REITMANS

(CANADA) LIMITED

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

For the 13 and 26 weeks ended July 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 and 26 weeks ended July 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 September 22, 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 September 22, 2022.

Unless otherwise indicated, all comparisons of results for the 13 weeks ended July 30, 2022 ("second quarter of 2023") are against results for the 13 weeks ended July 31, 2021 ("second quarter of 2022") and all comparisons of results for the 26 weeks ended July 30, 2022 ("year to date fiscal 2023") are against results for the 26 weeks ended July 31, 2021 ("year to date fiscal 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

As at January 30, 2021, 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. Even though restrictions were relaxed and some stores reopened, in April 2021, a third wave resulted in increased COVID-19 cases requiring some further governmental lockdowns. As at July 31, 2021, there were no stores temporarily closed as a consequence of governmental lockdown directives. While all of the Company's stores were open throughout the year to date fiscal 2023, store capacity restrictions were still in effect by most provincial authorities during the first few months of the first quarter of 2023. All of the provincially imposed store capacity restrictions were lifted by the end of 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 and to a lesser degree in the first quarter of 2023, 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. See Note 10 of the unaudited condensed consolidated interim financial statements for the second quarter of 2023.

Discontinued Operations

During fiscal 2021, as part of its restructuring plan, the Company closed the Thyme Maternity and Addition Elle brands which resulted in the termination of approximately 1,600 employees in its retail locations and head office and, as a result, these results and cash flows have been classified as discontinued operations. Discontinued operations are excluded from the net earnings from continuing operations and are presented as earnings (loss) from discontinued operations, net of tax, as a separate line item in the consolidated statements of earnings (loss). As the results from discontinued operations are shown for comparable purposes only and no amounts have been presented as discontinued operations in fiscal 2023, this MD&A does not include a discussion of discontinued operations. See Notes 4 and 13 of the unaudited condensed consolidated interim financial statements for the second 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-GAAP 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.

NON-GAAP FINANCIAL MEASURES

This MD&A discusses adjusted earnings from continuing operations before interest, taxes, depreciation and amortization ("Adjusted EBITDA from continuing operations") and adjusted results from operating activities ("Adjusted ROA") and both are considered non-GAAP financial measures. This MD&A also indicates Adjusted EBITDA from continuing operations as a percentage of sales and is considered a non-GAAP financial ratio. The intent of presenting Adjusted EBITDA from continuing operations and Adjusted ROA is to provide additional useful information to investors and analysts. Adjusted EBITDA from continuing operations is defined as net earnings (loss) before income tax expense/recovery, interest income, interest expense, depreciation, amortization, impairment of non-financial assets, adjusted for the impact of certain items, including a deduction of interest expense and depreciation relating to leases accounted for under IFRS 16, *Leases,* Federal subsidies and restructuring costs and recoveries. Management believes that Adjusted EBITDA from continuing operations 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 from continuing operations as a percentage of sales indicates how much liquidity is generated for each dollar of sales. The exclusion of interest income and expenses, other than interest expense related to lease liabilities as explained hereafter, eliminates the impact on earnings derived from non-operational activities. The exclusion of depreciation, amortization and impairment charges, other than depreciation related to right-of -use assets as explained hereafter, eliminates the non-cash impact, and the exclusion of restructuring items and Federal subsidies presents the results of the on-going business. Under IFRS 16, *Leases*, the characteristics of some leases result in lease payments being recognized in net earnings in the period in which the performance or use occurs while other leases are recorded as right-of-use assets with a corresponding lease liability recognized, which results in depreciation of those assets and interest expense from those liabilities. Management is presenting its Adjusted EBITDA from continuing operations to reflect the payments of its store and equipment lease obligations on a consistent basis. As such, the initial add-back of depreciation of right-of-use assets and interest on lease obligations are removed from the calculation of Adjusted EDITDA from continuing operations, as this better reflects the operational cash flow impact of its leases.

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-GAAP FINANCIAL MEASURES

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

	For the second quarter of		Year to date fiscal	
	2023	**2022**	**2023**	**2022**
Net earnings from continuing operations	**$ 37.3**	$ 23.9	**$ 35.6**	$ 23.9
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets	**3.1**	4.3	**8.2**	8.9
Depreciation on right -of-use assets	**7.3**	7.5	**13.1**	15.2
Interest income	**(0.2)**	(0.1)	**(0.2)**	(0.1)
Interest expense on lease liabilities	**1.3**	1.0	**2.3**	2.2
Interest expense on revolving credit facility	**0.1**	-	**0.4**	-
Income tax expense (recovery)	**(0.5)**	0.2	**(0.5)**	0.2
Rent impact from IFRS 16, *Leases*[1]	**(8.6)**	(8.5)	**(15.4)**	(17.4)
Federal subsidies	**-**	(6.2)	**(1.2)**	(16.5)
Restructuring costs (recoveries), net	**(0.2)**	(5.9)	**0.4**	(12.4)
Adjusted EBITDA from continuing operations [2]	**$ 39.6**	$ 16.2	**$ 42.7**	$ 4.0
Adjusted EBITDA from continuing operations as % of Sales	**17.3%**	9.4%	**11.1%**	1.4%

[1] Rent Impact from IFRS 16, *Leases* is comprised as follows;

	For the second quarter of		Year to date fiscal	
	2023	**2022**	**2023**	**2022**
Depreciation on right-of use assets	**$ 7.3**	$ 7.5	**$ 13.1**	$ 15.2
Interest expense on lease liabilities	**1.3**	1.0	**2.3**	2.2
Rent impact from IFRS 16, *Leases*	**$ 8.6**	$ 8.5	**$ 15.4**	$ 17.4

[2] As a result of the current definition of Adjusted EBITDA from continuing operations, the comparative figure has been restated to include the rent impact from IFRS 16, *Leases* of $8.5 million for the second quarter of 2022 and $17.4 million for the year to date of fiscal 2022 and to exclude Federal subsidies recognized of $6.2 million for the second quarter of 2022 and $16.5 million recognized for the year to date of fiscal 2022. Management believes that the current definition of Adjusted EBITDA better reflects the operational cash flow of the Company.

	For the second quarter of		Year to date fiscal	
	2023	**2022**	**2023**	**2022**
Results from operating activities	**$ 38.0**	$ 25.0	**$ 37.6**	$ 25.4
Federal subsidies	**-**	(6.2)	**(1.2)**	(16.5)
Restructuring costs (recoveries), net	**(0.2)**	(5.9)	**0.4**	(12.4)
Adjusted ROA	**$ 37.8**	$ 12.9	**$ 36.8**	$ (3.5)

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 second quarter of and year to date fiscal 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.

This MD&A discloses the Company's e-commerce net sales as a percentage of the Company's net sales and is defined as the net sales recognized from its e-commerce in relation to the Company's net sales. This supplementary financial measure does not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures used by other companies. Management uses this measure to analyze trends in the customers' cross-channel behaviour for operating and capital expenditure funding allocation decisions.

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, founded in 1926, operates stores averaging 4,700 sq. ft. and is Canada's leading specialty fashion destination. With a strong online presence and store locations across the country, Reitmans customers account for over one-third of Canadian women. Reitmans ambition is to offer a feel-good and inclusive space featuring on-trend styles in the most extensive size range, from 0-22.

PENN.
PENNINGTONS

PENN. is Canada's premiere destination for plus-size fashion, ranging from sizes 14 to 32. Through championing body diversity and size inclusivity, the brand believes that women deserve to experience the freedom that comes with feeling confident in their clothing. PENN. 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 as well as on their e-commerce site. Specializing in menswear and womenswear, the brand delivers versatile, well-crafted collections and exceptional brand experiences to an open and inclusive brand community.

RETAIL BANNERS

	Number of stores at January 29, 2022	**Q1 Openings**	**Q2 Openings**	**Q2 Closings**	**Number of stores at July 30, 2022**	**Number of stores at July 31, 2021**
Reitmans	**237**	-	-	(1)	236	242
PENN.	**90**	2	1	(2)	91	91
RW&CO.	**77**	-	-	-	77	78
Total stores	**404**	**2**	**1**	**(3)**	**404**	**411**

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 SECOND QUARTER OF 2023 COMPARED TO THE SECOND QUARTER OF 2022

	Second Quarter of 2023	Second Quarter of 2022	$ Change	% Change
Sales	**$ 229.2**	$ 172.3	$ 56.9	33.0%
Cost of goods sold	**90.5**	76.6	13.9	18.1%
Gross profit	**138.7**	95.7	43.0	44.9%
Gross profit %	**60.5%**	55.5%		
Selling, distribution and administrative expenses[1]	**100.7**	70.7	30.0	42.4%
Results from operating activities	**38.0**	25.0	13.0	52.0%
Net finance costs	**(1.2)**	(0.9)	(0.3)	33.3%
Earnings before income taxes	**36.8**	24.1	12.7	52.7%
Income tax (recovery) expense	**(0.5)**	0.2	(0.7)	n/a
Net earnings from continuing operations	**$ 37.3**	$ 23.9	$ 13.4	56.1%
Earnings from discontinued operations, net of tax	**-**	10.2	(10.2)	n/a
Net earnings	**$ 37.3**	$ 34.1	$ 3.2	9.4%
Adjusted EBITDA from continuing operations [2]	**$ 39.6**	$ 16.2	$ 23.4	n/a
Adjusted ROA[2]	**$ 37.8**	$ 12.9	$ 24.9	n/a
Earnings per share:				
Basic	**$ 0.76**	$ 0.70	$ 0.06	8.6%
Diluted	**0.76**	0.70	0.06	8.6%
Earnings per share, continuing operations:				
Basic	**$ 0.76**	$ 0.49	$ 0.27	55.1%
Diluted	**0.76**	0.49	0.27	55.1%

[1] Includes $0.2 million of restructuring costs recovery for the second quarter of 2023 (a restructuring costs recovery of $5.9 million for the second quarter of 2022).

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

Sales

Sales for the second quarter of 2023 increased by $56.9 million, or 33.0%, to $229.2 million. More of the Company’s stores were open as there were no government imposed lockdowns during the second quarter of 2023 as compared to a partial lockdown of the Company’s stores network during the second quarter of 2022 (see section entitled “COVID-19”). Increased customer traffic in stores, higher average transaction value and less markdowns and promotional discounting contributed to the increase in sales, despite an overall net reduction of 7 stores. The Company’s e-commerce sales continue to be strong representing approximately 25%[1] of the total sales for the second quarter of 2023.

[1] This is a supplementary financial measure. See section entitled “Supplementary Financial Measures”.

Gross Profit

Gross profit for the second quarter of 2023 increased $43.0 million to $138.7 million as compared with $95.7 million for the second quarter of 2022. Gross profit as a percentage of sales for the second quarter of 2023 increased to 60.5% from 55.5% for the second 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 second quarter of 2023, partially offset by higher supply chain costs, including merchandise freight costs as ongoing global shipping industry disruptions required utilizing air and premium-rate ocean freight shipments to meet customer demand.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $100.7 million for the second quarter of 2023 increased by $30.0 million or 42.4%, as compared to the second quarter of 2022 primarily attributable to the following:

- increased store operating costs due primarily to an increase in store personnel wages, higher credit card fees due to the improved sales performance and higher rent expenditures as a result of lease arrangements tied to percentage of sales performance;
- a $6.4 million increase in performance incentive plan expense, which plan expense is based upon the forecasted attainment of operating performance targets;
- a $6.2 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 $5.7 million decrease in restructuring recoveries due primarily to the $0.2 million of restructuring recoveries realized during the second quarter of 2023 as compared to a recovery of restructuring costs of $5.9 million realized during the second quarter of 2022;
- higher overall freight costs due to a $1.9 million non-recurring volume rebate received during the second 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 and the Company's controlled spending in property and equipment and intangible assets.

Net Finance Costs

Net finance costs were $1.2 million for the second quarter of 2023 as compared to $0.9 million for the second quarter of 2022. The change of $0.3 million is primarily attributable to the higher interest expense as the amount of lease liabilities increased as compared to the second quarter of 2022, and interest expense incurred on borrowings under the secured asset-based revolving credit facility obtained on January 12, 2022.

Income Taxes

The income tax recovery of $0.5 million for the second quarter of 2023 is mainly comprised of adjustments in respect of prior year periods, net of the estimated tax expense related to the operations of a foreign subsidiary. The tax expense for the second quarter of fiscal 2022 of $0.2 million is comprised of the estimated tax amount related to a foreign subsidiary. 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 recovery for the second quarter of 2023 was impacted by not recognizing deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian operations.

Net Earnings from continuing operations

Net earnings from continuing operations for the second quarter of 2023 was $37.3 million ($0.76 basic and diluted earnings per share) as compared with $23.9 million net earnings ($0.49 basic and diluted earnings per share) for the second quarter of 2022. The increase in net earnings of $13.4

million is primarily attributable to the increase of gross profits and increase in income tax recovery, partially offset by an increase in overall operating costs, the reduction of Federal subsidies and restructuring recoveries and an increase in net finance costs.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations for the second quarter of 2023 was $39.6 million as compared to $16.2 million for the second quarter of 2022. The increase of $23.4 million is primarily attributable to the increase of $43.0 million in gross profit, partially offset by an increase in operating costs (excluding Federal subsidies, restructuring costs and recoveries, depreciation, amortization and net impairment of non-financial assets but including interest expense and depreciation relating to leases accounted for under IFRS 16, *Leases* to reflect an estimate of rent expense) of $19.6 million, as noted above.

Adjusted ROA

Adjusted ROA for the second quarter of 2023 was $37.8 million as compared with $12.9 million for the second quarter of 2022. The increase in Adjusted ROA of $24.9 million is primarily attributable to the increase of $43.0 million in gross profit, partially offset by an increase in operating costs (excluding Federal subsidies and restructuring costs and recoveries) of $18.1 million, as noted above.

OPERATING RESULTS FOR THE YEAR TO DATE FISCAL 2023 COMPARED TO THE YEAR TO DATE FISCAL 2022

	Year to date Fiscal 2023	Year to date Fiscal 2022	$ Change	% Change
Sales	**$ 383.1**	$ 293.5	$ 89.6	30.5%
Cost of goods sold	**160.4**	137.9	22.5	16.3%
Gross profit	**222.7**	155.6	67.1	43.1%
Gross profit %	**58.1%**	53.0%		
Selling, distribution and administrative expenses[1]	**185.1**	130.2	54.9	42.2%
Results from operating activities	**37.6**	25.4	12.2	48.0%
Net finance costs	**(2.5)**	(1.3)	(1.2)	(92.3)%
Earnings before income taxes	**35.1**	24.1	11.0	45.6%
Income tax (recovery) expense	**(0.5)**	0.2	(0.7)	n/a
Net earnings from continuing operations	**$ 35.6**	$ 23.9	$ 11.7	49.0%
Earnings from discontinued operations, net of tax	**-**	10.2	(10.2)	(100.0)%
Net earnings	**$ 35.6**	$ 34.1	$ 1.5	4.4%
Adjusted EBITDA from continuing operations [2]	**$ 42.7**	$ 4.0	$ 38.7	n/a
Adjusted ROA[2]	**$ 36.8**	$ (3.5)	$ 40.3	n/a
Earnings per share:				
Basic	**$ 0.73**	$ 0.70	$ 0.03	4.3%
Diluted	**0.73**	0.70	0.03	4.3%
Earnings per share, continuing operations:				
Basic	**$ 0.73**	$ 0.49	$ 0.24	49.0%
Diluted	**0.73**	0.49	0.24	49.0%

[1] Includes $0.4 million of restructuring costs for the year to date fiscal 2023 (a restructuring costs recovery of $12.4 million for the year to date fiscal 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 year to date fiscal 2023 increased by $89.6 million, or 30.5%, to $383.1 million. More of the Company's stores were open as there were no government imposed lockdowns during the year to date fiscal 2023 as compared to a partial lockdown of the Company's stores network during the year to date fiscal 2022 (see section entitled "COVID-19"). Increased customer traffic in stores, higher average transaction value and less markdowns and promotional discounting contributed to the increase in sales, despite an overall net reduction of 7 stores. The Company's e-commerce sales continue to be strong representing approximately 27%[1] of the total sales for the year to date fiscal 2023.

[1] This is a supplementary financial measure. See section entitled "Supplementary Financial Measures".

Gross Profit

Gross profit for the year to date fiscal 2023 increased $67.1 million to $222.7 million as compared with $155.6 million for the year to date fiscal 2022. Gross profit as a percentage of sales for the year to date fiscal 2023 increased to 58.1% from 53.0% for the year to date fiscal 2022. The increase both in gross profit and as a percentage of sales is primarily attributable to lower markdowns and promotional activity in the year to date fiscal 2023 combined with a favourable foreign exchange impact on U.S. dollar denominated purchases included in cost of goods sold, partially offset by higher supply chain costs, including merchandise freight costs as ongoing global shipping industry disruptions required utilizing air and premium-rate ocean freight shipments to meet customer demand.

Selling, Distribution and Administrative Expenses

Total selling, distribution and administrative expenses of $185.1 million for the year to date fiscal 2023 increased by $54.9 million or 42.2%, as compared to the year to date fiscal 2022 primarily attributable to the following:

- increased store operating costs due primarily to an increase in store personnel wages, higher digital media advertising spend, higher credit card fees due to the improved sales performance and higher rent expenditures as a result of lease arrangements tied to percentage of sales performance;
- a $15.3 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 $12.8 million increase in restructuring costs due primarily to the $0.4 million of restructuring costs incurred during the year to date fiscal 2023 as compared to a recovery of restructuring costs of $12.4 million realized during the year to date fiscal 2022;
- a $6.4 million increase in performance incentive plan expense, which plan expense is based upon the forecasted attainment of operating performance targets;
- higher overall freight costs due primarily to a $1.9 million non-recurring volume rebate received during the year to date fiscal 2022;

  partially offset by,

- a $2.8 million decrease in depreciation, amortization and net impairment losses due primarily to the decrease in the number of stores, a reduction in the average balance of right-of-use assets throughout the year to date fiscal 2023 and the Company's controlled spending in property and equipment and intangible assets.

Net Finance Costs

Net finance costs were $2.5 million for the year to date fiscal 2023 as compared to $1.3 million for the year to date fiscal 2022. The change of $1.2 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

The income tax recovery of $0.5 million for the year to date fiscal 2023 is mainly comprised of adjustments in respect of prior year periods net of the estimated tax expense related to the operations of a foreign subsidiary. The tax expense for the year to date fiscal 2022 of $0.2 million is comprised of the estimated tax amount related to a foreign subsidiary. 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 recovery for the second quarter of 2023 was impacted by not recognizing deferred tax assets on all temporary differences and operating losses carried forward relating to its Canadian operations.

Net Earnings from continuing operations

Net earnings from continuing operations for the year to date fiscal 2023 was $35.6 million ($0.73 basic and diluted earnings per share) as compared with $23.9 million ($0.49 basic and diluted earnings per share) for the year to date fiscal 2022. The increase in net earnings of $11.7 million is primarily attributable to the increase in gross profits and income tax recovery, partially offset by an increase in overall operating costs, the reduction of Federal subsidies and restructuring recoveries and an increase in net finance costs.

Adjusted EBITDA from continuing operations

Adjusted EBITDA from continuing operations for the year to date fiscal 2023 was $42.7 million as compared to $4.0 million for the year to date fiscal 2022. The increase of $38.7 million is primarily attributable to the increase of $67.1 million in gross profit, partially offset by a decrease of $0.6 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 but including interest expense and depreciation relating to leases accounted for under IFRS 16, *Leases* to reflect an estimate of rent expense) of $27.8 million, as noted above.

Adjusted ROA

Adjusted ROA for the year to date fiscal 2023 was $36.8 million as compared with a loss of $3.5 million for the year to date fiscal 2022. The increase in Adjusted ROA of $40.3 million is primarily attributable to the increase of $67.1 million in gross profit, partially offset by an increase in operating costs (excluding Federal subsidies and restructuring costs and recoveries) of $26.8 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.

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2023	2022	2023	2022	2022	2021	2022	2021
Sales	$ 229.2	$ 172.3	$ 153.9	$ 121.3	$ 190.2	$ 144.7	$ 178.2	$ 163.4
Net earnings (loss) from continuing operations[5]	37.3	23.9	(1.7)	(0.0)	97.2	(10.9)	22.0	(14.9)
Earnings from discontinued operations, net of tax[5]	-	10.2	-	-	-	-	4.8	0.4
Net earnings (loss)	37.3[1]	34.1[1]	(1.7)[2]	(0.0)[2]	97.2[3]	(10.9)[3]	26.8[4]	(14.5)[4]
Earnings (loss) per share								
Basic	$ 0.76[1]	$ 0.70[1]	$ (0.04)[2]	$ (0.00)[2]	$ 1.99[3]	$ (0.22)[3]	$ 0.55[4]	$ (0.30)[4]
Diluted	0.76[1]	0.70[1]	(0.04)[2]	(0.00)[2]	1.99[3]	(0.22)[3]	0.55[4]	(0.30)[4]
Earnings (loss) per share, continuing operations:								
Basic	$ 0.76	$ 0.49	$ (0.04)	$ (0.00)	$ 1.99	$ (0.22)	$ 0.45	$ (0.31)
Diluted	0.76	0.49	(0.04)	(0.00)	1.99	(0.22)	0.45	(0.31)

[1] During the second quarter of 2023, net earnings includes restructuring costs recovery of $0.2 million and a reversal of impairment on non-financial assets of $0.5 million. During the second quarter of 2022, net earnings includes the impact of Federal subsidies totalling $6.2 million, restructuring costs recovery of $16.1 million and a reversal of impairment on non-financial assets of $0.3 million.

[2] 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.

[3] 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.

[4] 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.

[5] During fiscal 2021, the Company closed the Thyme Maternity and Addition Elle brands 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 presented as discontinued operations during the first and second quarter of 2023.

BALANCE SHEET

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

	July 30, 2022	January 29, 2022	$ Change	% Change
Cash	**$ 38.2**	$ 25.5	$ 12.7	49.8%
Trade and other receivables	**4.9**	7.6	(2.7)	(35.5)%
Inventories	**153.8**	119.0	34.8	29.2%
Prepaid expenses and other assets	**31.2**	42.6	(11.4)	(26.8)%
Property and equipment & intangible assets	**65.2**	71.6	(6.4)	(8.9)%
Right-of-use assets	**71.5**	45.0	26.5	58.9%
Pension asset	**0.7**	0.1	0.6	n/a%
Revolving credit facility	**-**	29.6	(29.6)	(100.0)%
Trade and other payables	**57.1**	34.5	22.6	65.5%
Deferred revenue	**12.0**	13.5	(1.5)	(11.1)%
Income taxes payable	**0.8**	0.5	0.3	60.0%
Lease liabilities (current and non-current)	**79.1**	52.3	26.8	51.2%

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

- cash increased $12.7 million due to an increase in cash generated from operations, primarily due to improved sales performance, partially offset by the funds repaid under the secured asset-based revolving credit facility in the year to date fiscal 2023;
- trade and other receivables decreased primarily due to receipts of wage subsidies from the Federal government, partially offset by higher credit card trade and insurance claim receivables;
- inventories are higher by $34.8 million primarily due to the normal build-up for the fall 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 software and maintenance contracts. The decrease of $11.4 million is primarily due to a reduction in supplier deposits following the Company's exit from CCAA protection in mid-January 2022;
- property and equipment & intangible assets decreased by $6.4 million. During the year to date fiscal 2023, $1.8 million of additions had been spent primarily on store renovations and head office hardware and software. Depreciation and amortization of $7.6 million and an impairment of $0.6 million on property and equipment and intangible assets were recognized in the year to date fiscal 2023 ($9.4 million of depreciation and amortization and an impairment reversal of $0.5 million on property and equipment and intangible assets were recognized in the year to date fiscal 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 $26.5 million primarily due to lease additions of $40.2 million signed in the year to date fiscal 2023. Depreciation and amortization of $13.1 million were recognized in the year to date fiscal 2023 ($15.2 million in the year to date fiscal 2022). No impairment charges were recognized in the year to date fiscal 2022 and 2023;
- pension asset increased largely due to a $0.7 million net actuarial gain recognized in other comprehensive income arising from the remeasurement of the pension obligation in the year to date fiscal 2023, partially offset by an excess amount of $0.1 million of pension expense over pension contributions;
- the revolving credit facility decreased by $29.6 million as amounts borrowed under the facility had been paid as at July 30, 2022;
- trade and other payables increased by approximately $22.6 million primarily due to the timing of payments related to trade payables, an increase in sales tax liabilities and an increase in the

refund liability related to sales returns as a result of the increase in sales during the second quarter of 2023;

- deferred revenue decreased largely due to gift card redemptions, partially offset by an increase in awards granted under customer loyalty programs.
- income taxes payable consists of estimated net tax liabilities of a foreign subsidiary. The increase is primarily due to estimated taxes for a foreign subsidiary during the year to date fiscal 2023;
- lease liabilities represent the present value of the Company's obligations to make lease payments for its store and equipment leases. During the year to date fiscal 2023, lease liabilities increased by lease additions of $40.2 million and interest expense of $2.3 million, offset by lease payments of $15.1 million and lease terminations of $0.6 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). In addition to the risks and factors impacting performance described at that time, investors, shareholders, customers and employees have focused increasingly on the environmental, social and governance ("ESG") practices of companies, including those associated with climate change. As a strong supporter of ESG initiatives, from sustainability focused products to diversity and inclusion, the Company has established an ESG team to develop and finalize its ESG strategies and is planning to issue its first ESG report in fiscal 2024.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

As at July 30,2022, the Company had current assets of $230.9 million (July 31, 2021 – $240.3 million; January 29, 2022 - $194.7 million) and current liabilities of $97.2 million (July 31, 2021 - $268.3 million, including liabilities subject to compromise of $193.4 million; January 29, 2022 - $99.0 million) and no long-term debt (other than lease liabilities). As at July 30, 2022, included in the Company's current assets is cash of $38.2 million (July 31, 2021 - $87.6 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 is used to finance the ongoing operations of the Company. As at July 30,2022, the Company's borrowing base was $95.3 million (January 29, 2022 - $90.7 million) and no amount was drawn under the credit facility (January 29, 2022 - $29.6 million). Refer to Note 10 in the unaudited condensed consolidated interim financial statements for the second quarter of 2023.

In the year to date fiscal 2023, the Company invested $3.3 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 September 22, 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. As at September 22, 2022, the Company has a total of 2,745,000 share options outstanding at an average exercise price of $2.77. 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 the year to date fiscal 2023 and 2022, the Company has only used spot rate purchases of U.S. dollars to meet its foreign merchandise commitments.

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 second 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 26 weeks ended July 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 as at and for the year to date fiscal 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 26 weeks ended July 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 as at and for the year to date fiscal 2023.

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(Unaudited)
(in thousands of Canadian dollars except per share amounts)

	Notes	For the 13 weeks ended July 30, 2022	For the 13 weeks ended July 31, 2021	For the 26 weeks ended July 30, 2022	For the 26 weeks ended July 31, 2021
Sales	20	**$ 229,222**	$ 172,298	**$ 383,081**	$ 293,548
Cost of goods sold	7	**90,549**	76,546	**160,445**	137,935
Gross profit		**138,673**	95,752	**222,636**	155,613
Selling and distribution expenses		**88,207**	68,103	**161,464**	125,256
Administrative expenses		**12,702**	8,483	**23,184**	17,357
Restructuring	13	**(213)**	(5,857)	**407**	(12,419)
Results from operating activities		**37,977**	25,023	**37,581**	25,419
Finance income	17	**147**	90	**227**	853
Finance costs	17	**1,357**	1,030	**2,718**	2,167
Earnings before income taxes		**36,767**	24,083	**35,090**	24,105
Income tax (recovery) expense	16	**(552)**	162	**(512)**	186
Net earnings from continuing operations		**37,319**	23,921	**35,602**	23,919
Earnings from discontinued operations, net of tax	4	**-**	10,193	**-**	10,193
Net earnings		**$ 37,319**	$ 34,114	**$ 35,602**	$ 34,112
Earnings per share:	18				
Basic		**$ 0.76**	$ 0.70	**$ 0.73**	$ 0.70
Diluted		**0.76**	0.70	**0.73**	0.70
Earnings per share from continuing operations:	18				
Basic		**$ 0.76**	$ 0.49	**$ 0.73**	$ 0.49
Diluted		**0.76**	0.49	**0.73**	0.49

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

REITMANS (CANADA) LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(in thousands of Canadian dollars)

	Notes	For the 13 weeks ended July 30, 2022	For the 13 weeks ended July 31, 2021	For the 26 weeks ended July 30, 2022	For the 26 weeks ended July 31, 2021
Net earnings		**$ 37,319**	$ 34,114	**$ 35,602**	$ 34,112
Other comprehensive (loss) income					
Items that are or may be reclassified subsequently to net earnings:					
Foreign currency translation differences	14	**(11)**	(75)	**(18)**	123
		(11)	(75)	**(18)**	123
Items that will not be reclassified to net earnings:					
Net actuarial loss on defined benefit plan (net of tax of $838 for the 13 and 26 weeks ended July 30, 2022)	9	**(1,040)**	-	**(129)**	-
Total other comprehensive (loss) income		**(1,051)**	(75)	**(147)**	123
Total comprehensive income		**$ 36,268**	$ 34,039	**$ 35,455**	$ 34,235

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	July 30, 2022	July 31, 2021[1]	January 29, 2022
ASSETS				
CURRENT ASSETS				
Cash	5	**$ 38,173**	$ 87,587	$ 25,502
Restricted cash	5	**2,765**	-	-
Trade and other receivables	6	**4,947**	5,318	7,606
Inventories	7	**153,750**	109,800	118,972
Prepaid expenses and other assets		**31,215**	37,616	42,590
Total Current Assets		**230,850**	240,321	194,670
NON-CURRENT ASSETS				
Restricted cash	5	**-**	2,755	2,757
Property and equipment	19	**61,735**	62,578	65,970
Intangible assets	19	**3,469**	7,894	5,613
Right-of-use assets	8	**71,533**	41,559	44,978
Pension asset	9	**664**	-	100
Deferred income taxes		**186**	151	186
Total Non-Current Assets		**137,587**	114,937	119,604
TOTAL ASSETS		**$ 368,437**	$ 355,258	$ 314,274
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Revolving credit facility	10	**$ -**	$ -	$ 29,634
Trade and other payables	11	**57,098**	37,612	34,478
Deferred revenue	12	**11,961**	11,289	13,490
Income taxes payable		**816**	475	537
Current portion of lease liabilities	8	**27,299**	25,511	20,888
Liabilities subject to compromise	13	**-**	193,440	-
Total Current Liabilities		**97,174**	268,327	99,027
NON-CURRENT LIABILITIES				
Lease liabilities	8	**51,790**	27,552	31,419
Pension liability	9	**-**	3,459	-
Total Non-Current Liabilities		**51,790**	31,011	31,419
SHAREHOLDERS' EQUITY				
Share capital	14	**27,406**	27,406	27,406
Contributed surplus		**10,485**	10,295	10,295
Retained earnings		**182,453**	18,950	146,980
Accumulated other comprehensive loss	14	**(871)**	(731)	(853)
Total Shareholders' Equity		**219,473**	55,920	183,828
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 368,437**	$ 355,258	$ 314,274

(1) As at July 31, 2021, restricted cash of $2,755 has been 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 earnings		**-**	**-**	**35,602**	**-**	**35,602**
Total other comprehensive loss	14	**-**	**-**	**(129)**	**(18)**	**(147)**
Total comprehensive income (loss) for the period		**-**	**-**	**35,473**	**(18)**	**35,455**
Share-based compensation costs	15	**-**	**190**	**-**	**-**	**190**
Total contributions by owners of the Company		**-**	**190**	**-**	**-**	**190**
Balance as at July 30, 2022		**$ 27,406**	**$ 10,485**	**$ 182,453**	**$ (871)**	**$ 219,473**
Balance as at January 31, 2021		$ 27,406	$ 10,295	$ (15,162)	$ (854)	$ 21,685
Net earnings		-	-	34,112	-	34,112
Total other comprehensive income	14	-	-	-	123	123
Total comprehensive income for the period		-	-	34,112	123	34,235
Balance as at July 31, 2021		$ 27,406	$ 10,295	$ 18,950	$ (731)	$ 55,920

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 July 30, 2022	For the 13 weeks ended July 31, 2021	For the 26 weeks ended July 30, 2022	For the 26 weeks ended July 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings		**$ 37,319**	$ 34,114	**$ 35,602**	$ 34,112
Adjustments for:					
Depreciation, amortization and net impairment losses on property and equipment, and intangible assets		**3,130**	4,327	**8,210**	8,893
Depreciation on right-of-use assets		**7,282**	7,516	**13,093**	15,248
Share-based compensation costs	15	**190**	-	**190**	-
Foreign exchange loss (gain)		**1,262**	(569)	**(585)**	1,455
Gain on lease re-measurements due to restructuring	8,13	**-**	(1,553)	**-**	(5,002)
Interest on lease liabilities	17	**1,258**	1,030	**2,273**	2,167
Interest on revolving credit	17	**99**	-	**445**	-
Interest income	17	**(121)**	(86)	**(155)**	(136)
Income tax (recovery) expense		**(552)**	162	**(512)**	186
		49,867	44,941	**58,561**	56,923
Changes in:					
Trade and other receivables	6	**-**	4,226	**2,666**	5,353
Inventories	7	**(16,245)**	(7,882)	**(34,778)**	(13,678)
Prepaid expenses and other assets		**5,463**	(3,828)	**11,375**	(5,516)
Pension asset	9	**(449)**	181	**144**	367
Trade and other payables	11	**3,843**	3,974	**24,074**	6,020
Liabilities subject to compromise	13	**-**	(8,730)	**-**	(10,354)
Deferred revenue	12	**(189)**	(26)	**(1,529)**	(1,173)
Cash from operating activities		**42,290**	32,856	**60,513**	37,942
Interest paid		**(165)**	-	**(481)**	-
Interest received		**97**	70	**148**	133
Income taxes paid		**-**	(4)	**(46)**	(1,168)
Net cash flows from operating activities		**42,222**	32,922	**60,134**	36,907
CASH FLOWS USED IN INVESTING ACTIVITIES					
Additions to property and equipment and intangible assets, net	19	**(774)**	(1,914)	**(3,250)**	(2,850)
Cash flows used in investing activities		**(774)**	(1,914)	**(3,250)**	(2,850)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Restricted cash	5	**(6)**	(1)	**(8)**	(2)
Net repayment of revolving credit facility	10	**(34,439)**	-	**(29,634)**	-
Payment of lease liabilities		**(7,714)**	(10,776)	**(15,078)**	(20,265)
Cash flows used in financing activities		**(42,159)**	(10,777)	**(44,720)**	(20,267)
FOREIGN EXCHANGE (LOSS) GAIN ON CASH HELD IN FOREIGN CURRENCY		**(1,326)**	265	**507**	(1,365)
NET (DECREASE) INCREASE IN CASH		**(2,037)**	20,496	**12,671**	12,425
CASH, BEGINNING OF THE PERIOD		**40,210**	67,091	**25,502**	75,162
CASH, END OF THE PERIOD		**$ 38,173**	$ 87,587	**$ 38,173**	$ 87,587

Supplementary cash flow information (note 19)

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 September 22, 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 asset (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. DISCONTINUED OPERATIONS

During the fiscal year ended January 30, 2021, the Company closed all retail stores and e-commerce channels of the Thyme Maternity and Addition Elle brands. The financial information presented below is directly attributable to both brands. All administrative expenses and various selling and distribution expenses from shared, centralized and common functions of the Company are excluded from the determination of discontinued operations.

The operating results are presented as discontinued operations:

Earnings from discontinued operations

	For the 13 and 26 weeks ended July 30, 2022	July 31, 2021
Sales	$ -	$ -
Cost of goods sold	-	-
Gross profit	-	-
Selling and distribution expenses	-	-
Restructuring (note 13)	-	(10,193)
Results from operating activities	-	10,193
Finance income (costs)	-	-
Earnings before income taxes	-	10,193
Income tax expense	-	-
Net earnings from discontinued operations	$ -	$ 10,193
Earnings per share, discontinued operations:		
Basic	$ -	$ 0.21
Diluted	-	0.21

For the 13 and 26 weeks ended July 30, 2022 and July 31, 2021, there was no effect of discontinued operations on the condensed consolidated interim statements of cash flows.

5. CASH AND RESTRICTED CASH

	July 30, 2022	July 31, 2021	January 29, 2022
Cash (1)	**$ 38,173**	$ 87,587	$ 25,502
Restricted cash (2)	**2,765**	2,755	2,757
	$ 40,938	$ 90,342	$ 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 expiring on July 7, 2023. As at July 31, 2021 and January 29, 2022, restricted cash is presented as non-current on the condensed consolidated interim balance sheets.

6. TRADE AND OTHER RECEIVABLES

As at July 30, 2022, trade and other receivables include an amount of $642 (July 31, 2021 – $2,620; January 29, 2022 – $4,651) related to COVID-19 government grants receivable under the Tourism and Hospitality Recovery Program (“THRP”) through which subsidies for wages and rent can be claimed.

The Company recognized grant income of $1,119 from this program as a reduction of selling and distribution expenses and $91 as a reduction of administrative expenses for the 26 weeks ended July 30, 2022 ($5,714 and $15,214 as a reduction of selling and distribution expenses and $423 and $1,259 as a reduction of administrative expenses for the 13 and 26 weeks ended July 31, 2021, respectively).

7. INVENTORIES

During the 13 and 26 weeks ended July 30, 2022, inventories recognized as cost of goods sold amounted to $93,936 and $159,404, respectively ($80,746 and $139,035 for the 13 and 26 weeks ended July 31, 2021, respectively). In addition, for the 13 and 26 weeks ended July 30, 2022, the Company recorded a reversal of $3,387 and loss of $1,041, respectively, (a reversal of $4,200 and $1,100 for the 13 and 26 weeks ended July 31, 2021, respectively) of write-downs of inventories as a result of net realizable value being lower than cost.

Included in inventories is a return asset for the right to recover returned goods for $1,935 as at July 30, 2022 (July 31, 2021 - $1,643; January 29, 2022 - $1,880).

8. LEASES

While the Company was under CCAA proceedings, a portion of its retail leases were contingent on a percentage of sales. During the 13 and 26 weeks ended July 30, 2022, the Company renegotiated retail leases subsequent to its exit of restructuring proceedings under CCAA and certain of those leases were modified to return to fixed payment leases. The Company recognized $27,779 and $40,200 of additions to right-of-use assets and lease liabilities for the 13 and 26 weeks ended July 30, 2022, respectively, for new and renegotiated leases.

During the 13 and 26 weeks ended July 31, 2021, the Company had renegotiated leases as part of its restructuring plan resulting in the reduction of right-of-use assets of $5,643 and $54,015, respectively, the reduction of lease liabilities by $7,423 and $59,048, respectively, and recognized a gain on lease re-measurements of $1,553 and $5,002, respectively, in restructuring costs. See note 13.

9. PENSION ASSET (LIABILITY)

The Company recognized an actuarial loss of $202 and gain of $709 in other comprehensive income for the 13 and 26 weeks ended July 30, 2022, respectively, (nil for the 13 and 26 weeks ended July 31, 2021) and subsequently reclassified the amounts from accumulated other comprehensive income to retained earnings based on an updated valuation to the net pension asset (liability). During the 26 weeks ended July 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 July 30, 2022.

10. 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 July 30, 2022, the Company's Borrowing Base was $95,250 (July 31, 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%, 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 July 30, 2022, no amount (July 31, 2021 – nil, January 29, 2022 – $29,634) was drawn under the revolving credit facility and $2,008 was committed for secured letters of credit (July 31, 2021 – $576, 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 July 30, 2022, the Company was in compliance of all financial covenants.

11. TRADE AND OTHER PAYABLES

	July 30, 2022	July 31, 2021	January 29, 2022
Trade payables	**$ 13,056**	$ 6,785	$ 1,280
Personnel liabilities	**19,726**	11,706	13,049
Other non-trade payables	**19,420**	15,147	16,406
Refund liability	**4,575**	3,339	3,181
Payables relating to premises	**321**	635	562
	$ 57,098	$ 37,612	$ 34,478

12. DEFERRED REVENUE

	July 30, 2022	July 31, 2021	January 29, 2022
Loyalty points and awards granted under loyalty programs	**$ 1,765**	$ 1,325	$ 248
Unredeemed gift cards	**10,196**	9,964	13,242
	$ 11,961	$ 11,289	$ 13,490

13. 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 July 31, 2021, the estimate for liabilities subject to compromise amounted to $193,440.

Restructuring costs

In connection with the restructuring plan and the CCAA proceedings, the following restructuring costs (recoveries) were recognized:

	13 weeks ended July 30, 2022	**13 weeks ended July 31, 2021**		
	Continuing	**Combined**	**Continuing**	**Discontinued**
Rent & occupancy costs recovered on lease re-negotiations	**$ -**	$ (5,099)	$ (5,099)	$ -
Gain on lease re-measurements (note 8)	**-**	(1,553)	(1,553)	-
Provision for disclaimed leases (1)	**-**	(10,668)	(475)	(10,193)
Legal, Monitor and other consulting fees	**281**	978	978	-
Termination benefits	**-**	177	177	-
DIP lender fees	**-**	115	115	-
Other recoveries	**(494)**	-	-	-
	$ (213)	$(16,050)	$ (5,857)	$(10,193)

	26 weeks ended July 30, 2022	**26 weeks ended July 31, 2021**		
	Continuing	**Combined**	**Continuing**	**Discontinued**
Rent & occupancy costs recovered on lease re-negotiations	**$ -**	$(10,983)	$(10,983)	$ -
Gain on lease re-measurements (note 8)	**-**	(5,002)	(5,002)	-
Provision for disclaimed leases (1)	**-**	(9,718)	475	(10,193)
Legal, Monitor and other consulting fees	**901**	1,791	1,791	-
Termination benefits	**-**	348	348	-
DIP lender fees	**-**	201	201	-
Other (recoveries) expenses	**(494)**	751	751	-
	$ 407	$(22,612)	$(12,419)	$(10,193)

(1) During the 13 and 26 weeks ended July 31, 2021, the provision for disclaimed leases was adjusted to reflect the most recent settlement discussions with certain landlords.

14. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

	For the 26 weeks ended			
	July 30, 2022		July 31, 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	**(18)**
Balance at July 30, 2022	**$ (871)**
Balance at January 31, 2021	$ (854)
Change in foreign currency translation differences	123
Balance at July 31, 2021	$ (731)

Dividends

No dividends were declared or paid during the 13 and 26 weeks ended July 30, 2022 and July 31, 2021.

15. 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 26 weeks ended July 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.

The changes in outstanding share options were as follows:

	For the 13 weeks ended				**For the 26 weeks ended**			
	July 30, 2022		**July 31, 2021**		**July 30, 2022**		**July 31, 2021**	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of period	**1,740**	**$ 3.73**	1,357	$ 8.84	**1,126**	**$ 8.56**	1,357	$ 8.84
Granted	**-**	**-**	-	-	**940**	**1.50**	-	-
Forfeited and expired	**(55)**	**4.02**	-	-	**(381)**	**12.52**	-	-
Outstanding, at end of period	**1,685**	**$ 3.72**	1,357	$ 8.84	**1,685**	**$ 3.72**	1,357	$ 8.84
Options exercisable, at end of period	**770**	**$ 6.37**	1,347	$ 8.86	**770**	**$ 6.37**	1,347	$ 8.86

During the 13 and 26 weeks ended July 30, 2022, the Company recognized $76 (nil for the 13 and 26 weeks ended July 31, 2021) of compensation costs related to the Company's service-based share options with a corresponding credit to contributed surplus.

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 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 $0.57 per option.

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

	For the 13 weeks ended July 30, 2022		**For the 26 weeks ended July 30, 2022**	
	Options (in 000's)	**Weighted Average Exercise Price**	**Options (in 000's)**	**Weighted Average Exercise Price**
Outstanding, at beginning of period	**1,110**	**$ 1.50**	**-**	**$ -**
Granted	**-**	**-**	**1,110**	**1.50**
Outstanding, at end of period	**1,110**	**$ 1.50**	**1,110**	**$ 1.50**
Options exercisable, at end of period	**-**	**$ -**	**-**	**$ -**

During the 13 and 26 weeks ended July 30, 2022, the Company recognized $114 (nil for the 13 and 26 weeks ended July 31, 2021) of compensation costs related to the Company's market-condition share options with a corresponding credit to contributed surplus.

No Performance Share Units were granted and no related share-based compensation costs were recognized during the 13 and 26 weeks ended July 30, 2022 and July 31, 2021.

16. 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 and 26 weeks ended July 30, 2022, the income tax recovery is mainly comprised of adjustments related to prior periods net of the income tax provision related to the operations of a foreign subsidiary.

17. FINANCE INCOME AND FINANCE COSTS

	For the 13 weeks ended		For the 26 weeks ended	
	July 30, 2022	**July 31, 2021**	**July 30, 2022**	**July 31, 2021**
Interest income	**$ 121**	$ 86	**$ 155**	$ 136
Foreign exchange gain	**26**	4	**72**	717
Finance income	**147**	90	**227**	853
Interest expense on revolving credit facility	**99**	-	**445**	-
Interest expense on lease liabilities	**1,258**	1,030	**2,273**	2,167
Finance costs	**1,357**	1,030	**2,718**	2,167
Net finance costs	**$ 1,210**	$ 940	**$ 2,491**	$ 1,314

18. EARNINGS PER SHARE

The number of shares (in thousands) used in the basic and diluted earnings per share from continuing and discontinued operations calculations is as follows:

	For the 13 and 26 weeks ended	
	July 30, 2022	**July 31, 2021**
Weighted average number of shares – basic and diluted	**48,867**	48,867

All share options were excluded from the calculation of diluted earnings per share for the 13 and 26 weeks ended July 30, 2022 and July 31, 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.

19. SUPPLEMENTARY CASH FLOW INFORMATION

	July 30, 2022	**July 31, 2021**	**January 29, 2022**
Non-cash transactions:			
Additions to property and equipment and intangible assets included in trade and other payables	**$ 99**	$ 1,944	$ 1,517

Net impairment losses

As at July 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 $60 and $1,222 of impairment losses recognized related to property and equipment and intangible assets for the 13 and 26 weeks ended July 30, 2022, respectively (nil for the 13 and 26 weeks ended July 31, 2021). During the 13 and 26 weeks ended July 30, 2022, $607 of asset impairment losses were reversed following an improvement in profitability of certain CGU's ($293 and $507 for the 13 and 26 weeks ended July 31, 2021, respectively). Net impairment losses have been recorded in selling and distribution expenses.

20. NET SALES

Net sales disaggregated for retail stores and e-commerce is as follows:

	For the 13 weeks ended		For the 26 weeks ended	
	July 30, 2022	**July 31, 2021**	**July 30, 2022**	**July 31, 2021**
Retail stores	**$ 172,770**	$ 109,986	**$ 281,680**	$ 178,201
E-commerce	**56,452**	62,312	**101,401**	115,347
Net sales	**$ 229,222**	$ 172,298	**$ 383,081**	$ 293,548

21. FINANCIAL INSTRUMENTS

Accounting classification and fair values

The Company has determined that the fair value of its current financial assets and liabilities at July 30, 2022, July 31, 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.

22. 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 and 26 weeks ended July 30, 2022 from those described in the Company's audited annual consolidated financial statements for the year ended January 29, 2022.