Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the 13 weeks and 39 weeks ended June 3, 2023

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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 subsidiary (the "Company" or "Goodfood") for the 13 and 39 weeks ended June 3, 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 39 weeks ended June 3, 2023. Please also refer to Goodfood's press release announcing its results for the 13 and 39 weeks ended June 3, 2023 issued on July 18, 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.

In addition, the Company mostly completed 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 third quarter of Fiscal 2023, the Company reached positive adjusted EBITDA[1] for a second consecutive quarter, while improving cash flows significantly and reaching positive free cash flow[1].

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 July 18, 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 third 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 THIRD QUARTER OF 2023 COMPARED TO THE THIRD QUARTER OF 2022

- Net sales were $42.1 million, a decrease of $24.9 million, or 37% compared to the same quarter last year.
- Gross margin reached 41.0%, an increase of 14.8 percentage points, with gross profit at $17.3 million, a slight decrease of $0.3 million or 2% compared to the same quarter last year despite net sales declining by 37%.
- Net loss was $1.2 million, an improvement of $19.9 million compared to the same quarter last year. As a result of Blue Ocean initiatives, net income includes $0.4 million of reorganization and other related costs.
- Adjusted EBITDA margin[11] was 7.8%, an improvement of 23.7 percentage points compared to the same quarter last year.
- Net cash flows provided by operating activities totalled $3.1 million compared to net cash flows used in operating activities of $13.6 million, an improvement of $16.7 million compared to the same quarter last year.
- Strong adjusted free cash flow[1] at positive $4.1 million compared to a negative adjusted free cash flow of $18.7 million, an improvement of $22.8 million compared to the same quarter last year.
- Active customers[1] of 119,000 compared to 211,000 for the same quarter in 2022.

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

- Net sales were $131.3 million, a decrease of $86.9 million, or 40% compared to the same period last year.
- Gross margin reached 39.0%, an increase of 14.3 percentage points and gross profit of $51.2 million decreased by $2.6 million or 5% compared to the same period last year. Gross margin and gross profit include $1.3 million of inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted gross margin[1] which excludes the $1.3 million charge for inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery totalled 39.9%, an increase of 15.2 percentage points and adjusted gross profit[1] of $52.4 million decreased by $1.4 million or 3% compared to the same period last year.
- Net loss was $12.8 million compared to $63.4 million in the same period in 2022. As a result of Blue Ocean initiatives, net loss includes a $1.3 million of reorganization and other related gains as well as a charge of $1.3 million related to inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted EBITDA[1] margin was 3.0%, an improvement of 20.8 percentage points compared to the same period last year.
- Net cash flows used in operating activities was $7.4 million, an improvement of $38.8 million compared to the same period last year.

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

- Adjusted free cash flow[1] was negative $2.8 million, an improvement of $72.2 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** **&**	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

Adjusted EBITDA margin	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.

Together, our Montreal and Calgary facilities serve the whole of Canada, aligned with our go-forward strategy centered around building the Goodfood brand through our weekly meal plans and add-ons nationally, providing Goodfood branded grocery and ready-to-eat products, as well as increasing flexibility and access to our products over time.

The following table provides a summary of our operating locations:

	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.

The online meal solutions market continues to grow rapidly and meal kits are now estimated to have reached approximately $1 billion dollar in size in Canada as part of the $144 billion Canadian Grocery industry. Globally, the meal kit market is estimated by Vantage Research to reach US$51.2 billion by 2030, growing at an 18.2% CAGR (Vantage Research, July 2023). With roughly only 8.4% of households subscribed to a meal kit service (see Annual Information Form for details), we believe there is substantial runway for additional penetration of meal kits into Canadian households. 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.

Before scaling our efforts to capture an outsized share of the meal solutions market, our focus has been and continues to be on further improving and growing cash flows. We are pleased to have now reported two consecutive quarters of positive adjusted EBITDA[1] and have driven adjusted free cash flows[1] in positive territory to the tune of $4 million in the third quarter alone. Having improved adjusted EBITDA[1] and adjusted free cash flows[1] by $14 million and $23 million, respectively, on the back of lower net sales highlights the cost discipline we have shown in improving our operational efficiency and selling, general and administrative reduction. This turnaround, enabled in large part by our team's execution of Project Blue Ocean, positions Goodfood ideally to turn its focus to growth and fund its growth with internally generated cash flows. The stable net sales this quarter – increasing by $0.1 million compared to the second quarter of this year – provide a template and launchpad to return Goodfood to consistent growth during Fiscal 2024.

During Fiscal 2024, Goodfood will focus on three key growth drivers: 1) customer growth, 2) order frequency increase, and 3) basket size enhancement.

To grow our customer base, the first step is building customer acquisition cost efficiencies to enable adding more customers to the Goodfood platform every week with the same investment. In recent months, we have completed a thorough review of our acquisition channels and tested various data-driven strategies that have driven initial improvements to acquisition costs in the third quarter. Moreover, we have made and continue to make investments in our digital product to elevate the customer experience by reducing friction and enhancing ease of signups. Combined with reactivations of previous Goodfood members, these customer growth initiatives will look to broaden our base of customers, with our focus continuing to be on the profitability of new customers.

To enhance our order frequency, we have further built our loyalty VIP program, which rewards our best customers with exclusive discounts, live events and a dedicated customer service experience. In addition to enticing our most loyal customers, we are increasing the diversity of our recipe and ingredient offering to provide additional choices to enhance order rate. With a focus on *Better-for-You* products like organic chicken breasts and paleo and keto meals combined with a growing selection of ready-to-eat meals and exciting upcoming partnerships with first-rate restaurants, we plan on offering an exciting and mouth-watering selection to customers to drive consistently increasing order frequency.

The dollar-value of the baskets our customers are building is also increasing and we are building a differentiated set of meal kits, ready-to-eat meals and add-ons to provide Canadians with an exciting online meal solutions option and increasingly capture a larger share of their food wallet. With the recent launch of our discovery bundles including our Block Party BBQ and Italian Discovery we aim to bring customers through a culinary journey that will aim to drive larger baskets purchased on Goodfood. In addition, we will soon be providing more choice of proteins to our customers, with the upcoming launch of customization and upsells within our meal-kit recipes allowing customers to swap or double the proteins included in their chosen recipes. With these initiatives, we aim to provide customers with an array of options to easily make their baskets bigger.

In addition to focusing on these three key drivers of top-line growth, we will continue to explore the potential for multi-channel partnerships that can broaden Goodfood's customer reach and resilience.

To maximize the reach of our growth initiatives, we first improved the economics of our customer acquisition cost and customer metrics and, beginning in the first quarter of next fiscal year, will invest in efficient, data-driven, and highly targeted marketing strategies to capture new customers with solid profitability metrics.

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

Now that we have delivered on our goal to return to adjusted EBITDA[1] profitability and that cash flows are positive in the third quarter, 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, building a frictionless platform, product diversity, customer retention and efficient marketing initiatives.

With the steps we have taken and progress made in overcoming recent challenges, our strategic execution to drive profitability and cash flows continues to bear fruit, underpinned by consistent improvement in adjusted EBITDA[1] and cash flows. 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 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.

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 39 weeks ended	
	June 3, 2023	June 4, 2022	June 3, 2023	June 4, 2022
Active customers, beginning of period	124,000	246,000	157,000	249,000
Net change in active customers	(5,000)	(35,000)	(38,000)	(38,000)
Active customers, end of period	119,000	211,000	119,000	211,000

Active customers decreased by 5,000 and 38,000 for the 13 and 39 weeks ended June 3, 2023. Our focus on attracting and retaining active customers with enhanced ordering and profitability patterns has led to current active customers displaying improved order frequency and average order value compared to same periods last year. Please refer to the "Financial Outlook" section of this MD&A for a discussion on growth.

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

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 39 weeks ended	
	June 3, 2023	June 4, 2022	June 3, 2023	June 4, 2022
Gross profit	$ 17,286	$ 17,556	$ 51,159	$ 53,799
Discontinuance of products related to on-demand offering	(1)	–	1,273	–
Adjusted gross profit	$ 17,285	$ 17,556	$ 52,432	$ 53,799
Net sales	$ 42,139	$ 67,031	$ 131,330	$ 218,229
Gross margin	41.0%	26.2%	39.0%	24.7%
Adjusted gross margin (%)	41.0%	26.2%	39.9%	24.7%

For the 13 weeks ended June 3, 2023, the adjusted gross profit decreased slightly by $0.3 million primarily due to lower net sales partially offset by operational efficiencies driving lower food and production costs. The increase in adjusted gross margin of 14.8 percentage points can be explained mainly by improved food, production, packaging and shipping costs as a percentage of net sales 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 39 weeks ended June 3, 2023, the adjusted gross profit decreased by $1.4 million primarily due to lower net sales partially offset by lower costs of goods sold mainly in food, production and packaging costs. The increase in adjusted gross margin of 15.2 percentage points can be explained by lower food, production, packaging and shipping costs as a percentage of net sales costs driven by efficiencies gained as part of Project Blue Ocean.

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 39 weeks ended	
	June 3, 2023	June 4, 2022	June 3, 2023	June 4, 2022
Net loss	$ (1,164)	$ (21,104)	$ (12,774)	$ (63,354)
Net finance costs	1,329	1,596	4,369	3,556
Depreciation and amortization	2,206	5,220	8,831	12,442
Deferred income tax recovery	–	(2)	(61)	(1,534)
EBITDA	$ 2,371	$ (14,290)	$ 365	$ (48,890)
Share-based payments expense	544	1,177	3,631	4,514
Discontinuance of products related to on-demand offering	(1)	–	1,273	–
Reorganization and other related costs (gains)	370	2,477	(1,280)	5,582
Adjusted EBITDA	$ 3,284	$ (10,636)	$ 3,989	$ (38,794)
Net sales	$ 42,139	$ 67,031	$ 131,330	$ 218,229
Adjusted EBITDA margin (%)	7.8%	(15.9)%	3.0%	(17.8)%

For the 13 weeks ended June 3, 2023, adjusted EBITDA margin improved by 23.7 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 39 weeks ended June 3, 2023, adjusted EBITDA margin improved by 20.8 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 39 weeks ended	
	June 3, 2023	June 4, 2022	June 3, 2023	June 4, 2022
Net cash provided by (used in) operating activities	$ 3,100	$ (13,560)	$ (7,392)	$ (46,174)
Additions to fixed assets	(9)	(6,156)	(698)	(30,890)
Additions to intangible assets	(202)	(751)	(822)	(2,770)
Free cash flow	$ 2,889	$ (20,467)	$ (8,912)	$ (79,834)
Payments related to discontinuance of products related to on-demand offering	184	–	312	–
Payments made to reorganization and other related costs	1,058	1,757	5,752	4,796
Adjusted free cash flow	$ 4,131	(18,710)	(2,848)	(75,038)

For the 13 weeks ended June 3, 2023, adjusted free cash flow improved by $22.8 million compared to the corresponding period in 2022 mainly driven by lower net loss in the third quarter of 2023 compared to same corresponding 2022 period resulting primarily from lower salary base and other Project Blue Ocean initiatives and lower additions to fixed assets as new facility roll-outs were concluded in Fiscal 2022.

For the 39 weeks ended June 3, 2023, adjusted free cash flow improved by $72.2 million compared to the corresponding period in 2022 mainly driven by lower net loss resulting primarily from lower salary base and other Project Blue Ocean initiatives, 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.

RESULTS OF OPERATIONS – THIRD QUARTER OF FISCAL 2023 AND 2022

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

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

For the 13 weeks periods ended	June 3, 2023	June 4, 2022	($)	(%)
Net sales	$ 42,139	$ 67,031	$ (24,892)	(37)%
Cost of goods sold	24,853	49,475	(24,622)	(50)%
Gross profit	$ 17,286	$ 17,556	$ (270)	(2)%
Gross margin	41.0%	26.2%	N/A	14.8p.p.
Selling, general and administrative expenses	14,545	29,369	(14,824)	(50)%
Depreciation and amortization	2,206	5,220	(3,014)	(58)%
Reorganization and other related costs	370	2,477	(2,107)	(85)%
Net finance costs	1,329	1,596	(267)	(17)%
Loss before income taxes	$ (1,164)	$ (21,106)	$ 19,942	94%
Deferred income tax recovery	–	(2)	2	(100)%
Net loss, being comprehensive loss	$ (1,164)	$ (21,104)	$ 19,940	94%
Basic loss per share	$ (0.02)	$ (0.28)	$ 0.26	93%

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

- The decrease in net sales is mainly driven by lower active customers and the Company's decision to discontinue its on-demand offering partially offset by an increase in average order value. The decrease in active customers is mainly driven by the Company's focus on attracting and retaining customers that provide higher gross margins and by changing customer behaviours.
- The decrease in gross profit primarily resulted from a decrease in net sales mostly offset by improved production, food and shipping costs as a percentage of net sales costs driven by improved efficiencies.
- 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 43.8% to 34.5 %.
- 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.
- The decrease in reorganization and other related costs mainly consist of lower external advisor fees and lower headcount reduction costs as the Company completes its Blue Ocean initiatives.
- The decrease in net finance costs is mainly due to lower interest expense on debt and lease obligations due to a lower debt balance and lower lease obligations in relation to Blue Ocean initiatives partially offset by higher interest on the Debentures as the Company issued convertible debenture in February 2023.
- Despite the decrease in net sales compared to same quarter last year, net loss has improved significantly. This 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.

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

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

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

For the 39 weeks periods ended	June 3, 2023	June 4, 2022	($)	(%)
Net sales	$ 131,330	$ 218,229	$ (86,899)	(40)%
Cost of goods sold	80,171	164,430	(84,259)	(51)%
Gross profit	$ 51,159	$ 53,799	$ (2,640)	(5)%
Gross margin	39.0%	24.7%	N/A	14.3p.p.
Selling, general and administrative expenses	52,074	97,107	(45,033)	(46)%
Depreciation and amortization	8,831	12,442	(3,611)	(29)%
Reorganization and other related (gains) costs	(1,280)	5,582	(6,862)	(123)%
Net finance costs	4,369	3,556	813	23%
Loss before income taxes	$ (12,835)	$ (64,888)	$ 52,053	80%
Deferred income tax recovery	(61)	(1,534)	1,473	(96)%
Net loss, being comprehensive loss	$ (12,774)	$ (63,354)	$ 50,580	80%
Basic and diluted loss per share	$ (0.17)	$ (0.85)	$ 0.68	80%

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

- The decrease in net sales is primarily driven by lower active customers, the Company's decision to discontinue its on-demand offering partially offset by an increase in average order value. The decrease in active customers is mainly driven by the Company's focus on attracting and retaining customers that provide higher gross margins also by changing customer behaviours.
- The decrease in gross profit primarily resulted from a decrease in net sales mainly offset by lower production costs and food costs as a percentage of net sales costs driven by improved efficiencies.
- 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 44.5% to 39.7%.
- 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 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 partially offset by lower interest expense on lease obligations in relation to Blue Ocean initiatives.
- Although net sales have decreased compared to same period last year, net loss has improved significantly. This improvement is mainly due to the reduction in selling, general and administrative expenses driving by Project Blue Ocean initiatives as well as improved gross margin driven by improved operational efficiencies.

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	June 3, 2023	September 3, 2022	Variance	Main components
Cash and cash equivalents	$ 28,368	$ 36,885	$ (8,517)	Mainly due to repayment of long-term debt, net loss and payments to suppliers partially offset by proceeds from issuance of convertible debentures and proceeds on disposal of non-financial assets
Inventories	3,551	6,884	(3,333)	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	12,059	18,408	(6,349)	Mainly due to disposal and write-offs of fixed assets related to Project Blue Ocean and depreciation
Right-of-use assets	11,649	55,419	(43,770)	Mainly due to derecognition of right-of-use assets for terminated leases related to Project Blue Ocean
Accounts payable and accrued liabilities	18,407	27,104	(8,697)	Mainly due to lower sales base and lower salaries and benefits accrual
Debt (1)	4,322	11,743	(7,421)	Mainly due to repayment of debt upon reaching an agreement to amend the credit agreement
Lease obligations, including current portion (2)	14,237	69,209	(54,972)	Mainly due to derecognition of lease obligations for terminated leases related to Project Blue Ocean
Convertible debentures, liability component (3)	40,920	27,469	13,451	Mainly due to private placement convertible debenture issuance

(1) Please refer to "Capital Management" sub-section of the "Liquidity and Capital Resources" section of the MD&A for repayment details.

(2) The following are the contractual undiscounted cash flows from lease obligations: $3.5 million repayable less than one year (September 3, 2022 - $11.0 million), $10.6 million repayable within one to five years (September 3, 2022 - $40.8 million) and $1.8 million repayable more than 5 years (September 3, 2022 - $28.0 million).

(3) Please refer to "Convertible Debentures" sub-section of the "Liquidity and Capital Resources" section of the MD&A for repayment details.

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	June 3, 2023	September 3, 2022
Long-term debt, including current portion	4,322	11,743
Convertible debentures, liability component	40,920	27,469
Total debt	$ 45,242	$ 39,212
Shareholders' deficiency	(20,010)	(11,178)
Total capitalization	$ 25,232	$ 28,034
Cash and cash equivalents	$ 28,368	$ 36,885
Total net debt (1)	$ 16,874	$ 2,327
Total net debt to total capitalization (1)	66.9%	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 $14.5 million and total net debt to total capitalization increased by 58.6 percentage points mainly due to the 2023 Debenture issuance as well as the 39 weeks period ended June 3, 2023 net 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 in part relied on public and private placements of equity securities and convertible debentures, as well as short-term or long-term debt. The Company has also generated positive cash flows from operations and free cash flows this quarter, providing capital structure flexibility.

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 following details some initiatives completed or ongoing to improve our liquidity:

- 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 and third quarter of Fiscal 2023, we achieved strong gross margin both quarters at 41%. For the third quarter of Fiscal 2023, gross margin increased by 15 percentage points;
- We achieved positive net income in the second quart of Fiscal 2023 and achieved positive adjusted EBITDA[1] in both the second and third quarter of Fiscal 2023;
- We achieved positive adjusted free cash flow[1] in the third quarter of Fiscal 2023;
- We completed 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.

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

CASH FLOWS

A summary of net cash flows by activity for the 13 weeks ended June 3, 2023 and June 4, 2022 is presented below:

(In thousands of Canadian dollars)

For the 13 weeks ended	June 3, 2023	June 4, 2022	Variance
Cash flows provided by (used in) operations, excluding change in non-cash operating working capital	$ 1,598	$ (13,245)	$ 14,843
Change in non-cash operating working capital	1,502	(315)	$ 1,817
Net cash flows provided by (used in) operating activities	$ 3,100	$ (13,560)	$ 16,660
Net cash flows provided by (used in) investing activities	94	(6,729)	6,823
Net cash flows (used in) provided by financing activities	(2,942)	13,415	(16,357)
Net change in cash and cash equivalents	$ 252	$ (6,874)	$ 7,126
Cash and cash equivalents, beginning of period	28,116	105,723	(77,607)
Cash and cash equivalents, end of period	$ 28,368	$ 98,849	$ (70,481)

Net cash flows provided by operating activities were $3.1 million for the third quarter 2023 compared to net cash flows used in operating activities of $13.6 million in the comparable period of 2022. This is a year-over-year positive variance of $16.6 million primarily due to a lower net loss before non-cash expenses as well as a favorable change in non-cash operating working capital due to a positive change in accounts payable and accrued liabilities resulting from lower supplier payments during the third quarter 2023.

Net cash flows provided by investing activities were $0.1 million for the third quarter 2023 compared to net cash flows used in investing activities of $6.7 million in the comparable period of 2022. This is a year-over-year positive variance of $6.8 million primarily due to lower fixed assets additions in 2023 as facility roll-outs were concluded in Fiscal 2022.

Net cash flows used in financing activities were $2.9 million for the third quarter 2023 compared to net cash flows provided by financing activities of $13.4 million in the comparable period of 2022. This is a year-over-year negative variance of $16.4 million primarily due to proceeds from the drawdown of the revolving facility in the third quarter of Fiscal 2022.

A summary of net cash flows by activity for the 39 weeks ended June 3, 2023 and June 4, 2022 is presented below:

(In thousands of Canadian dollars)

For the 39 weeks ended	June 3, 2023	June 4, 2022	Variance
Cash flows used in operations, excluding change in non-cash operating working capital	$ (3,332)	$ (44,505)	$ 41,173
Change in non-cash operating working capital	(4,060)	(1,669)	$ (2,391)
Net cash flows used in operating activities	$ (7,392)	$ (46,174)	$ 38,782
Net cash flows provided by (used in) investing activities	1,907	(33,207)	35,114
Net cash flows (used in) provided by financing activities	(3,032)	52,695	(55,727)
Net change in cash and cash equivalents	$ (8,517)	$ (26,686)	$ 18,169
Cash and cash equivalents, beginning of period	36,885	125,535	(88,650)
Cash and cash equivalents, end of period	$ 28,368	$ 98,849	$ (70,481)

Net cash flows used in operating activities improved by $38.8 million during the 39 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. The change in non-cash operating working capital is due to lower accounts payable and accrued liabilities resulting from lower net sales volume partially offset by lower inventories mainly resulting from lower net sales and discontinuance of products related to on-demand inventory.

Net cash flows provided by investing activities were $1.9 million during the 39 weeks of 2023 compared to net cash flows used in investing activities of $33.2 million in the comparable period of 2022. This is a year-over-year positive variance of $35.1 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 39 weeks of 2023 included $1.5 million of cash flows used for additions to fixed asset and intangible assets compared to $33.7 million in the same period last year.

Net cash flows used in financing activities were $3.0 million during the 39 weeks of 2023 compared to net cash flows provided by financing activities of $52.7 million in the comparable period of 2022. This is a year-over-year negative variance of $55.7 million which is primarily due to lower proceeds from issuance of convertible debenture in 2023 and lower proceeds from the drawdown of the revolving facility in 2023 compared to 2022.

DEBT

During the second quarter of Fiscal 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 Company will aim to extend the maturity of the term loan before it comes to maturity. The revolving facility matures in November 2023. As at June 3, 2023, no amount was drawn from the revolving facility. 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 13.5%.

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 has used and intends on continuing 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 June 3, 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 June 3, 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 June 3, 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 39 weeks ended June 3, 2023 were as follows:

- Nil stock options were exercised;
- 128,494 and 1,345,337 restricted share units vested, respectively, and the same number of common shares were issued;
- 3,105 and 8,476 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Active customers (1)	**119,000**	124,000	148,000	157,000	211,000	246,000	254,000	249,000
Net sales	**$ 42,139**	$ 42,043	$ 47,148	$ 50,357	$ 67,031	$ 73,377	$ 77,821	$ 79,358
Gross profit	**17,286**	17,114	16,759	14,256	17,556	17,595	18,648	18,153
Gross margin	**41.0%**	40.7%	35.6%	28.3%	26.2%	24.0%	24.0%	22.9%
Discontinuance of products related to on-demand offering	**(1)**	631	643	1,194	–	–	–	–
Adjusted Gross profit (1)	**17,285**	17,745	17,402	15,450	17,556	17,595	18,648	18,153
Adjusted Gross margin (1)	**41.0%**	42.2%	36.9%	30.7%	26.2%	24.0%	24.0%	22.9%
Net (loss) income	**$ (1,164)**	$ 98	$ (11,708)	$ (58,407)	$ (21,104)	$ (20,640)	$ (21,610)	$ (22,123)
Net finance costs	**1,329**	1,470	1,570	1,677	1,596	1,056	904	524
Depreciation and amortization	**2,206**	2,856	3,769	4,853	5,220	4,282	2,940	2,176
Deferred income tax (recovery) expense	**–**	(72)	11	39	(2)	(1,559)	27	97
EBITDA (1)	**$ 2,371**	$ 4,352	$ (6,358)	$ (51,838)	$ (14,290)	$ (16,861)	$ (17,739)	$ (19,326)
Share-based payments	**544**	794	2,293	1,472	1,177	1,984	1,353	1,587
Discontinuance of products related to on-demand offering	**(1)**	631	643	1,194	–	–	–	–
Impairment of non-financial assets	**–**	–	–	46,085	–	–	–	–
Reorganization and other related costs (gains)	**370**	(2,769)	1,119	1,160	2,477	1,293	1,812	–
Adjusted EBITDA (1)	**$ 3,284**	$ 3,008	$ (2,303)	$ (1,927)	$ (10,636)	$ (13,584)	$ (14,574)	$ (17,739)
Adjusted EBITDA margin (1)	**7.8%**	7.2%	(4.9)%	(3.8)%	(15.9)%	(18.5)%	(18.7)%	(22.4)%
Basic and diluted (loss) income per share (2)	**(0.02)**	–	(0.16)	(0.78)	(0.28)	(0.28)	(0.29)	(0.31)

(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 (loss) income per share on a quarterly basis may not equal basic and diluted (loss) income 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 (loss) income 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 term loan 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.

In order to manage its liquidity risk, the Company relies on Blue Ocean initiatives, mostly completed, constantly reviews 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. The Company expects to have sufficient liquidities in order to repay its credit facilities when it becomes due in November 2023.

This assessment could be affected by economic, financial and future competitive factors, and other future events that are beyond the control of the Company. Management's liquidity assessment could be impacted if the actual operational performance is lower than the one used in the forecasted cash flows.

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 third 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	July 17, 2023	June 3, 2023	September 3, 2022
Common shares outstanding (1)	76,484,064	76,488,096	75,233,027
Debentures outstanding (2) (3) (4)	24,540,305	24,540,305	7,550,638
Stock options outstanding	4,030,651	4,212,184	3,262,799
Stock options exercisable	2,197,563	2,162,634	1,865,747
Restricted share units outstanding	2,109,325	2,257,072	2,000,716

(1) As at July 17, 2023 and June 3, 2023, 325,798 and 305,661 common shares held in trust through the employee share purchase plan (September 3, 2022 – 171,829 common shares) were excluded in the common shares outstanding.

(2) As at July 17, 2023 and June 3, 2023, 6,232 2020 Debentures (September 3, 2022 – 6,232 Debentures) were outstanding which are convertible into 1,325,957 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 July 17, 2023 and June 3, 2023, 29,046 2022 Debentures (September 3, 2022 – 29,256 Debentures) were outstanding which are convertible into 6,314,348 common shares of the Company, respectively, at a conversion price of $4.60. Please refer to the "Debt" subsection of the "Liquidity and Capital Resources" section of this MD&A.

(4) As at July 17, 2023 and June 3, 2023, 12,675 2023 Debentures (September 3, 2022 – nil) were outstanding which are convertible into 16,900,000 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.

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 third 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.