

Interim Condensed Consolidated Financial Statements of

GOODFOOD MARKET CORP.

For the 13-weeks ended December 4, 2021 and November 30, 2020
(Unaudited)

GOODFOOD MARKET CORP.

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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 13-weeks ended (Note 2.5)	Notes	December 4, 2021	November 30, 2020⁽¹⁾
Net sales		\$ 77,821	\$ 91,427
Cost of goods sold		59,173	61,854
Gross profit		18,648	29,573
Selling, general and administrative expenses		34,575	29,735
Reorganization costs		1,812	–
Depreciation and amortization		2,940	2,033
Operating loss		(20,679)	(2,195)
Net finance costs	5	904	675
Loss before income taxes		(21,583)	(2,870)
Deferred income tax expense	8	27	213
Net loss, being comprehensive loss for the period		\$ (21,610)	\$ (3,083)
Basic and diluted loss per share		\$ (0.29)	\$ (0.05)
Basic and diluted weighted average number of common shares outstanding	10	74,829,209	66,762,304

⁽¹⁾ Refer to Note 4 for retrospective change in accounting policy.

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

GOODFOOD MARKET CORP.

Interim Condensed Consolidated Statements of Financial Position

(In thousands of Canadian dollars - Unaudited)

As at	Note	December 4, 2021	August 31, 2021
Assets			
Current assets:			
Cash and cash equivalents		\$ 104,768	\$ 125,535
Accounts and other receivables		4,295	5,968
Inventories		14,223	14,318
Other current assets		865	709
		124,151	146,530
Non-current assets:			
Fixed assets	6	41,277	33,367
Right-of-use assets	7	86,543	69,157
Intangible assets		3,217	2,082
Other non-current assets		4,376	4,126
Total assets		\$ 259,564	\$ 255,262
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 43,187	\$ 52,207
Deferred revenues		6,506	5,095
Current portion of long-term debt		781	651
Current portion of lease obligations	9	7,832	5,443
		58,306	63,396
Non-current liabilities:			
Long-term debt		32,414	20,700
Convertible debentures	8	5,177	5,623
Lease obligations	9	84,124	67,668
Total liabilities		180,021	157,387
Shareholders' equity:			
Common shares	10	172,121	170,094
Contributed surplus		7,228	5,901
Convertible debentures	8	767	843
Deficit		(100,573)	(78,963)
Total shareholders' equity		79,543	97,875
Total liabilities and shareholders' equity		\$ 259,564	\$ 255,262

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)

 François Vimard, Director and
 Chair of the Audit Committee

GOODFOOD MARKET CORP.

Interim Condensed Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars - Unaudited)

For the 13-weeks ended (Note 2.5)

		December 4, 2021				
	Note	Common Shares	Contributed Surplus	Convertible Debentures	Deficit	Total
Balance as at						
August 31, 2021		\$ 170,094	\$ 5,901	\$ 843	\$ (78,963)	\$ 97,875
Net loss for the period		–	–	–	(21,610)	(21,610)
Share-based payments expense	11	–	2,378	–	–	2,378
Net convertible debentures conversions ⁽²⁾	8, 10	618	–	(76)	–	542
Stock options exercised	10, 11	707	(210)	–	–	497
Restricted share units vested	11	833	(833)	–	–	–
Employee share purchase plan	10	(131)	(8)	–	–	(139)
Balance as at						
December 4, 2021		\$ 172,121	\$ 7,228	\$ 767	\$ (100,573)	\$ 79,543

		November 30, 2020				
Balance as at						
August 31, 2020		\$ 97,801	\$ 3,208	\$ 2,231	\$ (47,171)	\$ 56,069
Net loss for the period ⁽¹⁾		–	–	–	(3,083)	(3,083)
Share-based payments expense	11	–	997	–	–	997
Net convertible debentures conversion ⁽²⁾	8, 10	4,600	–	(592)	–	4,008
Stock options exercised	10, 11	183	(56)	–	–	127
Employee share purchase plan	10	(85)	–	–	–	(85)
Balance as at						
November 30, 2020 ⁽¹⁾		\$ 102,499	\$ 4,149	\$ 1,639	\$ (50,254)	\$ 58,033

⁽¹⁾ Refer to Note 4 for retrospective change in accounting policy.

⁽²⁾ The conversions of the convertible debentures presented above are net of income taxes of \$27 thousand (2020 – \$0.2 million).

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

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Interim Condensed Consolidated Statements of Cash Flows

(In thousands of Canadian dollars - Unaudited)

For the 13-weeks ended (Note 2.5)	Notes	December 4, 2021	November 30, 2020 ⁽¹⁾
Operating:			
Net loss		\$ (21,610)	\$ (3,083)
Adjustments for:			
Depreciation and amortization		2,940	2,033
Share-based payments expense	11	1,309	997
Net finance costs	5	904	675
Deferred income tax expense	8	27	213
Change in non-cash operating working capital	12	(2,464)	914
Other		(28)	(126)
Net cash (used in) provided by operating activities		(18,922)	1,623
Investing:			
Additions and deposits to fixed assets		(10,810)	(2,202)
Additions to intangible assets		(1,004)	(129)
Interest received		202	197
Net cash used in investing activities		(11,612)	(2,134)
Financing:			
Net proceeds from issuance of long-term debt		-	12,351
Repayment of long-term debt		(156)	(12,500)
Proceeds from drawdown of revolving facility		12,000	9,063
Repayment of line of credit		-	(9,063)
Payment of lease obligations		(1,034)	(1,030)
Interest paid		(1,427)	(1,107)
Change in restricted cash		-	2,500
Proceeds from exercise of stock options		497	127
Other		(113)	(155)
Net cash provided by financing activities		9,767	186
Decrease in cash and cash equivalents		(20,767)	(325)
Cash and cash equivalents, beginning of period		125,535	104,402
Cash and cash equivalents, end of period		\$ 104,768	\$ 104,077
Supplemental cash flow information	12		

⁽¹⁾ Refer to Note 4 for retrospective change in accounting policy.

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

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Notes to the Interim Condensed Consolidated Financial Statements – December 4, 2021
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

1. REPORTING ENTITY

Goodfood Market Corp. is an online grocery company in Canada, delivering fresh meal solutions and grocery items to customers across Canada. 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 subsidiaries on a consolidated basis.

These financial statements are prepared on a consolidated basis and include its wholly owned subsidiaries which do not currently conduct any activities.

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 Montréal, Québec, with additional 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 year ended August 31, 2021.

These interim condensed consolidated financial statements of the Company were approved by the Board of Directors ("Board") on January 17, 2022 for publication on January 18, 2022.

2.2 BASIS OF MEASUREMENT

The interim condensed consolidated financial 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; 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.

2.4 SEASONALITY OF THE BUSINESS

The Company's net sales and expenses are impacted by seasonality. During the holiday season and summer season, the Company anticipates net sales to be lower as a higher proportion of customers elect to skip their delivery. While this is typically the case, the COVID-19 pandemic as well as the impact of the vaccine rollout and changing government restrictions have had, and may continue to have, an impact on this trend. During periods with warmer weather, the Company anticipates packaging costs to be higher due to the additional packaging required to maintain food freshness and quality. The Company also anticipates food costs to be positively affected due to improved availability during periods with warmer weather.

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2.5 CHANGE IN FISCAL YEAR-END

In September 2021, the Company changed its fiscal year-end from a fixed year-end ending August 31 of each year to a floating year-end ending on the first Saturday of September of each year in order to align with comparative companies who are using floating year-ends. As a result, the Company will follow a 52-week reporting cycle but will include a 53rd week every five to six years. For Fiscal 2022, the first quarter ended on December 4, 2021 is comprised of 4 additional days compared to the first quarter in Fiscal 2021 and the year ending September 3, 2022 will be comprised of 3 additional days compared to Fiscal 2021. For simplicity, in this transition year, we refer to 13-weeks ended December 4, 2021 even though it is 13-weeks and four days and we refer to 13-weeks ended November 30, 2020 even though it is twelve weeks and six days.

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, net sales 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, 2021.

3.1 ECONOMIC CONDITIONS AND UNCERTAINTIES

The COVID-19 pandemic has had an impact on Goodfood's overall business and operations and has resulted in different levels of restrictions by government authorities. As an essential service in Canada, Goodfood has been operating throughout the pandemic and implemented increased safety protocols at its locations to ensure the safety of its employees. The Company experienced an acceleration of growth in demand during the pandemic which has stabilized since the last two quarters. 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, including its variants such as Omicron, 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN 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 year ended August 31, 2021.

Changes in accounting policies are the same as those described in the Company's annual audited consolidated financial statements for the year ended August 31, 2021.

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Notes to the Interim Condensed Consolidated Financial Statements – December 4, 2021
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

The following table summarizes the impact on the interim condensed consolidated statements of loss and comprehensive loss for the 13-weeks ended November 30, 2020 as a result of the change in accounting policy relating to cloud computing arrangements adopted in Fiscal 2021:

	November 30, 2020
Decrease in depreciation and amortization	\$ 61
Increase in selling, general and administrative expense	(519)
Increase in net loss	(458)
Increase in basic and diluted loss per share	(0.01)

In addition, opening deficit for the 13-weeks ended November 30, 2020 was restated by an increase of \$1.5 million with an offsetting amount to the intangible assets.

5. NET FINANCE COSTS

	For the 13-weeks ended	
	December 4, 2021	November 30, 2020
Interest expense on debt	\$ 265	\$ 219
Interest expense on lease obligations	655	281
Interest expense on the Debentures, including accretion interest	163	398
Interest income	(139)	(198)
Foreign exchange (gain) loss	(14)	5
Fair value gain on interest rate swaps	(26)	(30)
	\$ 904	\$ 675

6. FIXED ASSETS

	Furniture and fixtures	Machinery and equipment	Computer hardware and other	Leasehold improvements	Assets under construction	Total
Cost:						
As at August 31, 2021	\$ 4,077	\$ 10,014	\$ 3,579	\$ 13,282	\$ 10,422	\$ 41,374
Additions	320	1,647	540	3,159	3,592	9,258
Transfers	–	–	–	223	(223)	–
As at December 4, 2021	\$ 4,397	\$ 11,661	\$ 4,119	\$ 16,664	\$ 13,791	\$ 50,632
Accumulated depreciation:						
As at August 31, 2021	\$ 845	\$ 2,605	\$ 1,267	\$ 3,290	\$ –	\$ 8,007
Depreciation	226	361	288	473	–	1,348
As at December 4, 2021	\$ 1,071	\$ 2,966	\$ 1,555	\$ 3,763	\$ –	\$ 9,355
Net carrying amounts:						
As at August 31, 2021	\$ 3,232	\$ 7,409	\$ 2,312	\$ 9,992	\$ 10,422	\$ 33,367
As at December 4, 2021	\$ 3,326	\$ 8,695	\$ 2,564	\$ 12,901	\$ 13,791	\$ 41,277

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7. RIGHT-OF-USE ASSETS

	Facilities	Automotive equipment	Other equipment	Total
As at August 31, 2021	\$ 68,171	\$ 427	\$ 559	\$ 69,157
Additions and lease modifications	19,907	–	–	19,907
Depreciation	(2,430)	(44)	(47)	(2,521)
As at December 4, 2021	\$ 85,648	\$ 383	\$ 512	\$ 86,543

8. CONVERTIBLE DEBENTURES

During the 13-weeks ended December 4, 2021 and November 30, 2020, 620 and 4,807 Debentures, respectively, were converted into common shares of the Company, resulting in the issuance of 131,910 and 1,022,759 common shares, respectively. During the 13-weeks periods ended December 4, 2021 and November 30, 2020, the Company reclassified \$0.5 million and \$3.8 million, respectively, from the convertible debentures liability to common shares and reclassified \$0.1 million and \$0.8 million, respectively, from the equity component of the convertible debentures to common shares (refer to Note 10). A deferred income tax expense of \$27 thousand and \$0.2 million, respectively, was recognized upon conversion of the Debentures for the 13-weeks ended December 4, 2021 and November 30, 2020. As at December 4, 2021, 6,232 Debentures were outstanding (August 31, 2021 – 6,852).

The following table summarizes the continuity of the Company's Debentures for the 13-weeks ended:

	December 4, 2021	November 30, 2020
Convertible debentures, liability component balance, beginning of period	\$ 5,623	\$ 14,194
Accretion interest	68	153
Conversion of the Debentures	(514)	(3,795)
Convertible debentures, liability component balance, end of period	\$ 5,177	\$ 10,552

9. LEASE OBLIGATIONS

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

	December 4, 2021	August 31, 2021
Balance, beginning of period	\$ 73,111	\$ 23,348
Additions and lease modifications	19,879	53,905
Payment of lease obligations	(1,955)	(5,534)
Interest expense on lease obligations ⁽¹⁾	921	1,392
Balance, end of period	\$ 91,956	\$ 73,111

⁽¹⁾ Interest expense on lease obligations include \$0.2 million (August 31, 2021 – \$0.2 million) capitalized in assets under construction.

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Notes to the Interim Condensed Consolidated Financial Statements – December 4, 2021
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The following table summarizes the contractual undiscounted cash flows from lease obligations:

As at	December 4, 2021	August 31, 2021
Maturity analysis – contractual undiscounted cash flows		
Less than one year	\$ 12,310	\$ 8,566
One to five years	46,060	37,943
More than 5 years ⁽¹⁾	50,294	40,864
Total undiscounted lease obligations	\$ 108,664	\$ 87,373
Lease obligations balance, end of period	\$ 91,956	\$ 73,111
Current portion	\$ 7,832	\$ 5,443
Non-current portion	\$ 84,124	\$ 67,668

⁽¹⁾ As at December 4, 2021, future lease payments of \$10.9 million (August 31, 2021 - \$10.9 million) for which the Company is reasonably certain to exercise the renewal options, have been recognized in lease obligations, representing an amount of \$12.1 million (August 31, 2021 - \$12.1 million) of undiscounted cash outflows.

The Company entered into a lease arrangement that has not commenced as at December 4, 2021, and therefore the lease was not reflected as a right-of-use asset and lease obligation. Fix rent payments represent a total commitment of \$34.0 million over the term of the lease.

10. 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 13-weeks ended:

	December 4, 2021		November 30, 2020	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Balance, beginning of period	74,647,547	\$ 170,094	66,311,121	\$ 97,801
Debenture conversions (Note 8)	131,910	618	1,022,759	4,600
Exercise of stock options (Note 11)	157,071	707	53,135	183
Purchased and held in trust through employee share purchase plan	(18,281)	(139)	(8,790)	(85)
Restricted share units vested	63,455	833	–	–
Employee share purchase vested	2,709	8	–	–
Balance, end of period	74,984,411	\$ 172,121	67,378,225	\$ 102,499

LOSS PER SHARE

For the 13-weeks ended	December 4, 2021	November 30, 2020
Basic and diluted weighted average number of common shares outstanding	74,829,209	66,762,304

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Notes to the Interim Condensed Consolidated Financial Statements – December 4, 2021
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

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 13-weeks ended December 4, 2021 and 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.

11. 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.

702,957 stock options were granted during the 13-weeks ended December 4, 2021 (November 30, 2020 – 386,832 stock options granted) and had a weighted average fair value of \$2.60 per option (November 30, 2020 – \$3.90), using the Black-Scholes option pricing model with the following weighted-average assumptions for the 13-weeks ended:

	December 4, 2021	November 30, 2020
Volatility	58%	56%
Risk-free interest rate	1.48%	0.39%
Expected life of options	4.8 years	4.8 years
Common share value at grant date	\$ 5.30	\$ 8.30
Weighted average exercise price	\$ 5.30	\$ 8.30

Included in the stock options granted during the 13-weeks ended December 4, 2021 were 173,595 options granted to settle short-term incentive compensation for certain employees (November 30, 2020 – nil).

During the 13-weeks ended December 4, 2021, an expense of \$0.5 million (November 30, 2020 – \$0.8 million) was recorded in selling, general and administrative expenses in the interim condensed consolidated statements of 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"). The RSU Plan was approved in January 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. The expense in relation to the RSU Plan is measured at the fair value of the underlying RSU at the grant date and is expensed over the award's vesting period. 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

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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 as determined by the Board.

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

1,238,217 RSUs were granted during the 13-weeks ended December 4, 2021 (November 30, 2020 – 238,283 RSUs granted) and had a weighted average trading price for the five days immediately preceding the grant date of \$5.69 per unit (November 30, 2020 – \$7.97). Included in the RSUs granted during the 13-weeks ended December 4, 2021 were 166,834 RSUs granted to settle short-term incentive compensation for certain employees (November 30, 2020 – nil).

During the 13-weeks ended December 4, 2021, an expense of \$0.8 million (November 30, 2020 – \$0.2 million) was recorded in selling, general and administrative expense in the interim condensed consolidated statements of loss in relation to the RSU Plan. During the 13-weeks ended December 4, 2021, 63,455 RSUs were vested.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the 13-weeks ended	December 4, 2021	November 30, 2020
Accounts and other receivables	\$ 1,607	\$ (57)
Inventories	95	(3,390)
Other current assets	(156)	(331)
Accounts payable and accrued liabilities	(5,421)	3,480
Deferred revenues	1,411	1,212
	\$ (2,464)	\$ 914

The following transaction had no cash impact on investing activities for the 13-weeks ended December 4, 2021 and November 30, 2020:

- Fixed asset additions of \$1.2 million (November 30, 2020 – \$0.8 million) and intangible asset additions of \$0.3 million (November 30, 2020 – \$1.0 million) were unpaid and included in accounts payable and accrued liabilities.
- Assets under construction additions of \$1.3 million (November 30, 2020 – nil) related to capitalized depreciation on right-of-use assets and interest expense on lease obligations.

Included in additions and deposits on fixed assets in the interim condensed consolidated statements of cash flows are deposits on fixed assets of \$0.3 million (November 30, 2020 – \$1.1 million) which are presented in other non-current assets in the interim condensed consolidated statements of financial position.

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Notes to the Interim Condensed Consolidated Financial Statements – December 4, 2021
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

13. FINANCIAL INSTRUMENTS

Goodfood has determined that the fair value of cash and cash equivalents, accounts and other receivables 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.