

Interim Condensed Consolidated Financial Statements of

GOODFOOD MARKET CORP.

For the 13 weeks ended December 2, 2023 and December 3, 2022
(Unaudited)

GOODFOOD MARKET CORP.

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GOODFOOD MARKET CORP.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

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

For the 13 weeks ended	Notes	December 2, 2023	December 3, 2022
Net sales		\$ 40,459	\$ 47,148
Cost of goods sold		24,530	30,389
Gross profit		15,929	16,759
Selling, general and administrative expenses		14,488	21,998
Reorganization and other related costs		3	1,119
Depreciation and amortization		1,955	3,769
Operating loss		(517)	(10,127)
Net finance costs	5	1,456	1,570
Loss before income taxes		(1,973)	(11,697)
Deferred income tax expense		–	11
Net loss, being comprehensive loss		\$ (1,973)	\$ (11,708)
Basic and diluted loss per share		\$ (0.03)	\$ (0.16)
Basic and diluted weighted average number of common shares outstanding	8	76,503,267	75,259,913

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

GOODFOOD MARKET CORP.

Interim Condensed Consolidated Statements of Financial Position

(In thousands of Canadian dollars - Unaudited)

As at	Note	December 2, 2023	September 2, 2023
Assets			
Current assets:			
Cash and cash equivalents		\$ 24,862	\$ 24,925
Accounts and other receivables		3,973	4,136
Inventories		3,443	3,281
Other current assets		487	366
		32,765	32,708
Non-current assets:			
Fixed assets		10,171	11,026
Right-of-use assets		10,461	10,986
Intangible assets		2,552	2,776
Other non-current assets		300	312
Total assets		\$ 56,249	\$ 57,808
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 19,962	\$ 17,993
Deferred revenues		4,175	4,105
Debt	6	2,075	4,036
Current portion of lease obligations		2,982	2,862
		29,194	28,996
Non-current liabilities:			
Convertible debentures	7	42,597	41,752
Lease obligations		9,887	10,502
Total liabilities		81,678	81,250
Shareholders' deficiency:			
Common shares	8	180,692	180,369
Contributed surplus		7,672	8,009
Convertible debentures	7	5,367	5,367
Deficit		(219,160)	(217,187)
Total shareholders' deficiency		(25,429)	(23,442)
Total liabilities and shareholders' deficiency		\$ 56,249	\$ 57,808

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

Approved on behalf of Goodfood Market Corp. by:

Signed _____
Jonathan Ferrari, Director and
Chair of the Board

Signed _____
Donald Olds, Director and
Chair of the Audit Committee

GOODFOOD MARKET CORP.

Interim Condensed Consolidated Statements of Changes in Deficiency

(In thousands of Canadian dollars - Unaudited)

For the 13 weeks ended

		December 2, 2023				
	Note	Common Shares	Contributed Surplus	Convertible Debentures	Deficit	Total
Balance as at						
September 2, 2023		\$ 180,369	\$ 8,009	\$ 5,367	\$ (217,187)	\$ (23,442)
Net loss for the period		–	–	–	(1,973)	(1,973)
Share-based payments expense		–	5	–	–	5
Restricted share units vested	8	341	(341)	–	–	–
Employee share purchase plan	8	(18)	(1)	–	–	(19)
Balance as at						
December 2, 2023		\$ 180,692	\$ 7,672	\$ 5,367	\$ (219,160)	\$ (25,429)

		December 3, 2022				
Balance as at						
September 3, 2022		\$ 173,788	\$ 10,584	\$ 5,174	\$ (200,724)	\$ (11,178)
Net loss for the period		–	–	–	(11,708)	(11,708)
Share-based payments expense		–	2,291	–	–	2,291
Net convertible debentures conversions	7, 8	196	–	(9)	–	187
Restricted share units vested	8	206	(206)	–	–	–
Employee share purchase plan	8	(25)	(2)	–	–	(27)
Balance as at						
December 3, 2022		\$ 174,165	\$ 12,667	\$ 5,165	\$ (212,432)	\$ (20,435)

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

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Interim Condensed Consolidated Statements of Cash Flows

(In thousands of Canadian dollars - Unaudited)

For the 13 weeks ended	Notes	December 2, 2023	December 3, 2022
Operating:			
Net loss		\$ (1,973)	\$ (11,708)
Adjustments for:			
Depreciation and amortization		1,955	3,769
Net loss on disposal of non-financial assets		–	2,060
Gain on termination of leases		–	(3,239)
Share-based payments expense		5	2,292
Net finance costs	5	1,456	1,570
Deferred income tax expense		–	11
Change in non-cash operating working capital	9	2,394	(1,058)
Other		–	228
Net cash provided by (used in) operating activities		3,837	(6,075)
Investing:			
Additions to fixed assets		(32)	(686)
Additions to intangible assets		(128)	(126)
Proceeds on disposal of non-financial assets		–	2,407
Interest received		302	262
Net cash provided by investing activities		142	1,857
Financing:			
Repayment of debt	6	(1,988)	(313)
Payment of lease obligations		(672)	(1,643)
Interest paid		(1,385)	(2,157)
Other		3	(1)
Net cash used in financing activities		(4,042)	(4,114)
Decrease in cash and cash equivalents		(63)	(8,332)
Cash and cash equivalents, beginning of period		24,925	36,885
Cash and cash equivalents, end of period		\$ 24,862	\$ 28,553
Supplemental cash flow information	9		

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

GOODFOOD MARKET CORP.

Notes to the Interim Condensed Consolidated Financial Statements – December 2, 2023
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

1. REPORTING ENTITY

Goodfood Market Corp. is a digital meal solutions brand in Canada, delivering fresh meal and add-ons that make it easy for customers from across Canada to enjoy delicious meals at home every day. References to Goodfood Market Corp. (or "Goodfood", the "Company") represent the financial position, financial performance, cash flows and disclosures of Goodfood Market Corp. and its subsidiary on a consolidated basis.

Goodfood Market Corp. is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange ("TSX") under the symbol "FOOD". The Company has its main production facility and administrative offices based in Montréal, Québec, with an additional operating facility in Calgary, Alberta.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements do not include all the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended September 2, 2023.

These interim condensed consolidated financial statements of the Company were approved by the Board of Directors ("Board") on January 15, 2024 for publication on January 16, 2024.

2.3 BASIS OF MEASUREMENT

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for the following:

- equity share-based payment arrangements which are measured at fair value at grant date; and
- lease obligations, which are measured at the present value of minimum lease payments at lease inception.

2.4 FUNCTIONAL AND PRESENTATION CURRENCY

The interim condensed consolidated financial statements are stated in Canadian dollars, which is the functional and presentation currency of Goodfood Market Corp.

2.5 SEASONALITY OF THE BUSINESS

The Company's net sales and expenses are impacted by seasonality. During the winter holiday season and summer season, the Company anticipates net sales to be lower as a higher proportion of customers elect to skip their delivery. During periods with warmer weather or very cold 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 during the summer season due to improved availability during periods with warmer weather.

GOODFOOD MARKET CORP.

Notes to the Interim Condensed Consolidated Financial Statements – December 2, 2023
(All tabular amounts are in thousands of Canadian dollars, except share information – Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in these interim condensed consolidated financial statements are the same as those applied to the Company's annual audited consolidated financial statements for the year ended September 2, 2023.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed 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, including the current economic environment, 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 significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the Company's annual audited consolidated financial statements for the year ended September 2, 2023.

5. NET FINANCE COSTS

	For the 13 weeks ended	
	December 2, 2023	December 3, 2022
Interest expense on debt	\$ 132	\$ 271
Interest expense on lease obligations	180	642
Interest expense on debentures, including accretion interest	1,355	867
Interest income	(302)	(261)
Foreign exchange loss (gain)	10	(46)
Other finance costs	81	97
	\$ 1,456	\$ 1,570

6. DEBT

During the first quarter of Fiscal 2024, the Company reached an agreement to amend and extend the syndicated credit agreement with its existing lenders providing bank financing of \$4.8 million. The facilities include a \$2.1 million term loan, a \$1.3 million revolving credit facility, and \$1.4 million in additional short-term financing. The facilities bear variable interest rates of prime rate plus 3.00% and mature in November 2024. The term loan is repayable in quarterly installments of \$0.3 million with a bullet repayment of the balance of \$0.8 million at the end of the term in November 2024. As at December 2, 2023, no amount was drawn from the revolving facility. The total drawn credit facility is presented as a current liability.

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Notes to the Interim Condensed Consolidated Financial Statements – December 2, 2023
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7. CONVERTIBLE DEBENTURES

The following table summarizes the continuity of the Company's Debentures:

	December 2, 2023	September 2, 2023
Convertible debentures, liability component balance, beginning of period	\$ 41,752	\$ 27,469
Net proceeds from issuance of the Debentures	–	11,970
Accretion interest	845	2,489
Conversion of the Debentures	–	(176)
Convertible debentures, liability component balance, end of period	\$ 42,597	\$ 41,752

The following summarizes convertible debentures for the 13 weeks ended:

	December 2, 2023	December 3, 2022
<i>In thousands of dollars</i>		
Reclassification from Convertible debentures liability component to common shares	\$ –	\$ 176
Reclassification from Convertible debentures equity component to common shares	–	20
Deferred income tax expense recognized upon Debentures conversion	–	11
<i>In number of debentures or common shares</i>		
Number of debentures converted	–	210
Number of common shares issued from converted debentures (Note 8)	–	45,652
Total number of outstanding Debentures, end of period	47,953	47,953

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Notes to the Interim Condensed Consolidated Financial Statements – December 2, 2023
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8. SHAREHOLDERS' EQUITY

COMMON SHARES

The Company is authorized to issue an unlimited number of no par value common shares.

The movements in common shares were as follows for the 13 weeks ended:

	December 2, 2023		December 3, 2022	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Balance, beginning of period	76,525,507	\$ 180,369	75,233,023	\$ 173,788
Debenture conversions (Note 7)	–	–	45,652	196
Purchased and held in trust through employee share purchase plan	(47,203)	(19)	(61,018)	(27)
Restricted share units vested	54,329	341	24,456	206
Employee share purchase vested	3,618	1	4,557	2
Balance, end of period	76,536,251	\$ 180,692	75,246,670	\$ 174,165

LOSS PER SHARE

	December 2, 2023	December 3, 2022
For the 13 weeks ended		
Basic and diluted weighted average number of common shares outstanding	76,503,267	75,259,913

Issued shares from the exercise of stock options, Debenture conversions and share issuance are weighted from the transaction date. The purchase of common shares to fund the employee share purchase plan is weighted from the transaction date.

For the 13 weeks ended December 2, 2023 and December 3, 2022, the diluted loss per share calculation did not take into consideration the potential dilutive effect of the stock options, restricted share units, unvested shares in connection with the employee share purchase plan and the Debentures conversion option as they are not dilutive.

9. SUPPLEMENTAL CASH FLOW INFORMATION

The following summarizes the net changes in non-cash items related to operating working capital:

	December 2, 2023	December 3, 2022
For the 13 weeks ended		
Accounts and other receivables	\$ 163	\$ 456
Inventories	(162)	2,115
Other current assets	(121)	130
Accounts payable and accrued liabilities	2,444	(4,136)
Deferred revenues	70	377
	\$ 2,394	\$ (1,058)

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The following had a cash impact in the net cash generated from operating activities:

For the 13 weeks ended	December 2, 2023	December 3, 2022
Operating activities		
Payments made for reorganization and other related costs ⁽¹⁾	\$ 330	\$ 1,594

⁽¹⁾ Payments made for reorganization and other related costs are mainly composed of penalties paid upon lease termination, employee termination and benefit costs paid as well as external advisors fees paid.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Goodfood has determined that the fair value of cash and cash equivalents, accounts and other receivables, and accounts payable and accrued liabilities approximate their respective carrying amounts at the consolidated statements of financial position date, due to the short-term maturity of those instruments.

Goodfood determined that the fair value of its debt approximates its carrying amount as it bears a variable interest rate at prime rate plus 3.00% which is a similar market interest rate for financial instruments with similar terms and risks.

The Company determined the valuation of its Debentures at issuance using Level 3 inputs. As at December 2, 2023, the Company determined that the fair value of its Debentures approximates \$14.7 million which was determined based on market trading value.

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 facilities when it becomes due in November 2024.

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.