Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the 13 weeks and 26 weeks ended March 4, 2023

TABLE OF CONTENTS

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding the business environment, trends and significant changes in the results of operations and financial condition of Goodfood Market Corp. and its subsidiaries (the "Company" or "Goodfood") for the 13 and 26 weeks ended March 4, 2023 and should be read in conjunction with our audited annual consolidated financial statements and the accompanying notes for the 52 weeks ended September 3, 2022 and our interim condensed consolidated financial statements and notes for the 13 and 26 weeks ended March 4, 2023. Please also refer to Goodfood's press release announcing its results for the 13 and 26 weeks ended March 4, 2023 issued on April 12, 2023. Quarterly reports, the Annual Report, and the Annual Information Form can be found on SEDAR at www.sedar.com and under the "Investor Relations – Financial Information" section of our website: https://www.makegoodfood.ca/en/investors. Press releases are available on SEDAR and under the "Investor Relations – Press Releases" section of our corporate website.

The Company's unaudited interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and the financial information herein was derived from those statements.

The consolidated financial statements for the 13 and 26 weeks ended March 4, 2023 have been prepared on the basis that the Company will continue as a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the fourth quarter of Fiscal 2022, the Company entered into a tolerance letter with its lenders as a result of a failure to meet certain financial covenants. On December 19, 2022, the Company reached an agreement to amend the syndicated credit agreement with its existing lenders providing bank financing of $9.5 million and is now in compliance with all financial covenants. Please refer to the subsection "Capital Management" of the "Liquidity and Capital Resources" section of this MD&A for discussion on amended credit agreement.

In addition, the Company launched its Blue Ocean initiative, a review of its operations and overall business to drive efficiencies, return the Company to positive Adjusted EBITDA[1] and to form the basis for the path to positive cash flow and long-term profitable growth. In the second quarter of Fiscal 2023, the Company reached positive Adjusted EBITDA and positive Net Income, while improving cash flows significantly and bolstering its cash balance. The Company's ability to continue as a going concern is dependent on initiatives, including Project Blue Ocean, continuing to being realized and/or potentially on its ability to secure additional financing to meet anticipated cash needs for working capital and capital expenditures as required. As a result and in the context of the Blue Ocean initiatives and current status of the Company's financing needs, there exists a material uncertainty about the Company's ability to continue as a going concern.

All amounts herein are expressed in Canadian dollars unless otherwise indicated.

In this MD&A, references to "we", "our", "Goodfood" or the "Company" refer to Goodfood Market Corp. and its wholly owned subsidiaries.

Management determines whether information is material based on whether they believe a reasonable investor's decision to buy, sell or hold securities of the Company would likely be influenced or changed should the information be omitted or misstated, and discloses material information accordingly.

The information in this MD&A is current to April 12, 2023, unless otherwise noted.

[1] Please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A for corresponding definitions.

KEY FINANCIAL HIGHLIGHTS

This section provides a summary of our financial performance for the second quarter and year-to-date of Fiscal 2023 compared to the same period in 2022. We present metrics and measures to help investors better understand our performance, including certain metrics and measures which are not recognized by IFRS. Definitions of these non-IFRS financial measures are provided in the "Metrics and Non-IFRS Financial Measures" section of this MD&A and are important metrics to be considered when analyzing our performance. For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "Metrics and Non-IFRS Financial Measures – Reconciliation" section of this MD&A.

HIGHLIGHTS OF THE SECOND QUARTER OF 2023 COMPARED TO THE SECOND QUARTER OF 2022

- Net sales were $42.0 million, a decrease of $31.3 million, or 43% compared to the same quarter last year.
- Gross margin totalled 40.7%, an increase of 16.7 percentage points and gross profit of $17.1 million decreased by $0.5 million or 3% compared to the same quarter last year. Gross margin and gross profit include $0.6 million of inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted gross margin[1] which excludes the $0.6 million charge of inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery totalled 42.2%, an increase of 18.2 percentage points and adjusted gross profit[1] of $17.7 million increased by $0.2 million or 0.9% compared to the same quarter last year.
- Net income was $0.1 million compared to a net loss of $20.6 million. As a result of Blue Ocean initiatives, net income includes a $2.8 million of reorganization and other related gains as well as a charge of $0.6 million related to the inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted EBITDA margin[1] was 7.2%, an improvement of 25.7 percentage points compared to the same quarter last year.
- Cash flows used in operating activities totalled $4.4 million, an improvement of $9.3 million compared to the same quarter last year.
- Adjusted free cash flow[1] totalled negative $2.2 million, an improvement of $25.1 million compared to the same quarter last year.
- Active customers[1] of 124,000 compared to 246,000 for the same quarter in 2022.

HIGHLIGHTS OF 2023 YEAR-TO-DATE COMPARED TO THE SAME PERIOD OF 2022

- Net sales were $89.2 million, a decrease of $62.0 million, or 41% compared to the same period last year.
- Gross margin totalled 38.0%, an increase of 14.0 percentage points and gross profit of $33.9 million decreased by $2.4 million or 7% compared to the same period last year. Gross margin and gross profit include $1.2 million of inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted gross margin[1] which excludes the $1.2 million charge of inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery totalled 39.4%, an increase of 15.4 percentage points and adjusted gross profit[1] of $35.1 million decreased by $1.1 million or 3% compared to the same period last year.
- Net loss was $11.6 million compared to $42.3 million in the same period in 2022. As a result of Blue Ocean initiatives, net loss includes a $1.7 million of reorganization and other related gains as well as a

[1] Please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A for corresponding definitions.

charge of $1.2 million related to the inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery.

- Adjusted EBITDA[1] margin was 0.8%, an improvement of 19.4 percentage points compared to the same period last year.
- Cash flows used in operating activities totalled $10.5 million, an improvement of $22.1 million compared to the same period last year.
- Adjusted free cash flow[1] totalled negative $7.0 million, an improvement of $49.4 million compared to the same period last year.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, assumptions, estimates and intentions, including, without limitation, statements in the "Financial Outlook" section of the MD&A. This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", and "continue", as well as the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical trends, current condition and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail under "Risk Factors" in the Company's Annual Information Form for the 52 weeks ended September 3, 2022 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow and net losses, going concern risk, food industry including current industry inflation levels, COVID-19 pandemic impacts and the appearance of COVID variants, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood's reputation, transportation disruptions, storage and delivery of perishable foods, product liability, unionization activities, consolidation trends, ownership and protection of intellectual property, evolving industry, reliance on management, failure to attract or retain key employees which may impact the Company's ability to effectively operate and meet its financial goals, factors which may prevent realization of growth targets, inability to effectively react to changing consumer trends, competition, availability and quality of raw materials, environmental and employee health and safety regulations, the inability of the Company's IT infrastructure to support the requirements of the Company's business, online security breaches, disruptions and denial of service attacks, reliance on data centers, open source license compliance, future capital requirements, operating risk and insurance coverage, management of growth, limited number of products, conflicts of interest, litigation, catastrophic events, risks associated with payments from customers and third parties, being accused of infringing intellectual property rights of others and, climate change and environmental risks. This is not an exhaustive list of risks that may affect the Company's forward-looking statements. Other risks not presently known to the Company or that the Company believes are not significant could also cause actual results to differ materially from those expressed in its forward-looking statements. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning the availability of capital resources, business performance, market conditions, and customer demand.

In addition, net sales and operating results could be impacted by changes in the overall economic condition in Canada and by the continuing inflationary pressures and by the impact these conditions could have on consumer discretionary spending. Fears of a looming recession, increases in interest rates, uncertainty surrounding the COVID-19 pandemic, continuing supply chain disruptions, increased input costs are expected to have a continuing significant impact on our economic condition that could materially affect our financial condition, results of operations and cash flows.

Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

METRICS AND NON-IFRS FINANCIAL MEASURES

The table below defines metrics and non-IFRS financial measures used by the Company throughout this MD&A. Non-IFRS financial measures do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. They are provided as additional information to complement IFRS measures and to provide a further understanding of the Company's results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS and should be read in conjunction with the consolidated financial statements for the periods indicated.

In the second quarter of Fiscal 2023, the Company added the free cash flow metric to assess financial strength and liquidity as well as how much cash is available to invest in growth opportunities, to finance its ongoing operations and to service its debt. Adjusted free cash flow was also added as a metric to measure financial and liquidity performance without the variations that could potentially distort the trends in our liquidity performance primarily related to reorganization activities.

Metrics	Definitions
Active customers	An active customer is a customer that has placed an order within the last three months. For greater certainty, an active customer is only accounted for once, although different products and multiple orders might have been purchased within a quarter. While the active customers metric is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we believe that the active customers metric is a useful metric for investors because it is indicative of potential future net sales. The Company reports the number of active customers at the beginning and end of the period, rounded to the nearest thousand.
Adjusted gross profit & Adjusted gross margin	Adjusted gross profit is defined as gross profit excluding the impact of the discontinuance of products related to Goodfood On-Demand offering pursuant to the Company's Blue Ocean initiative. Adjusted gross margin is defined as the percentage of adjusted gross profit to net sales. The Company uses adjusted gross profit and adjusted gross margin to measure its performance from one period to the next excluding the variation caused by the items described above. Adjusted gross profit and adjusted gross margin are non-IFRS financial measures. We believe that these metrics are useful measures of financial performance to assess how efficiently the Company uses its resources to service its customers as well as to assess underlying trends in our ongoing operations without the variations caused by the impacts of strategic initiatives such as the items described above and facilitates the comparison across reporting periods.

	Please refer to the "Metrics and non-IFRS financial measures – reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.
EBITDA, **Adjusted EBITDA** **&** **Adjusted EBITDA margin**	EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes. Adjusted EBITDA is defined as EBITDA excluding share-based payments expense, the impact of the inventories write-downs due to the discontinuance of products related to Goodfood On-Demand offering, impairment of non-financial assets and reorganization and other related costs pursuant to the Company's Blue Ocean initiative. Adjusted EBITDA margin is defined as the percentage of adjusted EBITDA to net sales. EBITDA, adjusted EBITDA, and adjusted EBITDA margin are non-IFRS financial measures. We believe that EBITDA, adjusted EBITDA, and adjusted EBITDA margin are useful measures of financial performance to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its debt. They also allow comparisons between companies with different capital structures. We also believe that these metrics are useful measures of financial performance to assess underlying trends in our ongoing operations without the variations caused by the impacts of the items described above and facilitates the comparison across reporting periods. Please refer to the "Metrics and non-IFRS financial measures – reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.
Free cash flow **&** **Adjusted free cash flow**	Free cash flow is defined as net cash used in or provided by operating activities less additions to fixed assets and additions to intangible assets. This measure allows us to assess financial strength and liquidity as well as to assess how much cash is generate and available to invest in growth opportunities, to finance its ongoing operations and to service its debt. It also allows comparisons between companies with different capital structures. Adjusted free cash flow is defined as free cash flow excluding cash payments made to costs related to reorganization activities. We believe that adjusted free cash flow is a useful measure when comparing between companies with different capital structures by removing variations caused by the impacts of the items described above. We also believe that this metric is a useful measure of financial and liquidity performance to assess underlying trends in our ongoing operations without the variations caused by the impacts of the items described above and facilitates the comparison across reporting periods. Please refer to the "Metrics and non-IFRS financial measures – reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.
Total net (debt) cash **Total net (debt) cash to total capitalization**	Total net (debt) cash is a non-IFRS measure that measures how much total cash the Company has after taking into account its total debt. Total cash include cash and cash equivalents. Total debt includes the current and long-term portions of the debt as well as the liability component of the convertible debentures. We believe that the total net (debt) cash measure is a useful measure to assess the Company's overall financial position and its ability to service its debt. Total net (debt) cash to total capitalization is a non-IFRS measure that is calculated as total net (debt) cash over total capitalization. Total capitalization is measured as total debt plus shareholder's equity. We believe this non-IFRS financial ratio to be a useful measure to assess the Company's financial leverage. Please refer to the "Liquidity and capital resources" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measure.

COMPANY OVERVIEW

WHO WE ARE AND OUR VISION

Goodfood (TSX: FOOD) is a leading digitally native meal solutions brand in Canada, delivering fresh meals and add-ons that make it easy for customers from across Canada to enjoy delicious meals at home every day. The Goodfood team is building Canada's most loved millennial food brand, with the mission to create experiences that spark joy and help our community live longer on a healthier planet. Goodfood customers have access to uniquely fresh and delicious products, as well as exclusive pricing, made possible by its world-class culinary team and direct-to-consumer infrastructures and technology. Goodfood is passionate about connecting its partner farms and suppliers to its customers' kitchens while eliminating food waste and costly retail overhead.

OUR OPERATIONS

The Company's main production facility and administrative offices are based in Montreal, Québec with additional locations in the provinces of Ontario and Alberta.

As part of our Blue Ocean initiative, we simplified our Western operations by consolidating our British Columbia production facility into our Calgary facility. Together, our Montreal and Calgary facilities serve the whole of Canada. In addition, we concluded a strategic review of our Goodfood On-Demand delivery model including the micro fulfillment centers ("MFCs") and announced the closing of all our MFCs and the shutdown of our wider 30-minute on-demand offering. Our go-forward strategy is centered on building the Goodfood brand through our weekly meal plans and add-ons nationally, providing approximately 300 Goodfood branded products, as well as increasing flexibility and access to our products over time.

The following table provides a summary of our operating locations, as at April 11, 2023:

	Total number of locations	Administrative offices	Distribution and manufacturing centres	Fulfillment facilities
Greater Montreal Area (Quebec)	1	X	X	X
Greater Toronto Area (Ontario)	1			X
Calgary (Alberta)	1		X	X

FINANCIAL OUTLOOK

Goodfood's core purpose is to create experiences that spark joy and help our community live longer on a healthier planet. As a food brand with a strong following from Canadians coast to coast, we are focused on growing the Goodfood brand through our meal solutions including meal kits and prepared meals, with a range of exciting Goodfood branded add-ons to be explored and complete a unique food experience for customers.

Meal kits are estimated to have reached approximately $1 billion dollar in size in Canada as part of the $144 billion Canadian Grocery industry, with roughly 8.4% of households subscribed to a meal kit service (see Annual Information Form for additional details). We believe that consumers' willingness to simplify their weekly meal planning combined with their desire for joyful, exciting, and nourishing food experiences at home while reducing food waste provides for significant room to increase online food delivery penetration. With a future household penetration of 20%, the market for weekly meal plans including meal kits, prepared meals and add-ons in Canada could reach approximately $3 billion in the coming years and Goodfood is well positioned to capture a significant share of that market.

To capture an outsized share of the meal solutions market, Goodfood has launched exciting initiatives that are aimed at attracting a broader set of customers, generating more orders, and increasing basket sizes. To attract new customers and enhance their stickiness, we are investing in our digital product – our mobile application and web platform – in order to drive improved conversions and retention. With an updated customer platform, we also aim for our product innovation to play a key role in our growth trajectory. We are collaborating with some of Canada's top restaurants and chefs to create unique recipes our customers can only find on Goodfood. To further grow our household penetration, we are exploring broadening our product offering and distribution channels, including the potential addition of a wider range of ready-to-eat products, a discount offering, and distribution partnerships. Our focus has now shifted to growing our business and doing so profitably, and to achieve that, our teams are executing on the highest-return opportunities.

To maximize the reach of our exciting initiatives, we invest in efficient, data-driven, and highly targeted marketing strategies to capture new customers with solid profitability metrics, to increase order frequency and to grow basket sizes through effective cross-selling. Now that we have delivered on our goal to return to Adjusted EBITDA[1] profitability and improved cash flows, growing these two metrics in the coming quarters and years is likely to be driven by top-line growth and that is where our focus is increasingly shifting with platform, product and marketing initiatives.

Despite recent challenges (see the discussions in the "Basis of Presentation" section of the MD&A including material uncertainty regarding our ability to continue as a going concern), our strategic execution to drive profitability and cash flows continues to bear fruit, underpinned by consistent improvement in Adjusted EBITDA[1] which has now turned positive. Coupled with our unrelenting focus on nurturing our customer relationships, profitable growth remains our top priority. The Goodfood team is fully focused on building and growing Canada's most loved millennial food brand.

FISCAL 2023 AT A GLANCE

$12.675 million private placement

In February 2023, the Company announced it closed an offering of $12.675 million aggregate principal amount of 12.5% convertible unsecured subordinated debentures of the Company due February 6, 2028, at a price of $1,000 per Debenture, by way of non-brokered private placement. The total investment consists of $10 million from Investissement Québec and $2.675 million from management, Board members and existing shareholders. Please refer to the "Convertible debentures" sub-section of the "Liquidity and capital resources" section of the MD&A.

New Credit Facility

In December 2022, the Company announced it reached an agreement for an amended and restated credit agreement with its existing syndicate providing bank financing totalling $9.5 million. The facilities include a $5 million term loan, a $2.5 million revolving credit facility, and $2 million in additional short-term financing and come to maturity in November 2023. The facilities feature updated financial conditions, including cash and financing related covenants. As such, Goodfood is no longer in breach of covenants. Please refer to the "Debt" sub-section of the "Liquidity and capital resources" section of the MD&A.

[1] Please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A for corresponding definitions.

METRICS AND NON-IFRS FINANCIAL MEASURES – RECONCILIATION

We present certain metrics to assist investors in better understanding our performance, including metrics which are not measures recognized by IFRS. Definitions of these non-IFRS financial measures are provided in the "Metrics and Non-IFRS Financial Measures" section at the beginning of this MD&A and are important metrics to be considered when analyzing our performance.

ACTIVE CUSTOMERS

	For the 13 weeks ended		For the 26 weeks ended	
	March 4, 2023	March 5, 2022	**March 4, 2023**	March 5, 2022
Active customers, beginning of period	**148,000**	254,000	**157,000**	249,000
Net change in active customers	**(24,000)**	(8,000)	**(33,000)**	(3,000)
Active customers, end of period	**124,000**	246,000	**124,000**	246,000

ADJUSTED GROSS PROFIT AND ADJUSTED GROSS MARGIN

The reconciliation of gross profit to adjusted gross profit and adjusted gross margin is as follows:

(In thousands of Canadian dollars, except percentage information)

	For the 13 weeks ended		For the 26 weeks ended	
	March 4, 2023	March 5, 2022	**March 4, 2023**	March 5, 2022
Gross profit	**$ 17,114**	$ 17,595	**$ 33,873**	$ 36,243
Discontinuance of products related to on-demand offering	**631**	–	**1,274**	–
Adjusted gross profit	**$ 17,745**	$ 17,595	**$ 35,147**	$ 36,243
Net sales	**$ 42,043**	$ 73,377	**$ 89,191**	$ 151,198
Gross margin	**40.7%**	24.0%	**38.0%**	24.0%
Adjusted gross margin (%)	**42.2%**	24.0%	**39.4%**	24.0%

For the 13 weeks ended March 4, 2023, the adjusted gross profit increased by $0.2 million primarily due to lower costs of goods sold. The increase in adjusted gross margin of 18.2% can be explained mainly by improved food, production and packaging costs as a percentage of net sales costs driven by efficiencies gained as part of Project Blue Ocean as well as lower credit and incentives as a percentage of sales. Lower credits and incentives can be explained in part by the Company's focus on attracting and retaining customers that require lower incentives. The improved adjusted gross margin was partly offset by a lower net sales base.

For the 26 weeks ended March 4, 2023, the adjusted gross profit decreased by $1.1 million primarily due to a decrease in net sales partially offset by lower costs of goods sold mainly in food, production and packaging costs. The increase in adjusted gross margin of 15.4% can be explained by lower food, production and packaging costs as a percentage of net sales costs driven by efficiencies gained as part of Project Blue Ocean as well as lower credit and incentives as a percentage of sales. Lower credits and incentives can be explained in part by the Company's focus on attracting and retaining customers that require lower incentives.

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The reconciliation of net loss to EBITDA, adjusted EBITDA and adjusted EBITDA margin is as follows:

(In thousands of Canadian dollars, except percentage information)

	For the 13 weeks ended		For the 26 weeks ended	
	March 4, 2023	March 5, 2022	**March 4, 2023**	March 5, 2022
Net income (loss)	**$ 98**	$ (20,640)	**$ (11,610)**	$ (42,250)
Net finance costs	**1,470**	1,056	**3,040**	1,960
Depreciation and amortization	**2,856**	4,282	**6,625**	7,222
Deferred income tax recovery	**(72)**	(1,559)	**(61)**	(1,532)
EBITDA	**$ 4,352**	$ (16,861)	**$ (2,006)**	$ (34,600)
Share-based payments expense	**794**	1,984	**3,087**	3,337
Discontinuance of products related to on-demand offering	**631**	–	**1,274**	–
Reorganization and other related (gains) costs	**(2,769)**	1,293	**(1,650)**	3,105
Adjusted EBITDA	**$ 3,008**	$ (13,584)	**$ 705**	$ (28,158)
Net sales	**$ 42,043**	$ 73,377	**$ 89,191**	$ 151,198
Adjusted EBITDA margin (%)	**7.2%**	(18.5)%	**0.8%**	(18.6)%

For the 13 weeks ended March 4, 2023, adjusted EBITDA margin improved by 25.7 percentage points compared to the corresponding period in 2022 mainly driven by stronger adjusted gross margin and lower selling, general and administrative expenses due to a lower salary base and other Project Blue Ocean initiatives. The improved adjusted EBITDA margin was partly offset by a lower net sales base.

For the 26 weeks ended March 4, 2023, adjusted EBITDA margin improved by 19.4 percentage points compared to the corresponding period in 2022 mainly driven by stronger adjusted gross margin and lower selling, general and administrative expenses mainly due to a lower salary base and other Project Blue Ocean initiatives. The improved adjusted EBITDA margin was partly offset by a lower net sales base.

FREE CASH FLOW AND ADJUSTED FREE CASH FLOW

The reconciliation of net cash flows from operating activities to free cash flow and adjusted free cash flow is as follows:

(In thousands of Canadian dollars, except percentage information)

	For the 13 weeks ended		For the 26 weeks ended	
	March 4, 2023	March 5, 2022	**March 4, 2023**	March 5, 2022
Net cash used in operating activities	**$ (4,417)**	$ (13,692)	**$ (10,492)**	$ (32,614)
Additions to fixed assets	**(3)**	(13,924)	**(689)**	(24,734)
Additions to intangible assets	**(494)**	(1,015)	**(620)**	(2,019)
Free cash flow	**$ (4,914)**	$ (28,631)	**$ (11,801)**	$ (59,367)
Payments related for discontinuance of products related to on-demand offering	**127**	–	**127**	–
Payments made for reorganization and other related costs	**2,576**	1,293	**4,694**	2,979
Adjusted free cash flow	**$ (2,211)**	(27,338)	**(6,980)**	(56,388)

For the 13 weeks ended March 4, 2023, adjusted free cash flow improved by $24.9 million compared to the corresponding period in 2022 mainly driven by a net income in the 2023 period compared to a net loss in the corresponding 2022 period and lower additions to fixed assets as new facility roll-outs were concluded in Fiscal 2022. Included in the net cash used in operating activities is $2.7 million spent on reorganization and other related costs such as facility closures and head count reduction costs as well as costs related to the discontinuance of on-demand grocery products.

For the 26 weeks ended March 4, 2023, adjusted free cash flow improved by $46.8 million compared to the corresponding period in 2022 mainly driven by lower net loss, lower additions to fixed assets as new facility roll-outs were concluded in Fiscal 2022 as well as proceeds on disposal of non-financial assets received mainly in the first quarter of 2023. Included in the net cash used in operating activities is $4.8 million spent on reorganization and other related costs such as facility closures and head count reduction costs as well as costs related to the discontinuance of on-demand grocery products.

RESULTS OF OPERATIONS – SECOND QUARTER OF FISCAL 2023 AND 2022

The following table sets forth the components of the Company's consolidated statement of income (loss) and comprehensive income (loss):

(In thousands of Canadian dollars, except per share and percentage information)

For the 13 weeks periods ended		**March 4, 2023**		March 5, 2022		($)	(%)
Net sales	**$**	**42,043**	$	73,377	$	(31,334)	(43)%
Cost of goods sold		**24,929**		55,782		(30,853)	(55)%
Gross profit	**$**	**17,114**	$	17,595	$	(481)	(3)%
Gross margin		**40.7%**		24.0%		N/A	16.7 p.p.
Selling, general and administrative expenses		**15,531**		33,163		(17,632)	(53)%
Depreciation and amortization		**2,856**		4,282		(1,426)	(33)%
Reorganization and other related (gains) costs		**(2,769)**		1,293		(4,062)	(314)%
Net finance costs		**1,470**		1,056		414	39%
Income (loss) before income taxes	**$**	**26**	$	(22,199)	$	22,225	(100)%
Deferred income tax recovery		**(72)**		(1,559)		1,487	(95)%
Net income (loss), being comprehensive income (loss)	**$**	**98**	$	(20,640)	$	20,738	(100)%
Basic and diluted income (loss) per share	**$**	**–**	$	(0.28)	$	0.28	(100)%

VARIANCE ANALYSIS FOR THE SECOND QUARTER OF 2023 COMPARED TO SECOND QUARTER OF 2022

- The decrease in net sales is mainly driven by the Company's focus on attracting and retaining customers that provide higher gross margins, in part by requiring lower credits and incentives, also by changing customer behaviours as well as the Company's decision to discontinue its on-demand offering. The decrease in net sales is partially offset by an increase in average order value.
- The decrease in gross profit primarily resulted from a decrease in net sales partially offset by improved food, production and packaging costs as a percentage of net sales costs driven by improved efficiencies as well as lower credit and incentives as a percentage of sales.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries and marketing spend driven primarily by the Company's Blue Ocean initiatives. Selling, general and administrative expenses as a percentage of net sales decreased from 45.2% to 36.9 %.
- The decrease in depreciation and amortization expense is mainly due to the reduction in fixed assets and right-of-use assets in relation to Blue Ocean initiatives.
- Reorganization and other related gains in the second quarter of Fiscal 2023 mainly consist of gains on termination of leases partially offset by headcount reduction costs.
- The increase in net finance costs is mainly due to the Company's $30 million convertible debenture issued in February 2022 partially offset by lower interest on debt and lease obligations due to a lower debt balance and lower lease obligations in relation to Blue Ocean initiatives.

- The net income was $0.1 million in the second quarter of 2023 compared to a net loss of $20.6 million in the same quarter last year. The improvement is mainly due to lower wages and salaries in cost of good sold and in selling, general and administrative expenses as well as lower food costs and lower marketing spend partially offset by lower gross profit mainly driven by lower sales.

RESULTS OF OPERATIONS – YEAR-TO-DATE FISCAL 2023 AND 2022

The following table sets forth the components of the Company's consolidated statement of loss and comprehensive loss:

(In thousands of Canadian dollars, except per share and percentage information)

For the 26 weeks periods ended		March 4, 2023		March 5, 2022		($)	(%)
Net sales	$	**89,191**	$	151,198	$	(62,007)	(41)%
Cost of goods sold		**55,318**		114,955		(59,637)	(52)%
Gross profit	$	**33,873**	$	36,243	$	(2,370)	(7)%
Gross margin		**38.0%**		24.0%		N/A	14.0 p.p.
Selling, general and administrative expenses		**37,529**		67,738		(30,209)	(45)%
Depreciation and amortization		**6,625**		7,222		(597)	(8)%
Reorganization and other related (gains) costs		**(1,650)**		3,105		(4,755)	(153)%
Net finance costs		**3,040**		1,960		1,080	55%
Loss before income taxes	$	**(11,671)**	$	(43,782)	$	32,111	73%
Deferred income tax recovery		**(61)**		(1,532)		1,471	96%
Net loss, being comprehensive loss	$	**(11,610)**	$	(42,250)	$	30,640	73%
Basic and diluted loss per share	$	**(0.15)**	$	(0.56)	$	0.41	73%

VARIANCE ANALYSIS FOR THE YEAR-TO-DATE 2023 COMPARED TO SAME PERIOD OF 2022

- The decrease in net sales is primarily driven by the Company's focus on attracting and retaining customers that provide higher gross margins, in part by requiring lower credits and incentives, also by changing customer behaviours as well as the Company's decision to discontinue its on-demand offering. The decrease in net sales is partially offset by an increase in average order value.
- The decrease in gross profit primarily resulted from a decrease in net sales partially offset by lower food costs and production costs as a percentage of net sales costs driven by improved efficiencies as well as lower credit and incentives as a percentage of sales.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries and marketing spend driven primarily by the Company's Blue Ocean initiatives. Selling, general and administrative expenses as a percentage of net sales decreased from 44.8% to 42.1%.
- The decrease in depreciation and amortization expense is mainly due to the reduction in fixed assets and right-of-use assets in relation to Blue Ocean initiatives.
- Reorganization and other related gains incurred mainly consist of gains on termination of leases partially offset by loss on disposal of non-financial assets and headcount reduction costs.
- The increase in net finance costs is mainly due to the Company's $30 million convertible debentures issued in February 2022.
- The decrease in net loss is mainly due to lower wages and salaries in cost of good sold and in selling, general and administrative expenses as well as lower food costs and lower marketing spend partially offset by lower gross profit mainly driven by lower sales.

FINANCIAL POSITION

The following table provides the main variances in the Company's consolidated statement of financial position:

(In thousands of Canadian dollars)

As at	March 4, 2023	September 3, 2022	Variance	Main components
Cash and cash equivalents	**$ 28,116**	$ 36,885	$ (8,769)	Mainly due to repayment of long-term debt, net loss and payments to suppliers partially offset by proceeds from private placement issuance and proceeds on disposal of non-financial assets
Inventories	**3,938**	6,884	(2,946)	Due to lower net sales, discontinuance of products related to on-demand inventory and improvement in inventory management process
Assets held for sale	**115**	3,654	(3,539)	Mainly due to disposal of assets held for sale related to Project Blue Ocean
Fixed assets	**13,108**	18,408	(5,300)	Mainly due to disposal and write-offs of fixed assets related to Project Blue Ocean and depreciation
Right-of-use assets	**23,756**	55,419	(31,663)	Mainly due to derecognition of right-of-use assets for terminated leases related to Project Blue Ocean
Accounts payable and accrued liabilities	**17,519**	27,104	(9,585)	Mainly due to lower sales base and lower salaries and benefits accrual
Debt	**5,208**	11,743	(6,535)	Due to repayment of debt upon reaching an agreement to amend the credit agreement
Lease obligations, including current portion	**27,708**	69,209	(41,501)	Mainly due to derecognition of lease obligations for terminated leases related to Project Blue Ocean
Convertible debentures, liability component	**40,068**	27,469	12,599	Mainly due to private placement convertible debenture issuance

LIQUIDITY AND CAPITAL RESOURCES

This section examines the Company's capital structure, sources of liquidity and various financial instruments, including its debt instruments.

CAPITAL STRUCTURE

(In thousands of Canadian dollars, except percentage information)

As at		March 4, 2023		September 3, 2022
Long-term debt, including current portion		**5,208**		11,743
Convertible debentures, liability component		**40,068**		27,469
Total debt	**$**	**45,276**	$	39,212
Shareholders' deficiency		**(19,368)**		(11,178)
Total capitalization	**$**	**25,908**	$	28,034
Cash and cash equivalents	**$**	**28,116**	$	36,885
Total net debt [(1)]	**$**	**17,160**	$	2,327
Total net debt to total capitalization [(1)]		**66.2%**		8.3%

(1) For the definition of these Non-IFRS financial measures, please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A.

Goodfood's total net debt increased by $14.8 million and total net debt to total capitalization increased by 57.9 percentage points mainly due to the 2023 Debenture issuance as well as the 26 weeks period ended March 4, 2023net loss and lower cash and cash equivalents.

CAPITAL MANAGEMENT

The Company's objective in managing its capital structure is to ensure sufficient liquidity to finance its operations and growth and to deliver competitive returns on invested capital. To fund its activities, the Company has relied on public and private placements of equity securities and convertible debentures, as well as short-term or long-term debt.

In the fourth quarter of Fiscal 2022, the Company entered into a tolerance letter with its lenders as a result of a failure to meet certain financial covenants. In the second quarter of Fiscal 2023, the Company reached an agreement to amend the syndicated credit agreement with its existing lenders providing bank financing of $9.5 million. The facilities include a $5.0 million term loan, a $2.5 million revolving credit facility, and $2.0 million in additional short-term financing and come to maturity in November 2023. The facilities feature updated financial conditions, including minimum cash balance and financing related covenants with which the Company is in compliance.

The Company's ability to continue as a going concern is dependent upon management's initiatives, including Project Blue Ocean, continuing to being realized and/or potentially upon its ability to secure financing to meet anticipated cash needs for working capital and capital expenditures as required. However, there can be no assurance that the Company will be able to achieve its stated goals or that it will generate the necessary cash flows or obtain additional financing or what the terms of such financing might be. As a result, material uncertainty currently exists with respect to our ability to continue as a going concern. That risk has been substantially mitigated this quarter through operational and financial achievements that led to profitability and improved cash flows. The following details initiatives completed or ongoing to reduce our liquidity risk:

- We raised $12.7 million from the issuance of convertible debentures in the second quarter of Fiscal 2023;
- We simplified our footprint leading to terminating leases and to consolidation of production in two facilities in Montreal and Calgary;
- We aligned our workforce with scale leading to significant headcount reductions;

- In the second quarter of Fiscal 2023, we achieved our highest gross margin at 42% increasing from 24.0% for the same quarter last year, an 18 percentage points increase;
- We achieved positive net income in the 13 weeks ended March 4, 2023 and expect positive Adjusted EBITDA in the following quarters;
- We are working through Blue Ocean initiatives to drive efficiencies to continue to achieve and grow our gross margin and adjusted EBITDA and to form the basis for the path to positive cash flow and long-term profitable growth;
- We continue to evaluate and examine other financing options.

CASH FLOWS

A summary of net cash flows by activity for the 13 weeks ended March 4, 2023 and March 5, 2022 is presented below:

(In thousands of Canadian dollars)

For the 13 weeks ended		March 4, 2023		March 5, 2022		Variance
Cash flows provided by (used in) operations, excluding change in non-cash operating working capital	**$**	**83**	$	(14,802)	$	14,885
Change in non-cash operating working capital		**(4,500)**		1,110	$	(5,610)
Net cash flows used in operating activities	**$**	**(4,417)**	$	(13,692)	$	9,275
Net cash flows used in investing activities		**(44)**		(14,866)		14,822
Net cash flows provided by financing activities		**4,024**		29,513		(25,489)
Net change in cash and cash equivalents	**$**	**(437)**	$	955	$	(1,392)
Cash and cash equivalents, beginning of period		**28,553**		104,768		(76,215)
Cash and cash equivalents, end of period	**$**	**28,116**	$	105,723	$	(77,607)

Net cash flows used in operating activities improved by $9.3 million for the second quarter 2023 compared to the same period last year primarily due to a lower net loss before non-cash expenses partially offset by an unfavorable change in non-cash operating working capital due to lower accounts payable and accrued liabilities resulting from lower net sales volume.

Net cash flows used in investing activities improved by $14.8 million for the second quarter 2023 compared to the same period last year primarily due to lower fixed assets additions in 2023 as facility roll-outs were concluded in Fiscal 2022.

Net cash flows provided by financing activities decreased by $25.5 million for the second quarter 2023 compared to the same period last year primarily due to lower proceeds from issuance of convertible debenture in the second quarter of 2023 and repayment of debt in the second quarter of 2023.

A summary of net cash flows by activity for the 26 weeks ended March 4, 2023 and March 5, 2022 is presented below:

(In thousands of Canadian dollars)

For the 26 weeks ended		March 4, 2023		March 5, 2022		Variance
Cash flows used in operations, excluding change in non-cash operating working capital	**$**	**(4,934)**	$	(31,260)	$	26,326
Change in non-cash operating working capital		**(5,558)**		(1,354)	$	(4,204)
Net cash flows used in operating activities	**$**	**(10,492)**	$	(32,614)	$	22,122
Net cash flows provided by (used in) investing activities		**1,813**		(26,478)		28,291
Net cash flows (used in) provided by financing activities		**(90)**		39,280		(39,370)
Net change in cash and cash equivalents	**$**	**(8,769)**	$	(19,812)	$	11,043
Cash and cash equivalents, beginning of period		**36,885**		125,535		(88,650)
Cash and cash equivalents, end of period	**$**	**28,116**	$	105,723	$	(77,607)

Net cash flows used in operating activities improved by $22.1 million during the 26 weeks of 2023 compared to the same period last year primarily due to a lower net loss before non-cash expenses partially offset by an unfavorable change in non-cash operating working capital due to lower accounts payable and accrued liabilities resulting from lower net sales volume.

Net cash flows provided by investing activities were $1.8 million during the 26 weeks of 2023 compared to net cash flows used in investing activities of $26.5 million in the comparable period of 2022. This is a year-over-year positive variance of $28.3 million which is primarily due to lower fixed assets additions in 2023 as new facility roll-outs were concluded in Fiscal 2022 as well as proceeds on disposal of non-financial assets received mainly in the first quarter of 2023. Net cash flows provided by investing activities during the 26 weeks of 2023 included $1.3 million of cash flows used for additions to fixed asset and intangible assets compared to $26.8 million in the same period last year.

Net cash flows used in financing activities were $0.1 million during the 26 weeks of 2023 compared to net cash flows provided by financing activities of $39.3 million in the comparable period of 2022. This is a year-over-year negative variance of $39.4 million which is primarily due to lower proceeds from issuance of convertible debenture in 2023 and proceeds from the drawdown of the revolving facility in 2023 compared to 2022.

DEBT

During the second quarter ended March 4, 2023, the Company reached an agreement to amend the syndicated credit agreement (Credit Facility 2021) with its existing lenders providing bank financing of $9.5 million. The facilities include a $5.0 million term loan, a $2.5 million revolving credit facility, and $2.0 million in additional short-term financing. The facilities bear variable interest rates of BA plus 4.50% and mature in November 2023. The facilities feature updated financial conditions, including minimum cash balance and financing related covenants. The term loan is repayable in quarterly installments of $313 thousand with a bullet repayment of the balance of $4.1 million at the end of the term in November 2023. The revolving facility matures in November 2023. As at March 4, 2023, $0.6 million of the revolving facility was drawn. The total drawn credit facility is presented as a current liability.

CONVERTIBLE DEBENTURES

2023 Debentures

On February 6, 2023, the Company issued 12,675 convertible unsecured subordinated debentures (the "2023 Debentures") at a price of $1,000 per Debenture for gross proceeds of $12.7 million. The 2023 Debentures mature on February 6, 2028 (the "Maturity Date") and bear a fixed interest rate of 12.5% per annum. The interest portion for the period commencing on the issuance date and ending in February 2025 will be capitalized semi-annually and convertible at a price equal to the volume weighted average trading price of the Common Shares on the TSX for the five (5) consecutive trading days ending on the date on which such interest portion becomes due, plus a premium of 50%. As of February 6, 2025 and until the Maturity Date, the interest portion will be payable semi-annually in cash. Factoring in the 2023 Debentures issuance costs, the effective interest rate on the Debentures is 13.6%.

The 2023 Debentures are convertible into common shares of the Company at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified for redemption by the Company at a price of $0.75 (the "Conversion Price") per common share.

As of February 6, 2026, Goodfood may repurchase the non-converted portion of a 2023 Debenture at an amount of the principal and accrued interest plus an amount providing the holder with an internal rate of return (IRR) equal to 18% for the period during which such Debenture will have been outstanding. The holders may require a repurchase on the same terms upon a change of control of the Company.

The 2023 Debentures are direct, subordinated unsecured obligations of the Company, subordinated to any senior indebtedness of the Company, including the Company's credit facility, and ranking equally with one another and with all other existing and future subordinated unsecured indebtedness of the Company to the extent subordinated on the same terms. The Company intends to use the net proceeds from the Offering to complete Project Blue Ocean initiatives and for general corporate purposes.

In connection with the issuance of the 2023 Debentures, 2,675 Debentures were purchased by the Board members and key management personnel at a price of $1,000 per Debenture. These transactions were recorded at the amount of consideration paid as established and agreed to by the related parties.

As at March 4, 2023, 12,675 of 2023 Debentures were outstanding at a price of $1,000 per Debenture.

2022 Debentures

In Fiscal 2022, the Company issued 30,000 convertible unsecured subordinated debentures (the "2022 Debentures") at a price of $1,000 per Debenture for gross proceeds of $30 million. The Debentures mature on March 31, 2027 and bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on March 31 and September 30 of each year, commencing September 30, 2022. Factoring in the 2022 Debentures issuance costs, the effective interest rate on the 2022 Debentures is 12.6%. The Debentures are convertible into common shares of the Company at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified for redemption by the Company at a conversion price of $4.60 per common share.

On or after March 31, 2025, and prior to March 31, 2026, provided that the volume weighted average trading price of the Company's common shares on the TSX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price, the 2022 Debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest. On or after March 31, 2026, and prior to the Maturity Date, the 2022 Debentures may be redeemed in whole or in part at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

As at March 4, 2023, 29,046 of 2022 Debentures (September 3, 2022 – 29,256 of 2022 Debentures) were outstanding at a price of $1,000 per Debenture.

2020 Debentures

In Fiscal 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "2020 Debentures") at a price of $1,000 per Debenture for gross proceeds of $30 million. The 2020 Debentures mature on March 31, 2025 and bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on March 31 and September 30 of each year, commencing on September 30, 2020. Factoring in the 2020 Debentures issuance costs, the effective interest rate on the 2020 Debentures is 11.76%. The 2020 Debentures are convertible into common shares of the Company at any time at the option of the holder at a conversion price of $4.70. Starting on March 31, 2023, under certain conditions, the debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest.

As at March 4, 2023, 6,232 of 2020 Debentures (September 3, 2022 – 6,232 of 2020 Debentures) were outstanding at a price of $1,000 per Debenture.

COMMON SHARES

Transactions that took place during the 13 and 26 weeks ended March 4, 2023 were as follows:

- Nil stock options were exercised;
- 1,192,387 and 1,216,843 restricted share units vested, respectively, and the same number of common shares were issued;
- 814 and 5,371 employee share purchases vested, respectively, and the same number of common shares were issued; and
- Nil and 210 Debentures were converted into 45,652 common shares, respectively.

SELECTED QUARTERLY FINANCIAL INFORMATION

The table below presents selected quarterly financial information for the last eight fiscal quarters:

(In thousands of Canadian dollars, except active customers and per share and percentage information)

	Fiscal 2023		Fiscal 2022				Fiscal 2021	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Active customers [(1)]	**124,000**	148,000	157,000	211,000	246,000	254,000	249,000	296,000
Net sales	**$ 42,043**	$ 47,148	$ 50,357	$ 67,031	$ 73,377	$ 77,821	$ 79,358	$ 107,795
Gross profit	**17,114**	16,759	14,256	17,556	17,595	18,648	18,153	37,732
Gross margin	**40.7%**	35.6%	28.3%	26.2%	24.0%	24.0%	22.9%	35.0%
Discontinuance of products related to on-demand offering	**631**	643	1,194	–	–	–	–	–
Adjusted Gross profit [(1)]	**17,745**	17,402	15,450	17,556	17,595	18,648	18,153	37,732
Adjusted Gross margin [(1)]	**42.2%**	36.9%	30.7%	26.2%	24.0%	24.0%	22.9%	35.0%
Net income (loss)	**$ 98**	$ (11,708)	$ (58,408)	$ (21,103)	$ (20,640)	$ (21,610)	$ (22,123)	$ (2,333)
Net finance costs	**1,470**	1,570	1,677	1,596	1,056	904	524	431
Depreciation and amortization	**2,856**	3,769	4,853	5,220	4,282	2,940	2,176	2,318
Deferred income tax (recovery) expense	**(72)**	11	39	(2)	(1,559)	27	97	61
EBITDA [(1)]	**$ 4,352**	$ (6,358)	$ (51,839)	$ (14,289)	$ (16,861)	$ (17,739)	$ (19,326)	$ 477
Share-based payments	**794**	2,293	1,472	1,177	1,984	1,353	1,587	869
Discontinuance of products related to on-demand offering	**631**	643	1,194	–	–	–	–	–
Impairment of non-financial assets	**–**	–	46,085	–	–	–	–	–
Reorganization and other related (gains) costs	**(2,769)**	1,119	1,160	2,477	1,293	1,812	–	–
Adjusted EBITDA [(1)]	**$ 3,008**	$ (2,303)	$ (1,928)	$ (10,635)	$ (13,584)	$ (14,574)	$ (17,739)	$ 1,346
Adjusted EBITDA margin [(1)]	**7.2%**	(4.9)%	(3.8)%	(15.9)%	(18.5)%	(18.7)%	(22.4)%	1.2%
Basic and diluted income (loss) per share [(2)]	**–**	(0.16)	(0.78)	(0.28)	(0.28)	(0.29)	(0.31)	(0.03)

(1) For the definition of these Non-IFRS financial measures, please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A.

(2) The sum of basic and diluted income (loss) per share on a quarterly basis may not equal basic and diluted income (loss) per share on a year-to-date basis due to rounding.

Quarter-over-quarter variations in net sales were caused by the various factors including the following:

- introduction of on-demand grocery offering in late Fiscal 2021 and the shutdown of this offering in late Fiscal 2022;
- seasonality which is the strongest in the second quarter due to the winter holidays and the fourth quarter due to summer months, when the number of active customers and order rate trend lower;
- impacts of COVID-19 and economic conditions which led to a shift in customer ordering behaviors during the pandemic and after COVID-19 restrictions were eased;
- marketing campaigns and customer incentives;
- fluctuations in inflation.

Quarter-over-quarter variations in net income (loss) were caused by the various factors including the following:

- introduction of on-demand grocery offering in late Fiscal 2021 and the shutdown of this offering in late Fiscal 2022 which led to fluctuating net losses as high cost of product, fulfillment and delivery eroded gross margin;
- seasonality which is the strongest in the fourth quarter due to summer months and the second quarter due to the winter holidays, when the number of active customers and order rate trend lower and can result in lower operating margins;
- impacts of COVID-19 and post-pandemic economic conditions which led to inflationary pressures partially offset by increase in basket prices;
- marketing campaigns and customer incentives;
- costs saving measures adopted from the Company's Project Blue Ocean initiatives which led to a reduction in headcount and operating efficiencies in its gross profit and selling, general and administrative expenditures as well as additional reorganization and impairment charges throughout Fiscal 2022 quarters and Fiscal 2023.

TRENDS AND SEASONALITY

The Company's net sales and expenses are impacted by seasonality. During the winter holiday season and the summer season, the Company anticipates net sales to be lower as a higher proportion of customers elect to skip their delivery. The Company generally anticipates the number of active customers to be lower during these periods. During periods with warmer weather, the Company anticipates packaging costs to be higher due to the additional packaging required to maintain food freshness and quality. The Company also anticipates food costs to be positively affected due to improved availability during periods with warmer weather.

FINANCIAL RISK MANAGEMENT

CREDIT RISK

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligation. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk is primarily attributable to its cash and cash equivalents and accounts and other receivables. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk is limited given that the Company deals with major North American financial institutions and an internationally established payment processor.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's long-term debt and revolving facility bear interest at variable rates which are determined by a base rate set by the lender plus a margin. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in lenders' base rates. The Company did not enter into an interest rate swap. Refer to the "Liquidity and Capital Resources" section of this MD&A. As interest rates on Debentures are fixed, the Company is not exposed to interest rate risk on those instruments.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The Company monitors its risk of shortage of funds by monitoring forecasted and actual cash flows and maturity dates of existing financial liabilities and commitments and is actively managing its capital to ensure a sufficient liquidity position to finance its general and administrative, working capital and overall capital expenditures. However, the Company concluded that material uncertainty exists with respect to the Company's ability to continue as a going-concern for at least the next twelve months to realize its assets and satisfy its liabilities in the normal course of operations as they come due.

In order to address and mitigate these uncertainties, the Company will rely on Blue Ocean initiatives, a review of its operations and overall business to drive efficiencies, continue to achieve positive Adjusted EBITDA and to form the basis for the path to positive cash flow and long-term profitable growth. There can be no assurance that the Company will be successful in achieving positive results. Please refer to the "Basis of Presentation" section of the MD&A.

BUSINESS RISK

For a detailed discussion of business risk factors, please refer to the Company's Annual Information Form for the 52 weeks ended September 3, 2022 available on SEDAR at www.sedar.com.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

Goodfood has commitments under purchase and service contract obligations with various expiration dates. There have been no material changes to these obligations since September 3, 2022.

FINANCIAL INSTRUMENTS

The Company's financial instruments primarily consist of cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities, long-term debt and Debentures.

INVESTMENT POLICY

The Company invests its excess cash with varying terms to maturity selected with regards to the expected timing of investments or expenditures for continuing operations.

FINANCIAL COVENANTS

As discussed in the "Liquidity and Capital Resources" section of the MD&A, the Company secured a credit facility that includes financial covenants which may restrict the Company's ability to pursue future transactions or opportunities. As at the end of the second quarter of Fiscal 2023, the Company was in compliance with these financial covenants.

SHARE-BASED PAYMENTS

A stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, directors and officers. The plan provides for the granting of stock options to purchase common shares where at any given time the number of stock options reserved for issuance is equal to 10% of the Company's issued and outstanding common shares, less any shares reserved for issuance under the restricted share unit plan. Under the plan, stock options generally vest over a period of three or four years and expire eight years from the grant date.

A restricted share unit plan (the "RSU Plan") was established by the Company to attract and retain employees, officers and directors. The RSU Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the Company's issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan. Under the plan, RSUs generally vest over a period of three years.

OUTSTANDING SHARE DATA

As at	April 11, 2023	March 4, 2023	September 3, 2022
Common shares outstanding [1]	**76,706,796**	**76,402,242**	75,233,027
Debentures outstanding [2] [3]	**24,525,957**	**24,525,957**	7,550,638
Stock options outstanding	**3,608,605**	**3,756,885**	3,262,799
Stock options exercisable	**2,041,088**	**2,109,818**	1,865,747
Restricted share units outstanding	**1,893,978**	**1,924,244**	2,000,716

(1) As at April 11, 2023 and March 4, 2023, 280,796 and 262,021 common shares held in trust through the employee share purchase plan (September 3, 2022 – 171,829 common shares) were included in the common shares outstanding.
(2) As at April 11, 2023 and March 4, 2023, 35,278 Debentures (September 3, 2022 – 35,488 Debentures) were outstanding which are convertible into 7,505,957 common shares of the Company, respectively, at a conversion price of $4.70. Please refer to the "Debt" subsection of the "Liquidity and Capital Resources" section of this MD&A.
(3) As at April 11, 2023 and March 4, 2023, 12,675 Debentures (September 3, 2022 – nil) were outstanding which are convertible into 17,020,000 common shares of the Company, respectively, at a conversion price of $0.75. Please refer to the "Debt" subsection of the "Liquidity and Capital Resources" section of this MD&A.

USE OF PROCEEDS FROM PUBLIC OFFERINGS

FEBRUARY 2022 CONVERTIBLE DEBENTURES PUBLIC OFFERING

On February 11, 2022, the Company completed a public offering and issued $30 million of convertible debentures for net proceeds of $28 million.

The following table compares the estimated use of proceeds presented in the Company's final short-form prospectus dated February 4, 2022 with the actual use of proceeds as at March 4, 2023. Pursuant to the shutdown of its Goodfood On-Demand offering and the closing of all its MFCs as part of its Blue Ocean initiatives, the Company used the remaining proceeds of this public offering to fund general corporate purposes including leases and Blue Ocean initiatives.

(In thousands of Canadian dollars)

	Actual use of proceeds	Estimated use of proceeds	Variance
Micro-Fulfillment Related Capital Expenditures	$ 1,735	$ 9,500	$ (7,765)
Micro-Fulfillment Centres Start-Up Costs Including Leases [1]	2,830	9,500	(6,670)
General corporate purposes	23,497	9,223	14,274
Remaining as at March 4, 2023	–	N/A	–
Total net proceeds	28,062	28,223	(161)
Debentures issuance costs	1,938	1,777	161
Gross proceeds	$ 30,000	$ 30,000	$ –

(1) Start-up costs includes costs incurred before the launch of a micro-fulfillment centre as well as expenses related to opening and ramping up the micro-fulfillment centre. Pursuant to the shutdown of Goodfood On-demand offering in the fourth quarter of Fiscal 2022, all lease payments as of the first quarter of Fiscal 2023 are included in general corporate purposes regardless of type of facility.

SEGMENT REPORTING

The Company has one reportable segment as our principal business activity is focused on developing and servicing the online meal-kit and grocery add-on market.

DIVIDEND POLICY

Since its incorporation, the Company has not paid any dividend on its common shares. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The Company's significant judgements, estimates and assumptions are the same as those that were applied to the Company's consolidated financial statements for the year ended September 3, 2022.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 C*ertification of Disclosure in Issuers' Annual and Interim Filings*, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer ("Certifying Officers") that, among other things, report on the design of disclosure controls and procedures ("DC&P") and the design of internal control over financial reporting ("ICFR").

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made during the second quarter of Fiscal 2023 to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.