

Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the 13 weeks and 52 weeks ended September 2, 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 52 weeks ended September 2, 2023 and should be read in conjunction with our audited annual consolidated financial statements and the accompanying notes for the 52 weeks ended September 2, 2023. Please also refer to Goodfood's press release announcing its results for the 52 weeks ended September 2, 2023 issued on November 22, 2023. Quarterly reports, the Annual Report, and the Annual Information Form can be found on SEDAR+ at www.sedarplus.ca 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 annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the financial information herein was derived from those statements.

During Fiscal 2023, the Company completed its cost reduction initiatives as part of Project Blue Ocean. The cost saving initiatives consisted of a review of its operations and overall business to drive efficiencies, return the Company to positive adjusted EBITDA¹ and to form the basis for the path to consistent positive cash flow and long-term profitable growth.

All amounts herein are expressed in Canadian dollars unless otherwise indicated and all references to 2023 refer to Fiscal 2023 and 2022 refer to Fiscal 2022 unless otherwise indicated.

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

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 November 22, 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 fourth quarter and 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 FOURTH QUARTER OF 2023 COMPARED TO THE FOURTH QUARTER OF 2022

- Net sales were \$37.2 million, a 26% decrease from \$50.4 million compared to the same quarter last year.
- Gross margin reached 38.2%, an increase of 9.9 percentage points, with gross profit at \$14.2 million, flat compared to the same quarter last year despite net sales declining by 26%.
- Net loss was \$3.7 million, an improvement of \$54.7 million compared to the same quarter last year. As a result of Blue Ocean initiatives, net loss includes \$0.8 million of reorganization and other related costs.
- Adjusted EBITDA margin¹ was 1.9%, an improvement of 5.7 percentage points compared to the same quarter last year.
- Net cash flows used in operating activities totalled \$2.0 million, an improvement of \$11.2 million compared to the same quarter last year.
- Adjusted free cash flow¹ was negative \$1.1 million, an improvement of \$10.5 million compared to the same quarter last year.
- Active customers¹ of 116,000 compared to 157,000 for the same quarter last year.

HIGHLIGHTS OF FISCAL 2023 COMPARED TO FISCAL 2022

- Net sales were \$168.6 million, a 37% decrease from \$268.6 million compared to the same period last year.
- Gross margin reached 38.8%, an increase of 13.5 percentage points and gross profit of \$65.4 million decreased by \$2.7 million or 4.0% 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 margin¹ which excludes the \$1.3 million charge for inventories write-downs due to the discontinuance of products related to Goodfood On-Demand grocery totalled 39.5%, an increase of 13.7 percentage points and adjusted gross profit¹ of \$66.7 million decreased by \$1.4 million or 2.1% compared to the same period last year.
- Net loss was \$16.5 million compared to \$121.8 million in the same period last year. As a result of Blue Ocean initiatives, net loss includes \$0.5 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 margin¹ was 2.8%, an improvement of 18.0 percentage points compared to the same period last year.
- Net cash flows used in operating activities was \$9.4 million, an improvement of \$49.6 million compared to the same period last year.
- Adjusted free cash flow¹ was negative \$4.5 million, an improvement of \$86.6 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.

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 2, 2023 available on SEDAR+ at www.sedarplus.ca: limited operating history, negative operating cash flow, going concern risk, food industry including current industry inflation levels, indebtedness and impact upon financial condition, future capital requirements, 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, fulfillment centers and logistics channels, factors which may prevent realization of growth targets, competition, availability and quality of raw materials, environmental and employee health and safety regulations, online security breaches and disruptions, reliance on data centers, open source license compliance, operating risk and insurance coverage, management of growth, limited number and scope of products, conflicts of interest, litigation, food costs and availabilities, 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, as well as an inability to maintain high social responsibility standards could lead to reputational damage and adversely affect our business. 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, as well as 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, continuing supply chain disruptions and 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 (gains) 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

	<p>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.</p> <p>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.</p>
<p>Free cash flow & Adjusted free cash flow</p>	<p>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 the Company to assess its financial strength and liquidity as well as to assess how much cash is generated 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.</p> <p>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.</p>
<p>Total net (debt) cash</p> <p>Total net (debt) cash to total capitalization</p>	<p>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.</p> <p>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 deficiency. We believe this non-IFRS financial ratio to be a useful measure to assess the Company's financial leverage.</p> <p>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.</p>

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 as at November 21, 2023:

	Total number of locations	Administrative offices	Manufacturing centres	Fulfillment facilities
Greater Montreal Area (Quebec)	1	X	X	X
Greater Toronto Area (Ontario)	2	X		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 US\$1.4 billion dollar in size in Canada as part of the C\$123 billion Canadian Grocery industry, with a penetration of only 4.8% of households (see Annual Information Form for details). We believe there is substantial runway for additional penetration of meal kits into Canadian households, as evidenced by industry research estimating the Canadian meal kit market to grow at a 16% CAGR between 2023 and 2027, to reach a market size of US\$2.5 billion. 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.

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

three consecutive quarters and a first full year of positive adjusted EBITDA¹ and have driven an adjusted free cash flow¹ improvement of \$87 million this year in addition to turning in positive adjusted free cash flows¹ in the third quarter to the tune of \$4 million. Having improved adjusted EBITDA¹ and adjusted free cash flows¹ on the back of lower net sales highlights the cost discipline we have shown in improving our operational efficiency and selling, general and administrative expense reductions. This improvement positions Goodfood ideally to turn its focus to growth and to fund this growth with internally generated cash flows.

During Fiscal 2024, Goodfood will focus on key growth pillars to drive growth in top line and, most importantly, in profitability and cash flows: 1) customer growth, 2) order frequency increase, 3) basket size enhancement, and 4) continue to enhance our sustainability practices.

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 and made significant adjustments to our acquisition channels. We have also made and continue to make investments in our digital product to elevate the customer experience by reducing friction and enhancing ease of use. Combined with reactivations of previous Goodfood members, these initiatives have reduced our customer acquisition costs substantially in the fourth quarter and improved the profitability and unit economics of customers as evidenced by the consistently increasing sales generating ability and profitability of our customers.

A key driver that can enhance order frequency is product variety. In addition to launching our VIP program, which rewards high frequency customers, we have increased 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, organic lean ground beef, bison, sustainably raised steelhead trout and paleo and keto meals, combined with exciting partnerships with first-rate restaurants, we plan on offering a growing 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 grocery add-ons to provide Canadians with an exciting online meal solutions option and increasingly capture a larger share of their food wallet. In addition, we have provided and continue to provide more choice of proteins to our customers, with the launch of upsells and upcoming launch of customization 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 meals better and their baskets bigger.

We are also continuously looking to enhance our sustainability initiatives by prioritizing planet-friendly options. Not only do we offer perfectly portioned ingredients that save from food waste, we also constantly look to simplify our supply chain by removing middlemen from farm to kitchen table. This year, we are also offsetting carbon emissions on deliveries and introducing packaging innovations that have helped us to remove the equivalent of 2.4 million plastic bags annually from our deliveries. Our goal is clear, build a business that helps our customers live healthier lives on a healthier planet.

In addition to focusing on these key pillars of top-line growth, we are currently testing the potential for multi-channel partnerships that can broaden Goodfood's customer reach and resilience.

With the steps we have taken, our strategic execution to drive profitability and cash flows continues to bear fruit, underpinned by consistent improvement in adjusted EBITDA¹ and cash flows. Coupled with our

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

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 on November 30, 2023. The facilities feature updated financial conditions, including cash and financing related 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 52 weeks ended	
	September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022
Active customers, beginning of period	119,000	211,000	157,000	249,000
Net change in active customers	(3,000)	(54,000)	(41,000)	(92,000)
Active customers, end of period	116,000	157,000	116,000	157,000

Active customers decreased by 3,000 and 41,000 for the 13 and 52 weeks ended September 2, 2023, respectively. The decrease for the 13 weeks ended September 2, 2023 can be explained mainly by the summer months seasonality as customers spend less time in their kitchen. The decrease for the 52 weeks ended September 2, 2023 is mainly associated with our focus on attracting and retaining active customers with enhanced ordering and profitability patterns. This focus 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.

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 52 weeks ended	
	September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022
Gross profit	\$ 14,221	\$ 14,256	\$ 65,380	\$ 68,055
Discontinuance of products related to on-demand offering	–	1,194	1,273	1,194
Adjusted gross profit	\$ 14,221	\$ 15,450	\$ 66,653	\$ 69,249
Net sales	\$ 37,228	\$ 50,357	\$ 168,558	\$ 268,586
Gross margin	38.2%	28.3%	38.8%	25.3%
Adjusted gross margin (%)	38.2%	30.7%	39.5%	25.8%

For the 13 weeks ended September 2, 2023, the adjusted gross profit decreased by \$1.2 million compared to the same quarter last year despite net sales decreasing by \$13.1 million. This result is primarily due to operational efficiencies driving lower food and production costs as well as sales price adjustments completed throughout the year. The increase in adjusted gross margin of 7.5 percentage points can be explained mainly by improved food, production and shipping costs as a percentage of net sales driven by efficiencies gained as part of the Company's cost reduction initiatives. The improved adjusted gross margin was partly offset by a lower net sales base.

For the 52 weeks ended September 2, 2023, the adjusted gross profit decreased by \$2.6 million compared to last year despite net sales decreasing by \$100.0 million. This decrease is primarily due to lower net sales partially offset by lower costs of goods sold mainly in food, production and shipping costs. The increase in adjusted gross margin of 13.7 percentage points can be explained by lower food, production and shipping costs as a percentage of net sales costs driven by efficiencies gained as part of the Company's cost reduction initiatives as well as sales price adjustments completed throughout the year.

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 52 weeks ended	
	September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022
Net loss	\$ (3,689)	\$ (58,407)	\$ (16,463)	\$ (121,761)
Net finance costs	1,299	1,677	5,668	5,233
Depreciation and amortization	2,006	4,853	10,837	17,295
Deferred income tax expense (recovery)	–	39	(61)	(1,495)
EBITDA	\$ (384)	\$ (51,838)	\$ (19)	\$ (100,728)
Share-based payments expense	278	1,472	3,909	5,986
Discontinuance of products related to on-demand offering	–	1,194	1,273	1,194
Impairment of non-financial assets	–	46,085	–	46,085
Reorganization and other related costs (gains)	812	1,160	(468)	6,742
Adjusted EBITDA	\$ 706	\$ (1,927)	\$ 4,695	\$ (40,721)
Net sales	\$ 37,228	\$ 50,357	\$ 168,558	\$ 268,586
Adjusted EBITDA margin (%)	1.9%	(3.8)%	2.8%	(15.2)%

For the 13 weeks ended September 2, 2023, adjusted EBITDA margin improved by 5.7 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 cost reduction initiatives. The improved adjusted EBITDA margin was partly offset by a lower net sales base.

For the 52 weeks ended September 2, 2023, adjusted EBITDA margin improved by 18.0 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 cost reduction 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)

	For the 13 weeks ended		For the 52 weeks ended	
	September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022
Net cash used in operating activities	\$ (1,958)	\$ (13,114)	\$ (9,350)	\$ (58,981)
Additions to fixed assets	(18)	(4,807)	(716)	(35,880)
Additions to intangible assets	(197)	(41)	(1,019)	(2,561)
Free cash flow	\$ (2,173)	\$ (17,962)	\$ (11,085)	\$ (97,422)
Payments related to discontinuance of products related to on-demand offering	7	–	319	–
Payments made to reorganization and other related costs	1,047	6,319	6,275	6,319
Adjusted free cash flow	\$ (1,119)	(11,643)	(4,491)	(91,103)

For the 13 weeks ended September 2, 2023, adjusted free cash flow improved by \$10.5 million compared to the corresponding period in 2022 mainly driven by lower net loss resulting primarily from lower salary base and other cost reduction initiatives as well as lower investments in capital expenditures as new facility roll-outs were concluded in Fiscal 2022 and Fiscal 2023 was focused on maintenance and technology projects.

For the 52 weeks ended September 2, 2023, adjusted free cash flow improved by \$86.6 million compared to the corresponding period in 2022 mainly driven by lower net loss resulting primarily from lower salary base and other cost reduction initiatives, lower investments in capital expenditures as new facility roll-outs were concluded in Fiscal 2022 and Fiscal 2023 was focused on maintenance and technology projects.

RESULTS OF OPERATIONS – FOURTH QUARTER OF 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 13 weeks periods ended	September 2, 2023	September 3, 2022	(\$)	(%)
Net sales	\$ 37,228	\$ 50,357	\$ (13,129)	(26)%
Cost of goods sold	23,007	36,099	(13,092)	(36)%
Gross profit	\$ 14,221	\$ 14,258	\$ (37)	(0)%
Gross margin	38.2%	28.3%	N/A	9.9p.p.
Selling, general and administrative expenses	13,793	18,851	(5,058)	(27)%
Depreciation and amortization	2,006	4,853	(2,847)	(59)%
Impairment of non-financial assets	–	46,085	(46,085)	N/A
Reorganization and other related costs	812	1,160	(348)	(30)%
Net finance costs	1,299	1,677	(378)	(23)%
Loss before income taxes	\$ (3,689)	\$ (58,368)	\$ 54,679	94%
Deferred income tax expense	–	39	(39)	N/A
Net loss, being comprehensive loss	\$ (3,689)	\$ (58,407)	\$ 54,718	94%
Basic and diluted loss per share	\$ (0.05)	\$ (0.78)	\$ 0.73	94%

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

- The decrease in net sales is mainly driven by a decrease in the number of active customers partially offset by an increase in average order value as a result of larger basket sizes and sales price adjustments. 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.
- Gross profit remained flat compared to the same quarter last year primarily due to improved food, production and shipping costs as a percentage of net sales driven by improved efficiencies as well as sales price adjustments offset by a reduction in net sales.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries and marketing spend driven primarily as a result of the Company's Blue Ocean initiatives. Selling, general and administrative expenses as a percentage of net sales decreased from 37.4% to 37.1%.
- 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.
- The decrease in reorganization and other related costs mainly consist of lower external advisor fees and lower headcount reduction costs as the Company completed its Blue Ocean initiatives in the fourth quarter of Fiscal 2023.
- 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 expense 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 decreased significantly mainly due to the Fiscal 2022 impairment of non-financial assets, lower food, production and shipping costs as well as lower wages and salaries and marketing spend in selling, general and administrative expenses.

RESULTS OF OPERATIONS – 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 52 weeks periods ended	September 2, 2023	September 3, 2022	(\$)	(%)
Net sales	\$ 168,558	\$ 268,586	\$ (100,028)	(37)%
Cost of goods sold	103,178	200,531	(97,353)	(49)%
Gross profit	\$ 65,380	\$ 68,055	\$ (2,675)	(4)%
Gross margin	38.8%	25.3%	N/A	13.5p.p.
Selling, general and administrative expenses	65,867	115,956	(50,089)	(43)%
Depreciation and amortization	10,837	17,295	(6,458)	(37)%
Impairment of non-financial assets	–	46,085	(46,085)	N/A
Reorganization and other related (gains) costs	(468)	6,742	(7,210)	(107)%
Net finance costs	5,668	5,233	435	8%
Loss before income taxes	\$ (16,524)	\$ (123,256)	\$ 106,732	(87)%
Deferred income tax recovery	(61)	(1,495)	1,434	(96)%
Net loss, being comprehensive loss	\$ (16,463)	\$ (121,761)	\$ 105,298	(86)%
Basic and diluted loss per share	\$ (0.22)	\$ (1.62)	\$ 1.40	(86)%

VARIANCE ANALYSIS FOR FISCAL 2023 COMPARED TO FISCAL 2022

- The decrease in net sales is primarily driven by a decrease in the number of active customers, the Company's decision to discontinue its on-demand offering partially offset by an increase in average order value due to sales price adjustments and focus on meal kit offerings. 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 partially 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 43.2% to 39.1%.
- 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) costs in Fiscal 2023 mainly consist of gains on termination of leases partially offset by loss on disposal of non-financial assets and headcount reduction costs while Fiscal 2022 costs mainly consist of external advisors relating to the Company's reorganization plan.
- The increase in net finance costs is mainly due to the Company's \$30 million convertible debentures issued in February 2023 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 decreased significantly mainly due to the reduction in selling, general and administrative expenses driven by cost reduction initiatives as well as improved gross margin driven by improved operational efficiencies. In addition, net loss has decreased due to the significant reduction in impairment of non-financial assets.

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	September 2, 2023	September 3, 2022	Variance	Main components
Cash and cash equivalents	\$ 24,925	\$ 36,885	\$ (11,960)	Mainly due to net loss and repayment of long-term debt partially offset by proceeds from issuance of convertible debentures and proceeds from disposal of non-financial assets
Inventories	3,281	6,884	(3,603)	Due to lower net sales, discontinuance of products related to on-demand inventory and improvement in inventory management process
Assets held for sale	–	3,654	(3,654)	Mainly due to disposal of assets held for sale related to Project Blue Ocean
Fixed assets	11,026	18,408	(7,382)	Mainly due to disposal and write-offs of fixed assets related to Project Blue Ocean and depreciation
Right-of-use assets	10,986	55,419	(44,433)	Mainly due to derecognition of right-of-use assets for terminated leases related to Project Blue Ocean and depreciation
Accounts payable and accrued liabilities	17,993	27,104	(9,111)	Mainly due to lower sales base and lower salaries and benefits accrual
Debt ⁽¹⁾	4,036	11,743	(7,707)	Due to repayment of debt upon reaching an agreement to amend the credit agreement
Lease obligations, including current portion ⁽²⁾	13,364	69,209	(55,845)	Mainly due to derecognition of lease obligations for terminated leases related to Project Blue Ocean
Convertible debentures, liability component ⁽³⁾	41,752	27,469	14,283	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 in less than one year (September 3, 2022 - \$11.0 million), \$10.2 million repayable within one to five years (September 3, 2022 - \$40.8 million) and \$1.4 million repayable more than 5 years (September 3, 2022 - \$27.9 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	September 2, 2023	September 3, 2022
Debt	4,036	11,743
Convertible debentures, liability component	41,752	27,469
Total debt	\$ 45,788	\$ 39,212
Shareholders' deficiency	(23,442)	(11,178)
Total capitalization	\$ 22,346	\$ 28,034
Cash and cash equivalents	\$ 24,925	\$ 36,885
Total net debt ⁽¹⁾	\$ 20,863	\$ 2,327
Total net debt to total capitalization ⁽¹⁾	93.4%	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 \$18.5 million and total net debt to total capitalization increased by 85.1 percentage points mainly due to the 2028 Debenture issuance as well as Fiscal 2023 net loss and lower cash and cash equivalents.

CAPITAL MANAGEMENT

The Company's objective in managing its capital structure is to ensure a sufficient liquidity position 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, 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 during the third quarter of Fiscal 2023, providing a base for 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 at the end of 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 Fiscal 2023, we achieved strong gross margin reaching up to 41% in the second and third quarters;
- We achieved positive net income in the second quarter of Fiscal 2023 and achieved positive adjusted EBITDA¹ in the last three quarters of Fiscal 2023;
- We achieved positive free cash flow¹ 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 consistent 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 September 2, 2023 and September 3, 2022 is presented below:

(In thousands of Canadian dollars)

For the 13 weeks ended	September 2, 2023	September 3, 2022	Variance
Cash flows provided by (used in) operations, excluding change in non-cash operating working capital	\$ 121	\$ (3,661)	\$ 3,782
Change in non-cash operating working capital	(2,079)	(9,453)	7,374
Net cash flows used in operating activities	\$ (1,958)	\$ (13,114)	\$ 11,156
Net cash flows provided by (used in) investing activities	53	(4,449)	4,502
Net cash flows used in financing activities	(1,538)	(44,401)	42,863
Net change in cash and cash equivalents	\$ (3,443)	\$ (61,964)	\$ 58,521
Cash and cash equivalents, beginning of period	28,368	98,849	(70,481)
Cash and cash equivalents, end of period	\$ 24,925	\$ 36,885	\$ (11,960)

Net cash flows used in operating activities improved by \$11.2 million in the fourth quarter 2023 compared to the same quarter last year. This quarter-over-quarter improvement is 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 and improved inventory management during the fourth quarter 2023.

Net cash flows provided by investing activities were \$0.1 million for the fourth quarter 2023 compared to net cash flows used in investing activities of \$4.5 million in the comparable period of 2022. This is a quarter-over-quarter positive variance of \$4.5 million primarily due to lower fixed assets additions in 2023 as facility roll-outs were concluded in Fiscal 2022. Net cash flows provided by investing activities during the fourth quarter of 2023 included \$0.2 million of cash flows used for additions to fixed asset and intangible assets compared to \$4.8 million in the same quarter last year.

Net cash flows used in financing activities improved by \$42.9 million in the fourth quarter 2023 compared to same quarter last year primarily due to the repayment of the revolving facility in the fourth quarter of Fiscal 2022.

A summary of net cash flows by activity for the 52 weeks ended September 2, 2023 and September 3, 2022 is presented below:

(In thousands of Canadian dollars)

For the 52 weeks ended	September 2, 2023	September 3, 2022	Variance
Cash flows used in operations, excluding change in non-cash operating working capital	\$ (3,212)	\$ (47,873)	\$ 44,661
Change in non-cash operating working capital	(6,138)	(11,108)	4,970
Net cash flows used in operating activities	\$ (9,350)	\$ (58,981)	\$ 49,631
Net cash flows provided by (used in) investing activities	1,960	(37,671)	39,631
Net cash flows (used in) provided by financing activities	(4,570)	8,002	(12,572)
Net change in cash and cash equivalents	\$ (11,960)	\$ (88,650)	\$ 76,690
Cash and cash equivalents, beginning of period	36,885	125,535	(88,650)
Cash and cash equivalents, end of period	\$ 24,925	\$ 36,885	\$ (11,960)

Net cash flows used in operating activities improved by \$49.6 million during the 52 weeks of 2023 compared to the same period last year primarily due to a lower net loss before non-cash expenses and a favorable change in non-cash operating working capital. The favorable change in non-cash operating working capital

is due to a favorable change in accounts payable and accrued liabilities resulting from lower net sales volume and 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 \$2.0 million during the 52 weeks of 2023 compared to net cash flows used in investing activities of \$37.7 million in the comparable period of 2022. This is a year-over-year positive variance of \$39.6 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 from disposal of non-financial assets received mainly in the first quarter of 2023. Net cash flows provided by investing activities during the 52 weeks of 2023 included \$1.7 million of cash flows used for additions to fixed asset and intangible assets compared to \$38.4 million in the same period last year.

Net cash flows used in financing activities were \$4.6 million during the 52 weeks of 2023 compared to net cash flows provided by financing activities of \$8.0 million in the comparable period of 2022. This is a year-over-year negative variance of \$12.6 million which is primarily due to lower proceeds from issuance of convertible debenture in 2023, lower proceeds from the drawdown of the revolving facility in 2023 compared to 2022 as well as lower payment of lease obligation due to Blue Ocean initiatives.

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 at the end of 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 on November 30, 2023. The Company will aim to extend the maturity of the term loan before it comes to maturity. As at September 2, 2023, no amount was drawn from the revolving facility. The total drawn credit facility is presented as a current liability.

CONVERTIBLE DEBENTURES

2028 Debentures

On February 6, 2023, the Company issued 12,675 convertible unsecured subordinated debentures (the "2028 Debentures") at a price of \$1,000 per Debenture for gross proceeds of \$12.7 million. The 2028 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 2028 Debentures issuance costs, the effective interest rate on the Debentures is 13.5%.

The 2028 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 2028 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 2028 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 used the net proceeds from the Offering to complete Project Blue Ocean initiatives and for general corporate purposes.

In connection with the issuance of the 2028 Debentures, 2,425 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 September 2, 2023, 12,675 of 2028 Debentures were outstanding at a price of \$1,000 per Debenture.

2027 Debentures

In Fiscal 2022, the Company issued 30,000 convertible unsecured subordinated debentures (the "2027 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 2027 Debentures issuance costs, the effective interest rate on the 2027 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 2027 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 2027 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 September 2, 2023, 29,046 of 2027 Debentures (September 3, 2022 – 29,256) were outstanding at a price of \$1,000 per Debenture.

2025 Debentures

In Fiscal 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "2025 Debentures") at a price of \$1,000 per Debenture for gross proceeds of \$30 million. The 2025 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 2025 Debentures issuance costs, the effective interest rate on the 2025 Debentures is 11.76%. The 2025 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 September 2, 2023, 6,232 of 2025 Debentures (September 3, 2022 – 6,232) were outstanding at a price of \$1,000 per Debenture.

COMMON SHARES

Transactions that took place during the 13 and 52 weeks ended September 2, 2023 were as follows:

- Nil stock options were exercised;
- 76,428 and 1,421,765 restricted share units vested, respectively, and the same number of common shares were issued;
- 2,807 and 11,283 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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Active customers ⁽¹⁾	116,000	119,000	124,000	148,000	157,000	211,000	246,000	254,000
Net sales	\$ 37,228	\$ 42,139	\$ 42,043	\$ 47,148	\$ 50,357	\$ 67,031	\$ 73,377	\$ 77,821
Gross profit	14,221	17,286	17,114	16,759	14,256	17,556	17,595	18,648
Gross margin	38.2%	41.0%	40.7%	35.6%	28.3%	26.2%	24.0%	24.0%
Discontinuance of products related to on-demand offering	-	(1)	631	643	1,194	-	-	-
Adjusted Gross profit ⁽¹⁾	14,221	17,285	17,745	17,402	15,450	17,556	17,595	18,648
Adjusted Gross margin ⁽¹⁾	38.2%	41.0%	42.2%	36.9%	30.7%	26.2%	24.0%	24.0%
Net (loss) income	\$ (3,689)	\$ (1,164)	\$ 98	\$ (11,708)	\$ (58,407)	\$ (21,104)	\$ (20,640)	\$ (21,610)
Net finance costs	1,299	1,329	1,470	1,570	1,677	1,596	1,056	904
Depreciation and amortization	2,006	2,206	2,856	3,769	4,853	5,220	4,282	2,940
Deferred income tax (recovery) expense	-	-	(72)	11	39	(2)	(1,559)	27
EBITDA ⁽¹⁾	\$ (384)	\$ 2,371	\$ 4,352	\$ (6,358)	\$ (51,838)	\$ (14,290)	\$ (16,861)	\$ (17,739)
Share-based payments	278	544	794	2,293	1,472	1,177	1,984	1,353
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)	812	370	(2,769)	1,119	1,160	2,477	1,293	1,812
Adjusted EBITDA ⁽¹⁾	\$ 706	\$ 3,284	\$ 3,008	\$ (2,303)	\$ (1,927)	\$ (10,636)	\$ (13,584)	\$ (14,574)
Adjusted EBITDA margin ⁽¹⁾	1.9%	7.8%	7.2%	(4.9)%	(3.8)%	(15.9)%	(18.5)%	(18.7)%
Basic and diluted (loss) income per share ⁽²⁾	\$ (0.05)	\$ (0.02)	\$ -	\$ (0.16)	\$ (0.78)	\$ (0.28)	\$ (0.28)	\$ (0.29)

(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 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 majority of the Company's net sales are paid prior to delivery and therefore the main credit exposure to net sales is with respect to the payment processor. 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 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.

In order to manage its liquidity risk, the Company constantly reviews its operations and overall business to drive efficiencies to form the basis for positive cash flow and long-term profitable growth. The Company expects to have sufficient liquidities in order to repay its credit facility 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 2, 2023 available on SEDAR+ at www.sedarplus.ca.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments as at September 2, 2023:

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 17,993	\$ 17,993	\$ 17,993	\$ -	\$ -
Debt	4,036	4,142	4,142	-	-
Debentures, liability component	41,752	64,959	2,033	62,926	-
Lease obligations, including current portion	13,364	15,054	3,457	10,247	1,350
Purchase and service contract obligations	-	7,786	6,539	1,247	-
	\$ 77,145	\$ 109,934	\$ 34,164	\$ 74,420	\$ 1,350

As at September 2, 2023, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in net sales or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material.

FINANCIAL INSTRUMENTS

The Company's financial instruments primarily consist of cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities, 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 fourth quarter of Fiscal 2023, the Company was in compliance with these financial covenants.

RELATED PARTIES**KEY MANAGEMENT PERSONNEL**

The Company's key management personnel have authority and responsibility for planning, directing and controlling the Company's activities and consist of the Company's executive team and the Board of Directors. The chief executive officer ("CEO") and the president and chief operating officer ("President and COO") are members of the Board of the Company. The CEO is also Chairman of the Board.

The following table presents the compensation of the key management personnel recognized in net loss:

(In thousands of Canadian dollars)

	For the 52 weeks ended	
	September 2, 2023	September 3, 2022
Salaries, fees and other short-term employee benefits	\$ 2,290	\$ 1,983
Share-based payments expense	2,189	2,931

RELATED PARTY TRANSACTIONS

Related parties of the Company include Directors and key management personnel, their family members, and companies over which they have significant influence or control.

In connection with the issuance of the 2028 Debentures 2,425 Debentures were purchased by the Board members and key management personnel at a price of \$1,000 per Debenture. In connection with the issuance of the 2027 Debentures, 415 Debentures were purchased by Board members 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.

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	November 21, 2023	September 2, 2023	September 3, 2022
Common shares outstanding ⁽¹⁾	76,505,578	76,525,507	75,233,027
Debentures outstanding ^{(2) (3) (4)}	24,540,305	24,540,305	7,550,638
Stock options outstanding	3,033,247	4,029,723	3,262,799
Stock options exercisable	2,140,516	2,252,171	1,865,747
Restricted share units outstanding	1,792,540	1,878,328	2,000,716

⁽¹⁾ As at November 21, 2023 and September 2, 2023, 382,180 and 344,678 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 November 21, 2023 and September 2, 2023, 6,232 2025 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 November 21, 2023 and September 2, 2023, 29,046 2027 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 November 21, 2023 and September 2, 2023, 12,675 2028 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 consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The Company's main judgements, estimates, and assumptions are presented below:

4.1 CRITICAL JUDGEMENTS

Impairment of non-current assets

At each reporting date, management determines whether fixed assets, right-of-use assets and intangible assets present indicators of impairment. For the purposes of its analysis, management uses its judgement considering factors such as the economic environment and the market in which the Company operates, budget, forecasts and physical obsolescence.

Lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and assesses whether it will exercise renewal options at the end of the lease term. The renewal options are only included in the lease term if management is reasonably certain to renew. This significant judgement could affect the Company's financial position if the lease term of the leases is reassessed differently.

4.2 KEY SOURCES OF ESTIMATES AND ASSUMPTIONS

Impairment of non-financial assets

In assessing impairment, management estimates the recoverable amount of each asset or CGU. Management estimated the recoverable amount of the CGUs based on the higher of VIU and FVLCD. The VIU is based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future economic benefits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future economic benefits and the application of an appropriate discount rate. When measuring FVLCD, management makes key assumptions on expected fair values and costs of disposal. Actual results could vary from these estimates which may cause significant adjustments to the Company's long-lived assets in subsequent reporting periods.

Measurement of net sales

Net sales are presented net of refunds, sales incentives and credits, including referral credits. Credit amounts are estimated based on the Company's history and experience of the redemption percentage of those credits. The corresponding estimated liability for credits is included in deferred revenue.

Leases

Discount rate

In determining the carrying amount of the right-of-use assets and lease obligations, the Company generally uses its incremental borrowing rate ("IBR"), since the implicit rates are often not readily available due to information not being available from the lessor regarding the fair value of underlying assets and direct costs incurred by the lessor related to the leased assets. The IBR for each lease was determined on the commencement date of the lease.

CHANGES IN ACCOUNTING POLICIES

No changes in accounting policies were adopted during the 52 weeks ended September 2, 2023.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Amendment to IAS 1, *Presentation of Financial Statements*

In January 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements to clarify the classification of liabilities as current or non-current (the "2020 amendments"). For the purposes of non-current classification, the amendment removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The amendments apply for annual reporting periods beginning on or after January 1, 2024. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

Other standards

The following new and amended standards are not expected to have a significant impact on the Company's consolidated financial statements.

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 *Certification 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 and effectiveness of disclosure controls and procedures ("DC&P") and the design and effectiveness of internal control over financial reporting ("ICFR").

DISCLOSURE CONTROLS AND PROCEDURES

The Company has designed DC&P to provide reasonable assurance that material information relating to the Company is made known to the Certifying Officers, and that information required to be disclosed to satisfy the Company's continuous disclosure obligations is recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities legislation.

Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of the DC&P and based on that evaluation, the Certifying Officers have concluded that the DC&P were effective as at September 2, 2023.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Certifying Officers have designed ICFR or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In designing and evaluating internal controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

The control framework used to design the Company's ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of ICFR and based on that evaluation, the Certifying Officers have concluded that the Company's ICFR was effective as at September 2, 2023.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made during the 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.