REITMANS

(CANADA) LIMITED

Management's Discussion and Analysis
and
Unaudited Condensed Consolidated Interim Financial Statements

For the 13 weeks ended April 30, 2022

REITMANS

(CANADA) LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Reitmans (Canada) Limited and its subsidiaries ("Reitmans" or the "Company") should be read in conjunction with the unaudited condensed consolidated interim financial statements of Reitmans as at and for the 13 weeks ended April 30, 2022 and the audited annual consolidated financial statements for the fiscal year ended January 29, 2022 and the notes thereto which are available on the SEDAR website at www.sedar.com. This MD&A is dated June 21, 2022.

All financial information contained in this MD&A and Reitmans' unaudited condensed consolidated interim financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). All monetary amounts shown in the tables in this MD&A are in millions of Canadian dollars unless otherwise indicated, except per share and strike price amounts. The unaudited condensed consolidated interim financial statements and this MD&A were reviewed by Reitmans' Audit Committee and were approved by its Board of Directors on June 21, 2022.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended April 30, 2022 ("first quarter of 2023") are against results for the 13 weeks ended May 1, 2021 ("first quarter of 2022").

Additional information about Reitmans is available on the Company's website at www.reitmanscanadalimited.com or on the SEDAR website at www.sedar.com.

COVID-19

At the beginning of the first quarter of 2022, the Company had 240 out of its 415 stores (58% of its store network) closed as a consequence of governmental lockdown directives. This partial lockdown of the Company's retail store network continued into the first quarter of 2022. At the beginning of the first quarter of 2023, while all of the Company's stores were open, store capacity restrictions were still in effect by most provincial authorities. All of the provincially imposed store capacity restrictions were lifted during the first quarter of 2023 and the Company's store network has been operating at full capacity since the restrictions were lifted.

During fiscal 2022, the Company obtained financial assistance from federal programs ("Federal subsidies"), such as the Canada Emergency Wage Subsidy ("CEWS"), the Canada Emergency Rent Subsidy program ("CERS") and the Tourism and Hospitality Recovery Program ("THRP"), under which the subsidies were consolidated starting from October 24, 2021. Such measures and financial assistance mitigated the financial impact of COVID-19 on the Company's business.

The extent to which COVID-19 and its variants will continue to impact the Company's business, including its supply chain, consumer shopping behavior and consumer demand, including online shopping, will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include emergence of new variants of COVID-19 resulting in a resurgence of positive COVID-19 cases, measures taken by various government authorities to contain the virus and its variants spread for potential future waves, future customer shopping behavior including online sales and the impact of shipping delays to the supply chain. As the Company navigates through the challenges caused by COVID-19 and its variants, its focus is to adapt to customers' changing product preferences, closely monitor its cash position and control its spending, while managing its inventory levels in line with the change in demand behavior since

COVID-19 started. Current financial information may not necessarily be indicative of future operating results.

Emergence from the Companies' Creditors Arrangement Act ("CCAA") proceedings in fiscal 2022

On January 12, 2022, in accordance with the court-approved Plan of Arrangement (“the Plan”), the Company paid an aggregate amount of $95.0 million in full and final settlement of all claims from its creditors affected by the Plan, and emerged from the CCAA proceedings. Concurrently, the Company secured a senior secured asset-based revolving facility with a Canadian financial institution of up to $115.0 million (or its U.S. dollar equivalent), which matures on January 12, 2025. Up to $35.0 million (or its U.S. dollar equivalent) of the $115.0 million facility can be withdrawn through secured letters of credit. See Note 9 of the unaudited condensed consolidated interim financial statements for the first quarter of 2023.

FORWARD-LOOKING STATEMENTS

All of the statements contained herein, other than statements of fact that are independently verifiable at the date hereof, are forward-looking statements. Such statements, based as they are on the current expectations of management, inherently involve numerous risks and uncertainties, known and unknown, many of which are beyond the Company’s control, including statements regarding the impact of COVID-19 on the Company’s business, financial position and operations, and are based on several assumptions which give rise to the possibility that actual results could differ materially from the Company’s expectations expressed in or implied by such forward-looking statements and that the objectives, plans, strategic priorities and business outlook may not be achieved. Consequently, the Company cannot guarantee that any forward-looking statement will materialize, or if any of them do, what benefits the Company will derive from them. Forward-looking statements are provided in this MD&A for the purpose of giving information about management’s current expectations and plans as of the date of this MD&A, and allowing investors and others to get a better understanding of the Company’s operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose. Forward-looking statements are based upon the Company’s current estimates, beliefs and assumptions, which are based on management’s perception of historical trends, current conditions and currently expected future developments, as well as other factors it believes, are appropriate in the circumstances.

This MD&A contains forward-looking statements about the Company’s objectives, plans, goals, expectations, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Company’s belief in its strategies and its brands and their capacity to generate long-term profitable growth, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of systems implementation, the ability of the Company to successfully implement its strategic initiatives and cost reduction and productivity improvement initiatives as well as the impact of such initiatives. These specific forward-looking statements are contained throughout this MD&A including those listed in the “Operating Risk Management” and “Financial Risk Management” sections of this MD&A. Forward-looking statements are typically identified by words such as “expect”, “anticipate”, “believe”, “foresee”, “could”, “estimate”, “goal”, “intend”, “plan”, “seek”, “strive”, “will”, “may” and “should” and similar expressions, as they relate to the Company and its management.

Numerous risks and uncertainties could cause the Company’s actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including:

- foreign currency fluctuations, including high levels of volatility of the Canadian dollar in relation to the US dollar;

- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, interest rates, currency exchange rates or derivative prices;
- significant economic disruptions caused by global health risks (such as COVID-19) that influence sanitary measures (such as confinement and store closures), consumer demand and hamper the ability to get merchandise on a timely basis;
- changes in product costs and disruption of the Company’s supply chain;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the changing consumer preferences toward e-commerce, online retailing and the introduction of new technologies;
- seasonality and weather;
- the inability of the Company’s information technology (“IT”) infrastructure to support the requirements of the Company’s business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cyber security or data breaches;
- failure to realize benefits from investments in the Company’s new IT systems;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrinkage;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company’s major initiatives, including those from restructuring; and
- changes in the Company’s income, capital, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments.

This is not an exhaustive list of the factors that may affect the Company’s forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities from time to time. The reader should not place undue reliance on any forward-looking statements included herein. These statements speak only as of the date made and the Company is under no obligation and disavows any intention to update or revise such statements as a result of any event, circumstances or otherwise, except to the extent required under applicable securities law.

NON-GAAP FINANCIAL MEASURES & SUPPLEMENTARY FINANCIAL MEASURES

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for the Company’s analysis of its financial information reported under IFRS.

FINANCIAL MEASURES

This MD&A discusses adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) and adjusted results from operating activities (“Adjusted ROA”) and both are considered non-GAAP financial measures. This MD&A also indicates Adjusted EBITDA as a percentage of sales and is considered a non-GAAP financial ratio. The intent of presenting Adjusted EBITDA and Adjusted ROA is to provide additional useful information to investors and analysts. Adjusted EBITDA is defined as net earnings (loss) before income tax expense/recovery, interest income, interest expense, depreciation, amortization, impairment of non-financial assets, Federal subsidies and restructuring costs and recoveries. Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund working capital needs and fund capital expenditures and uses the metric for this purpose. Management believes that Adjusted EBITDA as a percentage of sales indicates how much liquidity is generated for each dollar of sales. The exclusion of interest income and expenses eliminate the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges eliminates the non-cash impact, and the exclusion of restructuring items and Federal subsidies presents the results of the on-going business.

Adjusted ROA is defined as results from operating activities excluding Federal subsidies and restructuring costs and recoveries. Management believes that Adjusted ROA provides a more relevant indicator in assessing current operational performance. The exclusion of restructuring items and Federal subsidies presents the on-going operational performance of the business.

RECONCILIATION OF NON-IFRS MEASURES

The tables below provide a reconciliation of net loss to Adjusted EBITDA and results from operating activities to Adjusted ROA :

	For the first quarter of	
	2023	**2022**
Net loss	**$ (1.7)**	$ -
Depreciation, amortization and net impairment losses	**10.9**	12.3
Interest income	**-**	(0.1)
Interest expense on lease liabilities	**1.0**	1.1
Interest expense on revolving credit facility	**0.3**	-
Federal subsidies	**(1.2)**	(10.3)
Restructuring costs (recoveries), net	**0.6**	(6.6)
Adjusted EBITDA[1]	**$ 9.9**	$ (3.6)
Adjusted EBITDA as % of Sales	**6.4%**	(3.0)%

[1] The comparative figure has been restated to exclude Federal subsidies of $10.3 million recognized during the first quarter of 2022, as a result of the current definition of Adjusted EBITDA.

	For the first quarter of	
	2023	**2022**
Results from operating activities	**$ (0.4)**	$ 0.4
Federal subsidies	**(1.2)**	(10.3)
Restructuring costs (recoveries), net	**0.6**	(6.6)
Adjusted ROA	**$ (1.0)**	$ (16.5)

SUPPLEMENTARY FINANCIAL MEASURES

The Company uses a key performance indicator ("KPI"), comparable sales, to assess store performance and sales growth. The Company engages in an omnichannel approach in connecting with its customers by appealing to their shopping habits through either online or store channels. This approach allows customers to shop online for home delivery or to pick up in store, purchase in any of our store locations or ship to home from another store when the products are unavailable in a particular store. Due to customer cross-channel behavior, the Company reports a single comparable sales metric, inclusive of store and e-commerce channels. Comparable sales are defined as sales generated by stores that have been continuously open during both of the periods being compared and include e-commerce sales. The comparable sales metric compares the same calendar days for each period. Although this KPI is expressed as a ratio, it is a supplementary financial measure that does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses comparable sales in evaluating the performance of stores and online sales and considers it useful in helping to determine what portion of new sales has come from sales growth and what portion can be attributed to the opening of new stores. Comparable sales is a measure widely used amongst retailers and is considered useful information for both investors and analysts. Comparable sales should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS.

As highlighted in the section entitled “COVID-19”, at various times throughout fiscal 2022, the Company was required to temporary close some of its retail stores as a consequence of governmental lockdown directives. Due to the unprecedented nature of COVID-19 and its significant impact on consumers and our ability to service our customers, management believes that comparable sales are not currently representative of the underlying trends of our business and consequently would not provide a meaningful metric in comparisons of year-over-year sales results. Accordingly, this MD&A does not include a discussion of the Company’s comparable sales in respect of the first quarter of 2023. Management will continue to monitor and evaluate the effects of COVID-19 and will resume the evaluation of comparable sales when year-over-year results are more representative.

OVERVIEW

The Company has a single reportable segment that derives its revenue primarily from the sale of women’s specialty apparel to consumers through its retail banners. The Company’s stores are primarily located in malls and retail power centres across Canada while also offering e-commerce website shopping for all of its banners. The online channels provide customers convenience, selection and ease of purchase, while enhancing customer loyalty and continuing to build the brands. The Company currently operates under the following banners:

Reitmans

The Reitmans banner, operating stores averaging 4,700 sq. ft., is one of Canada’s largest women’s apparel specialty chains and a leading fashion brand. Reitmans has developed strong customer loyalty through superior service, insightful marketing and quality merchandise.

Penningtons

Penningtons is a leader in the Canadian plus-size market, offering trend-right styles and affordable quality for plus-size fashion sizes 12–32. Penningtons operates stores averaging 6,000 sq. ft. in power centres across Canada.

RW & CO.

RW & CO. operates stores averaging 4,500 sq. ft. in premium locations in major shopping malls, catering to a customer with an urban mindset by offering fashions for men and women.

RETAIL BANNERS

	Number of stores at January 29, 2022	Q1 Openings	Number of stores at April 30, 2022	Number of stores at May 1, 2021
Reitmans	**237**	-	237	245
Penningtons	**90**	2	92	92
RW&CO.	**77**	-	77	78
Total stores	**404**	**2**	**406**	**415**

During the first quarter of 2023, there were no store closures. The viability of each store and its location is constantly monitored and assessed for continuing profitability. In most cases when a store is closed, merchandise at that location is sold off in the normal course of business and any unsold merchandise remaining at the closing date is generally transferred to other stores operating under the same banner for sale in the normal course of business.

OPERATING RESULTS FOR THE FIRST QUARTER OF 2023 COMPARED TO THE FIRST QUARTER OF 2022

	First Quarter of 2023	First Quarter of 2022	$ Change	% Change
Sales	**$ 153.9**	$ 121.3	$ 32.6	26.9%
Cost of goods sold	**69.9**	61.4	8.5	13.8%
Gross profit	**84.0**	59.9	24.1	40.2%
Gross profit %	**54.6%**	49.4%		
Selling, distribution and administrative expenses[1]	**84.4**	59.5	24.9	41.8%
Results from operating activities	**(0.4)**	0.4	(0.8)	n/a
Net finance costs	**(1.3)**	(0.4)	(0.9)	n/a
Loss before income taxes	**(1.7)**	(0.0)	(1.7)	n/a
Income tax expense	**0.0**	0.0	0.0	n/a
Net loss	**$ (1.7)**	$ (0.0)	$ (1.7)	n/a
Adjusted EBITDA[2]	**$ 9.9**	$ (3.6)	$ 13.5	n/a
Adjusted ROA[2]	**$ (1.0)**	$ (16.5)	$ 15.5	93.9%
Loss per share:				
Basic	**$ (0.04)**	$ (0.00)	$ (0.04)	n/a
Diluted	**(0.04)**	(0.00)	(0.04)	n/a

[1] Includes $0.6 million of restructuring costs for the first quarter of 2023 (a restructuring costs recovery of $6.6 million for the first quarter of 2022).

[2] This is a Non-GAAP Financial Measure. See section entitled “Non-GAAP Financial Measures and Supplementary Financial Measures” for reconciliations of these measures.

Sales

Sales for the first quarter of 2023 increased by $32.6 million, or 26.9%, to $153.9 million, primarily due to the Company experiencing no government imposed temporary retail location lockdowns during the first quarter of 2023 as compared to a partial lockdown of the Company’s stores network during the first quarter of 2022 (see section entitled “COVID-19”) and despite an overall net reduction of 9 stores.

Gross Profit

Gross profit for the first quarter of 2023 increased $24.1 million to $84.0 million as compared with $59.9 million for the first quarter of 2022. Gross profit as a percentage of sales for the first quarter of 2023 increased to 54.6% from 49.4% for the first quarter of 2022. The increase both in gross profit and as a percentage of sales is primarily attributable to lower markdowns and promotional activity in the first quarter of 2023 combined with a favourable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold, partially offset by higher merchandise freight costs as global shipping industry disruptions required the increased usage of air freight shipments to meet customer demand.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $84.4 million for the first quarter of 2023 increased by $24.9 million or 41.8%, as compared to the first quarter of 2022 primarily attributable to the following:

- increased store operating costs due primarily to an increase in store personnel wages, higher digital media advertising spend, and higher rent expenditures as a result of lease arrangements tied to percentage of sales performance;
- a $9.1 million decrease in total combined financial support from Federal subsidy programs which has been recognized as a reduction of selling, distribution and administrative expenses;
- a $7.2 million increase in restructuring costs due primarily to the $0.6 million of restructuring related professional fees incurred during the first quarter of 2023 as compared to a recovery of restructuring costs of $6.6 million realized during the first quarter of 2022;

  partially offset by,

- a $1.4 million decrease in depreciation, amortization and net impairment losses due primarily to the decrease in the number of stores, a reduction in right-of-use assets and the Company's controlled spending in property and equipment and intangible assets.

Net Finance (Costs) Income

Net finance costs were $1.3 million for the first quarter of 2023 as compared to net finance costs of $0.4 million for the first quarter of 2022. The change of $0.9 million is primarily attributable to the foreign exchange impact on U.S. denominated monetary assets and liabilities and higher interest expense as a result of the borrowings under the secured asset-based revolving credit facility obtained on January 12, 2022.

Income Taxes

As a result of the uncertainties related to the Company's ability to generate future profitable operations and management's assessment that it is not probable that future taxable profits will be available, the income tax expense for the first quarter of 2023 was impacted by not recognizing deferred tax assets on operating losses carried forward. The tax expense is comprised of the estimated tax amount related to a foreign subsidiary.

Net Loss

Net loss for the first quarter of 2023 was $1.7 million ($0.04 basic and diluted loss per share) as compared with a $2 thousand net loss ($0.00 basic and diluted loss per share) for the first quarter of 2022. The increase in net loss of $1.7 million is primarily attributable to the increase in overall operating costs, the reduction of Federal subsidies and restructuring recoveries and an increase in net finance costs, partially offset by an increase in gross profits.

Adjusted EBITDA

Adjusted EBITDA for the first quarter of 2023 was $9.9 million as compared to $(3.6) million for the first quarter of 2022. The increase of $13.5 million is primarily attributable to the increase of $24.1 million in gross profit, partially offset by a decrease of $0.7 million in foreign exchange gain and an increase in operating costs (excluding Federal subsidies, restructuring costs and recoveries, depreciation, amortization and net impairment of non-financial assets) of $9.9 million, as noted above.

Adjusted ROA

Adjusted ROA for the first quarter of 2023 was a loss of $1.0 million as compared with a loss of $16.5 million for the first quarter of 2022. The increase in Adjusted ROA of $15.5 million is primarily attributable to the increase of $24.1 million in gross profit, partially offset by an increase in operating costs (excluding Federal subsidies and restructuring costs and recoveries) of $8.6 million, as noted above.

SUMMARY OF QUARTERLY RESULTS

The results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. The table below presents selected consolidated financial data for the eight most recently completed quarters. All references to “2023” are to the Company’s fiscal year ending January 28, 2023, “2022” are to the Company’s fiscal year ended January 29, 2022 and “2021” are to the Company’s fiscal year ended January 30, 2021.

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2023	**2022**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Sales	$ 153.9	$ 121.3	$ 190.2	$ 144.7	$ 178.2	$ 163.4	$ 172.3	$ 144.0
Net (loss) earnings from continuing operations[5]	(1.7)	(0.0)	97.2	(10.9)	22.0	(14.9)	23.9	(27.4)
Earnings (loss) from discontinued operations, net of tax[5]	-	-	-	-	4.8	0.4	10.2	(44.6)
Net (loss) earnings	(1.7)[1]	(0.0)[1]	97.2[2]	(10.9)[2]	26.8[3]	(14.5)[3]	34.1[4]	(72.0)[4]
(Loss) earnings per share								
Basic	$ (0.04)[1]	$ (0.00)[1]	$ 1.99[2]	$ (0.22)[2]	$ 0.55[3]	$ (0.30)[3]	$ 0.70[4]	$ (1.47)[4]
Diluted	(0.04)[1]	(0.00)[1]	1.99[2]	(0.22)[2]	0.55[3]	(0.30)[3]	0.70[4]	(1.47)[4]
(Loss) earnings per share, continuing operations[5]:								
Basic	$ (0.04)	$ (0.00)	$ 1.99	$ (0.22)	$ 0.45	$ (0.31)	$ 0.49	$ (0.56)
Diluted	(0.04)	(0.00)	1.99	(0.22)	0.45	(0.31)	0.49	(0.56)

[1] During the first quarter of 2023, net loss includes a $1.2 million impairment of non-financial assets, restructuring costs of $0.6 Million, partially offset by the impact of Federal subsidies totalling $1.2 million. During the first quarter of 2022, net loss includes the impact of Federal subsidies totalling $10.3 million, restructuring costs recovery of $6.6 million and a reversal of impairment on non-financial assets of $0.2 million.

[2] During the fourth quarter of 2022, net earnings includes the impact of Federal subsidies totalling $4.7 million, gain realized on the settlement of liabilities subject to compromise of $88.6 million following the Company’s exit from CCAA protection, partially offset by restructuring costs of $0.5 million and $2.2 million of an impairment of non-financial assets. During the fourth quarter of 2021, net loss includes the impact of Federal subsidies totalling $9.1 million, restructuring costs recovery of $4.5 million, partially offset by $3.4 million of an impairment of non-financial assets.

[3] During the third quarter of 2022, net earnings includes the impact of Federal subsidies totalling $1.6 million, restructuring costs recovery of $5.1 million and a reversal of impairment on non-financial assets of $0.1 million. During the third quarter of 2021, net loss includes the impact of an impairment of non-financial assets of $3.9 million, restructuring costs of $2.6 million, partially offset by $6.8 million of a Federal subsidy.

[4] During the second quarter of 2022, net earnings includes the impact of Federal subsidies totalling $6.1 million, restructuring costs recovery of $16.1 million and a reversal of impairment on non-financial assets of $0.3 million. During the second quarter of 2021, net

loss includes the impact of an impairment of non-financial assets of \$3.6 million, restructuring costs of \$74.2 million, partially offset by \$14.8 million of a Federal subsidy.

[5] During fiscal 2021, the Company closed the Thyme Maternity and Addition Elle banners which resulted in the termination of approximately 1,600 employees in its retail locations and head office and, as a result, these results had been classified as discontinued operations in fiscal 2022 and in fiscal 2021. Discontinued operations are excluded from the net earnings (loss) from continuing operations and were presented as earnings (loss) from discontinued operations, net of tax, as a separate line item in the consolidated statements of earnings (loss). There were no earnings or loss to report from discontinued operations during the first quarter of 2023 and 2022.

BALANCE SHEET

Selected line items from the Company's balance sheets as at April 30, 2022 and January 29, 2022 are presented below:

	April 30, 2022	January 29, 2022	\$ Change	% Change
Cash	**\$ 40.2**	\$ 25.5	\$ 14.7	57.6%
Trade and other receivables	**4.9**	7.6	(2.7)	(35.5)%
Inventories	**137.5**	119.0	18.5	15.5%
Prepaid expenses and other assets	**36.7**	42.6	(5.9)	(13.8)%
Property and equipment & intangible assets	**67.7**	71.6	(3.9)	(5.4)%
Right-of-use assets	**51.6**	45.0	6.6	14.7%
Pension asset	**0.4**	0.1	0.3	n/a%
Revolving credit facility	**34.4**	29.6	4.8	16.2%
Trade and other payables	**53.4**	34.5	18.9	54.8%
Deferred revenue	**12.2**	13.5	(1.3)	(9.6)%
Lease liabilities (current and non-current)	**58.4**	52.3	6.1	11.7%

Changes at April 30, 2022 as compared to January 29, 2022 were primarily due to the following:

- cash increased \$14.7 million due to an increase in cash generated from operations, primarily due to improved sales performance and the funds obtained from the secured asset-based revolving credit facility, partially offset by higher investments made in property and equipment in the first quarter of 2023;
- trade and other receivables decreased primarily due to receipts of wage subsidies from the Federal government, partially offset by higher credit card trade receivables as at April 30, 2022 as compared to as at January 29, 2022;
- inventories are higher by \$18.5 million primarily due to the normal build-up for the spring and summer selling seasons, and the Company continuing to accelerate merchandise deliveries to mitigate global shipping industry disruptions;
- prepaid expenses and other assets are primarily comprised of supplier deposits and prepayments, prepaid insurance premiums and maintenance contracts. The decrease of \$5.9 million is primarily due to a reduction in supplier deposits following the Company's exit from CCAA protection in mid-January 2022;
- during the first quarter of 2023, \$2.5 million had been spent primarily on store renovations and head office hardware and software additions. Depreciation and amortization of \$3.9 million and an impairment charge of \$1.2 million on property and equipment and intangible assets were recognized in the first quarter of 2023 (\$4.8 million of depreciation and amortization and an impairment reversal of \$0.2 million on property and equipment and intangible assets were recognized in the first quarter of 2022);
- right-of-use assets represent the right-to-use the retail stores and certain equipment over their lease terms. Right-of-use assets increased by \$6.6 million primarily due to lease additions signed during the first quarter of 2023. Depreciation and amortization of \$5.8 million were recognized in the first quarter 2023 (\$7.7 million in first quarter of 2022). No impairment charges were recognized in the first quarter of 2022 and 2023;

- pension asset increased largely due to a $0.9 million net actuarial gain recognized in other comprehensive income in the first quarter of 2023, partially offset by an excess amount of $0.6 million of pension expense over pension contributions;
- revolving credit facility of $34.4 million consists of the amount borrowed under the secured asset-based revolving credit facility;
- trade and other payables increased by approximately $18.9 million primarily due to the timing of payments related to trade payables, an increase in sales tax liabilities and an increase in provision of sales returns as a result of the increase in sales during the first quarter of 2023;
- deferred revenue decreased largely due to gift card redemptions. Deferred revenue consists of unredeemed gift cards, loyalty points and awards granted under customer loyalty programs;
- lease liabilities represent the present value of the Company's obligations to make lease payments for its store and equipment leases. During the first quarter of 2023, lease liabilities increased by lease additions of $12.4 million and interest expense of $1.0 million, offset by lease payments of $7.4 million.

OPERATING AND FINANCIAL RISK MANAGEMENT

Detailed descriptions of the Company's operating and financial risks are included in the Company's annual MD&A for the fiscal year ended January 29, 2022 (which is available on the SEDAR website at www.sedar.com).

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

As at April 30,2022, the Company had current assets of $219.3 million (May 1, 2021 – $212.3 million; January 29, 2022 - $194.7 million) and current liabilities of $122.5 million (May 1, 2021 - $278.1 million, including liabilities subject to compromise of $202.2 million; January 29, 2022 - $99.0 million) and no long-term debt (other than lease liabilities). As at April 30,2022, included in the Company's current assets is cash of $40.2 million (May 1, 2021 - $67.1 million; January 29, 2022 - $25.5 million). Cash is held in interest bearing accounts mainly with a major Canadian financial institution.

In late fiscal 2022, as part of its emergence from CCAA proceedings, the Company entered into a senior secured asset-based revolving facility with a Canadian financial institution of up to $115.0 million ("borrowing base"), or its U.S. dollar equivalent, including facilities available for securing letters of credit of up to $35.0 million (or its U.S. dollar equivalent). This committed facility matures on January 12, 2025 and shall be used to finance the ongoing operations of the Company. As at April 30,2022, the Company's borrowing base was $97.3 million (January 29, 2022 - $90.7 million) and $34.4 million was borrowed under the credit facility (January 29, 2022 - $29.6 million). Refer to Note 9 in the unaudited condensed consolidated interim financial statements for the first quarter of 2023.

In the first quarter of 2023, the Company invested $2.5 million in capital expenditures, on a cash basis, primarily in store renovations and head office hardware and software additions. Excluding any extended economic uncertainty impact from COVID-19, the Company expects to invest approximately $10.0 million in capital expenditures in fiscal 2023 in various areas such as store renovations, visual capacity projects, digital platform enhancements, customer service engagement and other corporate initiatives.

FINANCIAL COMMITMENTS

There have been no material changes in the Company’s financial commitments that are outside of the ordinary course of the Company’s business from those described in the Company’s audited annual consolidated financial statements for the year ended January 29, 2022.

OUTSTANDING SHARE DATA

At June 21, 2022, 13,440,000 Common shares and 35,427,322 Class A non-voting shares of the Company were issued and outstanding. Each Common share entitles the holder thereof to one vote at meetings of shareholders of the Company. During the first quarter of 2023, the Company granted 2,050,000 time and performance-based share options at an exercise price of $1.50 per share. As at June 21, 2022, the Company has a total of 2,850,000 share options outstanding at an average exercise price of $2.86. Each share option entitles the holder to purchase one Class A non-voting share of the Company at an exercise price established based on the market price of the shares at the date the option was granted.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

The Company in its normal course of business must make long lead-time commitments for a significant portion of its merchandise purchases, in some cases as long as twelve months. Most of these purchases must be paid for in U.S. dollars. The Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar long-term commitments, including spot rate purchases and foreign currency forward contracts with maturities generally not exceeding twelve months and are normally designated as cash flow hedges. During fiscal 2021, future U.S. dollar denominated purchases, hedged by outstanding forward contracts were no longer expected to occur as a result of the Company’s effort to reduce future inventory purchases in response to the uncertainty surrounding COVID-19 and the restructuring plan. Consequently, in early fiscal 2021, the Company had temporarily paused its hedging program due to the uncertainties surrounding future inventory purchase commitments as a result of COVID-19 and the restructuring plan under the now finalized CCAA proceedings. As at April 30, 2022, the Company’s hedging program remained temporarily paused and there were no foreign exchange contracts outstanding.

RELATED PARTY TRANSACTIONS

There have been no significant changes in related party transactions from those disclosed in the Company’s audited annual consolidated financial statements for the year ended January 29, 2022.

FINANCIAL INSTRUMENTS

The Company uses its cash resources to fund ongoing working capital needs along with capital expenditures. Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade and other receivables. The Company reduces this risk by dealing only with highly-rated counterparties, normally major Canadian financial institutions. The Company closely monitors its risk with respect to short-term cash investments.

The volatility of the U.S. dollar vis-à-vis the Canadian dollar impacts earnings and while the Company considers a variety of strategies designed to manage the cost of its continuing U.S. dollar commitments, such as spot rate purchases and foreign exchange contracts, this volatility can result in exposure to risk. With the Company temporarily pausing its hedging program, the exposure to risk is augmented subject to the U.S. dollar appreciating in value.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

Key Sources of Estimation Uncertainty

There have been no significant changes in the key sources of estimation uncertainty and judgements made in relation to the accounting policies applied as disclosed in the Company's annual MD&A for the year ended January 29, 2022 (which is available on the SEDAR website at www.sedar.com).

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New amendments to standards and interpretations not yet effective for the first quarter of 2023 for which earlier adoption was permitted have not been applied in preparing the unaudited condensed consolidated interim financial statements as at and for the 13 weeks ended April 30, 2022. The amendments to standards and interpretations that are currently under review:

- Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of accounting Estimates (Amendments to IAS 8)

Further information on these modifications can be found in Note 3 of the unaudited condensed consolidated interim financial statements for the first quarter of 2023.

ADOPTION OF NEW ACCOUNTING POLICY

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The adoption of this amendment to IAS 37 did not have a significant impact on the Company's unaudited condensed consolidated interim financial statements as at and for the 13 weeks ended April 30, 2022.

Further information on the adoption of this new policy can be found in Note 3 of the unaudited condensed consolidated interim financial statements for the first quarter of 2023.

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS
(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	Notes	For the 13 weeks ended April 30, 2022	May 1, 2021
Sales		**$ 153,859**	$ 121,250
Cost of goods sold	6	**69,896**	61,389
Gross profit		**83,963**	59,861
Selling and distribution expenses		**73,257**	57,153
Administrative expenses		**10,482**	8,874
Restructuring	12	**620**	(6,562)
Results from operating activities		**(396)**	396
Finance income	16	**80**	763
Finance costs	16	**1,361**	1,137
(Loss) earnings before income taxes		**(1,677)**	22
Income tax expense		**40**	24
Net loss		**$ (1,717)**	$ (2)
Loss per share:	17		
Basic		**$ (0.04)**	$ (0.00)
Diluted		**(0.04)**	(0.00)

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

REITMANS (CANADA) LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)
(in thousands of Canadian dollars)

		For the 13 weeks ended	
	Notes	April 30, 2022	May 1, 2021
Net loss		**$ (1,717)**	$ (2)
Other comprehensive (loss) income			
Items that are or may be reclassified subsequently to net earnings:			
Foreign currency translation differences	13	**(7)**	198
		(7)	198
Items that will not be reclassified to net earnings:			
Actuarial gain on defined benefit plan (net of tax of $nil for the 13 weeks ended April 30, 2022)	8	**911**	-
Total other comprehensive income		**904**	198
Total comprehensive (loss) income		**$ (813)**	$ 196

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)
(in thousands of Canadian dollars)

	Notes	April 30, 2022	May 1, 2021[1]	January 29, 2022
ASSETS				
CURRENT ASSETS				
Cash	4	**$ 40,210**	$ 67,091	$ 25,502
Trade and other receivables	5	**4,923**	9,528	7,606
Inventories	6	**137,505**	101,918	118,972
Prepaid expenses and other assets		**36,678**	33,788	42,590
Total Current Assets		**219,316**	212,325	194,670
NON-CURRENT ASSETS				
Restricted cash	4	**2,759**	2,754	2,757
Property and equipment	18	**63,572**	63,928	65,970
Intangible assets	18	**4,095**	9,048	5,613
Right-of-use assets	7	**51,583**	53,174	44,978
Pension asset	8	**418**	-	100
Deferred income taxes		**190**	151	186
Total Non-Current Assets		**122,617**	129,055	119,604
TOTAL ASSETS		**$ 341,933**	$ 341,380	$ 314,274
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Revolving credit facility	9	**$ 34,439**	$ -	$ 29,634
Trade and other payables	10	**53,427**	33,731	34,478
Deferred revenue	11	**12,150**	11,315	13,490
Income taxes payable		**535**	318	537
Current portion of lease liabilities	7	**21,954**	30,532	20,888
Liabilities subject to compromise	12	**-**	202,170	-
Total Current Liabilities		**122,505**	278,066	99,027
NON-CURRENT LIABILITIES				
Lease liabilities	7	**36,413**	38,155	31,419
Pension liability		**-**	3,278	-
Total Non-Current Liabilities		**36,413**	41,433	31,419
SHAREHOLDERS' EQUITY				
Share capital	13	**27,406**	27,406	27,406
Contributed surplus		**10,295**	10,295	10,295
Retained earnings (deficit)		**146,174**	(15,164)	146,980
Accumulated other comprehensive loss	13	**(860)**	(656)	(853)
Total Shareholders' Equity		**183,015**	21,881	183,828
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 341,933**	$ 341,380	$ 314,274

(1) As at May 1, 2021, restricted cash of $2,754 has be classified as non-current assets to correctly reflect the presentation of this caption.

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance as at January 30, 2022		**$ 27,406**	**$ 10,295**	**$ 146,980**	**$ (853)**	**$ 183,828**
Net loss		**-**	**-**	**(1,717)**	**-**	**(1,717)**
Total other comprehensive income (loss)	13	**-**	**-**	**911**	**(7)**	**904**
Total comprehensive loss for the period		**-**	**-**	**(806)**	**(7)**	**(813)**
Balance as at April 30, 2022		**$ 27,406**	**$ 10,295**	**$ 146,174**	**$ (860)**	**$ 183,015**
Balance as at January 31, 2021		$ 27,406	$ 10,295	$ (15,162)	$ (854)	$ 21,685
Net loss		-	-	(2)	-	(2)
Total other comprehensive income	13	-	-	-	198	198
Total comprehensive (loss) income for the period		-	-	(2)	198	196
Balance as at May 1, 2021		$ 27,406	$ 10,295	$ (15,164)	$ (656)	$ 21,881

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands of Canadian dollars)

	Notes	For the 13 weeks ended April 30, 2022	For the 13 weeks ended May 1, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		**$ (1,717)**	$ (2)
Adjustments for:			
Depreciation, amortization and net impairment losses		**10,891**	12,298
Foreign exchange (gain) loss		**(1,847)**	2,024
Gain on lease re-measurements due to restructuring	7,12	**-**	(3,449)
Interest on lease liabilities	16	**1,015**	1,137
Interest on revolving credit facility	16	**346**	-
Interest income	16	**(34)**	(50)
Income tax expense		**40**	24
		8,694	11,982
Changes in:			
Trade and other receivables	5	**2,666**	1,127
Inventories	6	**(18,533)**	(5,796)
Prepaid expenses and other assets		**5,912**	(1,688)
Pension asset	8	**593**	186
Trade and other payables	10	**20,231**	2,046
Liabilities subject to compromise	12	**-**	(1,624)
Deferred revenue	11	**(1,340)**	(1,147)
Cash from operating activities		**18,223**	5,086
Interest received		**51**	63
Interest paid		**(316)**	-
Income taxes paid		**(46)**	(1,164)
Net cash flows from operating activities		**17,912**	3,985
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets, net	18	**(2,476)**	(936)
Cash flows used in investing activities		**(2,476)**	(936)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Restricted cash	4	**(2)**	(1)
Net proceeds from revolving credit facility	9	**4,805**	-
Payment of lease liabilities		**(7,364)**	(9,489)
Cash flows used in financing activities		**(2,561)**	(9,490)
FOREIGN EXCHANGE GAIN (LOSS) ON CASH HELD IN FOREIGN CURRENCY		**1,833**	(1,630)
NET INCREASE (DECREASE) IN CASH		**14,708**	(8,071)
CASH, BEGINNING OF THE PERIOD		**25,502**	75,162
CASH, END OF THE PERIOD		**$ 40,210**	$ 67,091

Supplementary cash flow information (note 18)

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

1. REPORTING ENTITY

Reitmans (Canada) Limited (the "Company") is a company domiciled in Canada and is incorporated under the Canada Business Corporations Act. The address of the Company's registered office is 155 Wellington Street West, 40th Floor, Toronto, Ontario M5V 3J7. The principal business activity of the Company is the sale of women's wear.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements except where noted below. These unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual consolidated financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual consolidated financial statements and the notes thereto for the year ended January 29, 2022.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 21, 2022.

b) Basis of Measurement

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items:

- lease liabilities are initially measured at the present value of the lease payments that are not paid at the lease commencement date;
- pension liability is recognized as the present value of the defined benefit obligation less the fair value of the plan assets; and
- liabilities for cash-settled share-based payment arrangements are measured in accordance with IFRS 2, *Share-Based Payment*.

c) Seasonality of Interim Operations

The retail business is seasonable and the results of operations for any interim period are not necessarily indicative of the results of operation for the full fiscal year or any future period. Due to the impact of COVID-19, sales are not expected to follow historical patterns.

d) Functional and Presentation Currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

e) Estimates, Judgments and Assumptions

The preparation of the unaudited condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Management has made significant judgments in connection with the potential impact of COVID-19 on the Company's reported assets, liabilities, revenue and expenses, and on the related disclosures, using estimates and assumptions, which are subject to significant uncertainties. The extent to which COVID-19 will continue to impact the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. These future developments include the measures taken by various government authorities to contain the virus and its variants spread for potential future waves, future customer shopping behavior including online sales and the impact of shipping delays to the supply chain. Accordingly, actual results could differ materially from those estimates and assumptions made by management.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied and described in the Company's audited annual consolidated financial statements for the year ended January 29, 2022.

f) CCAA Proceedings

During the fiscal year ended January 29, 2022, on January 12, 2022, the Company emerged from the restructuring proceedings in connection with the Companies' Creditors Arrangement Act (the "CCAA") under which it obtained an initial order from the Superior Court of Quebec on May 19, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies as disclosed in the Company's audited annual consolidated financial statements for the year ended January 29, 2022 have been applied consistently in the preparation of these unaudited condensed consolidated interim financial statements.

(a) Adoption of new accounting policies:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted. IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying the costs of fulfilling a contract.

The adoption of this amendment to IAS 37 did not have a significant impact on the Company's unaudited condensed consolidated interim financial statements.

(b) New standards and interpretations not yet adopted:

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements).

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Company does not expect that the adoption of these new standards will have a significant impact on its unaudited condensed consolidated interim financial statements.

4. CASH AND RESTRICTED CASH

	April 30, 2022	May 1, 2021	January 29, 2022
Cash [(1)]	**$ 40,210**	$ 67,091	$ 25,502
Restricted cash [(2)]	**2,759**	2,754	2,757
	$ 42,969	$ 69,845	$ 28,259

(1) The Company's cash held with banks bears interest at variable rates.

(2) Restricted cash represents cash held in trust by a Canadian financial institution as security on a standby letter of credit. Restricted cash is presented as non-current on the consolidated balance sheets.

5. TRADE AND OTHER RECEIVABLES

As at April 30, 2022, trade and other receivables include an amount of $642 (May 1, 2021 – $6,315; January 29, 2022 – $4,651) related to government grants receivable. The Government of Canada made available to businesses affected by COVID-19 the Canada Emergency Wage Subsidy ("CEWS"), which allows companies to claim a portion of employee wages, and the Canada Emergency Rent Subsidy ("CERS"), which allows companies to claim a portion of rent and occupancy costs when eligibility requirements are met. The Government of Canada consolidated these subsidies under the Tourism and Hospitality Recovery Program ("THRP") through which subsidies for wages and rent can be claimed.

During the 13 weeks ended April 30, 2022, the Company qualified to receive both the wage and rent subsidy through the THRP and there was reasonable assurance that the amount would be received from the government.

The Company recognized grant income of $1,119 as a reduction of selling and distribution expenses and $91 as a reduction of administrative expenses for the 13 weeks ended April 30, 2022 ($9,500 as a reduction of selling and distribution expenses and $836 as a reduction of administrative expenses, respectively, for the 13 weeks ended May 1, 2021).

6. INVENTORIES

During the 13 weeks ended April 30, 2022, inventories recognized as cost of goods sold amounted to $65,469 (May 1, 2021 - $58,290). In addition, for the 13 weeks ended April 30, 2022, the Company recorded $4,427 (May 1, 2021 - $3,099) of write-downs of inventories as a result of net realizable value being lower than cost which were recognized in cost of goods sold. No inventory write-downs recognized in previous periods were reversed for the 13 weeks ended April 30, 2022 and May 1, 2021.

Included in inventories is a return asset for the right to recover returned goods for $2,489 as at April 30, 2022 (May 1, 2021 - $2,039; January 29, 2022 - $1,880).

7. LEASES

While the Company was under CCAA proceedings, a portion of its leases were contingent on a percentage of sales. During the 13 weeks ended April 30, 2022, the Company renegotiated leases subsequent to its exit of restructuring proceedings under CCAA and recognized $12,117 of additions to right-of-use assets and lease liabilities.

During the 13 weeks ended May 1, 2021, the Company had renegotiated leases as part of its restructuring plan resulting in the reduction of right-of-use assets and lease liabilities by $48,372 and $51,625, respectively, and recognized a gain on lease re-measurements of $3,449 in restructuring costs. See note 11.

8. PENSION ASSET (LIABILITY)

The Company recognized an actuarial gain of $911 in other comprehensive income for the 13 weeks ended April 30, 2022 (nil for the 13 weeks ended May 1, 2021) and subsequently reclassified from accumulated other comprehensive income to retained earnings based on an updated valuation to the net pension asset (liability). During the 13 weeks ended April 30, 2022, the discount rate used in measuring the accrued benefit obligation increased from 3.40% as at January 29, 2022 to 4.60% as at April 30, 2022.

9. REVOLVING CREDIT FACILITY

The Company has access to a senior secured asset-based revolving facility with a Canadian financial institution for an amount of up to $115,000 ("Borrowing Base"), or its US dollar equivalent, which matures on January 12, 2025. The revolving credit facility is classified as a current liability in the unaudited condensed consolidated interim balance sheets as it is being managed and expected to be settled by the Company in its normal operating cycle. The Borrowing Base is dependent on certain factors including, but not limited to, the level of the Company's inventory, credit card receivables and the statutory amount payables to governmental authorities. As at April 30, 2022, the Company's Borrowing Base was $97,250 (May 1, 2021 – nil, January 29, 2022 – $90,708).

The Company can borrow funds in Canadian or US dollars at prime, base, the Canadian Dollar Offered Rate ("CDOR") or the Second Overnight Financing Rate ("SOFR"). The facility bears interest at the prime or base rate, plus 0.50% or 0.75% and, up to 2.00%, and at the CDOR or SOFR rate, plus 1.75% or 2.00%, based on the average excess availability of the credit facility per the Borrowing Base. Up to $35,000 (or its U.S. dollar equivalent) of the facility can be withdrawn through secured letters of credit.

As at April 30, 2022, $34,439 (May 1, 2021 – nil, January 29, 2022 – $29,634) was drawn under the revolving credit facility and there were no amounts committed for secured letters of credit (May 1, 2021 and January 29, 2022 – nil).

The facility is secured by certain of the Company's assets including trade receivables, inventories and property and equipment. The Company is required to maintain certain financial covenants related to this revolving credit facility. As at April 30, 2022, the Company was in compliance of all financial covenants.

10. TRADE AND OTHER PAYABLES

	April 30, 2022	May 1, 2021	January 29, 2022
Trade payables	**$ 6,173**	$ 1,780	$ 1,280
Personnel liabilities	**17,682**	15,059	13,049
Other non-trade payables	**20,010**	10,761	16,406
Refund liability	**6,413**	4,506	3,181
Payables relating to premises	**3,149**	1,625	562
	$ 53,427	$ 33,731	$ 34,478

11. DEFERRED REVENUE

	April 30, 2022	May 1, 2021	January 29, 2022
Loyalty points and awards granted under loyalty programs	**$ 686**	$ 505	$ 248
Unredeemed gift cards	**11,464**	10,810	13,242
	$ 12,150	$ 11,315	$ 13,490

12. LIABILITIES SUBJECT TO COMPROMISE AND RESTRUCTURING COSTS

During the year ended January 29, 2022, the Company emerged from CCAA proceedings and made an aggregate payment of $95,000 as the final settlement for unsecured liabilities subject to compromise of $183,613. As at May 1, 2021, the estimate for liabilities subject to compromise amounted to $202,170.

Restructuring costs

During the 13 weeks ended April 30, 2022 and May 1, 2021, in connection with the restructuring plan and the CCAA proceedings, the following restructuring costs (recoveries) were recognized:

	For the 13 weeks ended	
	April 30, 2022	May 1, 2021
Occupancy costs recovered on lease re-negotiations	**$ -**	**$ (5,884)**
Gain on lease re-measurements (note 7)	**-**	**(3,449)**
Provision for disclaimed leases	**-**	**950**
Legal, Monitor and other consulting fees	**620**	**813**
Termination benefits	**-**	**171**
DIP lender fees	**-**	**86**
Other expenses	**-**	**751**
	$ 620	**$ (6,562)**

13. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

There was no change in share capital for each of the periods listed.

	For the 13 weeks ended			
	April 30, 2022		May 1, 2021	
	Number of shares (in 000's)	Carrying amount	Number of shares (in 000's)	Carrying amount
Common shares				
Balance at beginning and end of the period	**13,440**	**$ 482**	13,440	$ 482
Class A non-voting shares				
Balance at beginning and end of the period	**35,427**	**26,924**	35,427	26,924
Total share capital	**48,867**	**$ 27,406**	48,867	$ 27,406

Authorized Share Capital

The Company has authorized for issuance an unlimited number of Common shares and Class A non-voting shares. Both Common shares and Class A non-voting shares have no par value. All issued shares are fully paid.

The Common shares and Class A non-voting shares of the Company rank equally and pari passu with respect to the right to receive dividends and upon any distribution of the assets of the Company. However, in the case of share dividends, the holders of Class A non-voting shares shall have the right to receive Class A non-voting shares and the holders of Common shares shall have the right to receive Common shares.

Accumulated Other Comprehensive Income ("AOCI")

AOCI is comprised of the following:

	Foreign Currency Translation Differences
Balance at January 30, 2022	**$ (853)**
Change in foreign currency translation differences	**(7)**
Balance at April 30, 2022	**$ (860)**
Balance at January 31, 2021	$ (854)
Change in foreign currency translation differences	198
Balance at May 1, 2021	$ (656)

Dividends

No dividends were declared or paid during the 13 weeks ended April 30, 2022 and May 1, 2021.

14. SHARE-BASED PAYMENTS

Under the share option plan, the Company is limited to issue 3,500,000 Class A non-voting shares pursuant to the exercise of options. Further details regarding the share option plan can be found in the Company's audited annual consolidated financial statements for the year ended January 29, 2022.

Share options

During the 13 weeks ended April 30, 2022, the Company granted 940,000 share options to certain executives, for which service conditions are expected to be satisfied. Options will vest in equal tranches over the first three years after the grant date and will expire three years and a month after the grant date. Estimated fair values of options on the grant date were determined using the Black Scholes option pricing model based on the following assumptions:

	940,000 Share Options Granted April 26, 2022
Expected share option life	2.5 years
Risk-free interest rate	2.46%
Expected share price volatility	71.90%
Dividend yield	-
Share price at grant date	$1.40
Exercise price	$1.50

The expected volatility is based on the historical volatility of comparable companies traded in the industry. The average fair value of stock options granted was $0.60 per option (amounts in dollars).

The changes in outstanding share options were as follows:

	For the 13 weeks ended			
	April 30, 2022		**May 1, 2021**	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of period	**1,126**	**$ 8.56**	1,357	$ 8.84
Granted	**940**	**1.50**	-	-
Forfeited and expired	**(326)**	**13.95**	-	-
Outstanding, at end of period	**1,740**	**$ 3.73**	1,357	$ 8.84
Options exercisable, at end of period	**800**	**$ 6.36**	1,347	$ 8.86

Market-condition share options

The Company also granted 1,110,000 share options to certain executives for which service and market conditions exist and will expire three years and a month after the grant date. The performance condition attached to those share options are Class A non-voting share price targets being met. The fair value of options was estimated at the grant date using the Monte Carlo model pricing model based on the following assumptions:

	1,110,000 Share Options Granted April 26, 2022
Expected share option life	2.6 years
Risk-free interest rate	2.48%
Expected share price volatility	71.90%
Dividend yield	-
Share price at grant date	$1.40
Exercise price	$1.50

The expected volatility is based on the historical volatility of comparable companies traded in the industry. The average fair value of stock options granted was $0.49 per option (amounts in dollars).

The changes in outstanding market-condition share options were as follows:

	For the 13 weeks ended April 30, 2022	
	Options (in 000's)	**Weighted Average Exercise Price**
Outstanding, at beginning of period	-	$ -
Granted	1,110	1.50
Outstanding, at end of period	1,110	$ 1.50
Options exercisable, at end of period	-	$ -

No Performance Share Units were granted and no share-based compensation costs related to PSUs were recognized during the 13 weeks ended April 30, 2022 and May 1, 2021.

For the 13 weeks ended April 30, 2022 and May 1, 2021, compensation costs related to the Company's share option plan were negligible.

15. INCOME TAX

In the interim periods, the income tax provision is based on an estimate of the earnings that will be generated in a full year. The estimated average annual effective income tax rates are re-estimated at each interim reporting date, based on full year projections of earnings. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. For the 13 weeks ended April 30, 2022, the income tax expense is mainly comprised of the current income tax provision related to the operations of a foreign subsidiary.

16. FINANCE INCOME AND FINANCE COSTS

	For the 13 weeks ended	
	April 30, 2022	**May 1, 2021**
Interest income	**$ 34**	$ 50
Foreign exchange gain	**46**	713
Finance income	**80**	763
Interest expense on revolving credit facility	**346**	-
Interest expense on lease liabilities	**1,015**	1,137
Finance costs	**1,361**	1,137
Net finance costs	**$ (1,281)**	$ (374)

17. LOSS PER SHARE

The number of shares (in thousands) used in the basic and diluted loss per share calculations is as follows:

	For the 13 weeks ended	
	April 30, 2022	**May 1, 2021**
Weighted average number of shares – basic and diluted	**48,867**	48,867

All share options were excluded from the calculation of diluted loss per share for the 13 weeks ended April 30, 2022 and May 1, 2021 as these options were deemed to be anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options is based on quoted market prices for the period during which the options were outstanding.

18. SUPPLEMENTARY CASH FLOW INFORMATION

	April 30, 2022	**May 1, 2021**	**January 29, 2022**
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$205**	$2,037	$1,517

Net impairment losses

As at April 30, 2022, the Company tested for impairment certain cash-generating units ("CGUs") for which there were indications that their carrying amounts may not be recoverable, which resulted in $1,162 of impairment losses recognized related to property and equipment and intangible assets for the 13 weeks ended April 30, 2022 (nil for the 13 weeks ended May 1, 2021). During the 13 weeks ended April 30, 2022, no asset impairment losses were reversed following an improvement in profitability of certain CGU's ($214 for the 13 weeks ended May 1, 2021). Net impairment losses have been recorded in selling and distribution expenses.

19. FINANCIAL INSTRUMENTS

Accounting classification and fair values

The Company has determined that the fair value of its current financial assets and liabilities at April 30, 2022, May 1, 2021 and January 29, 2022 (other than liabilities subject to compromise) approximates their respective carrying amounts as at the reporting dates because of the short-term nature of those financial instruments.

Derivative financial instruments

As at April 30, 2022, the Company's hedging program remained temporarily paused. Previously the Company entered into forward contracts with its banks on the U.S. dollar. These foreign exchange contracts extended over a period normally not exceeding twelve months and were normally designated as cash flow hedges to mitigate foreign exchange risk that is part of its U.S. dollar purchases.

No foreign exchange contracts were outstanding as at April 30, 2022, May 1, 2021 and January 29, 2022.

20. FINANCIAL RISK MANAGEMENT

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. There have been no significant changes in the Company's risk exposures during the 13 weeks ended April 30, 2022 from those described in the Company's audited annual consolidated financial statements for the year ended January 29, 2022.