Condensed Interim Financial Statements of

GOODFOOD MARKET CORP.

For the three-month and nine-month periods ended May 31, 2018 and 2017
(Unaudited)

GOODFOOD MARKET CORP.

Table of Contents
(Unaudited)

GOODFOOD MARKET CORP.

Condensed Interim Statements of Financial Position
As at May 31, 2018 and August 31, 2017
(Unaudited)

	May 31, 2018	August 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 23,987,623	$ 17,548,417
Sales tax receivable	1,750,320	773,462
Inventories	1,265,296	382,374
Other current assets (note 4)	1,225,861	152,682
	28,229,100	18,856,935
Non-current assets:		
Other non-current assets	288,454	82,558
Fixed assets (note 5)	5,855,615	2,300,147
Intangible assets	59,901	70,602
	$ 34,433,070	$ 21,310,242
Liabilities and Shareholders' Equity		
Current liabilities:		
Line of credit (note 6)	$ 500,000	$ –
Accounts payable and accrued liabilities	9,005,149	3,529,373
Deferred revenue	2,102,411	841,037
Current portion of long-term debt (note 6)	527,277	116,662
	12,134,837	4,487,072
Non-current liabilities:		
Long-term debt (note 6)	1,698,435	395,147
Other non-current liabilities	1,345,422	76,444
	15,178,694	4,958,663
Shareholders' equity:		
Common shares (note 7)	36,283,498	27,144,084
Contributed surplus	624,056	382,197
Deficit	(17,653,178)	(11,174,702)
	19,254,376	16,351,579
Commitments (note 13)		
	$ 34,433,070	$ 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 nine-month periods ended May 31, 2018 and 2017
(Unaudited)

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2018	2017	2018	2017
Revenue	$ 22,222,501	$ 6,428,446	$ 49,131,030	$ 12,307,861
Cost of goods sold	17,039,483	5,065,572	39,063,888	9,722,390
Gross profit	5,183,018	1,362,874	10,067,142	2,585,471
Expenses:				
Selling, general and administrative	6,614,467	2,197,999	16,220,760	4,015,823
Depreciation and amortization	150,137	14,525	258,860	32,823
Loss on disposal of fixed assets	–	–	113,097	–
Reverse acquisition of Mira VII (note 12)	–	347,579	–	347,579
	6,764,604	2,560,103	16,592,717	4,396,225
Net finance expenses:				
Loss on remeasurement to fair value of convertible notes (note 11)	–	8,226	–	4,257,944
Other net finance (income) expenses (note 8)	(17,547)	11,180	(47,099)	27,239
	(17,547)	19,406	(47,099)	4,285,183
Net loss, being comprehensive loss	$ (1,564,039)	$ (1,216,635)	$ (6,478,476)	$ (6,095,937)
Basic and diluted loss per share (note 9)	$ (0.03)	$ (0.05)	$ (0.13)	$ (0.25)

See accompanying notes to condensed interim financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Statements of Changes in Equity
Nine-month periods ended May 31, 2018 and 2017
(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	–	–	–	(6,095,937)	(6,095,937)
Conversion of Class A preferred shares	9,101,106	1,271,565	–	–	1,271,565
Share-based payment expense (note 14)	–	–	52,845	–	52,845
Balance as at May 31, 2017	33,939,084	$ 1,330,565	$ 52,845	$ (7,404,592)	$ (6,021,182)
Balance as at August 31, 2017	47,753,832	$ 27,144,084	$ 382,197	$ (11,174,702)	$ 16,351,579
Net loss	–	–	–	(6,478,476)	(6,478,476)
Share-based payment expense (note 14)	–	–	300,023	–	300,023
Exercise of stock options	71,413	65,356	(58,164)	–	7,192
Share issuance (note 7)	4,000,000	10,000,000	–	–	10,000,000
Share issuance costs (note 7)	–	(925,942)	–	–	(925,942)
Balance as at May 31, 2018	51,825,245	$ 36,283,498	$ 624,056	$(17,653,178)	$19,254,376

See accompanying notes to condensed interim financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Statements of Cash Flows
Three-month and nine-month periods ended May 31, 2018 and 2017
(Unaudited)

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2018	2017	2018	2017
Cash provided by (used in):				
Operating:				
Net loss	$ (1,564,039)	$ (1,216,635)	$ (6,478,476)	$ (6,095,937)
Adjustments for:				
Depreciation and amortization	150,137	14,525	258,860	32,823
Share-based payment expense	148,177	26,424	300,023	52,845
Loss on disposal of fixed assets	–	–	113,097	–
Loss on remeasurement to fair value of convertible notes	–	8,226	–	4,257,944
Other net finance (income) expenses	(17,547)	11,180	(47,099)	27,239
Interest paid	(40,817)	(11,108)	(118,865)	(29,000)
Interest received	53,677	2,375	168,259	2,919
Other non-current assets	9,159	–	(205,896)	–
Other non-current liabilities	50,391	–	122,211	–
Other non-cash items	–	–	–	22,534
Change in non-cash operating working capital:				
Sales tax receivable	(731,516)	(181,840)	(976,858)	(321,511)
Inventories	(629,985)	(63,691)	(882,922)	(132,239)
Other current assets	(144,385)	(358,852)	(241,438)	(376,852)
Accounts payable and accrued liabilities	2,995,484	1,622,329	6,014,309	2,276,818
Deferred revenue	1,506,910	130,633	1,261,374	223,698
	1,785,646	(16,434)	(713,421)	(58,719)
Financing:				
Net borrowing under line of credit	–	–	500,000	–
Proceeds from issuance of long-term debt	–	–	2,500,000	230,000
Debt issue costs	–	–	(12,500)	–
Repayment of long-term debt	(130,166)	(7,721)	(873,371)	(9,595)
Proceeds from exercise of stock options	–	–	7,192	–
Proceeds from issuance of convertible notes	–	–	–	1,000,000
Proceeds from issuance of common shares	10,000,000	–	10,000,000	–
Share issuance costs	(925,942)	–	(925,942)	–
	8,943,892	(7,721)	11,195,379	1,220,405
Investing:				
Acquisition of fixed assets	(1,918,595)	(28,332)	(4,039,258)	(125,979)
Acquisition of intangible assets	–	(2,765)	(3,494)	(34,761)
	(1,918,595)	(31,097)	(4,042,752)	(160,740)
Increase (decrease) in cash	8,810,943	(55,252)	6,439,206	1,000,946
Cash and cash equivalents, beginning of period	15,176,680	1,576,128	17,548,417	519,930
Cash and cash equivalents, end of period	$ 23,987,623	$ 1,520,876	$ 23,987,623	$ 1,520,876

See accompanying notes to condensed interim financial statements.

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 has its main production facility and administrative offices based in Montreal, Quebec, in addition to a production facility in Calgary, Alberta.

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 annual audited consolidated financial statements for the year ended August 31, 2017.

The condensed interim financial statements were authorized for issue by the Board of Directors (“Board”) on July 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 audited 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.

4. Other current assets:

	May 31, 2018	August 31, 2017
Prepaid expenses	$ 80,890	$ 101,188
Amount receivable	1,085,278	–
Other current assets	59,693	51,494
	$ 1,225,861	$ 152,682

As at May 31, 2018, the amount receivable includes $1,000,000 (August 31, 2017 - nil) that 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
Cost:						
Balance as at August 31, 2017	$ 56,393	$ 222,164	$ 107,889	$ 7,080	$ 1,950,685	$ 2,344,211
Additions	86,382	451,999	91,898	80,273	3,202,678	3,913,230
Transfers	22,344	1,014,000	–	4,117,019	(5,153,363)	–
Disposals	–	(128,390)	–	–	–	(128,390)
Balance as at May 31, 2018	$ 165,119	$ 1,559,773	$ 199,787	$ 4,204,372	$ –	$ 6,129,051
Accumulated depreciation:						
Balance as at August 31, 2017	$ 5,656	$ 26,079	$ 12,211	$ 118	$ –	$ 44,064
Depreciation	17,380	83,084	37,043	107,158	–	244,665
Disposals	–	(15,293)	–	–	–	(15,293)
Balance as at May 31, 2018	$ 23,036	$ 93,870	$ 49,254	$ 107,276	$ –	$ 273,436
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 May 31, 2018	142,083	1,465,903	150,533	4,097,096	–	5,855,615

As at May 31, 2018, $99,774 (August 31, 2017 - $21,975) of machinery and equipment additions relates to finance leases, $146,767 (August 31, 2017 - nil) of leasehold improvement transfers relates to capitalized rent expense of the Western Canada facility and $53,764 (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 $500,000 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 May 31, 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 May 31, 2018, the operating line of credit of $500,000 was fully drawn, bearing variable interest at bank prime plus 3.25% (6.70% as at May 31, 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 May 31, 2018.

7. Share capital:

In connection with the public offering completed on May 7, 2018, the Company issued 4,000,000 common shares (of which 60,000 common shares were purchased by Board members) at a price of $2.50 per share for gross proceeds of $10,000,000, less share issuance costs of $925,942.

8. Other net finance (income) expenses:

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2018	2017	2018	2017
Interest expense	$ 42,579	$ 13,278	$ 119,962	$ 29,882
Interest income	(65,548)	(2,373)	(178,783)	(2,918)
Foreign exchange	5,422	275	11,722	275
	$ (17,547)	$ 11,180	$ (47,099)	$ 27,239

9. Loss per share:

	Three-month periods ended May 31, 2018	Three-month periods ended May 31, 2017	Nine-month periods ended May 31, 2018	Nine-month periods ended May 31, 2017
Net loss	$ (1,564,039)	$ (1,216,635)	$ (6,478,476)	$ (6,095,937)
Basic weighted average number of common shares	48,880,190	24,936,903	48,141,897	24,871,315
Loss per share - Basic and diluted	$ (0.03)	$ (0.05)	$ (0.13)	$ (0.25)

For the three-month and nine-month periods ended May 31, 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 nine-month period ended May 31, 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.

10. 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, amounts receivable included in other current assets, 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.

10. 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:

					May 31, 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	9,005,149	9,005,149	9,005,149	–	–
Long-term debt	2,225,712	2,573,882	663,465	1,910,417	–

As at May 31, 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

11. Financial instruments:

The Company has determined that the fair values of cash and cash equivalents, amounts receivable included in Other current assets, 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 May 31, 2018 and August 31, 2017, no convertible note was outstanding.

In September and October 2016, the Company issued convertible notes with a face value of $1,000,000 and during the three-month and nine-month periods ended May 31, 2017, recorded a loss on remeasurement to fair value of $8,226 and $4,257,944, respectively.

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

12. Reverse acquisition of Mira VII expenses

On April 25, 2017, Mira VII, together with its wholly-owned subsidiary, Mira VII Subco Inc. ("Subco"), entered into an amalgamation agreement with Goodfood Market Inc. pursuant to which Subco would amalgamate with Goodfood Market Inc. (the "Amalgamation") to complete an arm's length qualifying transaction in accordance with the policies of the TSX Venture Exchange (the "Qualifying Transaction").

On June 1, 2017, the Amalgamation was completed, and Mira VII changed its name to Goodfood Market Corp. On June 7, 2017, the common shares of Goodfood Market Corp. began trading upon the Toronto Stock Exchange under the symbol "FOOD" and the common shares of the former Mira VII were delisted from the TSX Venture Exchange.

In connection with the reverse acquisition of Mira VII transaction, Goodfood Market Inc. incurred transaction and reorganization expenses for the three-month and nine-month periods ended May 31, 2017 of $347,579.

12. Reverse acquisition of Mira VII expenses (continued):

For additional information with respect to the reverse acquisition of Mira VII, refer to Note 1, Note 4 and Note 5 of the Company's annual audited consolidated financial statements for the year ended August 31, 2017.

13. 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 May 31, 2018, the Company is committed to minimum annual lease payments under operating leases as follows:

Less than one year	$	1,168,318
Between one and five years		4,591,053
More than five years		1,415,103
	$	7,174,474

14. 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 May 31, 2018, 1,521,496 stock options were available for issuance.

During the nine-month period ended May 31, 2018, 428,404 options were granted at a weighted average fair value of $2.55 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		70.7%
Risk-free interest rate		1.96%
Expected life of options		5.1 years
Common share value at grant date	$	2.55
Exercise price	$	2.55

14. Stock option plan (continued):

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	428,404	2.55
Exercised	(71,413)	0.10
Forfeited	(38,806)	0.10
Outstanding, May 31, 2018	1,069,766	1.76
Exercisable, May 31, 2018	214,120	$ 0.80

For the three-month and nine-month periods ended May 31, 2018, share-based compensation expense recognized under the stock option plan amounted to $148,177 and $300,023, respectively (2017 - $26,424 and $52,845, respectively).

The weighted average share price at the date of exercise of stock options exercised during the nine-month period ended May 31, 2018 was $2.94.