

Condensed Interim Financial Statements of

GOODFOOD MARKET CORP.

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

GOODFOOD MARKET CORP.

Table of Contents
(Unaudited)

	Page
Condensed Interim Financial Statements	
Condensed Interim Statements of Financial Position	1
Condensed Interim Statements of Loss and Comprehensive Loss	2
Condensed Interim Statements of Changes in Equity	3
Condensed Interim Statements of Cash Flows	4
Notes to Condensed Interim Financial Statements	5 - 11

GOODFOOD MARKET CORP.

Condensed Interim Statements of Financial Position

As at November 30, 2017 and August 31, 2017
(Unaudited)

	November 30, 2017	August 31, 2017
Assets		
Current assets:		
Cash	\$ 16,558,880	\$ 17,544,583
Short-term investments	3,834	3,834
Sales tax receivable	936,977	773,462
Inventories	654,190	382,374
Prepaid expenses and other current assets	166,638	152,682
	<u>18,320,519</u>	<u>18,856,935</u>
Non-current assets:		
Other non-current assets	232,558	82,558
Fixed assets (note 4)	3,473,716	2,300,147
Intangible assets	69,364	70,602
	<u>\$ 22,096,157</u>	<u>\$ 21,310,242</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,566,857	\$ 3,605,817
Deferred revenue	1,238,824	841,037
Current portion of long-term debt	513,322	116,662
	<u>6,319,003</u>	<u>4,563,516</u>
Non-current liabilities:		
Long-term debt (note 5)	1,871,228	395,147
	<u>8,190,231</u>	<u>4,958,663</u>
Shareholders' equity:		
Common shares	27,144,084	27,144,084
Contributed surplus	456,377	382,197
Deficit	(13,694,535)	(11,174,702)
	<u>13,905,926</u>	<u>16,351,579</u>
Commitments (note 10)		
	<u>\$ 22,096,157</u>	<u>\$ 21,310,242</u>

See accompanying notes to condensed interim financial statements.

On behalf of the Board:

_____ Director

_____ Director

GOODFOOD MARKET CORP.

Condensed Interim Statements of Loss and Comprehensive Loss

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

	2017	2016
Revenue	\$ 11,235,882	\$ 2,192,468
Cost of goods sold	9,175,618	1,864,095
Gross profit	2,060,264	328,373
Expenses:		
Selling, general and administrative	4,449,606	734,597
Depreciation and amortization	36,957	7,539
Loss on disposal of fixed assets (note 4)	113,097	-
	4,599,660	742,136
Net finance expenses:		
Loss on remeasurement to fair value of convertible notes (note 9)	-	2,691,117
Other net finance (income) expenses (note 6)	(19,563)	7,934
	(19,563)	2,699,051
Net loss, being comprehensive loss for the period	\$ (2,519,833)	\$ (3,112,814)
Basic and diluted loss per share (note 7)	\$ (0.05)	\$ (0.13)

See accompanying notes to condensed interim financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Statements of Changes in Equity

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

	Common shares		Contributed		
	Number	Amount	surplus	Deficit	Total
Balance as at August 31, 2016	24,837,978	\$ 59,000	\$ -	\$ (1,308,655)	\$ (1,249,655)
Net loss	-	-	-	(3,112,814)	(3,112,814)
Share-based payment expense (note 11)	-	-	5,140	-	5,140
Balance as at November 30, 2016	24,837,978	\$ 59,000	\$ 5,140	\$ (4,421,469)	\$ (4,357,329)
Balance as at August 31, 2017	47,753,832	\$ 27,144,084	\$ 382,197	\$ (11,174,702)	\$ 16,351,579
Net loss	-	-	-	(2,519,833)	(2,519,833)
Share-based payment expense (note 11)	-	-	74,180	-	74,180
Balance as at November 30, 2017	47,753,832	\$ 27,144,084	\$ 456,377	\$ (13,694,535)	\$ 13,905,926

See accompanying notes to condensed interim financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Statements of Cash Flows

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

	2017	2016
Cash provided by (used in):		
Operating:		
Net loss	\$ (2,519,833)	\$ (3,112,814)
Adjustments for:		
Depreciation and amortization	36,957	7,539
Share-based payment expense	74,180	5,140
Loss on disposal of fixed assets	113,097	—
Loss on remeasurement to fair value of convertible notes	—	2,691,117
Other net finance (income) expenses	(19,563)	7,934
Interest paid	(18,524)	(8,189)
Interest received	57,952	254
Other non-current assets	(150,000)	—
Change in non-cash operating working capital:		
Sales tax receivable	(163,515)	(100,294)
Inventories	(271,816)	(24,200)
Prepaid expenses and other current assets	(71,908)	—
Accounts payable and accrued liabilities	1,141,456	451,806
Deferred revenue	397,787	36,307
	(1,393,730)	(45,400)
Financing:		
Proceeds from issuance of long-term debt	2,500,000	—
Debt issue costs	(12,500)	—
Repayment of long-term debt	(614,759)	(937)
Proceeds from issuance of convertible notes	—	1,000,000
	1,872,741	999,063
Investing:		
Acquisition of fixed assets	(1,461,220)	(52,432)
Acquisition of intangible assets	(3,494)	(31,996)
	(1,464,714)	(84,428)
(Decrease) increase in cash	(985,703)	869,235
Cash, beginning of period	17,544,583	516,130
Cash, end of period	\$ 16,558,880	\$ 1,385,365

See accompanying notes to condensed interim financial statements.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

1. Reporting entity:

Goodfood Market Corp. (the "Company") is incorporated under the *Canada Business Corporations Act* and is domiciled in Ottawa, Ontario. The main activity of the Company is the delivery of meal kits to customers in Canada. The Company operates its distribution facility and head office from Montréal, Québec.

On September 1, 2017, the Company completed an amalgamation under the *Canada Business Corporations Act* with its wholly-owned subsidiary, Goodfood Market Inc. Following the amalgamation, the Company is comprised of a single legal entity.

2. Basis of preparation:

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*. As permitted under this standard, these condensed interim financial statements do not include all of the disclosures required for annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's audited consolidated annual financial statements for the year ended August 31, 2017.

The condensed interim financial statements were authorized for issue by the Board of Directors on January 10, 2018.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Significant accounting policies:

Significant accounting policies used in these condensed interim financial statements are disclosed in Note 3 of the Company's 2017 annual consolidated financial statements. The accounting policies have been applied consistently to all periods presented.

With respect to new and amended accounting standards not yet adopted by the Company, refer to the annual audited financial statements for the year ended August 31, 2017, as there have been no changes.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

4. Fixed assets:

	Furniture and fixtures	Machinery and equipment	Computer hardware	Leasehold improvements	Assets under construction	Total
Cost:						
Balance as at						
August 31, 2017	\$ 56,393	\$ 222,164	\$ 107,889	\$ 7,080	\$ 1,950,685	\$ 2,344,211
Additions	22,561	104,417	13,601	19,000	1,159,313	1,318,892
Transfers	22,344	1,014,000	-	14,063	(1,050,407)	-
Disposals	-	(128,390)	-	-	-	(128,390)
Balance as at						
November 30, 2017	\$ 101,298	\$ 1,212,191	\$ 121,490	\$ 40,143	\$ 2,059,591	\$ 3,534,713
Accumulated depreciation:						
Balance as at						
August 31, 2017	\$ 5,656	\$ 26,079	\$ 12,211	\$ 118	\$ -	\$ 44,064
Depreciation	4,659	16,274	9,621	1,672	-	32,226
Disposals	-	(15,293)	-	-	-	(15,293)
Balance as at						
November 30, 2017	\$ 10,315	\$ 27,060	\$ 21,832	\$ 1,790	\$ -	\$ 60,997
Net carrying amounts:						
Balance as at						
August 31, 2017	\$ 50,737	\$ 196,085	\$ 95,678	\$ 6,962	\$ 1,950,685	\$ 2,300,147
Balance as at						
November 30, 2017	90,983	1,185,131	99,658	38,353	2,059,591	3,473,716

As at November 30, 2017, \$284,004 (August 31, 2017 - \$426,333) of fixed asset additions are included in Accounts payable and accrued liabilities.

5. Long-term debt:

In September 2017, the Company obtained a commitment from a Canadian chartered bank for a secured credit facility which includes a five-year variable-rate term loan of \$2,500,000, a \$500,000 revolving line of credit and \$300,000 in credit card availability. The credit facility is secured by inventory and a first-ranking movable hypothec on the Company's assets.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

5. Long-term debt (continued):

On October 12, 2017, the term loan of \$2,500,000 was disbursed, bearing variable interest at bank prime plus 3.25% (6.45% as at November 30, 2017). The term loan is repayable in equal quarterly instalments of \$125,000 beginning on November 30, 2017 and ending August 31, 2022. The proceeds of the term loan were used to refinance the Company's long-term debt, finance capital expenditures, and for general corporate purposes. As at November 30, 2017, no draws were made upon the revolving line of credit. Amounts owing with respect to credit cards are included in Accounts payable and other accrued liabilities. The credit facility includes financial covenants with which as at November 30, 2017, the Company is in compliance.

6. Other net finance (income) expenses:

	2017	2016
Interest expense on long-term debt	\$ 36,131	\$ 8,189
Interest income	(59,076)	(255)
Foreign exchange loss	3,382	—
	\$ (19,563)	\$ 7,934

7. Loss per share:

	2017	2016
Net loss	\$ (2,519,833)	\$ (3,112,814)
Basic weighted average number of common shares	47,753,832	24,837,978
Loss per share - basic and diluted	(0.05)	(0.13)

For the three-month period ended November 30, 2017, stock options were excluded from the diluted weighted average number of common shares calculation because such inclusion would have been antidilutive due to the net loss reported by the Company. For the three-month period ended November 30, 2016, Class A preferred shares, convertible notes and stock options were excluded from the diluted weighted average number of common shares calculation because such inclusion would have been antidilutive due to the net loss reported by the Company.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

8. Financial risks:

(a) Credit risk:

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligation. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk is primarily attributable to its cash, short-term investments and bank deposits included in other non-current assets. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk is limited because the Company deals with major North American financial institutions.

(b) Interest rate risk:

The Company's long-term debt bears interest at variable rates which are determined by a base rate set by the lender plus a margin. As a result, the Company is exposed to interest rate risk due to fluctuations in lenders' base rates.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Capital management

The Company's objective in managing its capital is to ensure a sufficient liquidity position to finance its operations to maximize the preservation of capital and to deliver competitive returns on invested capital. To fund its activities, the Company has relied on private placements of its common and preferred shares, convertible notes and long-term debt, which are included in the Company's definition of capital, as applicable. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

8. Financial risks (continued):

(c) Liquidity risk (continued):

Capital management (continued)

The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments:

	November 30, 2017				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 4,566,857	\$ 4,566,857	\$ 4,566,857	\$ –	\$ –
Long-term debt	2,397,049	2,781,721	655,313	2,126,408	–

As at November 30, 2017, an interest rate of 6.45% was used to determine the estimated interest payments on the Company's variable-rate long-term debt.

	August 31, 2017				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 3,605,817	\$ 3,605,817	\$ 3,605,817	\$ –	\$ –
Long-term debt	511,809	624,270	158,637	457,877	7,756

9. Financial instruments:

The Company has determined that the fair values of cash, short-term investments, and accounts payable and accrued liabilities approximate their respective carrying amounts at the statements of financial position date, due to the short-term maturity of those instruments. The fair value of the Company's bank deposits included in other non-current assets and long-term debt approximates their carrying value as the financial instruments bear interest at rates which approximate current rates that could be obtained for bank deposits and debts with similar terms and credit risk.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

9. Financial instruments (continued):

Convertible notes

The Company has classified convertible notes as a financial liability designated at fair value through profit or loss. Changes in the fair value of the notes, including the impact of accrued interest, are recognized in net finance expense.

As at November 30, 2017 and August 31, 2017, no convertible note was outstanding.

For the three-month period ended November 30, 2016, the Company issued convertible notes with a face value of \$1,000,000 and recorded a loss on remeasurement to fair value of \$2,691,117.

For additional information with respect to convertible notes, refer to Note 12 and Note 21 to the Company's consolidated financial statements for the year ended August 31, 2017.

10. Commitments:

On November 10, 2017, the Company signed a seven-year lease with renewal options for some further twenty years for a production facility located in Western Canada. The lease is classified as an operating lease with a total estimated commitment of approximately \$4,300,000 over the seven-year term.

As at November 30, 2017, the Company is committed to minimum annual lease payments under operating leases as follows:

Less than one year	\$ 769,746
Between one and five years	4,728,361
More than five years	1,674,263
	<hr/>
	\$ 7,172,370

11. Stock option plan:

The Company has established a stock option plan to attract and retain employees, consultants, directors and officers. The plan provides for the granting of options to purchase common shares where at any given time the number of stock options reserved for issuance is equal to 5% of the Company's issued and outstanding common shares. Under the plan, options generally vest over a period of four years and expire eight years from the grant date. As at November 30, 2017, 1,535,737 stock options were available for issuance.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month periods ended November 30, 2017 and 2016
(Unaudited)

11. Stock option plan (continued):

During the three-month period ended November 30, 2017, 100,374 options were granted at a weighted average fair value of \$1.22 per option. The fair value was estimated at the date on which the options were granted using the Black-Scholes option pricing model with the following weighted-average assumptions:

Volatility	73%
Risk-free interest rate	1.63%
Expected life of options	5.1 years
Common share value at grant date	\$ 2.01
Exercise price	\$ 2.01

Information concerning the movement in stock options is as follows:

	Number of options	Weighted average exercise price
Outstanding, August 31, 2017	751,581	\$ 1.07
Granted	100,374	2.01
Outstanding, November 30, 2017	851,955	1.18
Exercisable, November 30, 2017	241,041	\$ 0.60

For the three-month period ended November 30, 2017, share-based compensation expense recognized under the stock option plan amounted to \$74,180 (2016 - \$5,140).