receivable	**2,439**	-
Inventories (Note 7)	**112,294**	109,787
Prepaid expenses	**2,555**	4,189
Total Current Assets	**185,131**	181,475
Non-Current Assets		
Property, plant and equipment (Note 8)	**32,269**	30,022
Intangible assets (Note 9)	**2,096**	2,650
Right-of-use assets (Note 10)	**14,999**	12,262
Defined benefit plan asset (Note 16)	**11,620**	10,397
Other assets	**802**	785
Total Non-Current Assets	**61,786**	56,116
Total Assets	**246,917**	237,591
Liabilities		
Current Liabilities		
Bank indebtedness (Note 11)	**-**	9,246
Trade and other payables (Note 12)	**36,286**	37,897
Income taxes payable	**-**	9,022
Provision (Note 13)	**2,281**	2,147
Current portion of lease liabilities (Note 10)	**4,969**	4,256
Total Current Liabilities	**43,536**	62,568
Non-Current Liabilities		
Provision (Note 13)	**634**	-
Lease liabilities (Note 10)	**12,537**	10,924
Deferred income taxes (Note 15)	**3,431**	3,151
Total Non-Current Liabilities	**16,602**	14,075
Total Liabilities	**60,138**	76,643
Shareholders' Equity		
Share capital (Note 14)	**9,419**	9,424
Retained earnings	**177,360**	151,524
	186,779	160,948
Total Liabilities and Shareholders' Equity	**246,917**	237,591

Contingent liabilities and commitments (Note 20)
Notes 1 to 22 are an integral part of these consolidated financial statements.

Approved by the Board of Directors

(Signed) "Robert Hall" Chair of the Board

(Signed) "Alain Côté" Director & Chair of the Audit Committee

GOODFELLOW INC.
Consolidated Statements of Cash Flows
For the years ended November 30, 2022 and 2021
(in thousands of dollars)

	Years ended	
	November 30 2022	November 30 2021
	$	$
Operating Activities		
Net earnings	**32,679**	37,836
Adjustments for:		
Depreciation and amortization of:		
Property, plant and equipment (Note 8)	**2,551**	2,552
Intangible assets (Note 9)	**608**	621
Right-of-use assets (Note 10)	**4,551**	4,141
Accretion expense on provision (Note 13)	**102**	44
Provision (Note 13)	**666**	630
Income taxes	**12,037**	12,687
Gain on disposal of property, plant and equipment	**(45)**	(25)
Interest expense (Note 5)	**1,230**	826
Interest on lease liabilities (Note 5)	**603**	580
Funding in deficit of pension plan expense	**46**	117
Other	**23**	(6)
	55,051	60,003
Changes in non-cash working capital items (Note 17)	**(3,734)**	(15,484)
Interest paid	**(1,731)**	(1,541)
Income taxes paid	**(23,573)**	(9,700)
	(29,038)	(26,725)
Net Cash Flows from Operating Activities	**26,013**	33,278
Financing Activities		
Net decrease in bank loans (Note 11)	**(2,000)**	(10,000)
Net decrease in banker's acceptances (Note 11)	**-**	(12,000)
Payment of lease liabilities (Note 10)	**(4,985)**	(4,551)
Redemption of shares (Note 14b)	**(56)**	-
Dividend paid (Note 14d)	**(7,706)**	(7,279)
Net Cash Flows from Financing Activities	**(14,747)**	(33,830)
Investing Activities		
Acquisition of property, plant and equipment	**(4,827)**	(1,333)
Acquisition in intangible assets	**(54)**	(33)
Proceeds on disposal of property, plant and equipment	**45**	29
Other assets	**(17)**	-
Net Cash Flows from Investing Activities	**(4,853)**	(1,337)
Net cash inflow (outflow)	**6,413**	(1,889)
Cash position, beginning of year	**(2,993)**	(1,104)
Cash position, end of year	**3,420**	(2,993)
Cash position is comprised of:		
Cash	**3,420**	4,253
Bank overdraft (Note 11)	**-**	(7,246)
	3,420	(2,993)

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

GOODFELLOW INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended November 30, 2022 and 2021
(in thousands of dollars)

	Share Capital	**Retained Earnings**	**Total**
	$	$	$
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
Dividend (Note 14d)	-	(5,138)	(5,138)
Balance as at November 30, 2021	**9,424**	**151,524**	**160,948**
Net earnings	**-**	**32,679**	**32,679**
Other comprehensive income	**-**	**914**	**914**
Total comprehensive income	**-**	**33,593**	**33,593**
Dividend (Note 14d)	**-**	**(7,706)**	**(7,706)**
Redemption of Shares (Note 14b)	**(5)**	**(51)**	**(56)**
Balance as at November 30, 2022	**9,419**	**177,360**	**186,779**

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

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, 2022 and 2021 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").

These consolidated financial statements were authorized for issue by the Board of Directors on February 16, 2023.

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 the present value of the expected expenditures 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.

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

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. 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. *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) *Adoption of New or amended Accounting Policies*
IAS 38 Intangible Assets
In March 2021, the International Financial Reporting Interpretations Committee ("IFRIC") issued a final agenda decision on configuration or customization costs in a cloud computing arrangement (IAS 38 Intangible Assets), which clarifies how to account for certain configuration or customization costs under cloud computing arrangements. The Corporation adopted these amendments effective December 1, 2021, and they had no impact on the consolidated financial statements.

b) *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.

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

d) *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.

e) *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.

f) 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.

g) 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 stock.

h) 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.

i) *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.

j) *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.

k) *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.

l) *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.

m) *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.

n) *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 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, 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.

o) *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.

p) *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.

q) *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.

r) *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.

s) *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.

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

t) 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. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively “the Amendments”) are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. A company that applies the 2020 amendments early is required to also apply the 2022 amendments. The Corporation will assess the impact of its adoption on its financial statements.

IFRS2 Practice Statement Making Materiality Judgments, and amendments to IAS 1 Presentation of Financial Statements
In February 2021, the IASB issued amendments to IAS 1 Disclosure of Accounting Policies. The amendments are intended to help entities in disclosing useful accounting policy information. The main amendments: – require entities to disclose their material accounting policies rather than their significant accounting policies; – specify that accounting policies that relate to immaterial transactions, other events or conditions are immaterial and need not be disclosed; – specify that not all accounting policies that relate to material transactions, other events or conditions are material to the Corporation’s financial statements. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023, but earlier application is permitted. The Corporation is currently assessing the impact on disclosures of accounting policies.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimate and Errors
In February 2021, the IASB issued amendments to IAS 8 Definition of Accounting Estimates, to help entities make a distinction between accounting policies and accounting estimates. The amendments present a new definition of accounting estimates, which specifies that they are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also specify the relationship between accounting policies and accounting estimates by stating that an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

Amendments to IAS 12 Income Taxes In May 2021, the IASB issued amendments to IAS 12
Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments limit the scope of the initial recognition exemption so that it does not apply to transactions that give rise to offsetting and equal temporary differences. As a result, entities will have to recognize deferred tax assets and liabilities for temporary differences arising from the initial recognition of a lease and a decommissioning provision. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

4. Additional information on:

Cost of goods sold	**November 30 2022**	November 30 2021
	$	$
Employee benefits expense	**1,339**	1,293
Obsolescence adjustment	**1,236**	1,965
Depreciation	**898**	798
Foreign exchange losses (gains)	**532**	(269)

Selling, administrative and general expenses	**November 30 2022**	November 30 2021
	$	$
Employee benefits expense	**54,317**	52,586
Depreciation and amortization	**6,812**	6,516

5. Net financial costs

	November 30 2022	November 30 2021
	$	$
Interest expense	**1,230**	826
Interest expense on lease liabilities	**603**	580
Accretion expense on provision (Note 13)	**102**	44
Other financial costs	**1,271**	1,246
Financial cost	**3,206**	2,696
Financial income	**(5)**	(2)
Net financial costs	**3,201**	2,694

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

6. Trade and other receivables

	November 30 2022	November 30 2021
	$	$
Trade receivables	**64,454**	63,255
Allowance for doubtful accounts	**(342)**	(170)
	64,112	63,085
Other receivables	**311**	161
	64,423	63,246

7. Inventories

	November 30 2022	November 30 2021
	$	$
Raw materials	**9,296**	12,426
Work in process	**6,356**	12,525
Finished goods	**99,844**	87,562
	115,496	112,513
Provision for obsolescence	**(3,202)**	(2,726)
	112,294	109,787

For the year ended November 30, 2022, $475.1 million (2021 - $462.1 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 $1.1 million as at November 30, 2022 (November 30, 2021 - $1.2 million).

8. Property, plant and equipment

	Land	**Buildings, Yard and Leasehold improvements**	**Equipment, Furniture and Fixtures**	**Rolling Stock**	**Computer Equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost						
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
Additions	-	1,762	1,969	978	89	4,798
Cost at November 30, 2022	**6,262**	**52,360**	**31,596**	**8,159**	**4,970**	**103,347**
Accumulated depreciation						
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
Depreciation	-	1,352	735	306	158	2,551
Accumulated depreciation at November 30, 2022	**-**	**33,431**	**26,645**	**6,713**	**4,289**	**71,078**
Carrying Value						
At November 30, 2021	6,262	18,519	3,717	774	750	30,022
At November 30, 2022	**6,262**	**18,929**	**4,951**	**1,446**	**681**	**32,269**

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

9. Intangible assets

	Software and technologies	Customer relationship	Total
	$	$	$
Cost			
Cost at November 30, 2020	6,548	530	7,078
Additions	33	-	33
Cost at November 30, 2021	6,581	530	7,111
Additions	54	-	54
Cost at November 30, 2022	**6,635**	**530**	**7,165**
Accumulated amortization			
Accumulated amortization at November 30, 2020	3,319	521	3,840
Amortization	612	9	621
Accumulated amortization at November 30, 2021	3,931	530	4,461
Amortization	608	-	608
Accumulated amortization at November 30, 2022	**4,539**	**530**	**5,069**
Carrying Value			
At November 30, 2021	2,650	-	2,650
At November 30, 2022	**2,096**	**-**	**2,096**

10. Right-of-use assets and lease liabilities

Right-of-use assets

	Buildings	Furniture and Equipment	Rolling Stock	Total
	$	$	$	$
Balance at November 30, 2020	9,725	297	4,302	14,324
Additions	116	324	1,725	2,165
Depreciation	(2,089)	(167)	(1,885)	(4,141)
Disposals	-	(70)	(16)	(86)
Balance at November 30, 2021	7,752	384	4,126	12,262
Additions	5,180	-	2,162	7,342
Depreciation	(2,330)	(165)	(2,056)	(4,551)
Disposals	-	-	(54)	(54)
Balance at November 30, 2022	**10,602**	**219**	**4,178**	**14,999**

Lease liabilities

	November 30 2022	November 30 2021
	$	$
Balance beginning of year	15,180	17,658
Additions	7,342	2,165
Early repayment of lease liabilities	(52)	(79)
Interest expense on lease liabilities (Note 5)	603	580
Payment of lease liabilities	(5,588)	(5,131)
Foreign exchange movements	21	(13)
Balance end of year	**17,506**	**15,180**
Less : current portion	(4,969)	(4,256)
Balance end of year – long term portion	**12,537**	**10,924**

(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, 2022 and 2021 related to leases:

	November 30 2022	November 30 2021
	$	$
Expense related to low value and short-term leases	**254**	423
Variable lease payments (not included in the measurement of lease liabilities)	**1,354**	1,092
	1,608	1,515

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

	November 30 2022	November 30 2021
	$	$
Less than one year	**5,646**	5,048
One to two years	**4,617**	4,502
Two to three years	**3,171**	3,426
Three to four years	**2,474**	1,986
Four to five years	**1,658**	1,435
More than five years	**2,021**	1,637
Total undiscounted lease liabilities	**19,587**	18,034

11. Bank indebtedness

	November 30 2022	November 30 2021
	$	$
Bank loans (1)	**-**	2,000
Bank overdraft	**-**	7,246
	-	9,246

(1) In May 2021, the Company renewed its credit agreement with its present lenders, two chartered Canadian banks. The credit agreement has a maximum revolving operating facility of $90 million maturing in May 2024 by way of bank loans and/or banker's acceptances. In addition, an accordion of $10 million is available once per fiscal year for a maximum of 150 days. Funds advanced under these credit facilities bear interest at the prime rate plus a premium and are secured by first ranking security on the universality of the movable and immovable property of the Company. As at November 30, 2022, the Company was compliant with its financial covenants. As at November 30, 2022, the Company has $1.0 million of issued letters of credits which reduces the availability of its facility compared to $0.9 million last year.

12. Trade and other payables

	November 30 2022	November 30 2021
	$	$
Trade payables and accruals	**25,172**	28,642
Payroll related liabilities	**6,201**	6,662
Sales taxes payable	**4,913**	2,593
	36,286	37,897

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

(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 2022	November 30 2021
	$	$
Balance, beginning of the year	**2,147**	1,473
Changes due to:		
Revision of future expected expenditures	**1,106**	1,783
Accretion expense	**102**	44
Expenditures incurred	**(440)**	(1,153)
Balance, end of period	**2,915**	2,147
Current portion	**2,281**	2,147
Long-term portion	**634**	-

14. Share Capital

a) Authorized

An unlimited number of common shares, without par value

	November 30 2022 Number of shares	November 30 2021 Number of shares	**November 30 2022 Carrying value**	November 30 2021 Carrying value
Shares outstanding at the beginning of the year	**8,562,554**	8,562,554	**$ 9,424**	**$** 9,424
Repurchased and cancelled (b)	**(4,600)**	-	**(5)**	-
Shares outstanding at the end of the year	**8,557,954**	8,562,554	**9,419**	9,424

b) Share repurchase program (NCIB)

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

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

	November 30, 2022
Common shares repurchased for cancellation (number of shares)	4,600
Average price per share	$ 12.17
Total repurchase cost	$ 56
Repurchase resulting in a reduction of:	
Share Capital	$ 5
Deficit [1]	$ 51

[1] The excess of repurchase cost over the average carrying value of the common shares.

c) Net earnings

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

	November 30 2022	November 30 2021
	$	$
Net earnings, basic and diluted	**32,679**	37,836
Weighted average number of common shares, basic and diluted	**8,562,171**	8,562,554

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

d) Dividends

The following dividends were declared and paid by the Company for the years ended:

November 30, 2022				**November 30, 2021**			
Declared				Declared			
Record date	Per share	Amount	Payment date	Record date	Per share	Amount	Payment date
	$	$			$	$	
Mar 4, 2022	0.40	3,425	Mar 18, 2022	Mar 5, 2021	0.30	2,569	Mar 19, 2021
Oct 27, 2022	0.50	4,281	Nov 10, 2022	Nov 5, 2021	0.30	2,569	Nov 19, 2021
	0.90	**7,706**			**0.60**	**5,138**	

15. Income Taxes

The income tax expense is as follows:

	November 30 2022	November 30 2021
	$	$
Current	**12,112**	13,863
Deferred	**(75)**	(1,176)
	12,037	12,687

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

	November 30 2022	November 30 2021
	$	$
Earnings before income taxes	**44,716**	50,523
Statutory income tax rate (%)	**26.7**	26.5
Income taxes based on above rates	**11,939**	13,389
Adjusted for:		
Permanent differences	**33**	32
Difference in expected rate of reversal versus current rate	**(54)**	(109)
Other	**119**	(625)
	12,037	12,687

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

	November 30 2022	November 30 2021
	$	$
Deferred income tax (liabilities) assets:		
Deferred pension asset	**(3,108)**	(2,764)
Provisions and other	**2,186**	1,629
Property, plant and equipment	**(2,509)**	(2,016)
Net deferred tax liability	**(3,431)**	(3,151)

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.

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

All employees have ceased to accrue service under the defined benefit portions of the plans. As for the DC components, the Company matches employee contributions.

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, 2022 was $1.5 million (2021 - $1.4 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 effective December 31, 2021 for both plans. The next actuarial valuation for both plans for funding will be no later than as of December 31, 2024.

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

	November 30 2022	November 30 2021
	$	$
Defined benefit obligation		
Balance, beginning of year	**48,279**	54,989
Interest cost	**1,605**	1,394
Benefits paid	**(2,134)**	(2,721)
Actuarial (gain) loss		
Changes in demographic assumptions	**375**	-
Changes in financial assumptions	**(7,820)**	(5,383)
Effect of experience adjustments	**19**	-
Balance, end of year	**40,324**	48,279

	November 30 2022	November 30 2021
	$	$
Plan assets		
Fair value, beginning of year	**58,676**	55,752
Interest income	**1,952**	1,413
Employer contributions	**-**	48
Benefits paid	**(2,134)**	(2,721)
Administrative expenses paid from plan assets	**(393)**	(184)
Return on plan assets in excess of interest income	**(6,157)**	4,368
Fair value, end of year	**51,944**	58,676
Net asset	**11,620**	10,397

The actual return on plan assets was $(4.2) million in 2022 and $5.8 million in 2021.

The significant actuarial weighted average assumptions used are as follows:

	November 30 2022	November 30 2021
	%	%
Defined benefit obligation:		
Discount rate	**5.05**	3.40
Rate of compensation increase	**3.00**	3.00

Net benefit plan expense:

	November 30 2022	November 30 2021
	$	$
Interest cost	**1,605**	1,394
Interest income	**(1,952)**	(1,413)
Administrative expenses	**393**	184
Net benefit plan expense	**46**	165

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

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 2022	November 30 2021
	%	%
Equity security:		
Canadian stocks	**22**	20
US stocks	**21**	19
International stocks	**22**	18
Fixed income:		
Universal bonds	**28**	42
Cash and equivalents	**7**	1
All investments are quoted on an active market		

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	$41,331	$40,324	$39,373
Discount rate	4.80%	5.05%	5.30%

Sensitivity to the life expectancy:

	Increase of one year	**Assumption used**
Defined benefit obligation	$41,312	$40,324
Mortality rates (CPM2014Priv – MI2017)		
Life expectancy of man of 65 years (90% of CPM2014Priv – MI2017)	23.8 years	22.8 years
Life expectancy of woman of 65 years (100% of CPM2014Priv – MI2017)	25.4 years	24.4 years

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

The total cash payment for post-employment benefits for 2022, consisting of cash contributed by the Company to its funded pension plans, was nil ($50 thousand in 2021). Based on the latest filed actuarial valuation for funding purposes as at December 31, 2021, the Company expects to contribute nil in 2023.

The weighted average duration of the defined benefit obligation is 12 years.

17. Additional Cash Flow Information

Changes in Non-Cash Working Capital Items

	November 30 2022	November 30 2021
	$	$
Trade and other receivables	**(1,177)**	12,847
Inventories	**(2,507)**	(25,047)
Prepaid expenses	**1,566**	(1,481)
Trade and other payables	**(1,616)**	(1,803)
	(3,734)	(15,484)

Non-cash transactions
The Company purchased property, plant, equipment and intangible assets for which an amount of $72 thousand was unpaid as at November 30, 2022 ($101 thousand as at November 30, 2021).

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

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, 2021				
Interest expense	433	393	580	1,406
Interest paid	444	517	580	1,541
Year ended November 30, 2022				
Interest expense	**485**	**745**	**603**	**1,833**
Interest paid	**451**	**677**	**603**	**1,731**

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, 2022:

Financial Liabilities				
	Carrying Amount	**Contractual cash flows**	**0 to 12 Months**	**12 to 36 Months**
Trade and other payables	36,286	36,286	36,286	-
Total financial liabilities	**36,286**	**36,286**	**36,286**	**-**

The following are the contractual maturities of financial liabilities as at 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**	**-**

Interest Rate Risk
The Company uses a credit facility to finance working capital requirements. The interest cost of this facility is dependent upon Canadian and US bank prime rates as well as the Company's Debt-to-capitalization ratio. The profitability of the Company could be adversely affected with increases in the bank prime rate. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A 100 basis point fluctuation of interest rate on average bank indebtedness throughout 2022 would impact interest expense annually by $0.3 million (November 30, 2021 - $0.1 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, 2022, the Company did not use foreign exchange contracts to mitigate its effect on sales and purchases. Consequently, as at November 30, 2022, 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.

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

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

Financial assets and liabilities measured at amortized costs

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

As at 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)**

Credit Risk

The Company is exposed to credit risks from customers. As a result of having a diversified customer mix, this risk is alleviated by minimizing the amount of exposure the Company has to any one customer. Additionally, the Company has a system of credit management to mitigate the risk of losses due to insolvency or bankruptcy of its customers. It also utilizes credit insurance to reduce the potential for credit losses. Finally, the Company has adopted a credit policy that defines the credit conditions to be met by its customers, and specific credit limit for each customer is established and regularly revised. Based on historical payment behaviour and current credit information and experience available, the Company believes that, apart from the provision for doubtful accounts recorded, no impairment allowance is necessary in respect of trade receivables that are current or past due.

The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked.

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

	November 30 2022	November 30 2021
	$	$
Current	**59,678**	57,966
31 – 60 days past due	**2,664**	3,131
61 – 90 days past due	**1,060**	1,079
91 – 120 days past due	**370**	158
Over 120 days past due	**682**	921
	64,454	63,255
Loss allowance	**(342)**	(170)
Balance, end of period	**64,112**	63,085

As at November 30, 2022, expected credit losses are limited to $342 thousand and therefore, the expected credit losses by trade accounts receivable aging have not been presented separately in the table above.

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

Economic Dependence
The Company does not have long-term contracts with any of its customers. Distribution agreements are usually awarded annually and can be revoked. Only one major customer exceeds 10% of total Company sales during fiscal 2022 (same last year). The following represents the total sales consisting primarily of various wood products of the major customer:

	For the years ended			
	November 30, 2022		November 30, 2021	
	$	**%**	$	%
Sales to the major customer that exceeded 10% of total Company's sales	**88,782**	**14.1**	91,849	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.

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

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

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

	November 30 2022	November 30 2021
	$	$
Bank indebtedness	**-**	9,246
Less: Cash	**(3,420)**	(4,253)
Net Debt	**(3,420)**	4,993
Share capital	**9,419**	9,424
Retained earnings	**177,360**	151,524
Shareholders' Equity	**186,779**	160,948
Total Capital	**183,359**	165,941

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.

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

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

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, 2022, the minimum future purchase obligation for the next year was nil (November 30, 2021 - $1.3 million).

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, 2022, 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 2022	November 30 2021
	$	$
Salaries and other short-term benefits	**3,122**	2,694
Post-employment benefits (including remeasurement of defined benefit plan obligation)	**42**	(475)
	3,164	2,219

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 88% (89% in 2021) of total sales, the sales to clients located in the United States represent approximately 8% (7% in 2021) of total sales, and the sales to clients located in other markets represent approximately 4% (same in 2021) of total sales.

	November 30 2022	November 30 2021
	$	$
Canada	**558,660**	546,478
US	**47,851**	46,116
Export	**24,674**	23,352
	631,185	615,946

Sales categories

	November 30 2022	November 30 2021
	$	$
Lumber	**335,444**	323,908
Specialty and commodity panels	**114,470**	119,061
Flooring	**111,837**	110,761
Building materials	**69,434**	62,216
	631,185	615,946

CORPORATE INFORMATION

BOARD OF DIRECTORS

Robert Hall
Chair of the Board

Alain Côté */**
Director & Chair
of the Audit Committee

David Goodfellow
Director

Douglas Goodfellow **
Director

James Hewitt *
Director

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

Sarah Prichard **
Director & Chair
of the Executive Compensation
Committee

* 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

Mary Lohmus
Executive Vice President,
Ontario & Western Canada

David Warren
Senior Vice President,
Atlantic

Eric Bisson
Vice President,
Quebec

Luc Dignard
Vice President,
Sales, Quebec

Harry Haslett
Vice President,
Sales & Marketing, Atlantic

Jeff Morrison
Vice President,
National Accounts

Luc Pothier
Vice President,
Operations

Eric McNeely
Vice President,
Business Development - Flooring

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Transfer Agent
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Montreal, Quebec

Stock Exchange
Toronto
Trading Symbol: GDL

Wholly-owned Subsidiaries
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Quality Hardwoods Ltd.

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GOODFELLOW

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