

Interim Condensed Consolidated Financial Statements of

GOODFOOD MARKET CORP.

For the 26-weeks ended March 5, 2022 and February 28, 2021
(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)

	Note	13-weeks (Note 2.5)		26-weeks (Note 2.5)	
		March 5, 2022	February 28, 2021 ⁽¹⁾	March 5, 2022	February 28, 2021 ⁽¹⁾
Net sales		\$ 73,377	\$ 100,654	\$ 151,198	\$ 192,081
Cost of goods sold		55,782	70,018	114,955	131,872
Gross profit		17,595	30,636	36,243	60,209
Selling, general and administrative expenses		33,163	31,927	67,738	61,662
Reorganization costs		1,293	–	3,105	–
Depreciation and amortization		4,282	2,292	7,222	4,325
Operating loss		(21,143)	(3,583)	(41,822)	(5,778)
Net finance costs	5	1,056	540	1,960	1,215
Loss before income taxes		(22,199)	(4,123)	(43,782)	(6,993)
Deferred income tax (recovery) expense	8	(1,559)	129	(1,532)	342
Net loss, being comprehensive loss for the period		\$ (20,640)	\$ (4,252)	\$ (42,250)	\$ (7,335)
Basic and diluted loss per share		\$ (0.28)	\$ (0.06)	\$ (0.56)	\$ (0.11)
Basic and diluted weighted average number of common shares outstanding	10	74,990,082	68,245,741	74,907,916	67,499,925

⁽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	March 5, 2022	August 31, 2021
Assets			
Current assets:			
Cash and cash equivalents		\$ 105,723	\$ 125,535
Accounts and other receivables		4,042	5,968
Inventories		12,499	14,318
Other current assets		469	709
		122,733	146,530
Non-current assets:			
Fixed assets	6	56,172	33,367
Right-of-use assets	7	69,231	69,157
Intangible assets		4,270	2,082
Other non-current assets		3,162	4,126
Total assets		\$ 255,568	\$ 255,262
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 44,675	\$ 52,207
Deferred revenues		6,677	5,095
Current portion of long-term debt		938	651
Current portion of lease obligations	9	7,184	5,443
		59,474	63,396
Non-current liabilities:			
Long-term debt		36,065	20,700
Convertible debentures	8	27,371	5,623
Lease obligations	9	67,416	67,668
Total liabilities		190,326	157,387
Shareholders' equity:			
Common shares	10	172,493	170,094
Contributed surplus		8,732	5,901
Convertible debentures	8	5,230	843
Deficit		(121,213)	(78,963)
Total shareholders' equity		65,242	97,875
Total liabilities and shareholders' equity		\$ 255,568	\$ 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 26-weeks ended (Note 2.5)

		March 5, 2022				
	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		–	–	–	(42,250)	(42,250)
Share-based payments expense ⁽²⁾	12	–	4,351	–	–	4,351
Net convertible debenture issuance ⁽³⁾	8	–	–	4,463	–	4,463
Net convertible debenture conversions ⁽⁴⁾	8, 10	618	–	(76)	–	542
Stock options exercised	10, 11	726	(216)	–	–	510
Restricted share units vested	11	1,295	(1,295)	–	–	–
Employee share purchase plan		(240)	(9)	–	–	(249)
Balance as at March 5, 2022		\$ 172,493	\$ 8,732	\$ 5,230	\$ (121,213)	\$ 65,242
						February 28, 2021
Balance as at						
August 31, 2020		\$ 97,801	\$ 3,208	\$ 2,231	\$ (47,171)	\$ 56,069
Net loss for the period ⁽¹⁾		–	–	–	(7,335)	(7,335)
Share-based payments expense	12	–	1,996	–	–	1,996
Net share issuance	11	57,199	–	–	–	57,199
Net convertible debenture conversions ⁽⁴⁾	8	7,412	–	(950)	–	6,462
Stock options exercised	10, 11	2,211	(732)	–	–	1,479
Employee share purchase plan		(176)	–	–	–	(176)
Balance as at February 28, 2021		\$ 164,447	\$ 4,472	\$ 1,281	\$ (54,506)	\$ 115,694

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

(2) Share based payments expense includes \$1.1 million related to grants awarded to settle short-term incentive compensation for certain employees (2021 – nil).

(3) The equity component of the convertible debentures presented above is net of income taxes of \$1.5 million.

(4) The conversions of the convertible debentures presented above are net of income taxes of \$27 thousand (2021 - \$0.3 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 periods ended (Note 2.5)	Note	13-weeks		26-weeks	
		March 5, 2022	February 28, 2021 ⁽¹⁾	March 5, 2022	February 28, 2021 ⁽¹⁾
Operating:					
Net loss		\$ (20,640)	\$ (4,252)	\$ (42,250)	\$ (7,335)
Adjustments for:					
Depreciation and amortization		4,282	2,292	7,222	4,325
Share-based payments expense	11	1,974	999	3,283	1,996
Net finance costs	5	1,056	540	1,960	1,215
Deferred income tax (recovery) expense	8	(1,559)	129	(1,532)	342
Change in non-cash operating working capital	12	1,110	5,412	(1,354)	6,326
Other		85	3	57	(123)
Net cash (used in) provided by operating activities		(13,692)	5,123	(32,614)	6,746
Investing:					
Additions and deposits to fixed assets		(13,924)	(2,430)	(24,734)	(4,632)
Additions to intangible assets		(1,015)	(961)	(2,019)	(1,090)
Interest received		73	195	275	392
Net cash used in investing activities		(14,866)	(3,196)	(26,478)	(5,330)
Financing:					
Net proceeds from issuance of convertible debentures	8	28,496	–	28,496	–
Net proceeds from issuance of common shares	10	–	57,562	–	57,492
Net proceeds (issue costs) from issuance of long-term debt		–	(109)	–	12,242
Net repayment of long-term debt		(156)	–	(312)	(12,500)
Restricted cash		–	–	–	2,500
Proceeds from drawdown of revolving facility		3,937	–	15,937	9,063
Repayment of line of credit		–	–	–	(9,063)
Interest paid		(980)	(501)	(2,407)	(1,608)
Payments of lease obligations	9	(1,718)	(1,199)	(2,752)	(2,229)
Shares purchased under employee share purchase plan	11	(110)	(91)	(249)	(176)
Proceeds from exercises of stock options		13	1,352	510	1,479
Other		31	–	57	–
Net cash provided by financing activities		29,513	57,014	39,280	57,200
Increase (decrease) in cash and cash equivalents		955	58,941	(19,812)	58,616
Cash and cash equivalents, beginning of period		104,768	104,077	125,535	104,402
Cash and cash equivalents, end of period		\$ 105,723	\$ 163,018	\$ 105,723	\$ 163,018
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⁽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.

Notes to the Interim Condensed Consolidated Financial Statements – March 5, 2022
(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 April 13, 2022 for publication on April 14, 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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Notes to the Interim Condensed Consolidated Financial Statements – March 5, 2022
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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 second quarter ended on March 5, 2022 is comprised of 1 additional day compared to the second 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 February 28, 2021 even though it is 12-weeks and five days, we refer to 26-weeks ended February 28, 2021 even though it is 25-weeks and five days and we refer to 26-weeks ended March 5, 2022 even though it is 26-weeks and four 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 – March 5, 2022
(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 and 26-weeks ended February 28, 2021 as a result of the change in accounting policy relating to cloud computing arrangements adopted in Fiscal 2021:

	13-weeks ended February 28, 2021	26-weeks ended February 28, 2021
Decrease in depreciation and amortization	\$ 61	\$ 122
Increase in selling, general and administrative expense	(283)	(802)
Increase in net loss	(222)	(680)
Increase in basic and diluted loss per share	–	(0.01)

In addition, opening deficit for the 26-weeks ended February 28, 2021 was restated by an increase of \$2.2 million with an offsetting amount to the intangible assets.

5. NET FINANCE COSTS

For the periods ended	13-weeks		26-weeks	
	March 5, 2022	February 28, 2021	March 5, 2022	February 28, 2021
Interest expense on debt	\$ 223	\$ 220	\$ 488	\$ 439
Interest expense on lease obligations	603	286	1,258	567
Interest expense on the Debentures, including accretion interest	283	280	446	678
Interest income	(73)	(198)	(212)	(396)
Foreign exchange loss (gain)	20	(22)	6	(17)
Fair value gain on interest rate swaps	–	(26)	(26)	(56)
	\$ 1,056	\$ 540	\$ 1,960	\$ 1,215

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Notes to the Interim Condensed Consolidated Financial Statements – March 5, 2022
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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	2,073	4,991	1,876	4,299	12,757	25,996
Transfers	–	1,414	107	4,463	(5,984)	–
As at March 5, 2022	\$ 6,150	\$ 16,419	\$ 5,562	\$ 22,044	\$ 17,195	\$ 67,370
Accumulated depreciation:						
As at August 31, 2021	\$ 845	\$ 2,605	\$ 1,267	\$ 3,290	\$ –	\$ 8,007
Depreciation	516	883	663	1,129	–	3,191
As at March 5, 2022	\$ 1,361	\$ 3,488	\$ 1,930	\$ 4,419	\$ –	\$ 11,198
Net carrying amounts:						
As at August 31, 2021	\$ 3,232	\$ 7,409	\$ 2,312	\$ 9,992	\$ 10,422	\$ 33,367
As at March 5, 2022	\$ 4,789	\$ 12,931	\$ 3,632	\$ 17,625	\$ 17,195	\$ 56,172

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	21,953	–	–	21,953
Derecognition	(16,628)	–	–	(16,628)
Depreciation	(5,073)	(85)	(93)	(5,251)
As at March 5, 2022	\$ 68,423	\$ 342	\$ 466	\$ 69,231

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Notes to the Interim Condensed Consolidated Financial Statements – March 5, 2022
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

8. CONVERTIBLE DEBENTURES

2022 Debentures

On February 11, 2022, the Company issued 30,000 convertible unsecured subordinated debentures (the "2022 Debentures") at a price of \$1 thousand per Debenture for gross proceeds of \$30 million. The 2022 Debentures mature on March 31, 2027 (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, 2022.

The 2022 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 \$4.60 (the "Conversion Price") per common share.

On or after March 31, 2025, and prior to March 31, 2026, 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 2022 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, 2026, and prior to the Maturity Date, the 2022 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 2022 Debentures in accordance with the make-whole premium provisions set forth by the indenture of the 2022 Debentures.

The conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of \$4.5 million. Factoring in the 2022 Debentures issuance costs, the effective interest rate on the Debentures is 12.6%.

In connection with the issuance of the 2022 Debentures, 415 Debentures were purchased by the Board members and key management personnel at a price of \$1,000 per Debenture. These transactions were recorded at the amount of consideration paid as established and agreed to by the related parties.

2020 Debentures

On February 26, 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "2020 Debentures") at a price of \$1 thousand per Debenture for gross proceeds of \$30 million. The 2020 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, which commenced on September 30, 2020.

The 2020 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.

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Notes to the Interim Condensed Consolidated Financial Statements – March 5, 2022
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

The following table summarizes the continuity of the Company's total Debentures for the 26-weeks ended:

	March 5, 2022	August 31, 2021
Convertible debentures, liability component balance, beginning of period	\$ 5,623	\$ 14,194
Net proceeds from issuance of the Debentures ⁽¹⁾	22,079	–
Accretion interest	183	439
Conversion of the Debentures	(514)	(9,010)
Convertible debentures, liability component balance, end of period	\$ 27,371	\$ 5,623

⁽¹⁾ Issuance costs attributable to the liability component amounts to \$ 1.5 million. Net proceeds of \$4.5 million, including \$0.4 million of issuance costs and \$1.5 million of deferred income taxes, were recorded as the equity component.

During the 13-weeks ended March 5, 2022, no Debentures were converted into common shares of the Company. Consequently, during the 13 and 26-weeks ended March 5, 2022, 620 Debentures were converted into common shares of the Company (February 28, 2021 – 2,918 and 7,725), resulting in the issuance of 131,910 common shares (February 28, 2021 – 620,839 and 1,643,598). During the 13 and 26-weeks ended March 5, 2022, the Company reclassified \$0.5 million (refer to Note 10) from the convertible debentures liability to common shares (February 28, 2021 – \$2.3 million and \$6.1 million) and reclassified from the equity component of the convertible debentures to common shares \$0.1 million for the 13 and 26-weeks ended March 5, 2022 (February 28, 2021 – \$0.5 million and \$1.3 million). A deferred income tax expense of \$27 thousand was recognized upon conversion of the Debentures for the 13 and 26-weeks ended March 5, 2022 (February 28, 2021 – \$0.1 million and \$0.3 million). A deferred income tax recovery of \$1.5 million was recognized upon issuance of the 2022 Debentures. As at March 5, 2022, 36,232 Debentures were outstanding when considering both Debentures (August 31, 2021 – 6,852).

9. LEASE OBLIGATIONS

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

	March 5, 2022	August 31, 2021
Balance, beginning of period	\$ 73,111	\$ 23,348
Additions and lease modifications	21,761	53,905
Derecognition	(17,275)	–
Payment of lease obligations ⁽¹⁾	(4,694)	(5,534)
Interest expense on lease obligations ⁽²⁾	1,697	1,392
Balance, end of period	\$ 74,600	\$ 73,111

⁽¹⁾ Payment of lease obligations include \$0.2 million of applied prepaid lease payment.

⁽²⁾ Interest expense on lease obligations include \$0.4 million (August 31, 2021 – \$0.2 million) capitalized in assets under construction.

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Notes to the Interim Condensed Consolidated Financial Statements – March 5, 2022
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The following table summarizes the contractual undiscounted cash flows from lease obligations:

As at	March 5, 2022	August 31, 2021
Less than one year	\$ 10,774	\$ 8,566
One to five years	39,465	37,943
More than 5 years ⁽¹⁾	37,626	40,864
Total undiscounted lease obligations	\$ 87,865	\$ 87,373
Lease obligations balance, end of period	\$ 74,600	\$ 73,111
Current portion	\$ 7,184	\$ 5,443
Non-current portion	\$ 67,416	\$ 67,668

⁽¹⁾ As at March 5, 2022, 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 March 5, 2022, 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.

Subsequent to March 5, 2022, the Company entered into two lease agreements for fulfillment facilities in Toronto and Montreal areas. Fixed rent payments represent a total commitment of \$2.5 million over the term of the leases.

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 26-weeks periods ended:

	March 5, 2022		February 28, 2021	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Balance, beginning of period	74,647,547	\$ 170,094	66,311,121	\$ 97,801
Share issuance through a bought deal offering, net of share issuance costs	–	–	4,800,000	57,199
Debenture conversions (Note 8)	131,910	618	1,643,598	7,412
Exercise of stock options (Note 11)	161,707	726	539,683	2,211
Purchased and held in trust through employee share purchase plan	(46,237)	(249)	(16,478)	(176)
Restricted share units vested	112,465	1,295	–	–
Employee share purchase vested	3,499	9	–	–
Balance, end of period	75,010,891	\$ 172,493	73,277,924	\$ 164,447

During the quarter ended February 28, 2021, the Company issued 4,800,000 common shares at a price of \$12.50 per common share for gross proceeds of \$60 million, less share issuance costs of \$2.8 million, in connection with a public offering.

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Notes to the Interim Condensed Consolidated Financial Statements – March 5, 2022
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

LOSS PER SHARE

For the periods ended	13-weeks		26-weeks	
	March 5, 2022	February 28, 2021	March 5, 2022	February 28, 2021
Basic and diluted weighted average number of common shares outstanding	74,990,082	68,245,741	74,907,916	67,499,925

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 and 26-weeks ended March 5, 2022 and February 28, 2021, 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.

979,912 stock options were granted during the 26-weeks ended March 5, 2022 (February 28, 2021 – 386,832) and had a weighted average fair value of \$2.33 per option, using the Black-Scholes option pricing model with the following weighted-average assumptions for the 26-weeks ended:

	March 5, 2022	February 28, 2021
Volatility	58%	56%
Risk-free interest rate	1.54%	0.39%
Expected life of options	4.8 years	4.8 years
Common share value at grant date	\$ 4.72	\$8.30
Weighted average exercise price	\$ 4.72	\$8.30

Included in the stock options granted during the 26-weeks ended March 5, 2022 were 173,595 options granted to settle short-term incentive compensation for certain employees (February 28, 2021 – nil).

During the 13 and 26-weeks ended March 5, 2022, an expense, including fringe benefits, of \$0.5 million and \$1.0 million respectively (February 28, 2021 – \$0.8 million and \$1.6 million) was recorded in selling, general and administrative expenses in the interim condensed consolidated statements of loss in relation to the Stock Option Plan.

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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 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.

2,391,829 RSUs were granted during the 26-weeks ended March 5, 2022 (February 28, 2021 – 364,625 RSUs granted) and had a weighted average trading price for the five days immediately preceding the grant date of \$4.60 per unit (February 28, 2021 – \$9.76).

During the 13 and 26-weeks ended March 5, 2022, an expense of \$1.5 million and \$2.3 million respectively (February 28, 2021 – \$0.6 million and \$0.8 million) was recorded in selling, general and administrative expense in the interim condensed consolidated statements of loss in relation to the RSU Plan.

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the periods ended	13-weeks		26-weeks	
	March 5, 2022	February 28, 2021	March 5, 2022	February 28, 2021
Accounts and other receivables	\$ 254	\$ 508	\$ 1,861	\$ 451
Inventories	1,723	(4,092)	1,818	(7,482)
Other current assets	135	99	(21)	(232)
Accounts payable and accrued liabilities	(1,172)	6,191	(6,594)	9,671
Deferred revenue	170	2,706	1,582	3,918
	\$ 1,110	\$ 5,412	\$ (1,354)	\$ 6,326

The following transactions had no cash impact on investing activities for the 13 and 26-weeks ended March 5, 2022 and February 28, 2021:

- Fixed asset additions of \$3.1 million (February 28, 2021 – \$0.6 million) and intangible asset additions of \$0.4 million (February 28, 2021 – \$0.3 million) were unpaid and included in accounts payable and accrued liabilities.
- Assets under construction additions of \$1.9 million (February 28, 2021 – \$0.6 million) 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 \$1.1 million (February 28, 2021 – \$1.2 million) which are presented in other non-current assets in the interim condensed consolidated statements of financial position.

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The following transactions had no cash impact on financing activities as at March 5, 2022:

- Debenture issuance costs of \$0.4 million (February 28, 2021 – nil) were unpaid and included in accounts payable and accrued liabilities.

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.