

Condensed Interim Financial Statements of

**GOODFOOD MARKET INC.**

For the three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

# GOODFOOD MARKET INC.

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(Unaudited)

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# GOODFOOD MARKET INC.

## Condensed Interim Statement of Financial Position

As at May 31, 2017 and August 31, 2016  
(Unaudited)

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,517,042	\$ 516,130
Short-term investments	3,834	3,800
Sales tax receivable	402,759	81,248
Inventories	211,439	79,200
Prepaid expenses and other current assets (note 13)	376,852	-
	<u>2,511,926</u>	<u>680,378</u>
Non-current assets:		
Other non-current assets	25,616	25,616
Fixed assets (note 4)	209,747	78,564
Intangible assets (note 4)	68,333	45,322
	<u>\$ 2,815,622</u>	<u>\$ 829,880</u>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,772,145	\$ 489,529
Deferred revenue	246,721	23,023
Current portion of long-term debt	105,299	32,145
	<u>3,124,165</u>	<u>544,697</u>
Non-current liabilities:		
Convertible notes (note 5)	5,292,762	506,368
Long-term debt	419,877	228,455
Preferred shares	-	800,015
	<u>8,836,804</u>	<u>2,079,535</u>
Shareholders' equity (deficiency):		
Common shares	1,330,565	59,000
Contributed surplus	52,845	-
Deficit	(7,404,592)	(1,308,655)
	<u>(6,021,182)</u>	<u>(1,249,655)</u>
Subsequent events (note 14)		
	<u>\$ 2,815,622</u>	<u>\$ 829,880</u>

See accompanying notes to condensed interim financial statements.

# GOODFOOD MARKET INC.

## Condensed Interim Statement of Loss and Comprehensive Loss

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2017	2016	2017	2016
Revenue	\$ 6,428,446	\$ 928,433	\$ 12,307,861	\$ 1,805,676
Cost of goods sold	5,065,572	809,340	9,722,390	1,667,079
Gross profit	1,362,874	119,093	2,585,471	138,597
Expenses:				
Selling, general and administrative	2,197,999	299,589	4,015,823	690,013
Depreciation and amortization	14,525	3,435	32,823	4,992
Loss on disposal of fixed assets	—	8,466	—	8,466
Transaction and reorganization (note 12)	347,579	—	347,579	—
	2,560,103	311,490	4,396,225	703,471
Net finance expenses (note 6)	19,406	152,397	4,285,183	307,777
Net loss, being comprehensive loss for the period	\$ (1,216,635)	\$ (344,794)	\$ (6,095,937)	\$ (872,651)
Basic and diluted loss per share (note 9)	\$ (0.05)	\$ (0.01)	\$ (0.25)	\$ (0.04)

See accompanying notes to condensed interim financial statements.

# GOODFOOD MARKET INC.

## Condensed Interim Statement of Changes in Equity

Nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

	Common shares		Contributed surplus	Deficit	Total
	Number	Amount			
Balance as at September 1, 2015	24,837,978	\$ 59,000	\$ -	\$ (69,484)	\$ (10,484)
Net loss	-	-	-	(872,651)	(872,651)
<b>Balance as at May 31, 2016</b>	<b>24,837,978</b>	<b>\$ 59,000</b>	<b>\$ -</b>	<b>\$ (942,135)</b>	<b>\$ (883,135)</b>
Balance as at September 1, 2016	24,837,978	\$ 59,000	\$ -	\$ (1,308,655)	\$ (1,249,655)
Conversion of Class A preferred shares (note 8)	9,101,106	1,271,565	-	-	1,271,565
Share-based compensation expense	-	-	52,845	-	52,845
Net loss	-	-	-	(6,095,937)	(6,095,937)
<b>Balance as at May 31, 2017</b>	<b>33,939,084</b>	<b>\$ 1,330,565</b>	<b>\$ 52,845</b>	<b>\$ (7,404,592)</b>	<b>\$ (6,021,182)</b>

See accompanying notes to condensed interim financial statements.

# GOODFOOD MARKET INC.

## Condensed Interim Statement of Cash Flows

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2017	2016	2017	2016
Cash provided by (used in):				
Operating:				
Net loss	\$ (1,216,635)	\$ (344,794)	\$ (6,095,937)	\$ (872,651)
Adjustments for:				
Depreciation and amortization	14,525	3,435	32,823	4,992
Share-based compensation expense	26,424	–	52,845	–
Loss on disposal of fixed assets	–	8,466	–	8,466
Net finance expenses	19,406	152,397	4,285,183	307,777
Interest paid	(11,108)	(1,133)	(29,000)	(3,110)
Interest received	2,341	224	2,885	224
Other non-cash items	–	–	22,534	11,175
Change in non-cash operating working capital:				
Sales tax receivable	(181,840)	(19,017)	(321,511)	(74,004)
Inventories	(63,691)	(34,311)	(132,239)	(91,676)
Prepaid expenses and other current assets	(358,852)	3,906	(376,852)	(25,616)
Accounts payable and accrued liabilities	1,622,329	155,440	2,276,818	350,635
Deferred revenue	130,633	(31,058)	223,698	(5,349)
	(16,468)	(106,445)	(58,753)	(389,137)
Financing:				
Issuance of long-term debt	–	135,600	230,000	135,600
Issuance of convertible notes	–	–	1,000,000	149,999
Repayment of long-term debt	(7,721)	–	(9,595)	–
Issuance of preferred shares	–	–	–	800,015
	(7,721)	135,600	1,220,405	1,085,614
Investing:				
Acquisition of fixed assets	(28,332)	(33,080)	(125,979)	(60,788)
Acquisition of intangible assets	(2,765)	–	(34,761)	(14,619)
Acquisition of short-term investment	–	(3,800)	–	(3,800)
	(31,097)	(36,880)	(160,740)	(79,207)
(Decrease) increase in cash and cash equivalents	(55,286)	(7,725)	1,000,912	617,270
Cash and cash equivalents, beginning of period	1,572,328	709,881	516,130	84,886
Cash and cash equivalents, end of period	\$ 1,517,042	\$ 702,156	\$ 1,517,042	\$ 702,156

See accompanying notes to condensed interim financial statements.

# GOODFOOD MARKET INC.

## Notes to Condensed Interim Financial Statements

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

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### 1. Significant changes and highlights:

The condensed interim financial position and performance of Goodfood Market Inc. (the "Company") was particularly affected by the following events and transactions during the three-month and nine-month periods ended May 31, 2017:

- In September and October 2016, the Company issued convertible notes with a face value of \$1,000,000 (from which \$500,000 was issued to a company controlled by a board member);
- In September 2016, convertible notes with a conversion date fair value of \$471,550 were converted into 46,419 Class A preferred shares Series 2 (from which 34,306 shares were issued to a company controlled by a board member);
- In December 2016, the Company issued a long-term debt of \$230,000, secured by moveable property of the Company, bearing variable interest at an initial rate of 9.68%, repayable in monthly instalments beginning in October 2017 and ending in September 2022;
- On May 31, 2017, the Company's common shares were split on a 24.8379775 to 1 basis (the "Share Split"). The Share Split was reflected retrospectively to comparative periods;
- On May 31, 2017, following a resolution of the majority holders of preferred shares, all outstanding preferred shares were converted into 9,101,106 common shares (from which 6,713,854 common shares were issued to a company controlled by a board member); and
- For the three-month and nine-month periods ended May 31, 2017, the Company incurred transaction and reorganization expenses of \$347,579 related to a reverse takeover transaction pending as at May 31, 2017 and \$319,676 of prepaid expenses and other current assets related to a private placement equity financing also pending (see Note 14 - Subsequent events).

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

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## 2. Basis of accounting:

### *Statement of compliance*

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements. These condensed interim financial statements have been prepared on a condensed form in accordance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, has been omitted or condensed. These condensed interim financial statements should be read in conjunction with the annual financial statements included in the filing statement filed on SEDAR and the note thereto for the year ended August 31, 2016.

The condensed interim financial statements were authorized for issue by the Board of Directors on July 12, 2017.

### *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of information were the same as those applied to the audited financial statements for the year ended August 31, 2016.

### *Functional and presentation currency*

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### *Segment reporting*

The Company determined that it operated a single operating segment for the three-month and nine-month periods ended May 31, 2017 and 2016.

## 3. New and amended standards not yet adopted by the Company:

Refer to the annual audited financial statements for the year ended August 31, 2016, as there have been no changes.



# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

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## 4. Fixed assets and intangible assets:

Additions to fixed assets and intangible assets totalled \$152,256 and \$34,761, respectively, for the nine-month period ended on May 31, 2017 and include the acquisition of machinery and equipment under a finance lease.

## 5. Convertible notes:

The Company has classified convertible notes as a financial liability designated at fair value through profit or loss. Changes in the fair value of the notes, including the impact of accrued interest, are recognized in net finance expense. Refer to Note 11 - Financial instruments for information regarding the methods and assumptions used to fair value convertible notes.

### *Issuances of convertible notes*

- (i) In September and October 2016, the Company issued one-year convertible notes with a face value of \$1,000,000 (\$500,000 of which were issued to an entity controlled by a board member). The notes bear interest at 8% which is capitalized over the term and are convertible as follows:
- Upon a qualified equity financing of less than \$5,000,000 on a pre-money basis, the holder may at its option convert the outstanding principal amount due plus accrued interest into a variable number of equity instruments issued upon the qualified equity financing. The number of equity instruments to be received is determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the product of eighty percent and the price per share at which equity securities are issued by the Company in the qualified equity financing (calculated on a maximum pre-money equity valuation of \$18,750,000);
  - Upon a qualified equity financing of more than \$5,000,000 on a pre-money basis, automatic conversion into a variable number of equity instruments issued in the financing. The number of equity instruments to be received is determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the product of eighty percent and the price per share at which equity securities are issued by the Company in the qualified equity financing (calculated on a maximum pre-money equity valuation of \$18,750,000);
  - Upon a change of control, the holder may at its option convert the outstanding principal amount due plus accrued interest into a variable number of Class A preferred shares. The number of Class A preferred shares to be received is determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the product of eighty percent of the fully diluted change of control share price (calculated on a maximum valuation of \$15,000,000); and

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

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## 5. Convertible notes (continued):

*Issuances of convertible notes* (continued)

(i) (continued)

- If not converted or repaid prior to maturity, automatic conversion at maturity into a variable number of Class A preferred shares. The number of Class A preferred shares to be received is determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the quotient of \$9,000,000 divided by the aggregate number of outstanding common shares of the Company immediately prior to conversion calculated on a fully diluted basis.

In lieu of conversion described above upon change of control the holder has the option to receive its outstanding principal amount due plus accrued and unpaid interest paid in cash.

(ii) In fiscal 2016, the Company issued three-year convertible notes with a face value of \$161,174 (\$110,625 of which were issued to an entity controlled by a board member). The notes bear interest at 6% which is capitalized over the term and are convertible as follows:

- Prior to the one-year anniversary of the notes, the holder may, at its option, convert the outstanding principal amount due plus accrued and unpaid interest into a variable number of Class A preferred shares. The number of Class A preferred shares to be received is determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the quotient of \$5,000,000 divided by the aggregate number of outstanding common shares of the Company immediately prior to conversion calculated on a fully diluted basis;
- Upon a qualified equity financing, automatic conversion into a variable number of equity instruments issued in the financing determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the product of eighty percent and the price per share at which equity securities are issued by the Company in the qualified equity financing;
- Upon a change of control, optional conversion into a variable number of Class A preferred shares determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the product of eighty percent and the change of control transaction share price on a fully diluted basis; and
- If not converted or repaid prior to maturity, automatic conversion at maturity into a variable number of Class A preferred shares. The number of Class A preferred shares to be received is determined by dividing the outstanding principal amount due plus accrued and unpaid interest by the quotient of \$10,000,000 divided by the aggregate number of outstanding common shares of the Company immediately prior to conversion calculated on a fully diluted basis.

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

## 5. Convertible notes (continued):

### *Conversions of convertible notes*

In the first quarter of fiscal 2017, convertible notes with a conversion date fair value of \$471,550 were converted into 46,419 Class A preferred shares Series 2 (of which 34,306 shares were converted by a company controlled by a board member).

### *Fair value of convertible notes*

The fair value of convertible notes as at May 31, 2017 and August 31, 2016 is as follows:

	May 31, 2017	August 31, 2016
Unsecured one-year notes:		
Original maturity of September 14, 2017 with face value of \$500,000, plus capitalized interest of \$27,397, due to a company controlled by a board member	\$ 2,640,091	\$ -
Original maturity of September 23, 2017 with face value of \$250,000, plus capitalized interest of \$13,699	1,320,021	-
Original maturity of September 23, 2017 with face value of \$130,000, plus capitalized interest of \$7,123	686,395	-
Original maturity of October 12, 2017 with face value of \$120,000, plus capitalized interest of \$6,076	631,092	-
Unsecured three-year notes:		
Maturing on November 25, 2018 with face value of \$7,125, plus capitalized interest of \$641 (2016 - \$326), converted into 4,843 common shares on May 31, 2017	9,693	22,199
Maturing on January 15, 2019 with face value of \$4,050, plus capitalized interest of \$330 (2016 - \$152), converted into 2,733 common shares on May 31, 2017	5,470	12,619
Original maturity of September 24, 2018, with face value of \$110,625 plus capitalized interest of \$6,328 converted into 34,306 Class A preferred shares in September 2016, due to a company controlled by a board member	-	349,015
Original maturity of December 21, 2018, with face value of \$23,585 and capitalized interest of \$1,020 converted into 7,217 Class A preferred shares in September 2016	-	73,399
Original maturity of December 14, 2018, with face value of \$15,789 and capitalized interest of \$903 converted into 4,896 Class A preferred shares in September 2016	-	49,136
	<u>\$ 5,292,762</u>	<u>\$ 506,368</u>

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

## 6. Net finance expenses:

	Three-month periods		Nine-month periods	
	ended May 31,		ended May 31,	
	2017	2016	2017	2016
Loss on remeasurement to fair value of convertible debentures	\$ 8,226	\$ 150,444	\$ 4,257,944	\$ 303,909
Interest expense on long-term debt	13,278	2,177	29,882	4,092
Interest income	(2,373)	(224)	(2,918)	(224)
Foreign exchange loss	275	-	275	-
	\$ 19,406	\$ 152,397	\$ 4,285,183	\$ 307,777

## 7. Stock option plan:

The Company has established a stock option plan to attract and retain employees, consultants, directors and officers. The plan provides for the granting of options to purchase common shares. Options are generally subject to service vesting criteria of four years and expire ten years from the grant date. Under the plan, 3,642,912 common shares have been reserved for issuance.

During the nine-month period ended May 31, 2017, 398,056 options were granted at a weighted average fair value of \$0.69 per option. The fair value was estimated at the date on which the options were granted using the Black-Scholes option pricing model with the following weighted-average assumptions:

Volatility	60%
Risk-free interest rate	1.03%
Expected life of options	6 years
Common share value at grant date	\$ 0.98
Exercise price	\$ 0.58

During the three-month and nine-month periods ended May 31, 2017, no options were exercised and as at May 31, 2017, 452,700 options were outstanding (2016 - 54,644).

Total share-based compensation costs recognized under the stock option plan amount to \$26,424 and \$52,845 for the three-month and nine-month periods ended May 31, 2017 (2016 - nil and nil), respectively.

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

## 8. Share capital:

### *Class A preferred shares*

In September 2016, convertible notes with a conversion date fair value of \$471,550 were converted into 46,419 Class A preferred shares Series 2 (from which 34,306 shares were issued to a company controlled by a board member).

On May 31, 2017, following a resolution of the majority holders of preferred shares, all outstanding Class A preferred shares consisting of 320,000 Class A Series 1 preferred shares and 46,419 Class A Series 2 preferred shares were converted (from which 270,306 shares were held by a company controlled by a board member) into 9,101,106 common shares (from which 6,713,854 common shares were issued to a company controlled by a board member).

On May 31, 2017, following the conversion of all outstanding Class A preferred shares into common shares, the Company amended its articles of incorporation such that its authorized capital consisted solely of an unlimited number of common shares.

Statement of financial position reconciliation of preferred shares:

	Number of shares		\$
Balance as at August 31, 2016	320,000	\$	800,015
Issuance of Class A preferred shares, Series 2 upon conversion of convertible notes	46,419		471,550
Conversion into common shares	(366,419)		(1,271,565)
Balance as at May 31, 2017	-	\$	-

### *Common shares*

On May 31, 2017, following the Share Split, 33,939,084 common shares were issued and outstanding.

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

## 9. Loss per share:

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2017	2016	2017	2016
Net loss	\$ (1,216,635)	\$ (344,794)	\$ (6,095,937)	\$ (872,651)
Basic weighted average number of common shares	24,936,903	24,837,978	24,871,315	24,837,978
Loss per share - Basic and diluted	(0.05)	(0.01)	(0.25)	(0.04)

Basic weighted average number of common shares has been adjusted retrospectively to reflect the Share Split. The conversion of preferred shares into common shares is weighted from the conversion date.

Class A preferred shares prior to their conversion and convertible notes were excluded from the diluted weighted average number of common shares calculation because such inclusion would have been antidilutive due to the net loss reported by the Company.

## 10. Financial risks:

### (a) 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 budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments:

	May 31, 2017				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 2,772,145	\$ 2,772,145	\$ 2,772,145	\$ —	\$ —
Long-term debt	525,176	648,584	148,441	484,511	15,632

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

## 10. Financial risks (continued):

(a) Liquidity risk (continued):

	August 31, 2016				
	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 489,529	\$ 489,529	\$ 489,529	\$ –	\$ –
Long-term debt	260,600	327,721	53,056	243,017	31,648

(b) Interest rate risk:

A portion of the Company's long-term debt bears interest at variable rates which are determined by a base rate set by the lender plus a margin. As a result, the Company is exposed to interest rate risk due to fluctuations in lenders' base rates.

## 11. Financial instruments:

The Company has determined that the fair value of cash and cash equivalents, short-term investments and accounts payable and accrued liabilities approximate their respective carrying amounts as at the balance sheet date, due to the short-term maturity of those instruments. The fair value of the Company's long-term debt and bank deposits included in other non-current assets approximates their respective carrying amounts as at the balance sheet date as they bear interest at rates which approximate current rates that could be obtained for instruments with similar terms and credit risk.

### *Class A preferred shares*

On May 31, 2017, no Class A preferred shares remained outstanding. As at August 31, 2016, the estimated fair value of preferred shares of \$3,200,000 was determined using Level 3 inputs to internal model which applies a multiple to an annual revenue forecast to determine the fair value per preferred share.

### *Convertible notes*

The fair value of convertible notes as at May 31, 2017 of \$5,292,762 is estimated using Level 3 inputs of the fair value hierarchy. As summarized in Note 5, the Company's convertible notes derive value from conversion features which are generally tied to the equity valuation of the Company at a point in time.

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

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## 11. Financial instruments (continued):

*Convertible notes* (continued)

As at May 31, 2017, the fair value of convertible notes is measured using an internal model which determines the fair value of the equity units issuable upon conversion using the price per common share of a private placement equity financing pending as at May 31, 2017 (see Note 14 - Subsequent events).

Significant unobservable inputs to the model include the price per equity unit and the probabilities assigned to each conversion feature. The Company estimates that a 5% change in either of these inputs, holding other assumptions constant, would change the fair value of convertible notes by approximately \$265,000.

Statement of financial position reconciliation of convertible notes:

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Balance as at August 31, 2016	\$ 506,368
Issuance of convertible notes	1,000,000
Conversion into Class A preferred shares, Series 2	(471,550)
Change in fair value	4,257,944
<b>Balance as at May 31, 2017</b>	<b>\$ 5,292,762</b>

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As at August 31, 2016, the fair value of convertible notes was measured using an internal model which applies a multiple to an annual revenue forecast to determine the fair value of the equity instruments issuable upon conversion. The aggregate fair value of the note is then calculated on a probability-weighted basis based on the expected outcome of each conversion feature.

## 12. Transaction and reorganization expenses:

Transaction and reorganization expenses for the three-month and nine-month periods ended May 31, 2017 of \$347,579 consist of costs incurred related to a reverse takeover transaction pending as at May 31, 2017 (see Note 14 - Subsequent events).

## 13. Prepaid expenses and other current assets:

Prepaid expenses and other current assets as at May 31, 2017 include share issuance costs of \$319,676 related to a private placement equity financing pending as at May 31, 2017 (see Note 14 - Subsequent events).



# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

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## 14. Subsequent events:

### *Reverse takeover transaction private placement*

On June 1, 2017, the Company completed a going-public transaction in Canada by way of a three-cornered amalgamation between the Company, Mira VII Acquisition Corp. ("Mira VII") and Mira VII Subco Inc. ("Mira VII Subco") pursuant to which the Company and Mira VII Subco amalgamated (the "Amalgamation") under the Canada Business Corporations Act to form a new entity ("Amalco"). Pursuant to the Amalgamation, the outstanding common shares of Mira VII were consolidated and Mira VII was assigned a fixed value of \$1,125,000. Following the Amalgamation, Mira VII changed its name to Goodfood Market Corp. (the "Resulting Issuer") of which Amalco is the operating subsidiary. Common shares of the Resulting Issuer began trading upon the Toronto Stock Exchange under the symbol "FOOD" on June 7, 2017 and the common shares of the former Mira VII were delisted from the TSX Venture Exchange.

In connection with the Amalgamation, proceeds from a private placement (the "Private Placement") pursuant to which the Company issued 10,542,883 subscription receipts at a price of \$2.00 per subscription receipt for aggregate gross proceeds of \$21,085,766, which was held in escrow until the completion of the reverse takeover transaction. On June 1, 2017, 10,542,883 common shares were issued and the proceeds were released from escrow upon the completion of the reverse takeover transaction. Net of fees paid to the agents, the Company received proceeds of approximately \$19,640,000. The agents were also granted 405,002 two-year compensation options to purchase common shares of the Resulting Issuer at a price of \$2.00 per share.

In connection with the Amalgamation, all outstanding convertible notes were converted in accordance with their contractual provisions into 2,645,718 common shares of the Company (from which 1,319,717 common shares were issued to a company controlled by a board member).

In connection with the Amalgamation, the holders of the Company's common shares (including those investors in the Private Placement following the exchange of the subscription receipts for common shares of the Company) received one common share of the Resulting Issuer in exchange for each outstanding common share of the Company. Following the share exchange, there were 47,690,185 issued and outstanding common shares of the Resulting Issuer.

In connection with the Amalgamation, the Company accelerated the vesting of 164,415 stock options, dissolved its stock option plan and a stock option plan was established by the Resulting Issuer. All outstanding stock options in the Company were exchanged on a post-Share Split basis for stock options of the Resulting Issuer with similar terms except for a reduced vesting period. In the fourth quarter of 2017, the Resulting Issuer will recognize an expense to reflect the acceleration in stock option vesting.

# GOODFOOD MARKET INC.

Notes to Condensed Interim Financial Statements (continued)

Three-month and nine-month periods ended May 31, 2017 and 2016  
(Unaudited)

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## 14. Subsequent events (continued):

### *Lease for new primary distribution facility*

On June 21, 2017, the Company signed a five-year lease with a five-year renewal option for an 83,000 square foot distribution facility located in Saint-Laurent, Québec, Canada. The facility is intended to replace the Company's current 16,000 square foot primary distribution facility also located in Saint-Laurent, Québec, Canada. In addition, the Company secured a right of first refusal on an additional 72,000 square feet at a location directly adjacent to the new facility.

The lease is classified as an operating lease with a total commitment of approximately \$2,930,000 over the five-year term and an annual straight-line lease expense of approximately \$570,000. Management expects to incur significant capital expenditures in the fourth quarter of fiscal 2017 in anticipation of the new facility becoming operational in the first quarter of fiscal 2018.