

Interim Condensed Consolidated Financial Statements of

**GOODFOOD MARKET CORP.**

For the 13 weeks ended December 3, 2022 and December 4, 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)

<b>For the 13 weeks ended</b>	<b>Notes</b>	<b>December 3, 2022</b>	<b>December 4, 2021</b>
Net sales		\$ 47,148	\$ 77,821
Cost of goods sold		30,389	59,173
Gross profit		16,759	18,648
Selling, general and administrative expenses		21,998	34,575
Reorganization and other related costs	5	1,119	1,812
Depreciation and amortization		3,769	2,940
Operating loss		(10,127)	(20,679)
Net finance costs	6	1,570	904
Loss before income taxes		(11,697)	(21,583)
Deferred income tax expense		11	27
<b>Net loss, being comprehensive loss</b>		<b>\$ (11,708)</b>	<b>\$ (21,610)</b>
Basic and diluted loss per share		\$ (0.16)	\$ (0.29)
Basic and diluted weighted average number of common shares outstanding	11	75,259,913	74,829,209

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 3, 2022	September 3, 2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 28,553	\$ 36,885
Accounts and other receivables		3,299	3,596
Inventories		4,769	6,884
Assets held for sale		1,500	3,654
Other current assets		1,048	1,178
		<b>39,169</b>	<b>52,197</b>
<b>Non-current assets:</b>			
Fixed assets		14,968	18,408
Right-of-use assets	7	41,984	55,419
Intangible assets		2,948	3,174
Other non-current assets		594	650
<b>Total assets</b>		<b>\$ 99,663</b>	<b>\$ 129,848</b>
<b>Liabilities and Shareholders' Deficiency</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities		\$ 22,044	\$ 27,104
Deferred revenues		5,878	5,501
Current portion of long-term debt	8	11,457	11,743
Current portion of lease obligations	9	6,319	8,468
		<b>45,698</b>	<b>52,816</b>
<b>Non-current liabilities:</b>			
Convertible debentures	10	27,685	27,469
Lease obligations	9	46,715	60,741
<b>Total liabilities</b>		<b>120,098</b>	<b>141,026</b>
<b>Shareholders' deficiency:</b>			
Common shares	11	174,165	173,788
Contributed surplus		12,667	10,584
Convertible debentures	10	5,165	5,174
Deficit		(212,432)	(200,724)
<b>Total shareholders' deficiency</b>		<b>(20,435)</b>	<b>(11,178)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 99,663</b>	<b>\$ 129,848</b>

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

Approved on behalf of Goodfood Market Corp. by:

(s) Jonathan Ferrari  
Jonathan Ferrari, Director and  
Chair of the Board

(s) Donald Olds  
Donald Olds, 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

		December 3, 2022				
	Note	Common Shares	Contributed Surplus	Convertible Debentures	Deficit	Total
Balance as at						
September 3, 2022		\$ 173,788	\$ 10,584	\$ 5,174	\$ (200,724)	\$ (11,178)
Net loss for the period		–	–	–	(11,708)	(11,708)
Share-based payments expense		–	2,291	–	–	2,291
Net convertible debentures conversions	10, 11	196	–	(9)	–	187
Restricted share units vested	11	206	(206)	–	–	–
Employee share purchase plan	11	(25)	(2)	–	–	(27)
<b>Balance as at</b>						
<b>December 3, 2022</b>		<b>\$ 174,165</b>	<b>\$ 12,667</b>	<b>\$ 5,165</b>	<b>\$ (212,432)</b>	<b>\$ (20,435)</b>

		December 4, 2021				
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 <sup>(1)</sup>		–	2,378	–	–	2,378
Net convertible debentures conversions	10, 11	618	–	(76)	–	542
Stock options exercised	11	707	(210)	–	–	497
Restricted share units vested	11	833	(833)	–	–	–
Employee share purchase plan	11	(131)	(8)	–	–	(139)
Balance as at						
December 4, 2021		\$ 172,121	\$ 7,228	\$ 767	\$ (100,573)	\$ 79,543

<sup>(1)</sup> Share based payments expense included \$1.1 million related to grants awarded to settle short-term incentive compensation for certain employees.

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 13 weeks ended	Notes	December 3, 2022	December 4, 2021
<b>Operating:</b>			
Net loss		\$ (11,708)	\$ (21,610)
Adjustments for:			
Depreciation and amortization		3,769	2,940
Net loss on disposal of non-financial assets	5	2,060	–
Gain on termination of leases	5	(3,239)	–
Share-based payments expense		2,292	1,309
Net finance costs	6	1,570	904
Deferred income tax expense		11	27
Change in non-cash operating working capital	12	(1,058)	(2,464)
Other		228	(28)
<b>Net cash used in operating activities</b>		<b>(6,075)</b>	<b>(18,922)</b>
<b>Investing:</b>			
Additions to fixed assets		(686)	(10,810)
Additions to intangible assets		(126)	(1,004)
Proceeds on disposal of non-financial assets		2,407	–
Interest received		262	202
<b>Net cash provided by (used in) investing activities</b>		<b>1,857</b>	<b>(11,612)</b>
<b>Financing:</b>			
Repayment of long-term debt	8	(313)	(156)
Proceeds from drawdown of revolving facility		–	12,000
Payment of lease obligations	9	(1,643)	(1,034)
Interest paid		(2,157)	(1,427)
Proceeds from exercise of stock options		–	497
Other		(1)	(113)
<b>Net cash (used in) provided by financing activities</b>		<b>(4,114)</b>	<b>9,767</b>
Decrease in cash and cash equivalents		(8,332)	(20,767)
Cash and cash equivalents, beginning of period		36,885	125,535
<b>Cash and cash equivalents, end of period</b>		<b>\$ 28,553</b>	<b>\$ 104,768</b>
Supplemental cash flow information	12		

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 – December 3, 2022  
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

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## 1. REPORTING ENTITY

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Goodfood Market Corp. is a digital meal solutions brand in Canada, delivering fresh meal and add-ons that make it easy for customers from across Canada to enjoy delicious meals at home every day. 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 an additional operating facility in Alberta.

## 2. BASIS OF PREPARATION

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### 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 September 3, 2022.

These interim condensed consolidated financial statements of the Company were approved by the Board of Directors ("Board") on January 16, 2023 for publication on January 17, 2023.

### 2.2 GOING CONCERN

These financial statements have been prepared on the basis that the Company will continue as a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

During the 13 weeks ended December 3, 2022, the Company recorded a net loss of \$11.7 million and used cash from operating activities of \$6.1 million. As at December 3, 2022, current liabilities exceed current assets by \$6.5 million and the Company has an accumulated deficit of \$212.4 million. In addition, as at December 3, 2022, the Company was in breach of certain of its financial covenants which resulted in the related debt being classified as a current liability at that date. The Company entered into a tolerance letter with its lenders as a result of a failure to meet certain financial covenants. The lenders agreed to tolerate such covenant breaches under certain conditions which included restricting Goodfood from using the revolver portion of the facility, under which no amount is currently outstanding other than letters of credit. As of the date of issuance of these consolidated financial statements, Goodfood reached an agreement for an amended credit agreement (refer to Note 8).

The Company has relied upon external financing to fund its operations in the past, primarily through the issuance of debt and equity. The Company's business plan is dependent upon generating positive cash flows, the continued financial support of its shareholders and lenders and/or raising additional funds to finance operations within and beyond the next twelve months. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future. If the Company is unable to realize its projected revenues and generate positive cash flows from operations

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Notes to the Interim Condensed Consolidated Financial Statements – December 3, 2022  
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

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and/or obtain sufficient additional financing, it may have to curtail operations and development activities, any of which could harm the business, financial condition and results of operations.

Due to the factors described above, management has concluded that a material uncertainty exists that may cast significant doubt about the Company's ability to continue operating as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business. The financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to achieve its plan and continue in business. If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the classification of items in the consolidated statements of financial position. Such adjustments could be material.

## 2.3 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.

## 2.4 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.

## 2.5 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. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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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 September 3, 2022.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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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, including the current economic environment, 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 September 3, 2022.



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Notes to the Interim Condensed Consolidated Financial Statements – December 3, 2022  
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## 5. REORGANIZATION AND OTHER RELATED COSTS

	For the 13 weeks ended	
	December 3, 2022	December 4, 2021
Charges related to facility closures <sup>(1)</sup>	\$ (2,686)	\$ 32
Net loss on disposal of non-financial assets	2,060	–
Employee termination and benefit costs	805	1,780
External advisor fees <sup>(2)</sup>	789	–
Other	151	–
	<b>\$ 1,119</b>	<b>\$ 1,812</b>

<sup>(1)</sup> Charges related to facility closures includes gain on termination of leases amounting to \$3.2 million.

<sup>(2)</sup> External advisor fees consist of fees related to the Company's reorganization initiatives and the debt covenant breach.

## 6. NET FINANCE COSTS

	For the 13 weeks ended	
	December 3, 2022	December 4, 2021
Interest expense on debt	\$ 271	\$ 265
Interest expense on lease obligations	642	655
Interest expense on debentures, including accretion interest	867	163
Interest income	(261)	(139)
Foreign exchange gain	(46)	(14)
Fair value gain on interest rate swaps	–	(26)
Other finance costs	97	–
	<b>\$ 1,570</b>	<b>\$ 904</b>

## 7. RIGHT-OF-USE ASSETS

	Facilities	Automotive equipment	Other equipment	Total
As at September 3, 2022	\$ 54,527	\$ 475	\$ 417	\$ 55,419
Derecognition	(11,293)	–	–	(11,293)
Depreciation	(2,041)	(63)	(38)	(2,142)
<b>As at December 3, 2022</b>	<b>\$ 41,193</b>	<b>\$ 412</b>	<b>\$ 379</b>	<b>\$ 41,984</b>

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Notes to the Interim Condensed Consolidated Financial Statements – December 3, 2022  
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## 8. DEBT

During the fourth quarter of Fiscal 2022, the Company did not meet all the financial covenants under its credit facility resulting in an event of default as at September 3, 2022. The Company received a tolerance letter from its lenders pursuant to which the lenders agreed, subject to certain terms and conditions, to refrain from enforcing their rights, remedies and resources under the Credit Facility agreement as well as restrict Goodfood from using the revolver portion of the facility, under which no amount is currently outstanding or available other than letters of credit. In addition, the other short-term financing available to the Company was reduced to \$7.3 million. The facility bears variable interest rate of Canadian Banker's Acceptance plus 2.50% and an additional 1.00% was added to the interest calculation due to the breach. As at December 3, 2022, the tolerance letter was still in effect and the debt was classified in current liabilities.

Subsequent to December 3, 2022, the Company reached an agreement to amend the syndicated credit agreement with its existing lenders providing bank financing of \$9.5 million. The facilities include a \$5.0 million term loan, a \$2.5 million revolving credit facility, and \$2.0 million in additional short-term financing and come to maturity in November 2023. The facilities feature updated financial conditions, including minimum cash balance and financing related covenants.

## 9. LEASE OBLIGATIONS

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

	December 3, 2022	September 3, 2022
Balance, beginning of period	\$ 69,209	\$ 73,111
Additions and lease modifications	–	24,615
Derecognition	(14,532)	(22,302)
Payment of lease obligations	(2,285)	(9,259)
Interest expense on lease obligations	642	3,044
<b>Balance, end of period</b>	<b>\$ 53,034</b>	<b>\$ 69,209</b>

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

As at	December 3, 2022	September 3, 2022
Less than one year	\$ 8,270	\$ 11,024
One to five years	30,186	40,807
More than 5 years <sup>(1)</sup>	22,154	27,942
Total undiscounted lease obligations	\$ 60,610	\$ 79,773
<b>Lease obligations balance, end of period</b>	<b>\$ 53,034</b>	<b>\$ 69,209</b>
Current portion	\$ 6,319	\$ 8,468
Non-current portion	\$ 46,715	\$ 60,741

<sup>(1)</sup> As at December 3, 2022, future lease payments of \$5.6 million (September 3, 2022 - \$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 (September 3, 2022 - \$6.4 million) of undiscounted cash outflows.

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Notes to the Interim Condensed Consolidated Financial Statements – December 3, 2022  
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## 10. CONVERTIBLE DEBENTURES

The following table summarizes the continuity of the Company's Debentures:

	December 3, 2022	September 3, 2022
Convertible debentures, liability component balance, beginning of period	\$ 27,469	\$ 5,623
Net proceeds from issuance of the Debentures	–	22,048
Accretion interest	392	901
Conversion of the Debentures	(176)	(1,103)
<b>Convertible debentures, liability component balance, end of period</b>	<b>\$ 27,685</b>	<b>\$ 27,469</b>

During the 13 weeks ended December 3, 2022, 210 Debentures (December 4, 2021 – 620) were converted into common shares of the Company, resulting in the issuance of 45,652 (December 4, 2021 – 131,910) common shares and the Company reclassified \$0.2 million (December 4, 2021 – \$0.5 million) and \$20 thousand (December 4, 2021 – \$0.1 million), respectively (refer to Note 11) from the convertible debentures liability to common shares and from the equity component of the convertible debentures to common shares. As at December 3, 2022, 35,278 Debentures (September 3, 2022 – 35,488 Debentures) were outstanding.

## 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 13 weeks ended:

	December 3, 2022		December 4, 2021	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Balance, beginning of period	75,233,023	\$ 173,788	74,647,547	\$ 170,094
Debenture conversions (Note 10)	45,652	196	131,910	618
Exercise of stock options	–	–	157,071	707
Purchased and held in trust through employee share purchase plan	(61,018)	(27)	(18,281)	(139)
Restricted share units vested	24,456	206	63,455	833
Employee share purchase vested	4,557	2	2,709	8
<b>Balance, end of period</b>	<b>75,246,670</b>	<b>\$ 174,165</b>	<b>74,984,411</b>	<b>\$ 172,121</b>

### LOSS PER SHARE

	December 3, 2022	December 4, 2021
<b>For the 13 weeks ended</b>		
Basic and diluted weighted average number of common shares outstanding	75,259,913	74,829,209

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Notes to the Interim Condensed Consolidated Financial Statements – December 3, 2022  
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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 3, 2022 and December 4, 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.

## 12. SUPPLEMENTAL CASH FLOW INFORMATION

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

<b>For the 13 weeks ended</b>	<b>December 3, 2022</b>	December 4, 2021
Accounts and other receivables	\$ 456	\$ 1,607
Inventories	2,115	95
Other current assets	130	(156)
Accounts payable and accrued liabilities	(4,136)	(5,421)
Deferred revenues	377	1,411
	<b>\$ (1,058)</b>	<b>\$ (2,464)</b>

The following transactions had no cash impact for the 13 weeks ended:

<b>As at</b>	<b>December 3, 2022</b>	December 4, 2021
<b>Investing activities</b>		
Unpaid fixed assets additions	\$ -	\$ 1,171
Unpaid intangible assets additions	-	263
Capitalized depreciation on right-of-use assets and interest expense on lease obligations included in assets under construction additions	\$ -	\$ 1,327

## 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 approximates its carrying amount as it is short-term and it bears a variable interest rate at BA plus 2.50% which is a similar market interest rate for financial instruments with similar terms and risks.

The Company determined the valuation of its Debentures at issuance using Level 3 inputs. As at December 3, 2022, the Company determined that the fair value of its Debentures was \$7.4 million which was determined based on market trading value.