

Condensed Interim Consolidated Financial Statements of

**GOODFOOD MARKET CORP.**

For the three-month and nine-month periods ended May 31, 2019 and 2018  
(Unaudited)

# GOODFOOD MARKET CORP.

Table of Contents  
(Unaudited)

---

	<b>Page</b>
<b>Condensed Interim Consolidated Financial Statements</b>	
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	2
Condensed Interim Consolidated Statements of Changes in Equity	3
Condensed Interim Consolidated Statements of Cash Flows	4
Notes to Condensed Interim Consolidated Financial Statements	5 - 17

# GOODFOOD MARKET CORP.

Condensed Interim Consolidated Statements of Financial Position

May 31, 2019 and August 31, 2018

(In thousands of Canadian dollars – Unaudited)

	Notes	May 31, 2019	August 31, 2018
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 49,713	\$ 24,453
Sales tax receivable		2,317	1,657
Inventories		4,107	1,585
Other current assets		647	204
		<b>56,784</b>	<b>27,899</b>
Non-current assets:			
Fixed assets	5	10,452	6,006
Right-of-use assets	6	10,529	–
Intangible assets		165	55
Other non-current assets		1,095	349
		<b>\$ 79,025</b>	<b>\$ 34,309</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Line of credit		\$ –	\$ 500
Accounts payable and accrued liabilities		28,813	11,343
Deferred revenue		5,343	2,522
Current portion of long-term debt	7	–	528
Current portion of lease obligations	8	1,158	–
		<b>35,314</b>	<b>14,893</b>
Non-current liabilities:			
Long-term debt	7	10,019	1,564
Lease obligations	8	10,948	–
Other non-current liabilities		–	1,396
		<b>56,281</b>	<b>17,853</b>
Shareholders' equity:			
Common shares	9	56,593	36,283
Contributed surplus		1,810	782
Deficit		(35,659)	(20,609)
		<b>22,744</b>	<b>16,456</b>
		<b>\$ 79,025</b>	<b>\$ 34,309</b>

See accompanying notes to unaudited condensed interim consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# GOODFOOD MARKET CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Three-month and nine-month periods ended May 31, 2019 and 2018

(In thousands of Canadian dollars, except share information – Unaudited)

	Notes	Three-month periods ended May 31,		Nine-month periods ended May 31,	
		2019	2018	2019	2018
Revenue		\$ 49,864	\$ 22,223	\$ 116,074	\$ 49,131
Cost of goods sold		35,775	17,040	87,841	39,064
Gross profit		14,089	5,183	28,233	10,067
Expenses:					
Selling, general and administrative		16,938	6,615	41,275	16,221
Depreciation and amortization		701	150	1,743	259
Loss on disposal of fixed assets		–	–	–	113
		17,639	6,765	43,018	16,593
Net finance expenses (income)	10	89	(18)	265	(48)
Net loss, being comprehensive loss for the period		\$ (3,639)	\$ (1,564)	\$ (15,050)	\$ (6,478)
Basic and diluted loss per share (in \$)	11	\$ (0.06)	\$ (0.03)	\$ (0.28)	\$ (0.13)

See accompanying notes to unaudited condensed interim consolidated financial statements.

# GOODFOOD MARKET CORP.

Condensed Interim Consolidated Statements of Changes in Equity  
 Nine-month periods ended May 31, 2019 and 2018

(In thousands of Canadian dollars, except share information – Unaudited)

	Notes	Common Shares		Contributed	Deficit	Total
		Number	Amount	Surplus		
Balance as at August 31, 2017		47,753,832	\$ 27,144	\$ 382	\$ (11,175)	\$ 16,351
Net loss		–	–	–	(6,478)	(6,478)
Share-based payments	14	–	–	300	–	300
Exercise of stock options		71,413	65	(58)	–	7
Share issuance	9	4,000,000	10,000	–	–	10,000
Share issuance costs	9	–	(926)	–	–	(926)
<b>Balance as at May 31, 2018</b>		<b>51,825,245</b>	<b>\$ 36,283</b>	<b>\$ 624</b>	<b>\$ (17,653)</b>	<b>\$ 19,254</b>
Balance as at August 31, 2018		<b>51,825,245</b>	<b>\$ 36,283</b>	<b>\$ 782</b>	<b>\$ (20,609)</b>	<b>\$ 16,456</b>
Net loss		–	–	–	(15,050)	(15,050)
Share-based payments	14	–	–	1,269	–	1,269
Stock options settled in cash	14	–	–	(99)	–	(99)
Share issuance	9	<b>6,019,212</b>	<b>21,067</b>	–	–	<b>21,067</b>
Share issuance costs	9	–	(1,497)	–	–	(1,497)
Exercise of agent compensation options	9	<b>299,064</b>	<b>740</b>	(142)	–	<b>598</b>
<b>Balance as at May 31, 2019</b>		<b>58,143,521</b>	<b>\$ 56,593</b>	<b>\$ 1,810</b>	<b>\$ (35,659)</b>	<b>\$ 22,744</b>

See accompanying notes to unaudited condensed interim consolidated financial statements.

# GOODFOOD MARKET CORP.

Condensed Interim Consolidated Statements of Cash Flows  
 Three-month and nine-month periods ended May 31, 2019 and 2018  
 (In thousands of Canadian dollars – Unaudited)

	Notes	Three-month periods ended May 31,		Nine-month periods ended May 31,	
		2019	2018	2019	2018
Cash provided (used in) by:					
Operating:					
Net loss		\$ (3,639)	\$ (1,564)	\$ (15,050)	\$ (6,478)
Adjustments for:					
Depreciation and amortization		701	150	1,743	259
Share-based payments	14	465	148	1,269	300
Stock options settled in cash	14	–	–	(99)	–
Loss on disposal of fixed assets		–	–	–	113
Net finance expenses (income)	10	89	(18)	265	(48)
Interest paid		(88)	(40)	(149)	(118)
Interest received		193	54	410	168
Other non-current assets		–	9	(83)	(206)
Other non-current liabilities		–	50	–	122
Change in non-cash operating working capital:					
Sales tax receivable		(333)	(732)	(660)	(977)
Inventories		(543)	(630)	(2,522)	(883)
Other current assets		(104)	(144)	(401)	(241)
Accounts payable and accrued liabilities		4,865	2,995	16,307	6,014
Deferred revenue		838	1,507	2,821	1,261
		<b>2,444</b>	<b>1,785</b>	<b>3,851</b>	<b>(714)</b>
Financing:					
Net borrowing under line of credit		–	–	(500)	500
Proceeds from issuance of long-term debt	7	2,470	–	10,004	2,500
Debt issue costs	7	–	–	(15)	(13)
Repayment of long-term debt	7	–	(130)	(2,002)	(873)
Proceeds from exercise of stock options		–	–	–	7
Proceeds from exercise of agent compensation options	9	598	–	598	–
Proceeds from issuance of common shares	9	–	10,000	21,067	10,000
Share issuance costs	9	–	(926)	(1,497)	(926)
Payments of lease obligations		(498)	–	(1,258)	–
		<b>2,570</b>	<b>8,944</b>	<b>26,397</b>	<b>11,195</b>
Investing:					
Acquisition and deposits on fixed assets	5	(1,504)	(1,919)	(4,858)	(4,039)
Addition to internally developed intangible assets		(68)	–	(130)	(3)
		<b>(1,572)</b>	<b>(1,919)</b>	<b>(4,988)</b>	<b>(4,042)</b>
Increase in cash and cash equivalents		<b>3,442</b>	<b>8,810</b>	<b>25,260</b>	<b>6,439</b>
Cash and cash equivalents, beginning of period		<b>46,271</b>	<b>15,177</b>	<b>24,453</b>	<b>17,548</b>
Cash and cash equivalents, end of period		<b>\$ 49,713</b>	<b>\$ 23,987</b>	<b>\$ 49,713</b>	<b>\$ 23,987</b>

See accompanying notes to unaudited condensed interim consolidated financial statements.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

---

## 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 administrative offices and a production facility 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.

In March 2019, the Company created a wholly-owned subsidiary, Yumm Meal Solutions Corp. (the "Subsidiary"). These financial statements are prepared on a consolidated basis since the creation of the Subsidiary.

## NOTE 2 BASIS OF PRESENTATION

---

The unaudited condensed interim consolidated 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 consolidated financial statements do not include all of the disclosures required for annual consolidated 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.

As at September 1, 2018, the Company has applied IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") and IFRS 9, *Financial Instruments* ("IFRS 9"), effective for annual reporting periods beginning on or after January 1, 2018, and has early adopted IFRS 16, *Leases* ("IFRS 16"). Changes to significant accounting policies are described in Note 4.

The unaudited condensed interim consolidated financial statements of the Company for the three-month and nine-month periods ended on May 31, 2019 and 2018 were authorized for issue by the Board of Directors ("Board") on July 10, 2019.

## NOTE 3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

---

The preparation of the Company's consolidated 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 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.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

---

## NOTE 4 SIGNIFICANT ACCOUNTING POLICIES

---

Except as described below, the accounting policies applied in these unaudited condensed interim consolidated financial statements are the same as those applied to 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 consolidated 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 0 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.



# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

---

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.

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 and nine-month periods ended May 31, 2018 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 \$7,456, 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 \$7,556 and right-of-use assets of \$6,173, 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%.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

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 Company has also elected to apply the practical expedient on facility leases, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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	<b>\$ 6,946</b>
Discounted using the incremental borrowing rate as at September 1, 2018	<b>5,361</b>
Variable lease payments excluded under IFRS 16	<b>(742)</b>
Renewal options reasonably certain to be exercised	<b>2,837</b>
Minimum lease payments on finance lease liabilities as at August 31, 2018	<b>100</b>
Lease obligations recognized as at September 1, 2018	<b>\$ 7,556</b>

## 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 and nine-month periods ended May 31, 2018, 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 solutions. 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 solutions, 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 solutions 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.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

---

## 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, *Financial Instruments: Recognition and Measurement*. 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.

## 4.4 CONSOLIDATION

The unaudited condensed interim consolidated financial statements of the Company for the three-month and nine-month periods ended on May 31, 2019 include the accounts of the Company and of the Subsidiary.

### Subsidiary

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. A subsidiary continues to be consolidated until the date that such control ceases.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 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
<b>Cost:</b>						
Balance as at						
August 31, 2018	\$ 223	\$ 1,775	\$ 234	\$ 4,245	\$ –	\$ 6,477
Additions	373	2,619	401	51	1,853	5,297
Transfers	–	–	–	1,343	(1,343)	–
Reclassification to right-of-use assets (Note 4)	–	(122)	–	–	–	(122)
<b>Balance as at May 31, 2019</b>	<b>\$ 596</b>	<b>\$ 4,272</b>	<b>\$ 635</b>	<b>\$ 5,639</b>	<b>\$ 510</b>	<b>\$ 11,652</b>
<b>Accumulated depreciation:</b>						
Balance as at						
August 31, 2018	\$ 33	\$ 139	\$ 68	\$ 231	\$ –	\$ 471
Depreciation	62	222	98	369	–	751
Reclassification to right-of-use assets (Note 4)	–	(22)	–	–	–	(22)
<b>Balance as at May 31, 2019</b>	<b>\$ 95</b>	<b>\$ 339</b>	<b>\$ 166</b>	<b>\$ 600</b>	<b>\$ –</b>	<b>\$ 1,200</b>
<b>Net carrying amounts:</b>						
Balance as at						
August 31, 2018	\$ 190	\$ 1,636	\$ 166	\$ 4,014	\$ –	\$ 6,006
<b>Balance as at May 31, 2019</b>	<b>501</b>	<b>3,933</b>	<b>469</b>	<b>5,039</b>	<b>510</b>	<b>10,452</b>

As at May 31, 2019, \$1,213 (August 31, 2018 – \$111) of fixed asset additions are included in accounts payable and accrued liabilities.

As at May 31, 2019, \$764 of deposits on fixed assets are included in other non-current assets. During the nine-month period ended May 31, 2019, \$101 of deposits on fixed assets included in other non-current assets as 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	\$ 5,835	\$ 100	\$ 238	\$ 6,173
Additions	4,838	316	213	5,367
Disposals	–	–	(39)	(39)
Depreciation	(781)	(127)	(64)	(972)
<b>Balance as at May 31, 2019</b>	<b>\$ 9,892</b>	<b>\$ 289</b>	<b>\$ 348</b>	<b>\$ 10,529</b>

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

(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. In April 2019, the Canadian financial institution increased the amount in other short-term financing from \$1,000 to \$3,000.

As at May 31, 2019, \$10,000 of the term loan was disbursed, bearing variable interest at the Canadian Dollar Rate ("CDOR") plus 2.50% (4.48% as at May 31, 2019). 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. As at May 31, 2019, the revolving credit facility was undrawn. Debt issuance costs of \$25 were incurred and recorded against the debt at the inception date of the debt. As at May 31, 2019, debt issuance costs of \$4 were amortized and recorded in net finance costs.

The credit facility includes financial covenants with which the Company was in compliance as at May 31, 2019.

As at May 31, 2019, the Company has corporate credit cards used for business purposes with authorised limits totaling \$5,875 (August 31, 2018 – \$1,365), including \$3,000 in other short-term financing secured from a Canadian financial institution. Amounts owing with respect to credit cards are included in accounts payable and accrued liabilities.

### Interest rate swaps

Effective March 1, 2019, the Company signed a swap agreement with the same Canadian financial institution whereby the Company fixed the annual interest rate at 2.22% plus 2.50% on a notional amount of \$2,500 until November 14, 2021. With this agreement, the Company effectively fixed the interest rate at 4.72% for this portion of the Company's long-term debt.

Effective March 14, 2019, the Company signed a second swap agreement with the same Canadian financial institution whereby the Company fixed the annual interest rate at 2.07% plus 2.50% on a notional amount of \$1,263 until November 14, 2021. With this agreement, the Company effectively fixed the interest rate at 4.57% for this portion of the Company's long-term debt.

As at May 31, 2019, the Company's interest rate swaps are classified as derivative financial liabilities not designated as hedging instruments. In accordance with IFRS 9, the Company's swap agreements are measured at fair value with gains and losses in fair value presented in net finance costs in the Company's Condensed Interim Consolidated Statements of Loss and Comprehensive Loss. In addition, given maturities in November 2021, the Company's swap agreements are presented within long-term debt in the Company's Condensed Interim Consolidated Statements of Financial Position. For the three-month and nine-month periods ended May 31, 2019, a loss in fair value of \$40 is presented in net finance costs (Note 10). As at May 31, 2019, a fair value of \$40 is presented in long-term debt.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

---

## NOTE 8 LEASE OBLIGATIONS

---

	May 31, 2019
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	\$ 1,790
One to five years	6,524
More than 5 years <sup>(1)</sup>	7,035
<b>Total undiscounted lease obligations as at May 31, 2019</b>	<b>\$ 15,349</b>
<b>Lease obligations included in the Condensed Interim Consolidated Statement of Financial Position as at May 31, 2019</b>	<b>\$ 12,106</b>
Current portion	1,158
Non-current portion	10,948

---

<sup>(1)</sup> As at May 31, 2019, 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.

With the exception of future cash flows associated with subsequent events described in Note 15, there are no future cash outflows related to lease agreements to which the Company is potentially exposed that are not reflected in the measurement of lease obligations.

---

## NOTE 9 SHARE CAPITAL

---

### Share issuances

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, less share issuance costs of \$926.

In connection with the public offering completed on February 22, 2019, the Company issued 6,019,212 common shares (of which 26,500 common shares were purchased by Board members and key management personnel) at a price of \$3.50 per share for gross proceeds of \$21,067, less share issuance costs of \$1,497.

### Exercise of agent compensation options

In connection with the Company's private placement completed on June 1, 2017, the Company granted 405,002 two-year compensation options to the agents to purchase common shares of the Company at a price of \$2.00 per common share. During the three-month period ending May 31, 2019, 299,064 options were exercised for gross proceeds of \$598. The remaining balance of agent compensation options that were not exercised expired on June 1, 2019.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

## NOTE 10 NET FINANCE EXPENSES (INCOME)

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2019	2018	2019	2018
Interest expense on debt	\$ 90	\$ 43	\$ 169	\$ 120
Interest expense on lease obligations	167	–	467	–
Interest income	(232)	(67)	(452)	(180)
Foreign exchange loss	24	6	41	12
Fair value loss on interest rate swaps (Note 7)	40	–	40	–
	\$ 89	\$ (18)	\$ 265	\$ (48)

## NOTE 11 LOSS PER SHARE

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2019	2018	2019	2018
Net loss	\$ (3,639)	\$(1,564)	\$ (15,050)	\$ (6,478)
Basic weighted average number of common shares	57,950,718	48,880,190	54,007,353	48,141,897
Loss per share – basic and diluted	\$ (0.06)	\$ (0.03)	\$ (0.28)	\$ (0.13)

For the three-month and nine-month periods ended May 31, 2019 and 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.

## NOTE 12 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 lender's base rates. The Company manages its interest rate risk by using variable-to-fixed interest rate swaps as described in Note 7.

### *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.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

## 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 budgets 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.

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

	May 31, 2019				
	Total carrying amount	Contractual cash flows <sup>(3)</sup>	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 28,813	\$ 28,813	\$ 28,813	\$ –	\$ –
Long-term debt <sup>(1), (2)</sup>	10,019	11,125	455	10,670	–

	August 31, 2018				
	Total carrying amount	Contractual cash flows <sup>(3)</sup>	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 <sup>(1), (2)</sup>	2,092	2,415	658	1,757	–

<sup>(1)</sup> In November 2018, the Company signed a new debt agreement with proceeds partially used to refinance the long-term debt as at August 31, 2018 (see further details in Note 7).

<sup>(2)</sup> As at May 31, 2019, an interest rate of 4.48% (August 31, 2018 – 6.95%) was used to determine the estimated interest payments on the variable-rate portion of the Company's long-term debt and interest rates of 4.72% and 4.57% were used to determine the interest payments on the fixed-rate portion of the Company's long-term debt.

<sup>(3)</sup> See Note 8 for contractual payments due on lease obligations.

## NOTE 13 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.

The fair value of interest rate swaps as at May 31, 2019 was estimated using Level 2 inputs.



# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

## NOTE 14 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 7.5% 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, 2019, 1,068,103 stock options were available for issuance (August 31, 2018 – 1,165,791).

For the three-month and nine-month periods ended May 31, 2019, share-based payments recognized under the stock option plan amounted to \$465 (2018 – \$148) and \$1,269 (2018 – \$300), respectively.

During the nine-month period ended May 31, 2019, 2,033,603 options (2018 – 428,404 options) were granted at a weighted average exercise price of \$2.88 (2018 – \$2.55) per option, of which 1,106,766 options were granted 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:

	2019
Volatility	54%
Risk-free interest rate	1.99%
Expected life of options	5.1 years
Common share value at grant date	\$ 2.88
Exercise price	\$ 2.88

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	2,033,603	2.88
Stock options settled in cash <sup>(1)</sup>	(74,740)	1.62
Forfeited	(91,673)	2.84
<b>Outstanding as at May 31, 2019</b>	<b>3,292,661</b>	<b>2.51</b>
<b>Exercisable as at May 31, 2019</b>	<b>503,179</b>	<b>\$ 1.39</b>

<sup>(1)</sup> On December 4, 2018, the Company exceptionally agreed to settle in cash a specific number of vested stock options with two members of the Board. The net cash settled amount was \$99 and represents the difference between the fair value of the stock on the date of settlement and the exercise stock price. There are no other stock options that are intended to be net settled in cash in the future.

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

Summary of options outstanding is as follows:

<b>May 31, 2019</b>				
<b>Exercise price</b>	<b>Number of options outstanding</b>	<b>Weighted average contractual life outstanding</b>	<b>Exercisable options</b>	
\$ 0.10	178,834	6.00	178,834	
1.56	283,718	6.23	88,069	
2.00	104,070	6.00	99,222	
2.01	99,255	6.50	37,221	
2.53	19,012	7.12	–	
2.55	1,050,000	7.25	–	
2.56	334,618	7.21	4,648	
2.62	4,791	6.87	1,938	
2.71	300,000	6.70	87,500	
2.90	17,241	6.63	5,747	
2.98	274,219	7.51	–	
3.04	84,941	7.63	–	
3.45	541,962	7.85	–	
<b>\$ 2.51</b>	<b>3,292,661</b>	<b>7.10</b>	<b>503,179</b>	

<b>August 31, 2018</b>				
<b>Exercise price</b>	<b>Number of options outstanding</b>	<b>Weighted average contractual life outstanding</b>	<b>Exercisable options</b>	
\$ 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	–	
<b>\$ 1.96</b>	<b>1,425,471</b>	<b>7.30</b>	<b>322,483</b>	

# GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month and nine-month periods ended May 31, 2019 and 2018

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

---

## NOTE 15 SUBSEQUENT EVENTS

---

### 15.1 BREAKFAST PRODUCTION FACILITY

On June 18, 2019, the Company signed a five-year lease with a renewal option of three years for a 20,000 square-foot production facility located in Montreal, Quebec, Canada. Payment commencement date is July 6, 2019 and management intends to commence operations in the new facility before the end of fiscal year 2019. Fixed rent payments represent a total commitment of \$895.

### 15.2 BRITISH COLUMBIA PRODUCTION FACILITY

On July 3, 2019, the Company signed a ten-year lease with a renewal option of five years for an 84,000 square-foot production facility located in Vancouver, British Columbia, Canada. The expected delivery date of the facility is October 1, 2019 and payment commencement date is January 15, 2020. Management intends to begin operations in the new facility in the beginning of calendar year 2020. Fixed rent payments represent a total commitment of \$14,630.