Condensed Interim Financial Statements of

GOODFOOD MARKET CORP.

Three-month periods ended November 30, 2018 and 2017

(Unaudited)

GOODFOOD MARKET CORP.

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(Unaudited)

GOODFOOD MARKET CORP.

Condensed Interim Statements of Financial Position
November 30, 2018 and August 31, 2018
(In thousands of Canadian dollars – Unaudited)

	Notes	November 30, 2018	August 31, 2018
Assets			
Current assets:			
Cash and cash equivalents		**$ 25,324**	$ 24,453
Sales tax receivable		**1,670**	1,657
Inventories		**2,645**	1,585
Other current assets		**211**	204
		29,850	27,899
Non-current assets:			
Fixed assets	5	**6,299**	6,006
Right-of-use assets	6	**11,655**	–
Intangible assets		**50**	55
Other non-current assets		**512**	349
		$ 48,366	$ 34,309
Liabilities and Shareholders' Equity			
Current liabilities:			
Line of credit		**$ –**	$ 500
Accounts payable and accrued liabilities		**17,386**	11,343
Deferred revenue		**3,414**	2,522
Current portion of long-term debt	7	**–**	528
Current portion of lease obligations	8	**1,144**	–
		21,944	14,893
Non-current liabilities:			
Long-term debt	7	**2,482**	1,564
Lease obligations	8	**11,960**	–
Other non-current liabilities		**–**	1,396
		36,386	17,853
Shareholders' equity:			
Common shares		**36,283**	36,283
Contributed surplus		**1,157**	782
Deficit		**(25,460)**	(20,609)
		11,980	16,456
		$ 48,366	$ 34,309

See accompanying notes to unaudited 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, 2018 and 2017
(In thousands of Canadian dollars, except share information – Unaudited)

	Notes		2018		2017
Revenue		$	**29,617**	$	11,236
Cost of goods sold			**23,123**		9,176
Gross profit			**6,494**		2,060
Expenses:					
Selling, general and administrative			**10,771**		4,450
Depreciation and amortization			**487**		37
Loss on disposal of fixed assets			**–**		113
			11,258		4,600
Net finance expenses (income)	9		**87**		(20)
Net loss, being comprehensive loss for the period		**$**	**(4,851)**	$	(2,520)
Basic and diluted loss per share (in $)	10	**$**	**(0.09)**	$	(0.05)

See accompanying notes to unaudited condensed interim financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Statements of Changes in Equity
Three-month periods ended November 30, 2018 and 2017
(In thousands of Canadian dollars, except share information – Unaudited)

		Common Shares		Contributed		
	Notes	**Number**	**Amount**	**Surplus**	**Deficit**	**Total**
Balance as at August 31, 2017		47,753,832	$ 27,144	$ 382	$ (11,175)	$ 16,351
Net loss		–	–	–	(2,520)	(2,520)
Share-based payments	13	–	–	74	–	74
Balance as at November 30, 2017		47,753,832	$ 27,144	$ 456	$ (13,695)	$ 13,905
Balance as at August 31, 2018		**51,825,245**	**$ 36,283**	**$ 782**	**$ (20,609)**	**$ 16,456**
Net loss		**–**	**–**	**–**	**(4,851)**	**(4,851)**
Share-based payments	13	**–**	**–**	**375**	**–**	**375**
Balance as at November 30, 2018		**51,825,245**	**$ 36,283**	**$ 1,157**	**$ (25,460)**	**$ 11,980**

See accompanying notes to unaudited condensed interim financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Statements of Cash Flows
Three-month periods ended November 30, 2018 and 2017
(In thousands of Canadian dollars – Unaudited)

	Notes	2018	2017
Cash provided by (used in):			
Operating:			
Net loss		**$ (4,851)**	$ (2,520)
Adjustments for:			
Depreciation and amortization		**487**	37
Share-based payments	13	**375**	74
Loss on disposal of fixed assets		–	113
Net finance expenses (income)	9	**87**	(20)
Interest paid		**(37)**	(18)
Interest received		**110**	59
Other non-current assets		**(43)**	(150)
Change in non-cash operating working capital:			
Sales tax receivable		**(13)**	(164)
Inventories		**(1,060)**	(272)
Other current assets		**(5)**	(72)
Accounts payable and accrued liabilities		**5,881**	1,141
Deferred revenue		**892**	398
		1,823	(1,394)
Financing:			
Net borrowing under line of credit		**(500)**	–
Proceeds from issuance of long-term debt	7	**2,507**	2,500
Debt issue costs	7	**(15)**	(12)
Repayment of long-term debt	7	**(2,002)**	(615)
Payments of lease obligations		**(351)**	–
		(361)	1,873
Investing:			
Acquisition and deposits on fixed assets	5	**(591)**	(1,461)
Acquisition of intangible assets		–	(4)
		(591)	(1,465)
Increase (decrease) in cash and cash equivalents		**871**	(986)
Cash and cash equivalents, beginning of period		**24,453**	17,548
Cash and cash equivalents, end of period		**$ 25,324**	$ 16,562

See accompanying notes to unaudited condensed interim financial statements.

NOTE 1 REPORTING ENTITY

Goodfood Market Corp. (the "Company") is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange. The Company is domiciled in Montréal, Québec, Canada where its main production facility and administrative offices are located and has a second production facility in Calgary, Alberta, Canada.

The Company is a home meal solutions service, delivering fresh ingredients that make it easy for subscribers to prepare delicious meals at home every week. Subscribers select their favorite dishes from a variety of originally developed recipes online. The Company prepares a personalized box of fresh ingredients and delivers it to the subscriber's doorstep with easy step-by-step instructions.

NOTE 2 BASIS OF PRESENTATION

The unaudited condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). These unaudited 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 annual audited financial statements of the Company for the year ended August 31, 2018.

This is the first set of financial statements where IFRS 16, *Leases* ("IFRS 16"), IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") and IFRS 9, *Financial Instruments* ("IFRS 9") have been applied. Changes to significant accounting policies are described in Note 4.

The unaudited condensed interim financial statements of the Company for the three-month periods ended on November 30, 2018 and 2017 were authorized for issue by the Board of Directors ("Board") on January 14, 2019.

NOTE 3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Company's annual audited financial statements for the year ended August 31, 2018, except for significant judgments and key sources of estimation uncertainty related to the application of IFRS 16 and IFRS 15, which are described in Note 4.

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Company's annual audited financial statements for the year ended August 31, 2018. The changes in accounting policies will also be reflected in the Company's annual financial statements for the year ended August 31, 2019.

4.1 IFRS 16, *LEASES*

Effective September 1, 2018, the Company early adopted IFRS 16, *Leases*, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after September 1, 2018.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 2 to 11 years for facilities, automotive equipment and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Under IAS 17, *Leases* ("IAS 17"), the Company's accounting policy was as follows:

The determination of whether an arrangement was (or contained) a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset and the arrangement conveyed a right to use the asset, even if that asset was not explicitly specified in an arrangement.

A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Company was classified as a finance lease.

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognized in net finance expenses (income) in net loss.

A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Company would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease was a lease other than a finance lease. Operating lease payments were recognized in net loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Impact of transition to IFRS 16

Effective September 1, 2018, the Company early adopted IFRS 16 using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended August 31, 2018 and the three-month period ended November 30, 2017 have not been restated and continue to be reported under IAS 17 and IFRIC 4, *Determining whether an arrangement contains a lease* ("IFRIC 4").

On initial application, for leases previously classified as operating leases under IAS 17, the Company has elected to record right-of-use assets based on the corresponding lease liability of $8,198, adjusted for any deferred lease inducements and any lease payments made at or before the commencement date that were recorded in other non-current liabilities and other current assets and other assets, on the statement of financial position as at August 31, 2018. For leases previously classified as finance leases under IAS 17, the Company measured the right-of-use asset and lease liability at the previous carrying amount of the finance lease asset of $100 and finance lease liability of $100, respectively.

As such, as at September 1, 2018, the Company recorded lease obligations of $8,298 and right-of-use assets of $6,915, which are net of the deferred lease inducements and lease payments made at or before the commencement of the lease of $1,396 and $13, respectively, with no net impact on deficit.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Company discounted future lease payments using its incremental borrowing rate as at September 1, 2018. The weighted-average rate applied is 5.53%.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after September 1, 2018.

The following table reconciles the Company's operating lease commitments as at August 31, 2018, as previously disclosed in the Company's annual audited financial statements, to the lease obligations recognized on initial application of IFRS 16 on September 1, 2018.

Operating lease commitments as at August 31, 2018	$	**6,946**
Discounted using the incremental borrowing rate as at September 1, 2018		**5,361**
Renewal options reasonably certain to be exercised		**2,837**
Minimum lease payments on finance lease liabilities as at August 31, 2018		**100**
Lease obligations recognized as at September 1, 2018	$	**8,298**

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

The following tables summarize the impact of adopting IFRS 16 on the Company's condensed interim statement of financial position as at November 30, 2018 and its condensed interim statement of loss and comprehensive loss for the three-month period ended November 30, 2018. There was no material impact on the Company's condensed interim statement of cash flows for the three-month period ended November 30, 2018, except for the classification of lease payments as financing activities instead of operating activities.

Impact on the condensed interim statement of financial position as at November 30, 2018:

	As Reported	IFRS 16 Adjustment	Amount without IFRS 16
Assets			
Current assets:			
Cash and cash equivalents	$ 25,324	$ –	$ 25,324
Sales tax receivable	1,670	–	1,670
Inventories	2,645	–	2,645
Other current assets	211	3	214
	29,850	3	29,853
Non-current assets:			
Fixed assets	6,299	212	6,511
Right-of-use assets	11,655	(11,655)	–
Intangible assets	50	–	50
Other non-current assets	512	9	521
	$ 48,366	$ (11,431)	$ 36,935
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$ 17,386	$ –	$ 17,386
Deferred revenue	3,414	–	3,414
Current portion of long-term debt	–	48	48
Current portion of lease obligations	1,144	(1,144)	–
	21,944	(1,096)	20,848
Non-current liabilities:			
Long-term debt	2,482	165	2,647
Lease obligations	11,960	(11,960)	–
Other non-current liabilities	–	1,386	1,386
	36,386	(11,505)	24,881
Shareholders' equity:			
Common shares	36,283	–	36,283
Contributed surplus	1,157	–	1,157
Deficit	(25,460)	74	(25,386)
	11,980	74	12,054
	$ 48,366	$ (11,431)	$ 36,935

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

Impact on the condensed interim statement of loss and comprehensive loss for the three-month period ended November 30, 2018:

	As Reported	IFRS 16 Adjustment	Amount without IFRS 16
Revenue	$ 29,617	$ –	$ 29,617
Cost of goods sold	23,123	130	23,253
Gross profit	6,494	(130)	6,364
Expenses:			
Selling, general and administrative	10,771	199	10,970
Depreciation and amortization	487	(262)	225
	11,258	(63)	11,195
Net finance expenses (income)	87	(141)	(54)
Net loss, being comprehensive loss for the period	$ (4,851)	$ 74	$ (4,777)
Basic and diluted loss per share (in $)	$ (0.09)	$ –	$ (0.09)

4.2 IFRS 15, *REVENUE FROM CONTRACTS WITH CUSTOMERS*

Effective September 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* using the cumulative effect method, with the effect of adopting this standard recognized on September 1, 2018, the date of initial application. Accordingly, comparative figures as at August 31, 2018, and for the three-month period ended November 30, 2017, have not been restated.

IFRS 15 replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue* ("IAS 18"), IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue - Barter Transactions Involving Advertising Services*. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. Under IFRS 15, revenue is recognized when a customer obtains control of the goods and services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

The Company generates revenue from the sale of meal kits. IFRS 15 did not have an impact on the Company's accounting policies for revenue recognition, as under both IFRS 15 and IAS 18, the Company recognizes revenue at a point in time, which is upon delivery of meal kits, as it meets the criteria to satisfy the performance obligation. The Company records deferred revenues until the delivery, as subscribers pay in advance. These deferred revenues are recognized within a short period of time as the meal kits are paid by customer shortly before delivery.

Having completed the five-step analysis, the Company identified contracts with customers and performance obligations therein, determined transaction price and its allocation to performance obligation and confirmed the appropriateness of its revenue recognition policy being at a point in time as it is the moment the Company transfers control over the product to the customers.

4.3 IFRS 9, *FINANCIAL INSTRUMENTS*

Effective September 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Cash and cash equivalents, security deposits and amounts receivable that were classified as loans and receivables under IAS 39 are classified as financial assets subsequently measured at amortized cost. There is no change to the initial measurement of the Company's financial assets.

Accounts payable and accrued liabilities, and long-term debt that were classified as other financial liabilities under IAS 39 are classified as financial liabilities subsequently measured at amortized cost. There is no change in the initial measurement of the Company's financial liabilities.

There was no impact of transition to IFRS 9 on the Company's condensed interim statement of financial position as at September 1, 2018.

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

NOTE 5 FIXED ASSETS

	Furniture and fixtures	Machinery and equipment	Computer hardware	Leasehold improvements	Assets under construction	Total
Cost :						
Balance as at August 31, 2018	$ 223	$ 1,775	$ 234	$ 4,245	$ –	$ 6,477
Additions	105	369	81	25	22	602
Reclassification to right-of-use assets (Note 4)	–	(122)	–	–	–	(122)
Balance as at November 30, 2018	**$ 328**	**$ 2,022**	**$ 315**	**$ 4,270**	**$ 22**	**$ 6,957**
Accumulated depreciation:						
Balance as at August 31, 2018	$ 33	$ 139	$ 68	$ 231	$ –	$ 471
Depreciation	14	50	24	121	–	209
Reclassification to right-of-use assets (Note 4)	–	(22)	–	–	–	(22)
Balance as at November 30, 2018	**$ 47**	**$ 167**	**$ 92**	**$ 352**	**$ –**	**$ 658**
Net carrying amounts:						
Balance as at August 31, 2018	$ 190	$ 1,636	$ 166	$ 4,014	$ –	$ 6,006
Balance as at November 30, 2018	281	1,855	223	3,918	22	6,299

As at November 30, 2018, $251 (August 31, 2018 - $111) of fixed asset additions is included in accounts payable and accrued liabilities.

During the three-month period ended November 30, 2018, deposits on fixed assets of $191 were made and $62 of deposits on fixed assets included in other non-current assets at August 31, 2018 were transferred to fixed assets.

NOTE 6 RIGHT-OF-USE ASSETS

	Facilities	Automotive equipment	Other equipment	Total
Balance as at September 1, 2018	$ 6,577	$ 100	$ 238	$ 6,915
Additions	4,838	175	–	5,013
Depreciation	(242)	(16)	(15)	(273)
Balance as at November 30, 2018	**$ 11,173**	**$ 259**	**$ 223**	**$ 11,655**

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

NOTE 7 DEBT

In November 2018, the Company obtained a commitment from a Canadian financial institution for a secured three-year term loan of $10,000, a $2,500 revolving credit facility and $1,000 in other short-term financing. The credit facility is secured by a first-ranking hypothec on all of the Company's movable and immovable assets.

On November 14, 2018, $2,507 of the term loan was disbursed, bearing variable interest at banker's acceptance plus 2.50% (4.60% as at November 30, 2018). The proceeds were used to fund expansion capital expenditures, invest in automation, and refinance the Company's long-term debt. The term loan is repayable in quarterly installments of $125 beginning on December 4, 2020 with a bullet repayment of the balance at the end of the three-year term ending in November 2021. Future proceeds from the financing will be used to fund expansion capital expenditures, invest in automation, and for general corporate purposes. Amounts owing with respect to credit cards are included in accounts payable and accrued liabilities. Transaction costs of $25 are recorded against the debt amount of $2,507 as at November 30, 2018.

The credit facility includes financial covenants with which the Company was in compliance as at November 30, 2018.

NOTE 8 LEASE OBLIGATIONS

		November 30, 2018
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**$**	**1,844**
One to five years		**7,401**
More than 5 years [1]		**7,547**
Total undiscounted lease obligations as at November 30, 2018	**$**	**16,792**
Lease obligations included in the statement of financial position as at November 30, 2018	**$**	**13,104**
Current portion		**1,144**
Non-current portion		**11,960**

[1] As at November 30, 2018, future lease payments of $5,591 for which the Company is reasonably certain to exercise the renewal options have been recognized in lease obligations, representing an amount of $6,443 of undiscounted cash flows.

There are no future cash outflows to which the Company is potentially exposed that are not reflected in the measurement of lease obligations.

NOTE 9 NET FINANCE EXPENSES (INCOME)

		2018		2017
Interest expense on debt	**$**	**48**	$	36
Interest expense on lease obligations		**143**		–
Interest income		**(115)**		(59)
Foreign exchange loss		**11**		3
	$	**87**	$	(20)

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

NOTE 10 LOSS PER SHARE

	2018	2017
Net loss	**$ (4,851)**	$ (2,520)
Basic weighted average number of common shares	**51,825,245**	47,753,832
Loss per share – basic and diluted	**$ (0.09)**	$ (0.05)

For the three-month periods ended November 30, 2018 and 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.

NOTE 11 FINANCIAL RISKS

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 amounts receivable included in other 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.

Interest rate risk:

The Company’s long-term debt and line of credit bear 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.

Sensitivity analysis for interest rate risk

An increase or decrease of 100 basis points in the interest rate would not have a significant impact on the Company’s net loss.

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 public and private placements, convertible notes and long-term debt, which are included in the Company's definition of capital. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

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

					November 30, 2018
	Total carrying amount	**Contractual cash flows[3]**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Accounts payable and accrued liabilities	**$ 17,386**	**$ 17,386**	**$ 17,386**	**$ –**	**$ –**
Long-term debt [1], [2]	**2,482**	**2,806**	**116**	**2,690**	**–**

					August 31, 2018
	Total carrying amount	**Contractual cash flows[3]**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Line of credit	$ 500	$ 500	$ 500	$ –	$ –
Accounts payable and accrued liabilities	11,343	11,343	11,343	–	–
Long-term debt [1], [2]	2,092	2,415	658	1,757	–

(1) In November 2018, the Company signed a new debt agreement with proceeds partially used to refinance the current long-term debt (see further details in Note 7).

(2) As at November 30, 2018, an interest rate of 4.60% (August 31, 2018 – 6.95%) was used to determine the estimated interest payments on the Company's variable-rate long-term debt.

(3) See Note 8 for contractual payments due on lease obligations.

NOTE 12 FINANCIAL INSTRUMENTS

The Company determined that the fair value of its long-term debt approximates its carrying amount as it bears interest at market interest rates for financial instruments with similar terms and risks.

NOTE 13 STOCK OPTION PLAN

The stock option plan was established by the Company 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, 2018, 93,634 stock options were available for issuance (August 31, 2018 – 1,165,791).

For the three-month period ended November 30, 2018, share-based payments recognized under the stock option plan amounted to $375 (2017 – $74).

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

During the three-month period ended November 30, 2018, 1,075,000 options were granted at a weighted average fair value of $2.55 per option to key management personnel and members of the Board. 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:

	2018
Volatility	56%
Risk-free interest rate	2.16%
Expected life of options	5.1 years
Common share value at grant date	$2.55
Exercise price	$2.55

Information concerning the movement in stock options is as follows:

	Number of options	Weighted average exercise price
Outstanding as at August 31, 2018	1,425,471	$ 1.96
Granted	1,075,000	2.55
Forfeited	(2,843)	2.55
Outstanding as at November 30, 2018	2,497,628	2.21
Exercisable as at November 30, 2018	386,758	$ 1.11

Summary of options outstanding is as follows:

			November 30, 2018
Exercise price	Number of options outstanding	Weighted average contractual life outstanding	Exercisable options
$ 0.10	178,834	6.50	157,102
1.56	347,820	6.73	108,694
2.00	114,708	6.50	96,148
2.01	99,255	7.00	24,814
2.53	21,087	7.62	–
2.55	1,075,000	7.75	–
2.56	334,618	7.71	–
2.62	9,065	7.37	–
2.71	300,000	7.20	–
2.90	17,241	7.13	–
$ 2.21	2,497,628	7.35	386,758

(Amounts are in thousands of Canadian dollars, except share and stock options information – Unaudited)

			August 31, 2018
Exercise price	Number of options outstanding	Weighted average contractual life outstanding	Exercisable options
$ 0.10	178,834	6.75	146,236
1.56	347,820	6.98	86,955
2.00	114,708	6.75	89,292
2.01	100,374	7.25	–
2.53	21,087	7.87	–
2.56	334,618	7.96	–
2.62	9,065	7.62	–
2.71	300,000	7.45	–
2.90	18,965	7.37	–
$ 1.96	1,425,471	7.30	322,483