

Condensed Interim Financial Statements of

**GOODFOOD MARKET CORP.**

For the three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

# GOODFOOD MARKET CORP.

Table of Contents  
(Unaudited)

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	<b>Page</b>
<b>Condensed Interim Financial Statements</b>	
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 February 28, 2018 and August 31, 2017  
(Unaudited)

	February 28, 2018	August 31, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 15,176,680	\$ 17,548,417
Sales tax receivable	1,018,804	773,462
Inventories	635,311	382,374
Prepaid expenses and other current assets (note 4)	418,615	152,682
	17,249,410	18,856,935
Non-current assets:		
Other non-current assets	297,613	82,558
Fixed assets (note 5)	4,384,534	2,300,147
Intangible assets	64,633	70,602
	\$ 21,996,190	\$ 21,310,242
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Line of credit (note 6)	\$ 500,000	\$ -
Accounts payable and accrued liabilities	6,503,469	3,529,373
Deferred revenue	595,501	841,037
Current portion of long-term debt (note 6)	519,038	116,662
	8,118,008	4,487,072
Non-current liabilities:		
Long-term debt (note 6)	1,776,892	395,147
Other non-current liabilities	505,110	76,444
	10,400,010	4,958,663
Shareholders' equity:		
Common shares	27,209,440	27,144,084
Contributed surplus	475,879	382,197
Deficit	(16,089,139)	(11,174,702)
	11,596,180	16,351,579
Commitments (note 11)		
	\$ 21,996,190	\$ 21,310,242

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 and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

	Three-month periods ended February 28,		Six-month periods ended February 28,	
	2018	2017	2018	2017
Revenue	\$ 15,672,647	\$ 3,686,947	\$ 26,908,529	\$ 5,879,415
Cost of goods sold	12,848,787	2,792,723	22,024,405	4,656,818
Gross profit	2,823,860	894,224	4,884,124	1,222,597
Expenses:				
Selling, general and administrative	5,156,687	1,083,227	9,606,293	1,817,824
Depreciation and amortization	71,766	10,759	108,723	18,298
Loss on disposal of fixed assets	-	-	113,097	-
	5,228,453	1,093,986	9,828,113	1,836,122
Net finance expenses:				
Loss on remeasurement to fair value of convertible notes (note 10)	-	1,558,601	-	4,249,718
Other net finance (income) expenses (note 7)	(9,989)	8,125	(29,552)	16,059
	(9,989)	1,566,726	(29,552)	4,265,777
Net loss, being comprehensive loss for the period	\$ (2,394,604)	\$ (1,766,488)	\$ (4,914,437)	\$ (4,879,302)
Basic and diluted loss per share (note 8)	\$ (0.05)	\$ (0.07)	\$ (0.10)	\$ (0.20)

See accompanying notes to condensed interim financial statements.

# GOODFOOD MARKET CORP.

## Condensed Interim Statements of Changes in Equity

Six-month periods ended February 28, 2018 and 2017  
(Unaudited)

	Common shares		Contributed surplus	Deficit	Total
	Number	Amount			
Balance as at August 31, 2016	24,837,978	\$ 59,000	\$ –	\$ (1,308,655)	\$ (1,249,655)
Net loss	–	–	–	(4,879,302)	(4,879,302)
Share-based payment expense (note 12)	–	–	26,421	–	26,421
Balance as at February 28, 2017	24,837,978	\$ 59,000	\$ 26,421	\$ (6,187,957)	\$ (6,102,536)
Balance as at August 31, 2017	47,753,832	\$ 27,144,084	\$ 382,197	\$ (11,174,702)	\$ 16,351,579
Net loss	–	–	–	(4,914,437)	(4,914,437)
Share-based payment expense (note 12)	–	–	151,846	–	151,846
Exercise of stock options	71,413	65,356	(58,164)	–	7,192
Balance as at February 28, 2018	47,825,245	\$ 27,209,440	\$ 475,879	\$ (16,089,139)	\$ 11,596,180

See accompanying notes to condensed interim financial statements.

# GOODFOOD MARKET CORP.

## Condensed Interim Statements of Cash Flows

Three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

	Three-month periods ended February 28,		Six-month periods ended February 28,	
	2018	2017	2018	2017
Cash provided by (used in):				
Operating:				
Net loss	\$ (2,394,604)	\$ (1,766,488)	\$ (4,914,437)	\$ (4,879,302)
Adjustments for:				
Depreciation and amortization	71,766	10,759	108,723	18,298
Share-based payment expense	77,666	21,281	151,846	26,421
Loss on disposal of fixed assets	-	-	113,097	-
Loss on remeasurement to fair value of convertible notes	-	1,558,601	-	4,249,717
Other net finance (income) expenses	(9,989)	8,125	(29,552)	16,060
Interest paid	(59,523)	(9,703)	(78,047)	(17,892)
Interest received	56,630	290	114,582	544
Other non-current assets	(65,055)	-	(215,055)	-
Other non-current liabilities	71,820	-	71,820	-
Other non-cash items	-	22,534	-	22,534
Change in non-cash operating working capital:				
Sales tax receivable	(81,827)	(39,377)	(245,342)	(139,671)
Inventories	18,879	(44,348)	(252,937)	(68,548)
Prepaid expenses and other current assets	(25,145)	(18,000)	(97,053)	(18,000)
Accounts payable and accrued liabilities	1,877,369	202,683	3,018,825	654,489
Deferred revenue	(643,323)	56,758	(245,536)	93,065
	(1,105,336)	3,115	(2,499,066)	(42,285)
Financing:				
Net borrowing under line of credit	500,000	-	500,000	-
Proceeds from issuance of long-term debt	-	230,000	2,500,000	230,000
Debt issue costs	-	-	(12,500)	-
Repayment of long-term debt	(128,446)	(937)	(743,205)	(1,874)
Proceeds from exercise of stock options	7,192	-	7,192	-
Proceeds from issuance of convertible notes	-	-	-	1,000,000
	378,746	229,063	2,251,487	1,228,126
Investing:				
Acquisition of fixed assets	(659,444)	(45,215)	(2,120,664)	(97,647)
Acquisition of intangible assets	-	-	(3,494)	(31,996)
	(659,444)	(45,215)	(2,124,158)	(129,643)
(Decrease) increase in cash	(1,386,034)	186,963	(2,371,737)	1,056,198
Cash, beginning of period	16,562,714	1,389,165	17,548,417	519,930
Cash, end of period	\$ 15,176,680	\$ 1,576,128	\$ 15,176,680	\$ 1,576,128

See accompanying notes to condensed interim financial statements.

# GOODFOOD MARKET CORP.

## Notes to Condensed Interim Financial Statements

Three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

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### 1. Reporting entity:

Goodfood Market Corp. (the "Company") is incorporated under the *Canada Business Corporations Act* and is domiciled in Montreal, Quebec. 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 Montreal, Quebec.

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 April 11, 2018.

#### Functional and presentation currency

These condensed interim 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 consolidated 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 and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

## 4. Prepaid expenses and other current assets:

	February 28, 2018	August 31, 2017
Prepaid expenses	\$ 82,568	\$ 101,188
Amount receivable	283,462	-
Other current assets	52,585	51,494
	<b>\$ 418,615</b>	<b>\$ 152,682</b>

As at February 28, 2018, the Amount receivable of \$283,462 (August 31, 2017 - nil) relates to a lease inducement for the Western Canada facility which is deferred and included in Other non-current liabilities.

## 5. Fixed assets:

	Furniture and fixtures	Machinery and equipment	Computer hardware	Leasehold improvements	Assets under construction	Total
<b>Cost:</b>						
Balance as at						
August 31, 2017	\$ 56,393	\$ 222,164	\$ 107,889	\$ 7,080	\$ 1,950,685	\$ 2,344,211
Additions	36,273	257,860	52,262	32,740	1,917,609	2,296,744
Transfers	22,344	1,014,000	-	2,134,067	(3,170,411)	-
Disposals	-	(128,390)	-	-	-	(128,390)
Balance as at						
February 28, 2018	\$ 115,010	\$ 1,365,634	\$ 160,151	\$ 2,173,887	\$ 697,883	\$ 4,512,565
<b>Accumulated depreciation:</b>						
Balance as at						
August 31, 2017	\$ 5,656	\$ 26,079	\$ 12,211	\$ 118	\$ -	\$ 44,064
Depreciation	10,080	45,266	21,469	22,445	-	99,260
Disposals	-	(15,293)	-	-	-	(15,293)
Balance as at						
February 28, 2018	\$ 15,736	\$ 56,052	\$ 33,680	\$ 22,563	\$ -	\$ 128,031
<b>Net carrying amounts:</b>						
Balance as at						
August 31, 2017	\$ 50,737	\$ 196,085	\$ 95,678	\$ 6,962	\$ 1,950,685	\$ 2,300,147
Balance as at						
February 28, 2018	99,274	1,309,582	126,471	2,151,324	697,883	4,384,534



# GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

## 5. Fixed assets (continued):

As at February 28, 2018, \$39,826 (August 31, 2017 - \$21,975) of Machinery and equipment additions relates to a finance lease, \$73,384 (August 31, 2017 - nil) of Assets under construction additions relates to capitalized rent expense of the Western Canada facility and \$489,203 (August 31, 2017 - \$426,333) of Total fixed asset additions are included in Accounts payable and accrued liabilities.

## 6. Credit facility:

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.

On October 12, 2017, the term loan of \$2,500,000 was disbursed, bearing variable interest at bank prime plus 3.25% (6.70% as at February 28, 2018). 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 February 28, 2018, the operating line of credit of \$500,000 was disbursed, bearing variable interest at bank prime plus 3.25% (6.70% as at February 28, 2018). The line of credit is used to finance day-to-day operations and is repayable on demand. Amounts owing with respect to credit cards are included in Accounts payable and accrued liabilities. The credit facility includes financial covenants with which the Company is in compliance as at February 28, 2018.

## 7. Other net finance (income) expenses:

	Three-month periods ended February 28,		Six-month periods ended February 28,	
	2018	2017	2018	2017
Interest expense on long-term debt	\$ 41,252	\$ 8,415	\$ 77,383	\$ 16,604
Interest income	(54,159)	(290)	(113,235)	(545)
Foreign exchange	2,918	-	6,300	-
	\$ (9,989)	\$ 8,125	\$ (29,552)	\$ 16,059

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

## 8. Loss per share:

	Three-month periods ended February 28,		Sixth-month periods ended February 28,	
	2018	2017	2018	2017
Net loss	\$ (2,394,604)	\$ (1,766,488)	\$ (4,914,437)	\$ (4,879,302)
Basic weighted average number of common shares	47,787,357	24,837,978	47,770,408	24,837,978
Loss per share - Basic and diluted	(0.05)	(0.07)	(0.10)	(0.20)

For the three-month and six-month periods ended February 28, 2018, 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 and six-month period ended February 28, 2017, 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.

## 9. 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 and cash equivalents, 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 line of credit and 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 the lender's base rates.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

## 9. Financial risks (continued):

### (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.

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

	February 28, 2018				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Line of credit	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ -
Accounts payable and accrued liabilities	6,503,469	6,503,469	6,503,469	-	-
Long-term debt	2,295,930	2,673,393	660,357	2,013,036	-

As at February 28, 2018, an interest rate of 6.70% 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	\$ 3,529,373	\$ 3,529,373	\$ 3,529,373	\$ -	\$ -
Long-term debt	511,809	624,270	158,637	457,877	7,756

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

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## 10. Financial instruments:

The Company has determined that the fair values of cash and cash equivalents, 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, the line of credit and long-term debt approximate 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.

### *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 February 28, 2018 and August 31, 2017, no convertible note was outstanding.

For the three-month and six-month periods ended February 28, 2017, the Company issued convertible notes with a face value of \$1,000,000 and recorded a loss on remeasurement to fair value of \$1,558,601 and \$4,249,718, respectively.

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

## 11. 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 February 28, 2018, the Company is committed to minimum annual lease payments under operating leases as follows:

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Less than one year	\$ 939,165
Between one and five years	4,568,154
More than five years	1,570,955
	<hr/>
	\$ 7,078,274

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# GOODFOOD MARKET CORP.

Notes to Condensed Interim Financial Statements (continued)

Three-month and six-month periods ended February 28, 2018 and 2017  
(Unaudited)

## 12. 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 February 28, 2018, 1,330,561 stock options were available for issuance.

During the six-month period ended February 28, 2018, 419,339 options were granted at a weighted average fair value of \$1.51 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:

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Volatility	70.9%
Risk-free interest rate	1.95%
Expected life of options	5.1 years
Common share value at grant date	\$ 2.55
Exercise price	\$ 2.55

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Information concerning the movement in stock options is as follows:

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	Number of options	Weighted average exercise price
Outstanding, August 31, 2017	751,581	\$ 1.07
Granted	419,339	2.55
Exercised	(71,413)	0.10
Forfeited	(38,806)	0.10
Outstanding, February 28, 2018	1,060,701	1.76
Exercisable, February 28, 2018	195,754	\$ 0.79

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For the three-month and six-month periods ended February 28, 2018, share-based compensation expense recognized under the stock option plan amounted to \$77,666 and \$151,846, respectively (2017 - \$21,281 and \$26,421, respectively).