

Condensed Interim Consolidated Financial Statements of

GOODFOOD MARKET CORP.

For the three-month periods ended November 30, 2019 and 2018
(Unaudited)

GOODFOOD MARKET CORP.

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(Unaudited)

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GOODFOOD MARKET CORP.

Condensed Interim Consolidated Statements of Financial Position

November 30, 2019 and August 31, 2019

(In thousands of Canadian dollars – Unaudited)

	Notes	November 30, 2019	August 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		\$ 44,549	\$ 45,149
Amounts receivable		3,591	2,605
Inventories		5,255	4,735
Other current assets		481	246
		53,876	52,735
Non-current assets:			
Restricted cash	7	2,500	2,500
Fixed assets	5	14,653	13,545
Right-of-use assets	6	22,345	11,089
Intangible assets		1,358	512
Other non-current assets		577	402
		\$ 95,309	\$ 80,783
Liabilities and Shareholders' Equity			
Current liabilities:			
Line of credit	7	\$ 2,040	\$ 1,540
Accounts payable and accrued liabilities		35,965	30,704
Deferred revenue		8,128	5,923
Current portion of long-term debt	7	188	31
Current portion of lease obligations	8	2,139	1,273
		48,460	39,471
Non-current liabilities:			
Long-term debt	7	12,296	12,460
Lease obligations	8	21,902	11,451
		82,658	63,382
Shareholders' equity:			
Common shares		56,592	56,598
Contributed surplus		2,757	2,349
Deficit		(46,698)	(41,546)
		12,651	17,401
		\$ 95,309	\$ 80,783

See accompanying notes to the 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 periods ended November 30, 2019 and 2018

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

	Notes	2019	2018
Revenue		\$ 56,291	\$ 29,617
Cost of goods sold		40,072	23,123
Gross profit		16,219	6,494
Expenses:			
Selling, general and administrative		20,281	10,771
Depreciation and amortization		993	487
		21,274	11,258
Net finance expenses	9	97	87
Net loss, being comprehensive loss for the period		\$ (5,152)	\$ (4,851)
Basic and diluted loss per share (in \$)	10	\$ (0.09)	\$ (0.09)

See accompanying notes to the unaudited condensed interim consolidated financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Consolidated Statements of Changes in Equity

Three-month periods ended November 30, 2019 and 2018

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

	Notes	Common Shares		Contributed		Total
		Number	Amount	Surplus	Deficit	
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	11	–	–	375	–	375
Balance as at November 30, 2018		51,825,245	\$ 36,283	\$ 1,157	\$ (25,460)	\$ 11,980
Balance as at August 31, 2019		58,144,400	\$ 56,598	\$ 2,349	\$ (41,546)	\$ 17,401
Net loss		–	–	–	(5,152)	(5,152)
Share-based payments	11	–	–	411	–	411
Stock options exercised	11	2,300	8	(3)	–	5
Employee share purchase plan		(4,895)	(14)	–	–	(14)
Balance as at November 30, 2019		58,141,805	\$ 56,592	\$ 2,757	\$ (46,698)	\$ 12,651

See accompanying notes to the unaudited condensed interim consolidated financial statements.

GOODFOOD MARKET CORP.

Condensed Interim Consolidated Statements of Cash Flows
 Three-month periods ended November 30, 2019 and 2018
 (In thousands of Canadian dollars – Unaudited)

	Notes	2019	2018
Cash provided by (used in):			
Operating:			
Net loss		\$ (5,152)	\$ (4,851)
Adjustments for:			
Depreciation and amortization		993	487
Share-based payments	11	411	375
Net finance expenses	9	97	87
Other non-current assets		(1)	(43)
Change in non-cash operating working capital:			
Amounts receivable		(836)	(94)
Inventories		(520)	(1,060)
Other current assets		(235)	76
Accounts payable and accrued liabilities		4,499	5,881
Deferred revenue		2,205	892
		1,461	1,750
Financing:			
Net borrowing under line of credit		500	(500)
Proceeds from issuance of long-term debt	7	–	2,507
Debt issue costs	7	–	(15)
Repayment of long-term debt	7	6	(2,002)
Proceeds from exercise of stock options		5	–
Shares purchased under employee share purchase plan		(14)	–
Interest paid		(319)	(37)
Payments of lease obligations		(582)	(351)
		(404)	(398)
Investing:			
Interest received		231	110
Acquisition and deposits on fixed assets	5	(1,693)	(591)
Acquisition of intangible assets		(195)	–
		(1,657)	(481)
(Decrease) increase in cash and cash equivalents		(600)	871
Cash and cash equivalents, beginning of period		45,149	24,453
Cash and cash equivalents, end of period		\$ 44,549	\$ 25,324

Additional cash flow information is presented in Note 14.

See accompanying notes to the unaudited condensed interim consolidated financial statements.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended November 30, 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 has its main production facility and administrative offices based in Montreal, Quebec, and two secondary production facilities in Alberta and Quebec with an additional production facility scheduled to open in the beginning of calendar year 2020 in British Columbia.

The Company is a leading online grocery company in Canada, delivering fresh meal solutions and private label grocery items that make it easy for members from coast to coast to enjoy delicious meals at home every week. The Company's members get access to a unique selection of products online as well as exclusive pricing made possible by its direct to consumer fulfilment eco-system that cuts out food waste and expensive retail overhead.

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 ACCOUNTING

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 consolidated financial statements of the Company for the year ended August 31, 2019.

The unaudited condensed interim consolidated financial statements of the Company for the three-month periods ended on November 30, 2019 and 2018 were authorized for issue by the Board of Directors ("Board") on January 7, 2020.

NOTE 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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 consolidated financial statements for the year ended August 31, 2019.

NOTE 4 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in these unaudited condensed interim consolidated financial statements are the same as those applied to the Company's annual audited consolidated financial statements for the year ended August 31, 2019.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended November 30, 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 improve- ments	Assets under construction	Other	Total
Cost :							
Balance as at							
August 31, 2019	\$ 716	\$ 6,480	\$ 674	\$ 7,079	\$ 232	\$ –	\$ 15,181
Additions	123	144	121	14	1,148	84	1,634
Transfers	–	–	–	173	(173)	–	–
Balance as at November 30, 2019	\$ 839	\$ 6,624	\$ 795	\$ 7,266	\$ 1,207	\$ 84	\$ 16,815
Accumulated depreciation:							
Balance as at							
August 31, 2019	\$ 130	\$ 507	\$ 216	\$ 783	\$ –	\$ –	\$ 1,636
Depreciation	42	211	60	210	–	3	526
Balance as at November 30, 2019	\$ 172	\$ 718	\$ 276	\$ 993	\$ –	\$ 3	\$ 2,162
Net carrying amounts:							
Balance as at							
August 31, 2019	\$ 586	\$ 5,973	\$ 458	\$ 6,296	\$ 232	\$ –	\$ 13,545
Balance as at November 30, 2019	\$ 667	\$ 5,906	\$ 519	\$ 6,273	\$ 1,207	\$ 81	\$ 14,653

NOTE 6 RIGHT-OF-USE ASSETS

	Facilities	Automotive equipment	Other equipment	Total
Balance as at August 31, 2019	\$ 10,348	\$ 290	\$ 451	\$ 11,089
Additions	11,674	182	43	11,899
Depreciation	(510)	(86)	(47)	(643)
Balance as at November 30, 2019	\$ 21,512	\$ 386	\$ 447	\$ 22,345

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Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended November 30, 2019 and 2018

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

NOTE 7 DEBT

Credit facility

During the year ended August 31, 2019, the Company obtained from a Canadian financial institution two secured three-year term loans totalling \$12,500, a \$10,000 revolving line of credit and \$5,000 in other short-term financing. This credit facility is secured by a first-ranking hypothec on all of the Company's movable and immovable assets. The proceeds are being used to fund expansion capital expenditures, invest in automation, and were also used to refinance the Company's long-term debt.

As at November 30, 2019, \$12,500 of the term loans were disbursed, bearing variable interest at the Canadian Dollar Offered Rate ("CDOR") plus 2.50% (4.46% as at November 30, 2019). The term loans are repayable in quarterly installments of \$125 and \$31, beginning on November 30, 2020 and August 31, 2020, respectively, with a bullet repayment of the balance at the end of the term ending in November 2021.

As at November 30, 2019, \$2,040 of the revolving line of credit was disbursed, bearing variable interest at the Canadian Dollar Offered Rate ("CDOR") plus 2.50%, resulting in an interest rate of 4.46%.

As at November 30, 2019, two irrevocable financial standby letters of credit totalling \$223 were issued by the aforementioned Canadian financial institution. Both letters of credit represent security with regards to lease agreements of the Company and reduce the borrowing capacity on the Company's revolving line of credit.

As at November 30, 2019, the Company has corporate credit cards used for business purposes with authorised limits totaling \$7,875 (August 31, 2019 – \$7,875), including the \$5,000 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.

The credit facility includes a collateral requirement of \$2,500 placed in a restricted cash account and financial covenants with which the Company was in compliance as at November 30, 2019.

Interest rate swaps

As at November 30, 2019, the Company has four signed swap agreements with the same Canadian financial institution whereby the Company fixed the interest rates on notional amounts totalling \$7,013 until November 2021.

As at November 30, 2019, the Company's interest rate swaps are classified as derivative financial liabilities not designated as hedging instruments. In accordance with IFRS 9, *Financial Instruments*, the Company's swap agreements are measured at fair value with gains and losses in fair value presented in net finance expenses in the Company's condensed interim consolidated statements of loss and comprehensive loss. For the three-month period ended November 30, 2019, a gain in fair value of \$13 is presented in net finance expenses (refer to Note 9). As at November 30, 2019 a liability of \$33 is presented in long-term debt.

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Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended November 30, 2019 and 2018

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

NOTE 8 LEASE OBLIGATIONS

The following table presents an analysis of the lease obligations of the Company:

	November 30, 2019	August 31, 2019
Maturity analysis – contractual undiscounted cash flows		
Less than one year	\$ 3,286	\$ 1,874
One to five years	12,330	7,050
More than 5 years ⁽¹⁾	14,296	6,944
Total undiscounted lease obligations	\$ 29,912	\$ 15,868
Lease obligations included in the statement of financial position	\$ 24,041	\$ 12,724
Current portion	2,139	1,273
Non-current portion	21,902	11,451

⁽¹⁾ As at November 30, 2019, future lease payments of \$5,591 (August 31, 2019 – \$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 (August 31, 2019 – \$6,443) of undiscounted cash flows.

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 NET FINANCE EXPENSES

	2019	2018
Interest expense on debt	\$ 158	\$ 48
Interest expense on lease obligations	166	143
Interest income	(231)	(115)
Foreign exchange loss	17	11
Fair value gain on interest rate swaps (refer to Note 7)	(13)	–
	\$ 97	\$ 87

NOTE 10 LOSS PER SHARE

	2019	2018
Net loss	\$ (5,152)	\$ (4,851)
Basic weighted average number of common shares	58,144,451	51,825,245
Loss per share – basic and diluted	\$ (0.09)	\$ (0.09)

Issued shares from the exercise of stock options are weighted from the transaction date.

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.

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Notes to Condensed Interim Consolidated Financial Statements

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

NOTE 11 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 November 30, 2019, 24,929 stock options were available for issuance (August 31, 2019 – 450,661).

Total share-based payments recognized under the stock option plan amounted to \$411 for the three-month period ended November 30, 2019 (2018 – \$375).

During the three-month period ended November 30, 2019, 637,568 options (2018 – 1,075,000 options) were granted at a weighted average exercise price of \$3.00 (2018 – \$2.55) per option, of which 101,438 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	47%
Risk-free interest rate	1.47%
Expected life of options	5.1 years
Common share value at grant date	\$3.00
Exercise price	\$3.00

Information concerning the movement in stock options is as follows:

	Number of options	Weighted average exercise price
Outstanding as at August 31, 2019	3,910,169	\$ 2.57
Granted	637,568	3.00
Exercised	(2,300)	2.56
Forfeited	(209,364)	2.66
Outstanding as at November 30, 2019	4,336,073	2.63
Exercisable as at November 30, 2019	1,014,430	\$ 1.93

For the three-month period ended November 30, 2019, the weighted average share price of the Company's common shares upon the exercise date of stock options was \$3.07 (2018 – \$2.94).

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Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended November 30, 2019 and 2018

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

Summary of options outstanding is as follows:

Exercise price	Number of options outstanding	Weighted average contractual life outstanding	Exercisable options
Balance as at November 30, 2019:			
Less than \$1.00	178,834	6.56	178,834
\$ 1.00 – 1.99	283,718	5.73	131,547
\$ 2.00 – 2.49	199,285	6.65	149,658
\$ 2.50 – 2.99	2,240,694	6.87	553,141
\$ 3.00 – 3.49	1,433,542	7.62	1,250
	4,336,073	7.02	1,014,430
Balance as at August 31, 2019:			
Less than \$1.00	178,834	6.81	178,834
\$ 1.00 – 1.99	283,718	5.98	109,808
\$ 2.00 – 2.49	203,325	6.87	143,050
\$ 2.50 – 2.99	2,313,573	7.08	207,347
\$ 3.00 – 3.49	930,719	7.67	–
	3,910,169	7.12	639,039

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.

The fair value of interest rate swaps as at November 30, 2019 was estimated using Level 2 inputs.

NOTE 13 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, amounts receivable, restricted cash, and security deposits included in other 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 and an internationally established payment processor.

Interest rate risk:

The Company's long-term debt and revolving 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. The Company manages its interest rate risk by using variable-to-fixed interest rate swaps as described in Note 7.

GOODFOOD MARKET CORP.

Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended November 30, 2019 and 2018

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

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 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 and short-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:

	November 30, 2019				
	Total carrying amount	Contractual cash flows ⁽²⁾	Less than 1 year	1 to 5 years	More than 5 years
Line of credit	\$ 2,040	\$ 2,040	\$ 2,040	\$ -	\$ -
Accounts payable and accrued liabilities	35,965	35,965	35,965	-	-
Long-term debt, including current portion ⁽¹⁾	12,484	13,613	753	12,860	-
	\$ 50,489	\$ 51,618	\$ 38,758	\$ 12,860	\$ -

	August 31, 2019				
	Total carrying amount	Contractual cash flows ⁽²⁾	Less than 1 year	1 to 5 years	More than 5 years
Line of credit	\$ 1,540	\$ 1,540	\$ 1,540	\$ -	\$ -
Accounts payable and accrued liabilities	30,704	30,704	30,704	-	-
Long-term debt, including current portion ⁽¹⁾	12,491	13,755	597	13,158	-
	\$ 44,735	\$ 45,999	\$ 32,841	\$ 13,158	\$ -

(1) As at November 30, 2019, an interest rate of 4.46% (August 31, 2019 – 4.46%) was used to determine the estimated interest payments on the Company's variable-rate portion of the Company's long-term debt, and fixed interest rates pursuant to swap agreements mentioned in Note 7 were used to determine the interest payments on the fixed-rate portion of the Company's long-term debt.

(2) Refer to Note 8 for contractual payments due on lease obligations.

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Notes to Condensed Interim Consolidated Financial Statements

Three-month periods ended November 30, 2019 and 2018

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

NOTE 14 ADDITIONAL CASH FLOW INFORMATION

Transactions that had no cash impact on investing activities as at November 30, 2019, were as follows:

- Fixed asset additions of \$1,348 (August 31, 2019 - \$1,273) and intangible asset additions of \$907 (August 31, 2019 – \$242) were unpaid and included in accounts payable and accrued liabilities;
- Assets under construction additions of \$190 (August 31, 2019 – \$38) relate to capitalized depreciation expense and interest expense on lease obligations;
- Deposits on fixed assets of \$289 (August 31, 2019 - \$115) are included in other non-current assets;

The following are amounts of cash, cash equivalents and restricted cash:

	November 30, 2019	August 31, 2019
Cash and cash equivalents	\$ 44,549	\$ 45,149
Restricted cash ⁽¹⁾	2,500	2,500
	\$ 47,049	\$ 47,649

(1) Restricted cash consists of cash held as collateral, which is subject to the terms of the financing agreement (refer to Note 7).