Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the 13 weeks ended December 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 weeks ended December 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 and our interim condensed consolidated financial statements and notes for the 13 weeks ended December 2, 2023. Please also refer to Goodfood's press release announcing its results for the 13 weeks ended December 2, 2023 issued on January 16, 2024. 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 unaudited interim condensed consolidated financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and the financial information herein was derived from those statements.

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 EBITDA[1] 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.

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 January 16, 2024, 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 first quarter of Fiscal 2024 compared to the same period in 2023. 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 FIRST QUARTER OF 2024 COMPARED TO THE FIRST QUARTER OF 2023

- Net sales were $40.5 million, a 14.2 % decrease from $47.2 million compared to the same quarter last year.
- Gross margin grew to 39.4%, an increase of 3.9 percentage points and gross profit totalled $15.9 million, a decrease of $0.8 million or 5.0% compared to the same quarter last year.
- Net loss was $2.0 million, an improvement of $9.7 million or 83.2%.
- Adjusted EBITDA margin[1] was 3.6%, an improvement of 8.5 percentage points compared to the same quarter last year.
- Cash flows provided by operating activities totalled $3.8 million, an improvement of $9.9 million compared to the same quarter last year.
- Adjusted free cash flow[1] were $4.0 million, an improvement of $9.3 million compared to the same quarter last year.
- Active customers[1] of 124,000 compared to 148,000 for the same quarter in 2023.

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 flows and net losses, 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

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

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 first quarter of Fiscal 2024, the Company ceased the review of its total net (debt) cash and the total net (debt) cash to total capitalization non-IFRS measures. They no longer represent the best measures used by the Company to assess cash flow profitability and financial leverage considering that its debt balance was significantly reduced in the last year with its amended credit facilities. Furthermore, in Fiscal 2023, the Company added the free cash flows and adjusted free cash flows non-IFRS measures 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. These new measures are more closely related to the Company’s financial profitability. As a result, the Company will no longer present its total net (debt) cash and the total net (debt) cash to total capitalization non-IFRS measures in its MD&A.

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 manner, to finance its ongoing operations and to service its debt. They also allow comparisons between companies with different capital structures. We also believe that these metrics are useful measures of financial performance to assess underlying trends in our ongoing operations without the variations caused by the impacts of the items described above and facilitates the comparison across reporting periods. Please refer to the "Metrics and non-IFRS financial measures – reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.
Free cash flows **&** **Adjusted free cash flows**	Free cash flows 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 flows is defined as free cash flows excluding cash payments made to costs related to reorganization activities. We believe that adjusted free cash flows is a useful measure when comparing between companies with different capital structures by removing variations caused by the impacts of the items described above. We also believe that this metric is a useful

	measure of financial and liquidity performance to assess underlying trends in our ongoing operations without the variations caused by the impacts of the items described above and facilitates the comparison across reporting periods. Please refer to the "Metrics and non-IFRS financial measures – reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.

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 January 15, 2024 :

	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 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 four consecutive quarters, which on a last twelve months basis stands at $8.5 million, of positive adjusted EBITDA[1]. The substantial rise in adjusted EBITDA[1] profitability has led to significant adjusted free cash flows[1] improvement which has now turned positive in two of our last three quarters. The improved adjusted EBITDA[1] and adjusted free cash flows[1] on the back of lower net sales highlights the cost discipline we have shown in improving our operational efficiency and reducing our selling, general and administrative expense. These improvements position 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 active 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 since the fourth quarter of Fiscal 2023 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

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

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 EBITDA[1] and cash flows. Coupled with our unrelenting focus on nurturing our customer relationships, profitable growth remains our top priority. The Goodfood team is fully focused on building and growing Canada's most loved millennial food brand.

FISCAL 2024 AT A GLANCE

New Credit Facility

On December 1, the Company announced it reached an agreement for an extension of its credit facilities with Desjardins Capital Markets and Investissement Québec. The facilities will now provide bank financing totalling $4.8 million consisting of a $2.1 million term loan, a $1.3 million revolving credit facility, and $1.4 million in additional short-term financing. The facilities mature in November 2024. 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	
	December 2, 2023	December 3, 2022
Active customers, beginning of period	**116,000**	157,000
Net change in active customers	**8,000**	(9,000)
Active customers, end of period	**124,000**	148,000

Active customers increased by 8,000 for the 13 weeks ended December 2, 2023. The increase in the first quarter of Fiscal 2024 can be explained mainly by the increased level of activity during the back-to-school period where customers place orders at a higher frequency and are more likely to subscribe to Goodfood to incorporate the service as part of their routine. The decrease in active customers compared to the same quarter last year resulted in a decrease in net sales. This decrease was partially offset by continuous pricing optimization. The focus continues to be on attracting and retaining active customers with enhanced ordering and profitability patterns. This focus has led to current active customers displaying improved 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	
	December 2, 2023	December 3, 2022
Gross profit	**$ 15,929**	$ 16,759
Discontinuance of products related to on-demand offering	**–**	643
Adjusted gross profit	**$ 15,929**	$ 17,402
Net sales	**$ 40,459**	$ 47,148
Gross margin	**39.4%**	35.5%
Adjusted gross margin (%)	**39.4%**	36.9%

For the first quarter of 2024, adjusted gross profit decreased by $1.5 million while adjusted gross margin increased by 2.5 percentage points compared to the same quarter last year. This adjusted gross margin improvement can mainly be explained by operational efficiencies driving lower food and production costs resulting from exiting the on-demand grocery market last year and focusing on the meal kit market in the current year, as well as pricing optimization.

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	
	December 2, 2023	December 3, 2022
Net loss	**$ (1,973)**	$ (11,708)
Net finance costs	**1,456**	1,570
Depreciation and amortization	**1,955**	3,769
Deferred income tax expense	**–**	11
EBITDA	**$ 1,438**	$ (6,358)
Share-based payments expense	**13**	2,293
Discontinuance of products related to on-demand offering	**–**	643
Reorganization and other related costs	**3**	1,119
Adjusted EBITDA	**$ 1,454**	$ (2,303)
Net sales	**$ 40,459**	$ 47,148
Adjusted EBITDA margin (%)	**3.6%**	(4.9)%

For the first quarter of 2024, adjusted EBITDA margin improved by 8.5 percentage points compared to the corresponding period in 2023 mainly driven by stronger gross margin and lower selling, general and administrative expenses mostly as a result of the Company's cost savings measures completed in Fiscal 2023 which reduced salaries, software, operating leases, utilities, maintenance and other expenses. The improved adjusted EBITDA margin was partly offset by a lower net sales base.

FREE CASH FLOWS AND ADJUSTED FREE CASH FLOWS

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

(In thousands of Canadian dollars)

	For the 13 weeks ended	
	December 2, 2023	December 3, 2022
Net cash provided by (used in) operating activities	**$ 3,837**	$ (6,075)
Additions to fixed assets	**(32)**	(686)
Additions to intangible assets	**(128)**	(126)
Free cash flows	**$ 3,677**	$ (6,887)
Payments made to reorganization and other related costs	**330**	1,594
Adjusted free cash flows	**$ 4,007**	$ (5,293)

For the first quarter of 2024, adjusted free cash flows improved by $9.3 million compared to the corresponding period in 2023. This improvement is mainly driven by lower net loss resulting from improved adjusted gross margin and lower selling, general and administrative expenses, 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 as well as lower capital expenditures during the first quarter 2024.

RESULTS OF OPERATIONS – FIRST QUARTER OF FISCAL 2024 AND 2023

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	**December 2, 2023**	December 3, 2022	($)	(%)
Net sales	**$ 40,459**	$ 47,148	$ (6,689)	(14)%
Cost of goods sold	**24,530**	30,389	(5,859)	(19)%
Gross profit	**$ 15,929**	$ 16,759	$ (830)	(5)%
Gross margin	**39.4%**	35.5%	N/A	3.9 p.p.
Selling, general and administrative expenses	**14,488**	21,998	(7,510)	(34)%
Depreciation and amortization	**1,955**	3,769	(1,814)	(48)%
Reorganization and other related costs	**3**	1,119	(1,116)	(100)%
Net finance costs	**1,456**	1,570	(114)	(7)%
Loss before income taxes	**$ (1,973)**	$ (11,697)	$ 9,724	83%
Deferred income tax expense	**–**	11	(11)	N/A
Net loss, being comprehensive loss	**$ (1,973)**	$ (11,708)	$ 9,735	83%
Basic and diluted loss per share	**$ (0.03)**	$ (0.16)	$ 0.13	81%

VARIANCE ANALYSIS FOR THE FIRST QUARTER OF 2024 COMPARED TO FIRST QUARTER OF 2023

- The decrease in net sales is primarily driven by the Company's decision to discontinue its on-demand offering and a decrease in the number of active customers partially offset by an increase in average order value as a result of price adjustments, increased variety in the meal-kit offering and a focus on meal-kit offerings with ready meal solutions and grocery products as add-ons. The decrease in active customers is mainly driven by the Company's focus on attracting and retaining customers that provide higher gross margins and by changing customer behaviours.

- The decrease in gross profit primarily resulted from a decrease in net sales partially offset by lower food costs and production costs as a percentage of net sales costs driven by improved efficiencies. Gross margin increased mainly due to operational efficiencies driving lower food and production costs resulting from exiting the on-demand grocery market last year and focusing on the meal kit market in the current year, as well as pricing optimization.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries, software, operating leases, utilities, maintenance and other expenses primarily resulting from the Company's costs saving initiatives. Selling, general and administrative expenses as a percentage of net sales decreased from 46.7% to 35.8%.
- The decrease in reorganization and other related costs is mainly due to the completion of the Company's costs reduction initiatives in Fiscal 2023.
- The decrease in depreciation and amortization expense is mainly due to the reduction in right-of-use assets following exiting facilities as part of the Company's costs reduction initiatives.
- The improvement in net loss is mainly the result of operational efficiencies reducing wages and salaries in cost of good sold, lower selling, general and administrative expenses, lower depreciation and amortization expense as well as lower reorganization and other related costs partially offset by lower gross profit mainly driven by lower sales.

FINANCIAL POSITION

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

(In thousands of Canadian dollars)

As at	**December 2, 2023**	September 2, 2023	Variance	Main components
Cash and cash equivalents	**$ 24,862**	$ 24,925	$ (63)	Mainly due to partial repayment of the debt upon debt amendment offset by improved cash flows from operations mainly through improved net loss and working capital
Accounts payable and accrued liabilities	**19,962**	17,993	1,969	Mainly due to higher wages and salaries accrual due to timing
Debt [(1)]	**2,075**	4,036	(1,961)	Due to repayment of debt upon reaching an agreement to amend the credit agreement

(1) Please refer to "Capital Management" 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 sources of liquidity and various financial instruments, including its debt instruments.

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 two of the past three quarters, in the third quarter of Fiscal 2023 and again in the first quarter of Fiscal 2024, providing a base for capital structure flexibility.

In the first quarter of Fiscal 2024, the Company reached an agreement to amend and extend the syndicated credit agreement with certain of 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 and come to maturity at the end of November 2024. The facilities feature similar financial conditions to the existing credit agreement, with which the Company is in compliance.

CASH FLOWS

A summary of net cash flows by activity for the 13 weeks ended December 2, 2023 and December 3, 2022 is presented below:

(In thousands of Canadian dollars)

For the 13 weeks ended		**December 2, 2023**		December 3, 2022		Variance
Cash flows provided by (used in) operations, excluding change in non-cash operating working capital	**$**	**1,443**	$	(5,017)	$	6,460
Change in non-cash operating working capital		**2,394**		(1,058)	$	3,452
Net cash flows provided by (used in) operating activities	**$**	**3,837**	$	(6,075)	$	9,912
Net cash flows provided by investing activities		**142**		1,857		(1,715)
Net cash flows used in financing activities		**(4,042)**		(4,114)		72
Net change in cash and cash equivalents	**$**	**(63)**	$	(8,332)	$	8,269
Cash and cash equivalents, beginning of period		**24,925**		36,885		(11,960)
Cash and cash equivalents, end of period	**$**	**24,862**	$	28,553	$	(3,691)

Net cash flows provided by operating activities were $3.8 million for the first quarter 2024 compared to net cash flows used in operating activities of $6.1 million in the same period last year. This is a quarter-over-quarter improvement of $9.9 million which 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 during the first quarter 2024.

Net cash flows provided by investing activities decreased by $1.7 million compared to the same period in 2023 primarily due to the proceeds on disposal of non-financial assets in the first quarter of 2023. Net cash flows generated by investing activities in the first quarter of 2024 include $0.2 million of cash flows used for additions to fixed asset and intangible assets compared to $0.8 million in the same period last year.

Net cash flows used in financing activities improved by $0.1 million compared to the same period in 2023 primarily due to lower lease payments, including interest paid, following exiting facilities as part of the Company's costs reduction initiatives in 2023 mostly offset by debt repayment following the debt amendment agreement in the first quarter of Fiscal 2024.

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.

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 December 2, 2023, 12,675 of 2028 Debentures (September 2, 2023 – 12,675) 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 December 2, 2023, 29,046 of 2027 Debentures (September 2, 2023 – 29,046) 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 December 2, 2023, 6,232 of 2025 Debentures (September 2, 2023 – 6,232) were outstanding at a price of $1,000 per Debenture.

COMMON SHARES

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

- Nil stock options were exercised;
- 54,329 restricted share units vested and the same number of common shares were issued;
- 3,618 employee share purchases vested and the same number of common shares were issued; and
- Nil Debentures were converted into common shares.

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 2024				Fiscal 2023			Fiscal 2022
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Active customers (1)	**124,000**	116,000	119,000	124,000	148,000	157,000	211,000	246,000
Net sales	**$ 40,459**	$ 37,228	$ 42,139	$ 42,043	$ 47,148	$ 50,357	$ 67,031	$ 73,377
Gross profit	**15,929**	14,221	17,286	17,114	16,759	14,256	17,556	17,595
Gross margin	**39.4%**	38.2%	41.0%	40.7%	35.5%	28.3%	26.2%	24.0%
Discontinuance of products related to on-demand offering	**–**	–	(1)	631	643	1,194	–	–
Adjusted Gross profit (1)	**15,929**	14,221	17,285	17,745	17,402	15,450	17,556	17,595
Adjusted Gross margin (1)	**39.4%**	38.2%	41.0%	42.2%	36.9%	30.7%	26.2%	24.0%
Net (loss) income	**$ (1,973)**	$ (3,689)	$ (1,164)	$ 98	$ (11,708)	$ (58,407)	$ (21,104)	$ (20,640)
Net finance costs	**1,456**	1,299	1,329	1,470	1,570	1,677	1,596	1,056
Depreciation and amortization	**1,955**	2,006	2,206	2,856	3,769	4,853	5,220	4,282
Deferred income tax (recovery) expense	**–**	–	–	(72)	11	39	(2)	(1,559)
EBITDA (1)	**$ 1,438**	$ (384)	$ 2,371	$ 4,352	$ (6,358)	$ (51,838)	$ (14,290)	$ (16,861)
Share-based payments	**13**	278	544	794	2,293	1,472	1,177	1,984
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)	3	812	370	(2,769)	1,119	1,160	2,477	1,293
Adjusted EBITDA (1)	**$ 1,454**	$ 706	$ 3,284	$ 3,008	$ (2,303)	$ (1,927)	$ (10,636)	$ (13,584)
Adjusted EBITDA margin (1)	**3.6%**	1.9%	7.8%	7.2%	(4.9)%	(3.8)%	(15.9)%	(18.5)%
Basic and diluted (loss) income per share (2)	**$ (0.03)**	$ (0.05)	$ (0.02)	$ –	$ (0.16)	$ (0.78)	$ (0.28)	$ (0.28)

(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 completed in 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 significantly colder or 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 flows and long-term profitable growth. The Company amended its debt agreement which now matures at the end of November 2024. The Company expects to have sufficient liquidities in order to repay its credit facility when it becomes due.

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.

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, currently in a savings account earning interest.

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 first quarter of Fiscal 2024, the Company was in compliance with these financial covenants.

SHARE-BASED PAYMENTS

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

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

OUTSTANDING SHARE DATA

As at	January 15, 2024	December 2, 2023	September 2, 2023
Common shares outstanding (1)	76,973,273	76,536,251	76,525,507
Debentures outstanding (2) (3) (4)	24,540,305	24,540,305	24,540,305
Stock options outstanding	3,052,371	3,052,371	4,029,723
Stock options exercisable	1,775,467	1,384,654	2,252,171
Restricted share units outstanding	1,156,733	1,618,770	1,878,328

(1) As at January 15, 2024 and December 2, 2023, 411,818 and 388,263 common shares held in trust through the employee share purchase plan (September 2, 2023 – 344,678 common shares) were excluded in the common shares outstanding.

(2) As at January 15, 2024 and December 2, 2023, 6,232 2025 Debentures (September 2, 2023 – 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 January 15, 2024 and December 2, 2023, 29,046 2027 Debentures (September 2, 2023 – 29,046 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 January 15, 2024 and December 2, 2023, 12,675 2028 Debentures (September 2, 2023 – 12,675) were outstanding which are convertible into 16,900,000 common shares of the Company, respectively, at a conversion price of $0.75. Please refer to the "Debt" subsection of the "Liquidity and Capital Resources" section of this MD&A.

SEGMENT REPORTING

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

DIVIDEND POLICY

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The Company's significant judgements, estimates and assumptions are the same as those that were applied to the Company's consolidated financial statements for the year ended September 2, 2023.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made during the first quarter of Fiscal 2024 to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.