Interim Condensed Consolidated Financial Statements of

# GOODFOOD MARKET CORP.

For the three-month periods ended November 30, 2020 and 2019
(Unaudited)

# GOODFOOD MARKET CORP.

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# GOODFOOD MARKET CORP.

**Interim Condensed Consolidated Statements of Financial Position**
(In thousands of Canadian dollars - Unaudited)

| As at | Notes | November 30, 2020 | August 31, 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | | **$ 104,077** | $ 104,402 |
| Amounts receivable | | **4,522** | 4,464 |
| Inventories | | **10,352** | 6,962 |
| Other current assets | | **1,111** | 780 |
| | | **120,062** | 116,608 |
| **Non-current assets:** | | | |
| Restricted cash | 7 | **–** | 2,500 |
| Fixed assets | 5 | **19,870** | 19,191 |
| Right-of-use assets | 6 | **22,235** | 21,130 |
| Intangible assets | | **3,277** | 2,203 |
| Non-current deposits | | **2,084** | 1,414 |
| **Total assets** | | **$ 167,528** | $ 163,046 |
| | | | |
| **Liabilities and Shareholders' Equity** | | | |
| **Current liabilities:** | | | |
| Accounts payable and accrued liabilities | | **$ 44,416** | $ 40,878 |
| Line of credit | 7 | **–** | 9,063 |
| Deferred revenues | | **6,602** | 5,390 |
| Current portion of long-term debt | 7 | **272** | 656 |
| Current portion of lease obligations | 9 | **3,636** | 2,990 |
| | | **54,926** | 58,977 |
| **Non-current liabilities:** | | | |
| Long-term debt | 7 | **21,208** | 11,959 |
| Convertible debentures | 8 | **10,552** | 14,194 |
| Lease obligations | 9 | **20,862** | 20,358 |
| **Total liabilities** | | **107,548** | 105,488 |
| **Shareholders' equity:** | | | |
| Common shares | 11 | **102,499** | 97,801 |
| Contributed surplus | | **4,149** | 3,208 |
| Convertible debentures | 8 | **1,639** | 2,231 |
| Deficit | | **(48,307)** | (45,682) |
| **Total shareholders' equity** | | **59,980** | 57,558 |
| **Total liabilities and shareholders' equity** | | **$ 167,528** | $ 163,046 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Approved on behalf of Goodfood Market Corp. by:

(signed)
*Jonathan Ferrari, Director and Chair of the Board*

(signed)
*Francois Vimard, Director and Chair of the Audit Committee*

# GOODFOOD MARKET CORP.

**Interim Condensed Consolidated Statements of Loss and Comprehensive Loss**
(In thousands of Canadian dollars, except share and per share information - Unaudited)

| **For the three-month periods ended November 30,** | **Notes** | **2020** | 2019 |
|---|---|---|---|
| Revenues | | **$ 91,427** | $ 56,291 |
| Cost of goods sold | | **61,854** | 40,072 |
| Gross profit | | **29,573** | 16,219 |
| Selling, general and administrative expenses | | **29,216** | 20,281 |
| Depreciation and amortization | | **2,094** | 993 |
| Operating loss | | **(1,737)** | (5,055) |
| Net finance costs | 10 | **675** | 97 |
| Loss before income taxes | | **(2,412)** | (5,152) |
| Deferred income tax expense | 8 | **213** | – |
| **Net loss, being comprehensive loss for the period** | | **$ (2,625)** | $ (5,152) |
| Basic loss per share | | **$ (0.04)** | $ (0.09) |
| Basic weighted average number of common shares outstanding | 11 | **66,762,304** | 58,142,841 |
| Diluted loss per share | | **$ (0.04)** | $ (0.09) |
| Diluted weighted average number of common shares outstanding | 11 | **66,762,304** | 58,142,841 |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# GOODFOOD MARKET CORP.

**Interim Condensed Consolidated Statements of Changes in Equity**
(In thousands of Canadian dollars - Unaudited)

**For the three-month periods ended November 30,**

| | Notes | Common Shares | Contributed Surplus | Convertible Debentures | Deficit | Total |
|---|---|---|---|---|---|---|
| | | | | | | **2020** |
| Balance as at August 31, 2020 | | $ 97,801 | $ 3,208 | $ 2,231 | $ (45,682) | **$ 57,558** |
| Net loss for the period | | – | – | – | (2,625) | **(2,625)** |
| Share-based payments | 12 | – | 997 | – | – | **997** |
| Stock options exercised | 11, 12 | 183 | (56) | – | – | **127** |
| Employee share purchase plan | 11 | (85) | – | – | – | **(85)** |
| Convertible debentures conversions, net of tax (1) | 8, 11 | 4,600 | – | (592) | – | **4,008** |
| **Balance as at November 30, 2020** | | **$ 102,499** | **$ 4,149** | **$ 1,639** | **$ (48,307)** | **$ 59,980** |
| | | | | | | **2019** |
| Balance as at August 31, 2019 | | $ 56,598 | $ 2,349 | $ – | $ (41,546) | $ 17,401 |
| Net loss for the period | | – | – | – | (5,152) | (5,152) |
| Share-based payments | 12 | – | 411 | – | – | 411 |
| Stock options exercised | 11, 12 | 8 | (3) | – | – | 5 |
| Employee share purchase plan | 11 | (14) | – | – | – | (14) |
| Balance as at November 30, 2019 | | $ 56,592 | $ 2,757 | $ – | $ (46,698) | $ 12,651 |

(1) The conversions of the convertible debentures presented above are net of income taxes of $0.2 million.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# GOODFOOD MARKET CORP.

**Interim Condensed Consolidated Statements of Cash Flows**
(In thousands of Canadian dollars - Unaudited)

| For the three-month periods ended November 30, | Notes | | 2020 | | 2019 |
|---|---|---|---|---|---|
| **Operating:** | | | | | |
| Net loss | | $ | **(2,625)** | $ | (5,152) |
| Adjustments for: | | | | | |
| Depreciation and amortization | | | **2,094** | | 993 |
| Share-based payments | 12 | | **997** | | 411 |
| Net finance costs | 10 | | **675** | | 97 |
| Deferred income tax expense | 8 | | **213** | | – |
| Change in non-cash operating working capital | 13 | | **914** | | 5,113 |
| Non-current deposits and other | | | **(126)** | | (1) |
| | | | **2,142** | | 1,461 |
| **Financing:** | | | | | |
| Proceeds from issuance of long-term debt | 7 | | **12,500** | | – |
| Repayment of long-term debt | 7 | | **(12,500)** | | 6 |
| Proceeds from drawdown of revolving facility | 7 | | **9,063** | | 500 |
| Repayment of line of credit | 7 | | **(9,063)** | | – |
| Interest paid | | | **(1,107)** | | (319) |
| Payment of lease obligations | | | **(1,030)** | | (582) |
| Shares purchased under employee share purchase plan | 11 | | **(85)** | | (14) |
| Debt issuance costs | 7 | | **(149)** | | – |
| Share issuance costs | | | **(70)** | | – |
| Proceeds from exercise of stock options | | | **127** | | 5 |
| | | | **(2,314)** | | (404) |
| **Investing:** | | | | | |
| Additions and deposits on fixed assets | | | **(2,202)** | | (1,693) |
| Additions to intangible assets | | | **(648)** | | (195) |
| Restricted cash | 7 | | **2,500** | | – |
| Interest received | | | **197** | | 231 |
| | | | **(153)** | | (1,657) |
| Decrease in cash and cash equivalents | | | **(325)** | | (600) |
| Cash and cash equivalents, beginning of period | | | **104,402** | | 45,149 |
| **Cash and cash equivalents, end of period** | | $ | **104,077** | $ | 44,549 |
| Supplemental cash flow information | 13 | | | | |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

## 1. REPORTING ENTITY

Goodfood Market Corp. is an online grocery company in Canada, delivering fresh meal solutions and grocery items to members across Canada.

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. References to Goodfood Market Corp. (or "Goodfood", the "Company") represent the financial position, financial performance, cash flows and disclosures of Goodfood Market Corp. and its subsidiary.

Goodfood Market Corp. is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange ("TSX") under the symbol "FOOD". The Company has its main production facility and administrative offices based in Montreal, Québec, and additional production facilities in Québec, Ontario, Alberta, and British Columbia.

## 2. BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

These interim condensed 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 interim condensed 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 years ended August 31, 2020 and 2019.

The interim condensed consolidated financial statements of the Company for the three-month periods ended on November 30, 2020 and 2019 were authorized by the Board of Directors ("Board") on January 12, 2021 for publication on January 13, 2021.

### 2.2 BASIS OF MEASUREMENT

The consolidated financials statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss;
- equity share-based payment arrangements which are measured at fair value at grant date pursuant to IFRS 2, *Share-based payment*; and
- lease obligations, which are measured at the present value of minimum lease payments at lease inception.

### 2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The interim condensed consolidated financial statements are stated in Canadian dollars, which is the functional and presentation currency of Goodfood Market Corp.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s interim condensed consolidated financial statements in accordance 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.

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

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 years ended August 31, 2020 and 2019.

### 3.1 ECONOMIC CONDITIONS AND UNCERTAINTIES

The COVID-19 pandemic has had an impact on Goodfood's overall business and operations. As an essential service in Canada, Goodfood has been operating throughout the pandemic and experienced an acceleration of growth in demand. Pressure on supply chains, inventory levels and increased operational costs or disruptions and labour shortages could increase depending on the duration and severity of the pandemic as well as any changes to Goodfood's industry regulatory framework. The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could affect the significant estimates and judgements used in the preparation of the Company's interim condensed consolidated financial statements. Further details on the impact of the pandemic and measures implemented are provided in Management's Discussion and Analysis for the three-month period ended November 30, 2020.

## 4. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in these interim condensed consolidated financial statements are the same as those applied to the Company's annual audited consolidated financial statements for the years ended August 31, 2020 and 2019.

## 5. FIXED ASSETS

| | Furniture and fixtures | Machinery and equipment | Computer hardware and other | Leasehold improvements | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| As at August 31, 2020 | $ 1,506 | $ 8,529 | $ 1,410 | $ 11,771 | $ 51 | $ 23,267 |
| Additions | 324 | 137 | 832 | 68 | 158 | 1,519 |
| Transfers | – | – | – | 32 | (32) | – |
| **As at November 30, 2020** | **$ 1,830** | **$ 8,666** | **$ 2,242** | **$ 11,871** | **$ 177** | **$ 24,786** |
| **Accumulated depreciation:** | | | | | | |
| As at August 31, 2020 | $ 335 | $ 1,398 | $ 508 | $ 1,835 | $ – | $ 4,076 |
| Depreciation | 76 | 285 | 127 | 352 | – | 840 |
| **As at November 30, 2020** | $ 411 | $ 1,683 | $ 635 | $ 2,187 | $ – | $ 4,916 |
| **Net carrying amounts:** | | | | | | |
| As at August 31, 2020 | $ 1,171 | $ 7,131 | $ 902 | $ 9,936 | $ 51 | $ 19,191 |
| **As at November 30, 2020** | **$ 1,419** | **$ 6,983** | **$ 1,607** | **$ 9,684** | **$ 177** | **$ 19,870** |

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

## 6. RIGHT-OF-USE ASSETS

| | Facilities | Automotive equipment | Other equipment | Total |
|---|---|---|---|---|
| As at August 31, 2020 | $ 20,178 | $ 448 | $ 504 | **$ 21,130** |
| Additions | 1,962 | 167 | 130 | **2,259** |
| Derecognition | – | – | – | **–** |
| Depreciation | (923) | (173) | (58) | **(1,154)** |
| **As at November 30, 2020** | **$ 21,217** | **$ 442** | **$ 576** | **$ 22,235** |

## 7. DEBT

| **As at** | **November 30, 2020** | August 31, 2020 |
|---|---|---|
| **Interest-bearing financing:** | | |
| Secured revolving facility, variable interest at BA [(1)] plus 2.50%, maturing in November 2023 | **$ 9,063** | $ – |
| Secured term loan, variable interest at BA plus 2.50%, maturing in November 2023 | **12,500** | – |
| **Matured borrowings:** | | |
| Secured line of credit, variable interest at CDOR [(2)] plus 2.50% | **–** | 9,063 |
| Secured term loan, variable interest at CDOR plus 2.50% | **–** | 12,500 |
| | **$ 21,563** | $ 21,563 |
| Interest rate swap | **116** | 146 |
| Unamortized financing costs | **(199)** | (31) |
| | **$ 21,480** | $ 21,678 |
| Line of credit | **–** | (9,063) |
| Current portion of long-term debt [(3)] | **(272)** | (656) |
| | **$ 21,208** | $ 11,959 |

(1) BA is defined as Banker's Acceptance.
(2) CDOR is defined as the Canadian Dollar Offered Rate.
(3) As at November 30, 2020, the current portion of long-term debt is comprised of $156 thousand in principal repayment and $116 thousand interest rate swap liability.

### CREDIT FACILITY 2019

During the year ended August 31, 2019, the Company obtained from a Canadian financial institution two secured three-year term loans totalling $12.5 million, a $10 million revolving line of credit and $5 million in other short-term financing ("Credit Facility 2019"). The Credit Facility 2019 was secured by a first-ranking hypothec on all of the Company's movable and immovable assets. The proceeds were used to fund expansion, capital expenditures, invest in automation, and to refinance the Company's long-term debt.

As at August 31, 2020, $12.5 million of the term loans were disbursed, bearing variable interest at CDOR plus 2.50%. The term loans were repayable in quarterly installments of $31 thousand and $125 thousand, beginning on August 31, 2020 and November 30, 2020, respectively, with a bullet repayment of the balance at the end of the term in November 2021.

As at August 31, 2020, $9.1 million of the revolving line of credit was drawn. The revolving line of credit was repayable on demand and was presented as a current liability.

The Credit Facility 2019 included a collateral requirement of $2.5 million placed in a restricted cash account. As at August 31, 2020, the Company was in compliance with all covenants under the Credit Facility 2019.

The Credit Facility 2019 was repaid in full as at November 30, 2020.

**NEW CREDIT FACILITY**

During the first quarter ended November 30, 2020, the Company entered into a syndicated credit agreement totaling $46 million, including a term loan of $12.5 million, a revolving facility of $27.5 million and $6 million in other short-term financing ("Credit Facility 2021"). The Credit Facility 2021 is secured by a first-ranking hypothec on all of the Company's movable and immovable assets. The facilities bear variable interest rates of BA plus 2.50% and mature in November 2023. The term loan is repayable in four quarterly installments of $156 thousand beginning on November 30, 2021 and increasing to four quarterly installments of $313 thousand on November 30, 2022 with a bullet repayment of the balance of $10.6 million at the end of the term in November 2023.

The proceeds will be used to fund the continued growth of the Company through capital expenditures focusing on automation as well as the expansion of the business, repayment of existing term loans and revolving line of credit under the Credit Facility 2019 and general corporate purposes.

As at November 30, 2020, $9.1 million of the revolving facility was drawn. It matures in November 2023 and is presented as a non-current liability.

As at November 30, 2020 and August 31, 2020, Goodfood had letters of credit outstanding totalling $0.9 million that reduced the availability on the revolving facility.

The Credit Facility 2021 does not include a collateral requirement and as at November 30, 2020, the restricted cash required under the Credit Facility 2019 was released and reclassified to cash and cash equivalents. As at November 30, 2020, the Company was in compliance with all covenants under the credit agreement governing the Credit Facility 2021.

As at November 30, 2020, the Company has corporate credit cards used for business purposes with authorized limits totaling $8.3 million (August 31, 2020 – $7.3 million), including $6 million (August 31, 2020 – $5 million) 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 SWAP**

As at November 30, 2020, Goodfood has one swap agreement in place whereby the Company fixed the interest rate on a notional amount of $11.2 million until November 2021.

As at November 30, 2020, the Company's interest rate swap is classified as a derivative financial liability and is not designated as a hedging instrument. For the three-month period ended November 30, 2020, a gain in fair value of $30 thousand is presented in net finance costs (refer to Note 10). As at November 30, 2020, a liability of $0.1 million is presented in the current portion of long-term debt. As at August 31, 2020, a liability of $0.1 million was presented in long-term debt.

## 8. CONVERTIBLE DEBENTURES

On February 26, 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "Debentures") at a price of $1 thousand per Debenture for gross proceeds of $30 million. The Debentures mature on March 31, 2025 (the "Maturity Date") and bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on March 31 and September 30 of each year, commencing on September 30, 2020.

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

The Debentures are convertible into common shares of the Company at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified for redemption by the Company at a price of $4.70 (the "Conversion Price") per common share.

On or after March 31, 2023, and prior to March 31, 2024, provided that the volume weighted average trading price of the Company's common shares on the TSX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price, the Debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest. On or after March 31, 2024, and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

In the event of a change in control, the Company will be required to make a payment to the holders of the Debentures in accordance with the make-whole premium provisions set forth by the indenture of the Debentures.

The conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of $3.7 million. Factoring in the Debentures issuance costs, the effective interest rate on the Debentures is 11.76%.

During the three-month period ended November 30, 2020, 4,807 Debentures were converted into common shares of the Company, resulting in the issuance of 1,022,759 common shares and the Company recorded a reclassification to common shares of $3.8 million and $0.8 million from the convertible debentures liability and equity components, respectively (refer to Note 11). A deferred income tax expense of $0.2 million was recognized upon conversion of the Debentures for the three-month period ended November 30, 2020. As at November 30, 2020, 13,329 Debentures were outstanding (August 31, 2020 – 18,136 Debentures).

The following table summarizes the continuity of the Company's Debentures for the three-month period ended:

| | | **November 30, 2020** |
|---|---|---|
| Convertible debentures, liability component balance, beginning of period | **$** | **14,194** |
| Accretion interest | | **153** |
| Conversion of the Debentures | | **(3,795)** |
| **Convertible debentures, liability component balance, end of period** | **$** | **10,552** |

## 9. LEASE OBLIGATIONS

The following table summarizes the continuity of the Company's lease obligations as at:

| | | **November 30, 2020** | | August 31, 2020 |
|---|---|---|---|---|
| Balance, beginning of period | **$** | **23,348** | $ | 12,724 |
| Additions | | **2,180** | | 13,271 |
| Derecognition | | – | | (73) |
| Payment of lease obligations | | **(1,311)** | | (3,501) |
| Interest expense on lease obligations | | **281** | | 927 |
| **Balance, end of period** | **$** | **24,498** | $ | 23,348 |

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

The following table summarizes the contractual undiscounted cash flows from lease obligations:

| **As at** | | **November 30, 2020** | | August 31, 2020 |
|---|---|---|---|---|
| Maturity analysis – contractual undiscounted cash flows | | | | |
| Less than one year | **$** | **4,736** | $ | 4,076 |
| One to five years | | **14,772** | | 13,822 |
| More than 5 years [(1)] | | **9,847** | | 10,526 |
| Total undiscounted lease obligations | **$** | **29,355** | $ | 28,424 |
| **Lease obligations balance, end of year** | **$** | **24,498** | $ | 23,348 |
| Current portion | **$** | **3,636** | $ | 2,990 |
| Non-current portion | **$** | **20,862** | $ | 20,358 |

[(1)] As at November 30, 2020 and August 31, 2020, future lease payments of $5.6 million for which the Company is reasonably certain to exercise the renewal options, have been recognized in lease obligations, representing an amount of $6.4 million of undiscounted cash outflows.

During the year ended August 31, 2020, the Company signed a ten-year lease for a 200,000 square-feet fulfillment centre located in the Greater Toronto Area, Ontario, Canada with two renewal options of five years. As at November 30, 2020, the Company did not have access to the asset, and therefore, the facility was not reflected as a right-of-use-asset and no corresponding lease obligation was recorded. Fixed rent payments represent a total commitment of $34 million over the term of the lease.

## 10. NET FINANCE COSTS

| | For the three-month periods ended November 30, | | | |
|---|---|---|---|---|
| | | **2020** | | 2019 |
| Interest expense on debt | **$** | **219** | $ | 158 |
| Interest expense on lease obligations | | **281** | | 166 |
| Interest expense on the Debentures, including accretion interest | | **398** | | – |
| Interest income | | **(198)** | | (231) |
| Foreign exchange loss | | **5** | | 17 |
| Fair value gain on interest rate swaps | | **(30)** | | (13) |
| | **$** | **675** | $ | 97 |

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

## 11. SHAREHOLDERS' EQUITY

### COMMON SHARES

The Company is authorized to issue an unlimited number of no par value common shares.

The movements in common shares were as follows for the three-month periods ended November 30:

| | | **2020** | | 2019 |
|---|---|---|---|---|
| | **Number of shares** | **Carrying amount** | Number of shares | Carrying amount |
| Balance, beginning of period | **66,311,121** | **$ 97,801** | 58,144,400 | $ 56,598 |
| Debenture conversions (Note 8) | **1,022,759** | **4,600** | – | – |
| Exercise of stock options (Note 12) | **53,135** | **183** | 2,300 | 8 |
| Purchased and held in trust through employee share purchase plan | **(8,790)** | **(85)** | (4,895) | (14) |
| **Balance, end of period** | **67,378,225** | **$ 102,499** | 58,141,805 | $ 56,592 |

### LOSS PER SHARE

| **For the three-month periods ended** | **November 30, 2020** | November 30, 2019 |
|---|---|---|
| Basic and diluted weighted average number of common shares outstanding | **66,762,304** | 58,142,841 |

Issued shares from the exercise of stock options, Debenture conversions and share issuance are weighted from the transaction date. The purchase of common shares to fund the employee share purchase plan is weighted from the transaction date.

For the three-month period ended November 30, 2020, the diluted loss per share calculation did not take into consideration the potential dilutive effect of the stock options, restricted share units, unvested shares in connection with the employee share purchase plan and the Debentures conversion option as they are not dilutive.

For the three-month period ended November 30, 2019, the diluted loss per share calculation did not take into consideration the potential dilutive effect of the stock options and unvested shares in connection with the employee share purchase plan as they are not dilutive.

## 12. SHARE-BASED PAYMENTS

The Company's share-based payment plans consist of a stock option plan, a restricted share unit plan and an employee share purchase plan.

### STOCK OPTION PLAN

A stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, officers and directors of the Company. The Stock Option 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 10% of the Company's issued and outstanding common shares, less any shares reserved for issuance under the restricted share unit plan. Under the Stock Option Plan, stock options generally vest over a period of three or four years and expire eight years from the grant date.

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

The following table summarizes the continuity of the stock options during the three-month periods ended November 30:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | **4,751,695** | **$ 3.51** | 3,910,169 | $ 2.57 |
| Granted | **386,832** | **8.30** | 637,568 | 3.00 |
| Exercised | **(53,135)** | **2.41** | (2,300) | 2.56 |
| Forfeited | **(121,357)** | **3.63** | (209,364) | 2.66 |
| **Outstanding, end of period** | **4,964,035** | **3.90** | 4,336,073 | 2.63 |
| **Exercisable, end of period** | **1,152,042** | **$ 2.57** | 1,014,430 | $ 1.93 |

For the three-month period ended November 30, 2020, the weighted average share price of the Company's common shares upon the exercise date of stock options was $8.28 (2019 – $3.07).

Stock options granted were valued using the Black-Scholes option pricing model with the following weighted-average assumptions for the three-month periods ended November 30:

| | **2020** | 2019 |
|---|---|---|
| Volatility | **56%** | 47% |
| Risk-free interest rate | **0.39%** | 1.47% |
| Expected life of options | **4.8 years** | 5.1 years |
| Common share value at grant date | **$ 8.30** | $ 3.00 |
| Weighted average exercise price | **$ 8.30** | $ 3.00 |

During the three-month period ended November 30, 2020, an expense of $0.8 million (2019 – $0.4 million) was recorded in the interim condensed consolidated statements of loss and comprehensive loss in relation to the Stock Option Plan.

**RESTRICTED SHARE UNIT PLAN**

In September 2020, the Company adopted a restricted share unit plan (the "RSU Plan") to reward certain employees, officers and directors of the Company (the "Participants"), subject to approval by its shareholders at the Company's Annual and Special Meeting of Shareholders on January 13, 2021. Following the implementation of the RSU Plan, the Company granted to Participants a number of restricted share units ("RSUs") based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. In the event that approval is not granted, the Company will issue stock options to its Participants. The RSU Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the Company's issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan. The RSUs are time-based awards and one third of the amount of RSUs granted will vest upon the continuous employment of the Participants on each of the anniversaries of the RSU grant, over a period of three years starting from the date of the grant or such other period not exceeding three years determined by the Board of Directors.

Pursuant to the terms of the RSU Plan, Participants will receive, upon vesting of the RSUs, common shares of the Company issued from treasury.

As at November 30, 2020, 1,538,724 stock options and RSUs were available for issuance (August 31, 2020 – 1,881,758).

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

The following table summarizes the continuity of the RSUs during the three-month period ended November 30, 2020:

| | **November 30, 2020** |
|---|---|
| Outstanding, beginning of period | **–** |
| Granted | **238,283** |
| **Outstanding, end of period** | **238,283** |

During the three-month period ended November 30, 2020, an expense of $0.2 million was recorded in the interim condensed consolidated statements of loss and comprehensive loss in relation to the RSU Plan. As at November 30, 2020, there are nil RSUs that are vested.

## 13. SUPPLEMENTAL CASH FLOW INFORMATION

The following summarizes the net changes in non-cash items related to operating working capital:

| **As at** | **November 30, 2020** | November 30, 2019 |
|---|---|---|
| Amounts receivable | **$ (57)** | $ (836) |
| Inventories | **(3,390)** | (520) |
| Other current assets | **(331)** | (235) |
| Accounts payable and accrued liabilities | **3,480** | 4,499 |
| Deferred revenues | **1,212** | 2,205 |
| | **$ 914** | $ 5,113 |

The following transactions had no cash impact on investing activities as at November 30, 2020:

- Fixed asset additions of $0.8 million (November 30, 2019 – $1.3 million) and intangible asset additions of $1.0 million (November 30, 2019 – $0.9 million) were unpaid and included in accounts payable and accrued liabilities; and
- Deposits on fixed assets of $1.1 million (November 30, 2019 – $0.3 million) are included in other non-current assets.

The following transaction had no cash impact on financing activities as at November 30, 2020:

- Share issuance costs of $0.1 million (November 30, 2019 – nil) were unpaid and included in accounts payable and accrued liabilities.

## 14. FINANCIAL INSTRUMENTS

Goodfood has determined that the fair value of cash and cash equivalents, amounts receivable, restricted cash, line of credit, and accounts payable and accrued liabilities approximate their respective carrying amounts at the consolidated statement of financial position date, due to the short-term maturity of those instruments.

Goodfood determined that the fair value of its long-term debt and Debentures approximates their carrying amounts as they bear interest at market interest rates for financial instruments with similar terms and risks.

The Company determined the valuation of its Debentures at issuance using Level 3 inputs.

The fair value of the interest rate swap was estimated using Level 2 inputs.

## 15. 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, and restricted cash. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk is limited given the Company deals with major North American financial institutions and an internationally established payment processor.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to change in market interest rates. The Company's long-term debt and revolving facility 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 cash flow risk due to fluctuations in lenders' base rates. The Company manages its interest rate risk by using a variable-to-fixed interest rate swap as described in Note 7. As interest rates on the Debentures are fixed, the Company is not exposed to interest rate risk on those instruments.

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not significantly impact the fair value of the interest rate swaps and consequently, the Company's net loss.

*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 structure 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 of equity securities, convertible debentures, cash flows provided by operating activities and short-term or 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.

(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

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

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | **November 30, 2020** |
| | | **Total carrying amount** | | **Contractual cash flows** | | **Less than 1 year** | | **1 to 5 years** | **More than 5 years** |
| Accounts payable and accrued liabilities | $ | 44,416 | $ | 44,416 | $ | 44,416 | $ | – | $ – |
| Long-term debt, including current portion [1] (Note 7) | | 21,480 | | 23,553 | | 918 | | 22,635 | – |
| Debentures, liability component (Note 8) | | 10,552 | | 16,788 | | 778 | | 16,010 | – |
| Lease obligations, including current portion (Note 9) | | 24,498 | | 29,355 | | 4,736 | | 14,772 | 9,847 |
| | **$** | **100,946** | **$** | **114,112** | **$** | **50,848** | **$** | **53,417** | **$ 9,847** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | August 31, 2020 |
| | | Total carrying amount | | Contractual cash flows | | Less than 1 year | | 1 to 5 years | More than 5 years |
| Accounts payable and accrued liabilities | $ | 40,878 | $ | 40,878 | $ | 40,878 | $ | – | $ – |
| Line of credit (Note 7) | | 9,063 | | 9,063 | | 9,063 | | – | – |
| Long-term debt, including current portion [1] (Note 7) | | 12,615 | | 13,104 | | 1,142 | | 11,962 | – |
| Debentures, liability component (Note 8) | | 14,194 | | 23,447 | | 1,140 | | 22,307 | – |
| Lease obligations, including current portion (Note 9) | | 23,348 | | 28,424 | | 4,076 | | 13,822 | 10,526 |
| | $ | 100,098 | $ | 114,916 | $ | 56,299 | $ | 48,091 | $ 10,526 |

(1) As at November 30, 2020, an interest rate of 2.97% (August 31, 2020 – 3.00%) was used to determine the estimated interest payments on the variable-rate portion of the Company's long-term debt, and the fixed interest rate pursuant to the swap agreement mentioned in Note 7 was used to determine the interest payments on the fixed-rate portion of the Company's long-term debt.