goodfood

ANNUAL REPORT 2024

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.

The Company's administrative offices are based in Montreal, Quebec, with production facilities located in the provinces of Quebec and Alberta.

2024
AT A GLANCE

The following table provides a summary of our locations currently operating:

	Total number of locations	Administrative offices	Manufacturing centers	Fulfillment facilities
Greater Montreal Area (Quebec)	1	X	X	X
Greater Toronto Area (Ontario)	2	X		X
Calgary (Alberta)	1		X	X

2
PRODUCTION FACILITIES

570
EMPLOYEES

101K
QUATERLY ACTIVE CUSTOMERS[1]

$153 M
NET SALES

1.This is a metric or non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the Metrics and Non-IFRS financial measures section in the Management's Discussion and Analysis.

3-YEAR
FINANCIAL HIGHLIGHTS

For the years ended	September 7, 2024	%Δ	September 2, 2023	%Δ	September 3, 2022
Operating Results					
Net sales	152,838	(9%)	168,558	(37%)	268,586
Gross Profit	62,978	(4%)	65,380	(4%)	68,055
Adjusted EBITDA[1]	9,063	93%	4,695	N/A	(40,721)
Net loss being comprehensive loss	(3,433)	(79%)	(16,463)	(111%)	(121,761)
Basic and diluted loss per share	(0.05)	(77%)	(0.22)	(110%)	(1.62)
Operating Metrics					
Gross Margin[2]	41.2%	2.4 pp	38.8%	13.5 pp	25.3%
Adjusted EBITDA Margin[1]	5.9%	3.1 pp	2.8%	18.0 pp	(15.2%)
Financial Position					
Cash and cash equivalents	24,010		24,925		36,885
Fixed assets	7,655		11,026		18,408
Total assets	52,315		57,808		129,848
Total debt[3]	1,138		4,036		11,743
Total convertible debentures[4]	50,772		47,119		32,643
Total shareholders' deficiency	(26,078)		(23,442)		(11,178)
Cash flows provided by (used in)					
Operating activities	7,494		(9,350)		(58,981)
Investing activities	773		1,960		(37,671)
Financing activities	(9,182)		(4,570)		8,002

1. This is a metric or non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the Non-IFRS financial measures section in the Management's Discussion and Analysis.
2. Gross margin is defined as gross profit divided by net sales.
3. Includes the current portion of long-term debt.
4. Includes the liability and equity components of the convertible debentures.

MESSAGE TO SHAREHOLDERS

Dear fellow Shareholders,

As we reflect on this past fiscal year, we are proud to report on what has been a transformative and historic year for Goodfood. This year marked a critical milestone in our company's history: our first full year of positive adjusted free cash flow[1]. This achievement is a testament to our relentless focus on disciplined financial execution, innovative customer-centric initiatives, and beginning to reap the rewards of the foundational investments we have made to position Goodfood for consistent profitability and long-term growth.

A Historic Year: Our First Full Year of Positive Free Cash Flow[1]

During fiscal year 2024, we generated an adjusted free cash flow[1] of $8 million. This represented a $12 million improvement compared to fiscal year 2023 and our first full year of positive free cash flow[1]. This outcome was the result of two years of execution: a first year (Fiscal 2023) dedicated to optimizing our operational footprint and transforming our cost structure, and a second year (Fiscal 2024) focused on enhancing unit economics. We took decisive action to streamline our operations, implement cost efficiencies, and focus on profitable growth. As a result, Goodfood today is a leaner, more agile organization that we believe is capable of generating free cash flow[1] consistently.

Our journey to achieving this pivotal milestone was rooted in bold, necessary choices. We not only realigned our business strategy, we also continually honed our offerings to match evolving consumer demand. Today, we are not just better positioned for financial success but have a strong foundation for sustainable value creation in the years to come.

1.This is a metric or non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the Non-IFRS financial measures section in the Management's Discussion and Analysis.

MESSAGE TO SHAREHOLDERS

The Customer at the Centre

Customer happiness and loyalty remain at the heart of Goodfood's mission to deliver joyful nourishment while helping our community live longer on a healthier planet. Throughout the year, we made significant strides in enhancing our customers' experience and bringing our mission to live. We expanded our menu offerings, included better-for-you proteins like organic chicken and sustainably-caught fish, and improved meal customization options to reflect customer preferences and evolving tastes. One of our most significant developments has been the successful rollout of our value menu, now expanded to be our Value Plan, which offers classic, delicious meals priced at under $10 per serving. This initiative has made our services more accessible and appealing to a broader segment of Canadians seeking great quality meals at a great price.

Additionally, we deepened our connection with customers through innovative partnerships with renowned chefs and leading restaurants, bringing unique culinary experiences into homes across Canada. For example, our collaborations with chefs Laurent Dagenais or Chuck Hughes or with Michelin-starred restaurants St. Lawrence or L'Abattoir have elevated the quality and authenticity of our meal offerings, providing memorable dining moments at home and making Goodfood an indispensable part of everyday life for thousands of families.

MESSAGE TO SHAREHOLDERS

Use Our Infrastructure as a Platform for Next-Generation Brands

Looking ahead, we see tremendous potential to leverage our established connection with millions of Canadians and the logistics, marketing, and operational expertise we have developed in the 10 years to drive future growth.

Our strategic investments in logistics infrastructure and marketing capabilities over the past decade have uniquely positioned Goodfood as a platform that can amplify the reach of emerging consumer brands. Our recently announced acquisition of Genuine Tea marks the first step in our acquisition strategy aimed at building a portfolio of next-generation brands. This acquisition allows us to bring an innovative, high-growth product with a devoted customer base into our platform, enabling us to cross-sell and scale Genuine Tea's offerings efficiently.

By acquiring a portfolio of brands and businesses, we enable amortizing more of our fixed costs, capitalize on customer relationships, and continue to grow our offering to our customers with profitable and in-demand products. We are focused on identifying companies with strong growth trajectories and complementary products that resonate with Canadians and our mission. This strategy is not merely about diversification; it is about extending Goodfood's reach, expanding our customer base, and driving consistent value for our shareholders.

MESSAGE TO SHAREHOLDERS

MOST IMPORTANTLY

Ten years ago, Goodfood was born. These past ten years have been a blessing, from the ambitious willingness to disrupt Canadians' ability to eat great, healthy meals ordered online, to going through a pandemic that accelerated our business, and to now having a stable, profitable Company, these past ten years have been an incredible journey, and we are very grateful for it.

None of these achievements would be possible without the dedication, passion, and hard work of our team members across the country. We are deeply grateful to our employees for their resilience, creativity, and commitment to excellence. We also extend our heartfelt appreciation to our customers, who continue to invite Goodfood into their kitchens and dining rooms. Your trust drives us to innovate and improve every day. To our valued partners, suppliers, and chefs who bring our menus to life, thank you for your collaboration. Lastly, to you, our shareholders, we are grateful for your belief in our vision and your unwavering support as we continue to transform Goodfood into a consistent driver of sustained profitable growth.

We are excited about what lies ahead and remain committed to delivering strong financial performance, expanding our impact, and creating value for all stakeholders.

Thank you,

Jonathan Ferrari
Co-Founder, Chairman of the Board and CEO

Neil Cuggy
Co-Founder, Director, President and COO

BOARD OF DIRECTORS

JONATHAN FERRARI
Co-Founder, Chairman
of the Board and CEO

NEIL CUGGY
Co-Founder, Director,
President and COO

JOHN KHABBAZ
Director

DONALD OLDS
Director

TERRY YANOFSKY
Director

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 7, 2024

Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the 14 weeks and 53 weeks ended September 7, 2024

TABLE OF CONTENTS

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding the business environment, trends and significant changes in the results of operations and financial condition of Goodfood Market Corp. and its subsidiary (the "Company" or "Goodfood") for the 14 weeks and 53 weeks ended September 7, 2024 and should be read in conjunction with its audited annual consolidated financial statements and the accompanying notes for the 53 weeks ended September 7, 2024. Please also refer to Goodfood's press release announcing its results for the 14 and 53 weeks ended September 7, 2024, issued on November 27, 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 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.

The Company follows a floating year-end ending on the first Saturday of September each year. As a result, the fiscal year is usually 52 weeks with a 53rd week every five to six years. The year ended September 7, 2024 had 53 weeks and the year ended September 2, 2023 had 52 weeks. The additional week occurred in the fourth quarter of Fiscal 2024.

During Fiscal 2023, the Company completed its cost reduction initiatives. 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. Certain totals, subtotals and percentages may not agree due to rounding.

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 27, 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 Fiscal 2024 and fourth quarter 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 FISCAL 2024 COMPARED TO FISCAL 2023

- Net sales were $152.8 million, a 9% decrease from $168.6 million compared to the same period last year.
- Gross margin[1] grew to 41.2%, an increase of 2.4 percentage points and gross profit of $63.0 million decreased by $2.4 million or 4% compared to the same period last year.
- Net loss was $3.4 million, an improvement of $13.0 million, compared to a net loss of $16.5 million in the same period last year.
- Adjusted EBITDA margin[2] was 5.9%, an improvement of 3.1 percentage points compared to the same period last year.
- Net cash flows provided by operating activities were $7.5 million, compared to net cash flows used in operating activities of $9.4 million, an improvement of $16.8 million compared to the same period last year.
- Adjusted free cash flow[2] is $7.6 million compared to a negative $4.5 million, an improvement of $12.1 million compared to the same period last year.

HIGHLIGHTS OF THE FOURTH QUARTER OF 2024 COMPARED TO THE FOURTH QUARTER OF 2023

- Net sales were $34.1 million, an 8% decrease from $37.2 million compared to the same quarter last year.
- Gross margin[1] of 38.1%, an increase of 0.1 percentage points and gross profit totalled $13.0 million, a decrease of $1.2 million or 8.6% compared to the same quarter last year.
- Net loss was $3.2 million, an improvement of $0.5 million from $3.7 million compared to the same quarter last year.
- Adjusted EBITDA margin[2] was 1%, a decrease of 0.4 percentage points compared to the same quarter last year.
- Net cash flows used from operating activities were $0.9 million, an improvement of $1.0 million compared to the same quarter last year.
- Adjusted free cash flow[2] was negative $1.1 million, flat compared to the same quarter last year.
- Active customers[2] of 101,000, a 13% decrease, compared to 116,000 for the same quarter last year.

[1] Gross margin is defined as gross profit divided by net sales.

[2] 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. Forward-looking statements made by the Company in this MD&A include, without limitation, statements about runway for additional penetration of meal kits into Canadian households, enhancing order frequency, the upcoming launch of customization within the Company's meal-kit recipes, the Company's sustainability initiatives, future growth avenues including acquisitions and future food costs. 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 53 weeks ended September 7, 2024 available on SEDAR+ at www.sedarplus.ca and under the "Events and Presentations" section of our website at www.makegoodfood.ca/en/investors: history of negative operating cash flow, 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, social media, 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 centres and logistics channels, factors which may prevent realization of growth targets, general economic conditions and disposable income levels, 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, climate change and environmental risks, failing to obtain or lose our certified B Corp status, as well as an inability to maintain high social responsibility standards could lead to reputational damage and adversely affect our business and Environment, Social and Governance ("ESG") matters. 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.

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. The Company believes the measures 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. In the fourth quarter of Fiscal 2024, the Company added the total net debt to adjusted EBITDA non-IFRS measure to provide further information on its financial leverage in relation to its profit performance. Furthermore, in Fiscal 2023, the Company added the free cash flow and adjusted free cash flow 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 profitability.

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 costs saving initiatives. Adjusted gross margin is defined as the percentage of adjusted gross profit to net sales. The Company uses adjusted gross profit and adjusted gross margin to measure its performance from one period to the next excluding the variation caused by the items described above. Adjusted gross profit and adjusted gross margin are non-IFRS financial measures. We believe that these metrics are useful measures of financial performance to assess how efficiently the Company uses its resources to service its customers as well as to assess underlying trends in our ongoing operations without the variations caused by the impacts of strategic initiatives such as the items described above and facilitates the comparison across reporting periods. Please refer to the "Metrics and non-IFRS financial measures–reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.
EBITDA, **Adjusted EBITDA** **&**	EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes. Adjusted EBITDA is defined as EBITDA excluding share-based payments expense, the impact of the inventories write-downs due to the discontinuance of products related to Goodfood On-Demand offering, impairment and reversal of impairment of non-financial assets and reorganization and other related (gains) costs pursuant to the Company's costs saving initiatives as well as other costs incurred in pursuit of acquisitions. 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

Adjusted EBITDA margin	EBITDA, and adjusted EBITDA margin are useful measures of financial performance to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its debt. They also allow comparisons between companies with different capital structures. We also believe that these metrics are useful measures of financial performance to assess underlying trends in our ongoing operations without the variations caused by the impacts of the items described above and facilitates the comparison across reporting periods. Please refer to the "Metrics and non-IFRS financial measures–reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.
Free cash flow & Adjusted free cash flow	Free cash flow is defined as net cash provided by or used in 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 as well as other costs incurred in pursuit of acquisitions. We believe that adjusted free cash flow is a useful measure when comparing between companies with different capital structures by removing variations caused by the impacts of the items described above. We also believe that this metric is a useful measure of financial and liquidity performance to assess underlying trends in our ongoing operations without the variations caused by the impacts of the items described above and facilitates the comparison across reporting periods. Please refer to the "Metrics and non-IFRS financial measures–reconciliation" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures.
Total net debt to adjusted EBITDA (also named net leverage)	Total net debt to adjusted EBITDA is calculated as total net debt divided by the last four quarters adjusted EBITDA. Total net debt consists of debt and the liability component of the convertible debentures less cash and cash equivalents. We believe that total net debt to adjusted EBITDA is a useful metric to assess its ability to manage debt and liquidity. Please refer to the "Liquidity and Capital Resources" section of the MD&A for a reconciliation of this non-IFRS financial measure 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 November 26, 2024:

	Total number of locations	Administrative offices	Manufacturing centres	Fulfillment facilities
Greater Montreal Area (Québec)	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.

We believe there is runway for additional penetration of meal kits into Canadian households, as evidenced by 2024 industry research estimating Canadian meal kit household penetration to reach 4.2% by 2029 (up from current 3.5%), implying a compound annual gross rate (CAGR) in the high single digit percentage points through 2029 (See Goodfood's 2024 Annual Information Form for additional information and details).

Before scaling our efforts to endeavour to capture an outsized share of the Canadian 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 seven consecutive quarters of positive adjusted EBITDA[1], which on a last four quarters basis amounts to $9.1 million. The substantial rise in adjusted EBITDA[1] has led to significant adjusted free cash flow[1] improvement which has now been positive in four of our last six quarters. These results help position Goodfood to fund its growth with internally generated cash flows.

To grow our customer base, we first aimed to build customer acquisition cost efficiencies. 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 driven a double-digit percentage reduction of our customer acquisition costs year-over-year and improved the profitability and unit economics of customers.

To capture more of Canadian's food wallet, we have increasingly enhanced product variety as a driver of order frequency. 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, ground turkey and paleo and keto meals, combined with exciting partnerships with first-rate restaurants and chefs, we plan on offering a growing and mouth-watering

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

selection to customers to drive consistently increasing order frequency. Also, to capture customers increasingly looking for value, we have launched a new set of Value Meals starting at $9.99 a portion and we are testing various plan adjustments to attract a broader set of customers to our delicious meals.

Still, 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 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 to reduce food waste, we also constantly look to simplify our supply chain by removing middlemen from farm to kitchen table. This year, we are also aiming to offset 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. (See Goodfood's 2024 Annual Information Form for additional information and details on Goodfood's partnership with Carbonzero and its Fiscal 2023 Greenhouse Gas Emissions Inventory).

In addition to focusing on these key pillars of top-line growth, we are increasingly considering various other growth avenues, including acquisitions.

Our strategic execution to drive profitability and cash flows continues to position us for growth and profitability, 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, 2023, the Company announced it reached an agreement for an extension of its credit facilities with Desjardins Capital Markets and Investissement Québec. The facilities provides 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 this MD&A.

New Partnerships

Starting Fiscal 2024, to demonstrate Goodfood's commitment to delivering high-quality meals to consumers, providing them with an elevated dining experience, the Company will have limited-time only partnerships. The following describes those put in place up to now.

The Company partnered with iconic east coast restaurant, The Bicycle Thief, to bring Canadians exclusive meal-kits developed in collaboration with their chefs for a limited-time.

Just in time for the Valentine's Day period, the Company coupled up with Bumble, the women-first dating and social networking app built on the importance of equitable relationships, to help Canadians spice up their winter dating routines with its newly released 3rd Date Meal-Kit series.

In addition, the Company has partnered up with several chefs and food influencers, such as Laurent Dagenais, to create mouth-watering meal-kits offered to its customers for a limited-time.

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

METRICS AND NON-IFRS FINANCIAL MEASURES–RECONCILIATION

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

ACTIVE CUSTOMERS

	For the 14 and 13 weeks ended		For the 53 and 52 weeks ended	
	September 7, 2024	**September 2, 2023**	**September 7, 2024**	**September 2, 2023**
Active customers, beginning of period	**105,000**	119,000	**116,000**	157,000
Net change in active customers	**(4,000)**	(3,000)	**(15,000)**	(41,000)
Active customers, end of period	**101,000**	116,000	**101,000**	116,000

Active customers remained relatively flat for the 14 weeks ended September 7, 2024, with a slight decrease of 4,000 active customers. The slight decrease is mainly the result of seasonality during the summer months as customers tend to spend less time cooking in their kitchen. A similar decrease was noted during the same quarter last year. For the 53 weeks ended September 7, 2024, active customers displayed increasing stability with a 15,000 reduction, a 26,000 improvement compared to a loss of active customers during Fiscal 2023.

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 14 and 13 weeks ended		For the 53 and 52 weeks ended	
	September 7, 2024	**September 2, 2023**	**September 7, 2024**	**September 2, 2023**
Gross profit	**$ 12,991**	$ 14,221	**$ 62,978**	$ 65,380
Discontinuance of products related to on-demand offering	**–**	–	**–**	1,273
Adjusted gross profit	**$ 12,991**	$ 14,221	**$ 62,978**	$ 66,653
Net sales	**$ 34,063**	$ 37,228	**$ 152,838**	$ 168,558
Gross margin	**38.1%**	38.2%	**41.2%**	38.8%
Adjusted gross margin (%)	**38.1%**	38.2%	**41.2%**	39.5%

For the 14 weeks ended September 7, 2024, adjusted gross profit decreased by $1.2 million while adjusted gross margin remained flat with a narrow decrease of 0.1 percentage points compared to the same quarter last year. The slight change in adjusted gross margin is explained by an increase in credits and incentives as a percentage of net sales mostly offset by operational efficiencies driving lower production costs resulting from lower production labour and packaging costs as well as pricing optimization.

For the 53 weeks ended September 7, 2024, the adjusted gross profit decreased by $3.7 million primarily due to a decrease in net sales partially offset by lower cost of goods sold mainly in food costs, production and fulfillment costs. The increase in adjusted gross margin of 1.7 percentage points can be explained by lower production labour costs, food costs and shipping costs driven mainly by production efficiencies, lower last-mile shipping costs as well as pricing optimization. This improvement was partially offset by an increase in credits and incentives as a percentage of net sales.

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 14 and 13 weeks ended		For the 53 and 52 weeks ended	
	September 7, 2024	**September 2, 2023**	**September 7, 2024**	**September 2, 2023**
Net loss	**$ (3,160)**	$ (3,689)	**$ (3,433)**	$ (16,463)
Net finance costs	**1,476**	1,299	**5,514**	5,668
Depreciation and amortization	**1,879**	2,006	**7,381**	10,837
Deferred income tax recovery	**–**	–	**–**	(61)
EBITDA	**$ 195**	$ (384)	**$ 9,462**	$ (19)
Share-based payments expense	**231**	278	**879**	3,909
Discontinuance of products related to on-demand offering	**–**	–	**–**	1,273
Reorganization and other related costs (gains)	**34**	812	**(1,327)**	(468)
Other costs	**49**	–	**49**	–
Adjusted EBITDA	**$ 509**	$ 706	**$ 9,063**	$ 4,695
Net sales	**$ 34,063**	$ 37,228	**$ 152,838**	$ 168,558
Adjusted EBITDA margin (%)	**1.5%**	1.9%	**5.9%**	2.8%

For the 14 weeks ended September 7, 2024, adjusted EBITDA margin decreased by 0.4 percentage points compared to the same quarter last year mainly driven by lower net sales mostly offset by lower general and administrative expenses as a percentage of net sales. Overall, Adjusted EBITDA decreased by $0.2 million this quarter compared to the same quarter last year.

For the 53 weeks ended September 7, 2024, adjusted EBITDA margin improved by 3.1 percentage points compared to the corresponding period in 2023 mainly driven by stronger adjusted gross margin as well as lower selling, general and administrative expenses as a percentage of net sales as a result of the Company's cost savings measures which reduced wages and salaries, utilities, maintenance and software expenses. This improvement was partially offset by lower net sales. Overall, Adjusted EBITDA increased by $4.4 million for the 53 weeks ended September 7, 2024, compared to the same period last year.

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 14 and 13 weeks ended		For the 53 and 52 weeks ended	
	September 7, 2024	**September 2, 2023**	**September 7, 2024**	**September 2, 2023**
Net cash (used in) provided by operating activities	**$ (932)**	$ (1,958)	**$ 7,494**	$ (9,350)
Additions to fixed assets	**(5)**	(18)	**(49)**	(716)
Additions to intangible assets	**(165)**	(197)	**(578)**	(1,019)
Free cash flow	**$ (1,102)**	$ (2,173)	**$ 6,867**	$ (11,085)
Payments related to discontinuance of products related to on-demand offering	**–**	7	**–**	319
Payments made to reorganization and other related costs	**–**	1,047	**736**	6,275
Adjusted free cash flow	**$ (1,102)**	$ (1,119)	**$ 7,603**	$ (4,491)

For the 14 weeks ended September 7, 2024, adjusted free cash flow remained flat compared to the same period last year mainly driven by lower net loss after non-cash items and reorganization and other related costs.

For the 53 weeks ended September 7, 2024, adjusted free cash flow was $7.6 million compared to negative $4.5 million in the same period last year. This is an improvement of $12.1 million compared to the corresponding period in 2023 mainly driven by improved profitability through lower net loss as a result of improved adjusted gross margin and lower selling, general and administrative expenses. The improvement can also be explained by a favorable change in non-cash working capital due to a positive change in accounts and other receivables due to timing of government refunds as well as in accounts payable and accrued liabilities resulting from timing of supplier payments.

RESULTS OF OPERATIONS–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 53 and 52 week periods ended	September 7, 2024	September 2, 2023	($)	(%)
Net sales	**$ 152,838**	$ 168,558	$ (15,720)	(9)%
Cost of goods sold	**89,860**	103,178	(13,318)	(13)%
Gross profit	**$ 62,978**	$ 65,380	$ (2,402)	(4)%
Gross margin	**41.2%**	38.8%	N/A	2.4 p.p.
Selling, general and administrative expenses	**54,843**	65,867	(11,024)	(17)%
Depreciation and amortization	**7,381**	10,837	(3,456)	(32)%
Reorganization and other related net gains	**(1,327)**	(468)	(859)	184%
Net finance costs	**5,514**	5,668	(154)	(3)%
Loss before income taxes	**$ (3,433)**	$ (16,524)	$ 13,091	(79)%
Deferred income tax recovery	**–**	(61)	61	(100)%
Net loss, being comprehensive loss	**$ (3,433)**	$ (16,463)	$ 13,030	(79)%
Basic and diluted loss per share	**$ (0.05)**	$ (0.22)	$ 0.17	(77)%

VARIANCE ANALYSIS FOR FISCAL 2024 COMPARED TO FISCAL 2023

- The decrease in net sales is primarily driven by a decrease in the number of active customers, as we continue to focus on attracting and retaining customers that provide higher gross margins and by changing customer behaviours. This decrease is partially offset by an increase in average basket size as a result of more portions being added per order and pricing optimizations, increased variety in the meal-kit offering as well as the additional week of operations. This net sales decrease is also explained by the Company's decision to discontinue its on-demand offering in Fiscal 2023.
- The decrease in gross profit primarily resulted from a decrease in net sales as well as higher credit and incentives as a percentage of net sales partially offset by lower food, production and fulfilment costs driven by improved inventory management reducing waste, lower production labour cost and lower packaging and shipping costs. Gross margin increased mainly due to operational efficiencies driving lower food, production and fulfilment costs, as well as pricing optimization, partially offset by an increase in credits and incentives as a percentage of net sales.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries, marketing spend, software expenses, audit fees, utilities, maintenance and insurance expenses driven primarily by the Company's costs saving initiatives. The decrease was partially offset by the additional week of operations. Selling, general and administrative expenses as a percentage of net sales decreased from 39.1% to 35.9% even with lower net sales.
- 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 as well as the derecognition of a right-of-use asset and fixed assets pursuant to a sublease agreement and depreciation.
- The increase in reorganization and other related net gains is primarily explained by the net gain on reversal of impairment resulting from a sublease agreement concluded in Fiscal 2024.
- The decrease in net finance costs is mainly due to lower interest expense on lease obligations in relation to the Company's costs saving, lower interest on debt as a result of a lower debt balance as well as lower debt renewal fees in Fiscal 2024 partially offset by higher interest expense on debentures in relation to the Company's $30 million convertible debentures issued in February 2023.

- The decrease in net loss is mainly due to lower wages and salaries in cost of goods sold and in selling, general and administrative expenses as well as lower depreciation and amortization, lower food costs, marketing spend and audit fees, utilities, maintenance and insurance expenses partially offset by a lower sales base.

RESULTS OF OPERATIONS–FOURTH 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 14 and 13 weeks periods ended	September 7, 2024	September 2, 2023	($)	(%)
Net sales	**$ 34,063**	$ 37,228	$ (3,165)	(9)%
Cost of goods sold	**21,072**	23,007	(1,935)	(8)%
Gross profit	**$ 12,991**	$ 14,221	$ (1,230)	(9)%
Gross margin	**38.1%**	38.2%	N/A	(0.1) p.p.
Selling, general and administrative expenses	**12,762**	13,793	(1,031)	(7)%
Depreciation and amortization	**1,879**	2,006	(127)	(6)%
Reorganization and other related costs	**34**	812	(778)	(96)%
Net finance costs	**1,476**	1,299	177	14%
Net loss, being comprehensive loss	**$ (3,160)**	$ (3,689)	$ 529	(14)%
Basic and diluted loss per share	**$ (0.05)**	$ (0.05)	$ –	N/A

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

- The decrease in net sales is primarily driven by the decrease in the number of active customers, as we continue to focus on customers providing stronger unit economics, as well as an increase in credits and incentives. This decrease was partially offset by an increase in average basket size as a result of more portions being added per order, pricing optimizations and increased variety in the meal-kit offering as well as the additional week of operations.
- The decrease in gross profit is driven mainly by a decrease in net sales as well as higher credit and incentives as a percentage of net sales mostly offset by lower production costs as a result of lower labour and food costs. Gross margin remained flat compared to the same quarter last year.
- The decrease in selling, general and administrative expenses is primarily due to lower wages and salaries, software expenses and marketing spend driven primarily by the Company's costs saving initiatives. In addition, this decrease was partially offset by an additional week of operations. Selling, general and administrative expenses as a percentage of net sales increased from 37.1% to 37.5%.
- The decrease in reorganization and other related costs is explained by the finalization of the Company's cost saving initiatives during Fiscal 2023.
- The slight improvement in net loss is mainly the result of lower wages and salaries in cost of goods sold and selling, general and administrative expenses as well as operational efficiencies reducing production and fulfilment costs. This improvement can also be explained by lower reorganization and other related costs mostly offset by a lower net sales base.

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 7, 2024	September 2, 2023	Variance	Main Components
Cash and cash equivalents	**$ 24,010**	$ 24,925	$ (915)	Mainly due to partial repayment of the debt upon debt facility amendment and quarterly repayments partially offset by improved cash flows from operations mainly through improved net loss and working capital
Accounts and other receivables	**2,178**	4,136	(1,958)	Mainly due to timing of governmental refunds
Fixed assets	**7,655**	11,026	(3,371)	Mainly due to depreciation and the derecognition of fixed assets pursuant to a sublease agreement
Right-of-use assets	**9,573**	10,986	(1,413)	Mainly due to the derecognition of a right-of-use asset pursuant to a sublease agreement and depreciation partially offset by new and modified leases
Lease receivable	**3,042**	–	3,042	Due to a sublease agreement
Accounts payable and accrued liabilities	**14,903**	17,993	(3,090)	Mainly due to lower expenses and timing of supplier payments
Current portion of long-term debt (1)	**1,138**	4,036	(2,898)	Due to repayment of debt upon reaching an agreement to amend the credit agreement and quarterly repayments
Convertible debentures, liability component, including current portion (2)	**45,405**	41,752	3,653	Due to accretion interest

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

CAPITAL STRUCTURE

(In thousands of Canadian dollars, except ratio information)

		September 7, 2024		September 2, 2023
Debt	**$**	**1,138**	$	4,036
Convertible debentures, liability component, including current portion		**45,405**		41,752
Total debt	**$**	**46,543**	$	45,788
Cash and cash equivalents		**24,010**		24,925
Total net debt	**$**	**22,533**	$	20,863
Adjusted EBITDA (last four quarters) (1)	**$**	**9,063**	$	4,695
Total net debt to adjusted EBITDA (1)		**2.49**		4.44

(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 $1.7 million and its total net debt to adjusted EBITDA ratio was 2.49, compared to 4.44 last year. This improvement is mainly explained by the Company's stronger 12 months results.

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. The Company has generated positive cash flows from operations and free cash flow in Fiscal 2024, providing a base for capital structure flexibility to fund its operations and capital expenditures. In addition, the Company has relied on short-term or long-term debt, public and private placements of equity securities as well as convertible debentures.

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 53 and 52 weeks ended September 7, 2024, and September 2, 2023 is presented below:

(In thousands of Canadian dollars)

For the 53 and 52 weeks ended		September 7, 2024		September 2, 2023		Variance
Cash flows provided by (used in) operations, excluding change in non-cash operating working capital	**$**	**8,678**	$	(3,212)	$	11,890
Change in non-cash operating working capital		**(1,184)**		(6,138)		4,954
Net cash flows provided by (used in) operating activities	**$**	**7,494**	$	(9,350)	$	16,844
Net cash flows provided by investing activities		**773**		1,960		(1,187)
Net cash flows used in financing activities		**(9,182)**		(4,570)		(4,612)
Net change in cash and cash equivalents	**$**	**(915)**	$	(11,960)	$	11,045
Cash and cash equivalents, beginning of period		**24,925**		36,885		(11,960)
Cash and cash equivalents, end of period	**$**	**24,010**	$	24,925	$	(915)

Net cash flows provided by operating activities were $7.5 million compared to net cash flows used in operating activities of $9.4 million. This is an improvement of $16.8 million compared to the same period last year primarily due to lower net loss before adjustments for non-cash items compared to Fiscal 2023. This improvement can also be explained by 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 Fiscal 2024.

Net cash flows provided by investing activities decreased by $1.2 million compared to the same period last year primarily due to proceeds on disposal of non-financial assets received in Fiscal 2023 partially offset by lower investments made in fixed assets and intangible assets projects during Fiscal 2024 as well as higher interest receivable mainly from a new sublease agreement and other interest received during Fiscal 2024.

Net cash flows used in financing activities increased by $4.6 million compared to the same period last year primarily due to proceeds from issuance of convertible debentures in Fiscal 2023. The increase was partially offset by lower debt repayment and lower interest paid on debt attributed a lower debt balance in Fiscal 2024 and lower lease payments in Fiscal 2024, including interest paid, following exiting facilities as part of the Company's costs reduction initiatives in Fiscal 2023.

A summary of net cash flows by activity for the 14 and 13 weeks ended September 7, 2024 and September 2, 2023 is presented below:

(In thousands of Canadian dollars)

For the 14 and 13 weeks ended		September 7, 2024		September 2, 2023		Variance
Cash flows provided by operations, excluding change in non-cash operating working capital	**$**	**408**	$	121	$	287
Change in non-cash operating working capital		**(1,340)**		(2,079)		739
Net cash flows used in operating activities	**$**	**(932)**	$	(1,958)	$	1,026
Net cash flows provided by investing activities		**391**		53		338
Net cash flows used in financing activities		**(1,650)**		(1,538)		(112)
Net change in cash and cash equivalents	**$**	**(2,191)**	$	(3,443)	$	1,252
Cash and cash equivalents, beginning of period		**26,201**		28,368		(2,167)
Cash and cash equivalents, end of period	**$**	**24,010**	$	24,925	$	(915)

Net cash flows used in operating activities improved by $1.0 million for the fourth quarter of 2024 compared to the same quarter last year primarily due to a favorable change in non-cash working capital as a result of a favorable change in deferred revenue and lower net loss before non-cash expenses.

Net cash flows provided by investing activities increased by $0.4 million compared to the same quarter last year mainly due to a higher interest received as a result of a new sublease agreement as well as other interest received in the fourth quarter of Fiscal 2024.

Net cash flows used in financing activities decreased by $0.1 million compared to the same quarter last year primarily due to higher lease payments due timing of payments, as a result of an additional week of operations in 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 September 7, 2024, 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%. Commencing on February 6, 2025 and until the Maturity Date, the interest portion will be payable semi-annually in cash in arrears on February 6 and August 6 of each year. 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 its costs saving 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 7, 2024, 12,675 of 2028 Debentures (September 2, 2023 – 12,675) were outstanding at a price of $1,000 per Debenture.

2027 Debentures

On February 11, 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 2027 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 (the "Conversion Price") 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.

In the event of a change in control, the Company will be required to make a payment to the holders of the 2027 Debentures in accordance with the make-whole premium provisions set forth by the indenture of the 2027 Debentures.

As at September 7, 2024, 29,046 of 2027 Debentures (September 2, 2023 – 29,046) were outstanding at a price of $1,000 per Debenture.

2025 Debentures

On February 26, 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture for gross proceeds of $30 million. The Debentures mature on March 31, 2025 (the "Maturity Date") 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, which commenced on September 30, 2020. Factoring in the Debentures issuance costs, the effective interest rate on the Debentures is 11.76%.

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 price of $4.70 (the "Conversion Price") per common share.

On or after March 31, 2023, and prior to March 31, 2024, 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 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, 2024, and prior to the Maturity Date, the 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.

In the event of a change in control, the Company will be required to make a payment to the holders of the Debentures in accordance with the make-whole premium provisions set forth by the indenture of the Debentures.

As at September 7, 2024, 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 14 and 53 weeks ended September 7, 2024, were as follows:

- No stock options were exercised;
- 219,410 and 994,992 restricted share units vested and the same number of common shares were issued;
- 14,123 and 34,889 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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Active customers [1]	**101,000**	105,000	117,000	124,000	116,000	119,000	124,000	148,000
Net sales	**$ 34,063**	$ 38,561	$ 39,755	$ 40,459	$ 37,228	$ 42,139	$ 42,043	$ 47,148
Gross profit	**12,991**	16,949	17,109	15,929	14,221	17,286	17,114	16,759
Gross margin	**38.1%**	44.0%	43.0%	39.4%	38.2%	41.0%	40.7%	35.5%
Discontinuance of products related to on-demand offering	**–**	–	–	–	–	(1)	631	643
Adjusted gross profit [1]	**12,991**	16,949	17,109	15,929	14,221	17,285	17,745	17,402
Adjusted gross margin [1]	**38.1%**	44.0%	43.0%	39.4%	38.2%	41.0%	42.2%	36.9%
Net (loss) income	**$ (3,160)**	$ 307	$ 1,393	$ (1,973)	$ (3,689)	$ (1,164)	$ 98	$ (11,708)
Net finance costs	**1,476**	1,213	1,369	1,456	1,299	1,329	1,470	1,570
Depreciation and amortization	**1,879**	1,729	1,818	1,955	2,006	2,206	2,856	3,769
Deferred income tax (recovery) expense	**–**	–	–	–	–	–	(72)	11
EBITDA [1]	**195**	$ 3,249	$ 4,580	$ 1,438	$ (384)	$ 2,371	$ 4,352	$ (6,358)
Share-based payments	**231**	310	325	13	278	544	794	2,293
Discontinuance of products related to on-demand offering	**–**	–	–	–	–	(1)	631	643
Reorganization and other related costs (gains)	**34**	–	(1,364)	3	812	370	(2,769)	1,119
Other costs	**49**	–	–	–	–	–	–	–
Adjusted EBITDA [1]	**$ 509**	$ 3,559	$ 3,541	$ 1,454	$ 706	$ 3,284	$ 3,008	$ (2,303)
Adjusted EBITDA margin [1]	**1.5%**	9.2%	8.9%	3.6%	1.9%	7.8%	7.2%	(4.9)%
Basic and diluted (loss) income per share	**(0.05)**	$ –	$ 0.02	$ (0.03)	$ (0.05)	$ (0.02)	$ –	$ (0.16)

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

- the shutdown of the on-demand grocery offering in early Fiscal 2023;
- the effect of seasonality 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 post-COVID-19 and economic conditions which led to a shift in customer ordering behaviors;
- 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:

- the shutdown of the on-demand grocery offering in early Fiscal 2023;
- the effect 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;
- cost-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 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.

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, accounts and other receivables and lease receivable. 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. 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, supported by available cash and cash flows from operations, in order to repay its credit facilities when it becomes due in November 2024 should they not be renewed as well as to repay its 2025 Debentures when they come due on March 31, 2025.

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 53 weeks ended September 7, 2024, available on SEDAR+ at www.sedarplus.ca and under the "Events and Presentations" section of our website at www.makegoodfood.ca/en/investors

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 7, 2024:

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 14,903	$ 14,903	$ 14,903	$ –	$ –
Debt	1,138	1,165	1,165	–	–
Debentures, liability component, including current portion	45,405	62,927	9,256	53,671	–
Lease obligations, including current portion	13,331	15,750	3,798	10,538	1,414
Purchase and service contract obligations	–	7,019	6,573	446	–
	$ 74,777	**$ 101,764**	**$ 35,695**	**$ 64,655**	**$ 1,414**

As at September 7, 2024, 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, currently in a savings account earning interests.

FINANCIAL COVENANTS

As discussed in the "Liquidity and Capital Resources" section of this 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 Fiscal 2024, 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:

For the 53 and 52 weeks ended	September 7, 2024	September 2, 2023
Salaries, fees and other short-term employee benefits	**$ 3,212**	$ 2,290
Share-based payments expense	**360**	2,189

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. For the 53 weeks ended September 7, 2024, the Company has not transacted with related parties other than those detailed above.

For the 52 weeks ended September 2, 2023, 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.

SHARE-BASED PAYMENTS

A stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, officers and directors. The Stock Option Plan provides for the granting of 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 Stock Option Plan, 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 RSU Plan, RSUs generally vest over a period of three years.

An employee share purchase plan ("ESPP") was established to attract and retain employees and directors. Under this plan, employees or directors are permitted to contribute between 1% and 5% of their eligible earnings, up to $10,000 annually, to purchase the Company's equity shares. The Company, in turn, provides a matching contribution equal to 50% of the participant's personal contribution. Shares purchased with the Company's contributions become vested two years from the contribution date. All contributions are used by the plan's trustee to purchase equity shares on the open market, on behalf of employees.

OUTSTANDING SHARE DATA

As at	November 26, 2024	September 7, 2024	September 2, 2023
Common shares outstanding [1]	77,342,591	77,340,092	76,525,507
Debentures outstanding [2] [3] [4]	24,540,305	24,540,305	24,540,305
Stock options outstanding	3,049,336	3,052,563	4,029,723
Stock options exercisable	2,441,997	2,336,688	2,252,171
Restricted share units outstanding	3,416,241	3,437,733	1,878,328

(1) As at November 26, 2024 and September 7, 2024, 537,067 and 525,085 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 November 26, 2024 and September 7, 2024, 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 November 26, 2024 and September 7, 2024, 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 November 26, 2024 and September 7, 2024, 12,675 2028 Debentures (September 2, 2023 – 12,675 Debentures) 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 its 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.

SUBSEQUENT EVENT

On November 13, 2024, the Company entered into a share purchase agreement to acquire 81% of the shares of Genuine Tea Inc. ("Genuine Tea") for a purchase price of approximately $2.4 million, including future performance-based payment. Genuine Tea is a leading Canadian craft tea company. The founding shareholders will continue to lead the business and hold the remaining shares of the company, with Goodfood having a right to acquire their shares in the future. As at the date of issuance of the consolidated financial statements, the Company has not yet determined the fair value of net assets acquired, including any intangible assets that may exist.

SIGNIFICANT ACCOUNTING JUDGMENTS, 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:

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.

KEY SOURCES OF ESTIMATES AND ASSUMPTIONS

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.

CHANGES IN ACCOUNTING POLICIES

NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

Amendment to IAS 1, *Presentation of Financial Statements*

In February 2021, the IASB issued narrow-scope amendments to IAS 1. The amendments require disclosure of 'material' accounting policy information rather than 'significant' accounting policies and provides clarity on how to determine if accounting policy information is material. These amendments became effective for the 53 weeks period ended September 7, 2024 for the Company.

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.

IFRS 18 Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of earnings; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard.

Amendments to the Classification and measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7, to clarify when a financial asset or a financial liability is recognized and derecognized and, amongst other elements, to introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

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 7, 2024.

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 7, 2024.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made during 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.

goodfood

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 7, 2024 AND SEPTEMBER 2, 2023

Consolidated Financial Statements of

GOODFOOD MARKET CORP.

53 weeks ended September 7, 2024 and 52 weeks ended September 2, 2023

GOODFOOD MARKET CORP.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Goodfood Market Corp.

Opinion

We have audited the consolidated financial statements of Goodfood Market Corp. (the "Entity"), which comprise:

- the consolidated statements of financial position as at September 7, 2024 and September 2, 2023
- the consolidated statements of loss and other comprehensive loss for the 53 weeks and 52 weeks then ended
- the consolidated statements of changes in deficiency for the 53 weeks and 52 weeks then ended
- the consolidated statements of cash flows for the 53 weeks and 52 weeks then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at September 7, 2024 and September 2, 2023, and its consolidated financial performance and its consolidated cash flows for the 53 weeks and 52 weeks then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the 53 weeks ended September 7, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor’s report.

Assessment of existence and accuracy of net sales

Description of the matter

We draw attention to Note 3.2 and Note 4.2 to the financial statements. The Entity’s net sales amount to $153 million. Net sales are primarily generated from the deliveries of fresh meal solutions and add-ons ("meal solutions").

The Entity recognizes revenue at a point in time, which is upon delivery of meal solutions, as it meets the criteria to satisfy the performance obligation. Deferred revenue is recognized for consideration received in advance of the related revenue. Revenue from the sale of goods is measured at the fair value of consideration received, net of refunds, sales incentives and referral credits.

Why the matter is a key audit matter

We identified existence and accuracy of net sales as a key audit matter. This matter represented an area of higher risk of material misstatement given the magnitude of net sales, the high volume of transactions, and the complexity involved in processing and recording the Entity’s sales transactions. As a result, significant auditor attention was required in performing the audit procedures.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We matched all of the Entity’s meal solutions net sales transactions for the year with the corresponding cash receipts per bank statements.
- For a selection of meal solutions sales transactions throughout the year, we evaluated whether the performance obligation had been satisfied by examining the proof of delivery.
- We agreed the total amount of customer payments received as of year-end for meal solutions deliveries occurring after that date to the Entity’s deferred revenue account.

- For a selection of meal solutions sales transactions, we agreed the transaction price with the price list approved by a key management personnel member with an appropriate level of authority.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditor's report thereon, included in the "Annual Report" as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Philippe Grubert.

KPMG LLP*

Montréal, Canada

November 26, 2024

*CPA auditor, public accountancy permit No. A120220

GOODFOOD MARKET CORP.

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except share and per share information)

For the 53 and 52 weeks ended	Notes	September 7, 2024	September 2, 2023
Net sales		$ 152,838	$ 168,558
Cost of goods sold		89,860	103,178
Gross profit		62,978	65,380
Selling, general and administrative expenses		54,843	65,867
Reorganization and other related net gains	6	(1,327)	(468)
Depreciation and amortization	12,13,14	7,381	10,837
Operating income (loss)		2,081	(10,856)
Net finance costs	7	5,514	5,668
Loss before income taxes		(3,433)	(16,524)
Deferred income tax recovery	8	–	(61)
Net loss, being comprehensive loss		**$ (3,433)**	**$ (16,463)**
Basic and diluted loss per share		$ (0.05)	$ (0.22)
Basic and diluted weighted average number of common shares outstanding	18	76,928,635	76,103,206

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

GOODFOOD MARKET CORP.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

As at	Notes	September 7, 2024	September 2, 2023
Assets			
Current assets:			
Cash and cash equivalents		**$ 24,010**	$ 24,925
Accounts and other receivables	10	**2,178**	4,136
Inventories	11	**3,157**	3,281
Other current assets		**433**	366
		29,778	32,708
Non-current assets:			
Fixed assets	12	**7,655**	11,026
Right-of-use assets	13	**9,573**	10,986
Intangible assets	14	**1,958**	2,776
Lease receivable		**3,042**	–
Other non-current assets		**309**	312
Total assets		**$ 52,315**	$ 57,808
Liabilities and Shareholders' Deficiency			
Current liabilities:			
Accounts payable and accrued liabilities		**$ 14,903**	$ 17,993
Deferred revenues		**3,616**	4,105
Debt	15	**1,138**	4,036
Current portion of convertible debentures	16	**6,029**	–
Current portion of lease obligations	17	**2,961**	2,862
		28,647	28,996
Non-current liabilities:			
Convertible debentures	16	**39,376**	41,752
Lease obligations	17	**10,370**	10,502
Total liabilities		**78,393**	81,250
Shareholders' deficiency:			
Common shares	18	**181,727**	180,369
Contributed surplus	19	**7,448**	8,009
Convertible debentures	16	**5,367**	5,367
Deficit		**(220,620)**	(217,187)
Total shareholders' deficiency		**(26,078)**	(23,442)
Total liabilities and shareholders' deficiency		**$ 52,315**	$ 57,808

The accompanying notes are an integral part of these 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.

Consolidated Statements of Changes in Deficiency
(In thousands of Canadian dollars)

For the 53 and 52 weeks ended

						September 2, 2023
	Notes	**Common Shares**	**Contributed Surplus**	**Convertible Debentures**	**Deficit**	**Total**
Balance as at September 3, 2022		$ 173,788	$ 10,584	$ 5,174	$ (200,724)	$ (11,178)
Net loss		–	–		(16,463)	(16,463)
Share-based payments expense	19	–	3,903	–	–	3,903
Net convertible debenture issuance	16	–	–	202	–	202
Net convertible debenture conversions	16	196	–	(9)	–	187
Restricted share units vested	19	6,475	(6,475)	–	–	–
Employee share purchase plan	19	(90)	(3)	–	–	(93)
Balance as at September 2, 2023		$ 180,369	$ 8,009	$ 5,367	$ (217,187)	$ (23,442)
						September 7, 2024
Balance as at September 2, 2023		$ 180,369	$ 8,009	$ 5,367	$ (217,187)	$ (23,442)
Net loss		–	–	–	(3,433)	(3,433)
Share-based payments expense	19	–	863	–	–	863
Restricted share units vested	19	1,419	(1,419)	–	–	–
Employee share purchase plan	19	(61)	(5)	–	–	(66)
Balance as at September 7, 2024		**$ 181,727**	**$ 7,448**	**$ 5,367**	**$ (220,620)**	**$ (26,078)**

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

GOODFOOD MARKET CORP.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

For the 53 and 52 weeks ended	Notes	September 7, 2024	September 2, 2023
Operating:			
Net loss		**$ (3,433)**	$ (16,463)
Adjustments for:			
Depreciation and amortization	12,13,14	**7,381**	10,837
Reversal of impairment of non-financial assets	6,12,13	**(981)**	–
Net (gains) loss on disposal of non-financial assets		**(632)**	2,362
Gain on termination of leases	6	**–**	(12,137)
Write-offs of non-financial assets	6	**–**	2,252
Share-based payments expense	19	**864**	3,903
Net finance costs	7	**5,514**	5,668
Deferred income tax recovery	8	**–**	(61)
Change in non-cash operating working capital	20	**(1,184)**	(6,138)
Other		**(35)**	427
Net cash provided by (used in) operating activities		**7,494**	(9,350)
Investing:			
Additions to fixed assets	12	**(49)**	(716)
Additions to intangible assets	14	**(578)**	(1,019)
Proceeds from disposal of non-financial assets		**–**	2,580
Interest received		**1,400**	1,115
Net cash provided by investing activities		**773**	1,960
Financing:			
Net (issue costs) proceeds from issuance of convertible debentures		**(6)**	12,249
Net repayment of debt	15	**(2,925)**	(7,813)
Interest paid		**(3,198)**	(4,616)
Payments of lease obligations	17	**(3,014)**	(4,407)
Shares purchased under employee share purchase plan	19	**(66)**	(89)
Other		**27**	106
Net cash used in financing activities		**(9,182)**	(4,570)
Decrease in cash and cash equivalents		**(915)**	(11,960)
Cash and cash equivalents, beginning of period		**24,925**	36,885
Cash and cash equivalents, end of period		**$ 24,010**	$ 24,925
Supplemental cash flow information	20		

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

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

The Company follows a floating year-end ending on the first Saturday of September each year. As a result, the fiscal year is usually 52 weeks with a 53rd week every five to six years. The year ended September 7, 2024 had 53 weeks and the year ended September 2, 2023 had 52 weeks.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Details of the Company's material policies are included in Note 3.

The consolidated financial statements of the Company for the 53 weeks ended September 7, 2024 and 52 weeks ended September 2, 2023 were authorized by the Board of Directors ("Board") on November 26, 2024 for publication on November 27, 2024.

2.2 BASIS OF MEASUREMENT

The 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.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

The consolidated financial statements of the Company include the accounts of the Company and of its wholly owned subsidiary.

Subsidiaries

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. The Company reassesses whether it controls an entity if facts and circumstances indicate that one or more of the aforementioned points have changed. A subsidiary is consolidated from the date the Company obtains control and continues to be consolidated until the date that such control ceases.

3.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from the sale of goods is measured at the fair value of consideration received, net of refunds, sales incentives and credits. Revenue is recognized at a point in time, which is upon delivery of meal solutions, as it meets the criteria to satisfy the performance obligation. Sales and referral credits are recognized as revenue upon redemption and when the Company fulfills its obligation. Deferred revenue is recognized for consideration received in advance of the related revenue. Sales and referral credits are also included in deferred revenue and are measured based on the fair value of the sales and referral credits granted, taking into consideration the estimated redemption percentage.

3.3 TAXES

Income tax expense comprises current and deferred income taxes. It is recognized in the consolidated statements of loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the years and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred income tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

3.4 INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the first-in, first-out method. Cost includes acquisition costs net of discounts, and other costs incurred to bring inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

3.5 FIXED ASSETS

Fixed assets are recognized at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset	Period
Furniture and fixtures	3 to 10 years
Machinery and equipment	3 to 20 years
Computer hardware and other	3 to 5 years
Leasehold improvements	Shorter of lease term and useful life

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

3.6 LEASES

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 0 to 11 years for facilities, automotive equipment and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease obligation

The lease obligation is initially measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.7 INTANGIBLE ASSETS

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

The estimated useful lives for the current year and comparative periods are as follows:

Asset	Period
Software	3 to 5 years
Intellectual property	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

3.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life, fixed assets and right-of-use assets on each reporting date, in order to determine if specific events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated.

For impairment testing purposes, assets that cannot be tested individually are aggregated into a cash generating unit ("CGU"). An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or a CGU's) fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU. Impairment losses are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis and are recognized in the consolidated statements of loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of impairment loss is recognized in the consolidated statements of loss.

3.9 FINANCIAL INSTRUMENTS

3.9.1 RECOGNITION AND INITIAL MEASUREMENT

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issuance.

3.9.2 CONVERTIBLE DEBENTURES

Convertible debentures are measured at amortized cost, using the effective interest rate method. They are initially measured at fair value, which is the consideration received, net of transaction costs incurred, net of the equity component. Transactions costs related to those instruments are included in the value of the instruments and amortized using the effective interest rate method. The effective interest expense is included in net finance costs in the consolidated statements of loss.

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issuance, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity, without being subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the portion recognized in equity will be transferred to common shares. Issuance costs are divided between the liability and equity components in proportion to their respective values.

On the early redemption or repurchase of convertible debentures, the Company allocates the consideration paid on extinguishment to the liability based on its fair value at the date of the transaction and the residual is allocated to the conversion option. Any resulting gain or loss relating to the liability element is credited or charged to the consolidated statements of loss and the difference between the carrying amount and the amount considered to be settled relating to the holder option is treated as a common share transaction.

3.9.3 FAIR VALUE MEASUREMENT

In establishing the fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1: defined as observable inputs such as quoted prices in active markets.

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

3.10 SHARE-BASED PAYMENTS

The Company's share-based payment plans consist of a stock option plan, a restricted share unit plan and an employee share purchase plan. Employees, consultants, officers and directors of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of the Company's stock option plan is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing model. The cost of the Company's restricted share unit plan is determined based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. The costs are recognized as a share-based payment expense, together with a corresponding increase in equity (contributed surplus), over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired. The expense or credit in the statements of loss for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

3.11 EMPLOYEE SHARE PURCHASE PLAN

The Company's contributions, used to purchase shares on the open market on behalf of employees, are recognized when incurred as an employee benefit expense, with a corresponding increase in contributed surplus. The amount expensed is adjusted to reflect the number of awards for which it is expected that the vesting conditions will be me met, so that the amount ultimately expensed will depend on the number of awards that meet the vesting conditions at the vesting date.

Unvested shares held in trust on behalf of employees are treasury shares and, therefore, deducted from equity until they become vested.

3.12 SEGMENT REPORTING

The Company determined that it operated a single operating segment for Fiscal 2024 and 2023.

4. 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

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.

5. CHANGES IN ACCOUNTING POLICIES

5.1 NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

Amendment to IAS 1, *Presentation of Financial Statements*

In February 2021, the IASB issued narrow-scope amendments to IAS 1. The amendments require disclosure of 'material' accounting policy information rather than 'significant' accounting policies and provides clarity on how to determine if accounting policy information is material. These amendments became effective for the 53 weeks period ended September 7, 2024 for the Company and are applied in Note 3.

5.2 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.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

IFRS 18 Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of earnings; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard.

Amendments to the Classification and measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7, to clarify when a financial asset or a financial liability is recognized and derecognized and, amongst other elements, to introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

6. REORGANIZATION AND OTHER RELATED NET GAINS

The following table summarizes the reorganization and other related net gains:

		2024		2023
Reversal of impairment of non-financial assets	**$**	**(981)**	$	–
Net gains related to facility closures [(1)]		**–**		(8,315)
Write-offs of non-financial assets		**–**		2,252
Net loss on disposal of non-financial assets		**–**		2,362
Employee termination and benefit costs		**–**		2,210
External advisor fees [(2)]		**–**		1,017
Other		**(346)**		6
	$	**(1,327)**	$	(468)

(1) For the 52 weeks ended September 2, 2023, net gains related to facility closures included net gain on termination of leases amounting to $12.1 million.
(2) External advisor fees consist of fees related to the Company's reorganization initiatives.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

7. NET FINANCE COSTS

		2024		2023
Interest expense on debt	$	259	$	618
Interest expense on lease obligations		806		1,474
Interest expense on debentures, including accretion interest		5,725		4,487
Interest income		(1,349)		(1,115)
Other finance costs		44		254
Foreign exchange loss (gain)		29		(50)
	$	5,514	$	5,668

8. INCOME TAXES

A reconciliation of the Company's income taxes at Canadian statutory rates is as follows:

		2024		2023
Loss before income taxes	$	(3,433)	$	(16,524)
Canadian statutory rates		26.05%		26.21%
Income tax benefit at the combined Canadian statutory rate	$	(894)	$	(4,331)
Decrease resulting from:				
Change in unrecognized deferred income tax assets		1,401		3,454
Recognition of previously unrecognized tax benefits		(619)		–
Permanent differences		240		1,043
Change in tax rates		343		(122)
Other		(471)		(105)
Total income tax recovery	$	–	$	(61)

Deferred income tax assets (liabilities) are attributable to the following items:

	Lease receivable	Lease obligations	Net operating losses	Debentures	Fixed assets and Right-of-use assets	Deferred income tax assets (liabilities)
As at September 3, 2022	$ –	$ 5,080	$ 2,097	$ (2,097)	$ (5,080)	$ –
Recognized in net loss	–	(5,080)	(474)	535	5,080	61
Recognized in equity	–	–	–	(61)	–	(61)
As at September 2, 2023	$ –	$ –	$ 1,623	$ (1,623)	$ –	$ –
Recognized in net loss	(874)	874	(962)	962	–	–
As at September 7, 2024	**$ (874)**	**$ 874**	**$ 661**	**$ (661)**	**$ –**	**$ –**

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

The Company had unrecognized deferred income tax assets as follows:

As at	September 7, 2024	September 2, 2023
Net operating losses carry forwards	**$ 33,604**	$ 33,655
Fixed assets and right-of-use assets	**15,829**	14,977
Shares and debt issuance costs	**433**	907
Intangible assets	**1,878**	1,526
Other	**721**	620
Unrecognized deferred income tax assets	**$ 52,465**	$ 51,685

The Company has federal operating tax losses carried forward of $128.6 million (2023 – $131.0 million) which are partially recognized for an amount of $2.5 million (2023 – $6.2 million), and unrecognized deductible temporary differences of $72.6 million (2023 – $65.6 million) that are available to reduce taxable income. Deferred income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can realize the benefits therefrom. As at September 7, 2024, the amounts and expiry dates of the federal tax losses carried forward were as follows:

2037	**$ 1,931**
2038	**8,516**
2039	**18,089**
2040	**812**
2041	**22,625**
2042	**63,531**
2043	**13,069**
	$ 128,573

9. SUPPLEMENTAL STATEMENT OF LOSS AND COMPREHENSIVE LOSS INFORMATION

	2024	2023
Expense related to variable lease payments not included in the lease obligations	**$ 1,322**	$ 1,337
Salaries, fees and other short-term employee benefits	**35,900**	43,890
Costs incurred in pursuit of acquisitions	**49**	–

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

10. ACCOUNTS AND OTHER RECEIVABLES

As at		September 7, 2024		September 2, 2023
Sales taxes receivable	**$**	**1,168**	$	1,853
Current portion of lease receivable		**312**		–
Rewards program receivable		**193**		238
Volume discounts receivable		**9**		96
Other receivables		**496**		1,949
	$	**2,178**	$	4,136

11. INVENTORIES

As at		September 7, 2024		September 2, 2023
Food	**$**	**1,830**	$	1,807
Packaging supplies		**1,120**		1,221
Work in process		**207**		253
	$	**3,157**	$	3,281

The cost of inventories recognized as an expense within cost of goods sold during the 53 weeks ended September 7, 2024 was $77.2 million (2023 – $88.6 million).

The Company recorded a recovery within cost of goods sold during the 53 weeks ended September 7, 2024 for a net amount of $0.5 million (2023 – $1.1 million) for the write-down of inventories. Included in this amount is $0.5 million (2023 – $1.3 million) related to the discontinuance of products related to on-demand grocery.

12. FIXED ASSETS

	Furniture and fixtures	Machinery and equipment	Computer hardware and other	Leasehold improvements	Assets under construction (1)	Total
Cost:						
As at September 3, 2022	$ 6,171	$ 22,385	$ 6,317	$ 36,246	$ 583	$ 71,702
Additions	–	323	14	195	–	532
Disposal	(1,236)	(1,247)	(398)	(7,226)	–	(10,107)
Transfers	–	–	–	15	(15)	–
Transfers to assets held for sale	–	57	19	–	–	76
Other	–	(4)	–	–	(57)	(61)
As at September 2, 2023	$ 4,935	$ 21,514	$ 5,952	$ 29,230	$ 511	$ 62,142
Additions	–	28	3	18	–	49
Disposal	(3)	(10)	–	(6,482)	(511)	(7,006)
As at September 7, 2024	**$ 4,932**	**$ 21,532**	**$ 5,955**	**$ 22,766**	**$ –**	**$ 55,185**

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

Accumulated depreciation, impairment loss and write-offs:						
As at September 3, 2022	$ 4,707	$ 15,867	$ 3,753	$ 28,470	$ 497	$ 53,294
Depreciation	337	1,235	1,268	1,529	–	4,369
Disposal	(705)	(495)	(198)	(5,860)	–	(7,258)
Write-offs	24	152	135	386	14	711
As at September 2, 2023	$ 4,363	$ 16,759	$ 4,958	$ 24,525	$ 511	$ 51,116
Depreciation	180	1,132	794	1,057	–	3,163
Disposal	(3)	(10)	–	(5,916)	(511)	(6,440)
Impairment reversal	–	–	–	(309)	–	(309)
As at September 7, 2024	**$ 4,540**	**$ 17,881**	**$ 5,752**	**$ 19,357**	**$ –**	**$ 47,530**
Net carrying amounts:						
As at September 2, 2023	$ 572	$ 4,755	$ 994	$ 4,705	$ –	$ 11,026
As at September 7, 2024	**392**	**3,651**	**203**	**3,409**	**–**	**7,655**

13. RIGHT-OF-USE ASSETS

	Facilities	Automotive equipment	Other equipment	Total
As at September 3, 2022	$ 54,527	$ 475	$ 417	$ 55,419
Additions and lease modifications	160	112	–	272
Derecognition (1)	(39,504)	(57)	(12)	(39,573)
Depreciation	(4,769)	(210)	(153)	(5,132)
As at September 2, 2023	$ 10,414	$ 320	$ 252	$ 10,986
Additions and lease modifications	2,971	23	–	2,994
Derecognition (2)	(2,257)	–	–	(2,257)
Impairment reversal	672	–	–	672
Depreciation	(2,530)	(166)	(126)	(2,822)
As at September 7, 2024	**$ 9,270**	**$ 177**	**$ 126**	**$ 9,573**

(1) In Fiscal 2023, derecognition of right-of-use assets include terminations of leased facilities in Fiscal 2023 as well as a change in assumptions relating to the lease term of a facility in Fiscal 2022.
(2) In Fiscal 2024, derecognition of right-of-use assets includes the disposal of a right-of-use assets upon entering into a sublease agreement.

The Company recorded sublease revenue of $1.2 million (2023 – $1.7 million) within net sales during the 53 weeks ended September 7, 2024.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

14. INTANGIBLE ASSETS

	Software	Intellectual property	Total
Cost:			
As at September 3, 2022	$ 4,988	$ 74	$ 5,062
Additions	995	–	995
As at September 2, 2023	$ 5,983	$ 74	$ 6,057
Additions	578	–	578
As at September 7, 2024	**$ 6,561**	**$ 74**	**$ 6,635**
Accumulated amortization, impairment loss and write-offs:			
As at September 3, 2022	$ 1,843	$ 45	$ 1,888
Amortization	1,321	15	1,336
Write-offs	57	–	57
As at September 2, 2023	$ 3,221	$ 60	$ 3,281
Amortization	1,382	14	1,396
As at September 7, 2024	**$ 4,603**	**$ 74**	**$ 4,677**
Net carrying amounts:			
As at September 2, 2023	$ 2,762	$ 14	$ 2,776
As at September 7, 2024	**1,958**	**–**	**1,958**

15. DEBT

As at	**September 7, 2024**	September 2, 2023
Interest-bearing financing:		
Secured term loan, variable interest at prime plus 3.00%, maturing in November 2024	**$ 1,138**	$ –
Matured borrowings:		
Secured term loan, variable interest at BA [1] plus 4.50%, maturing in November 2023	**–**	4,062
	$ 1,138	$ 4,062
Unamortized financing costs	**–**	(26)
	$ 1,138	$ 4,036
Current portion of debt	**(1,138)**	(4,036)
	$ –	$ –

[1] BA is defined as the Canadian Banker's Acceptance Rate.

CREDIT FACILITY 2024

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 September 7, 2024, no amount was drawn from the revolving facility. The total drawn credit facility is presented as a current liability.

16. 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%. Commencing on February 6, 2025 and until the Maturity Date, the interest portion will be payable semi-annually in cash in arrears on February 6 and August 6 of each year.

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 conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of $0.2 million. Factoring in the 2028 Debentures issuance costs, the effective interest rate on the Debentures is 13.5%.

As at September 7, 2024, 12,675 of 2028 Debentures (September 2, 2023 – 12,675) were outstanding at a price of $1,000 per Debenture.

2027 Debentures

On February 11, 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 2027 Debentures mature on March 31, 2027 (the "Maturity Date") 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, 2022.

The 2027 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 $4.60 (the "Conversion Price") 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.

In the event of a change in control, the Company will be required to make a payment to the holders of the 2027 Debentures in accordance with the make-whole premium provisions set forth by the indenture of the 2027 Debentures.

The conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of $4.5 million. Factoring in the 2027 Debentures issuance costs, the effective interest rate on the Debentures is 12.6%.

As at September 7, 2024, 29,046 of 2027 Debentures (September 2, 2023 – 29,046) were outstanding at a price of $1,000 per Debenture.

2025 Debentures

On February 26, 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture for gross proceeds of $30 million. The Debentures mature on March 31, 2025 (the "Maturity Date") 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, which commenced on September 30, 2020.

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 price of $4.70 (the "Conversion Price") per common share.

On or after March 31, 2023, and prior to March 31, 2024, 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 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, 2024, and prior to the Maturity Date, the 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.

In the event of a change in control, the Company will be required to make a payment to the holders of the Debentures in accordance with the make-whole premium provisions set forth by the indenture of the Debentures.

The conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of $3.7 million. Factoring in the Debentures issuance costs, the effective interest rate on the Debentures is 11.76%.

As at September 7, 2024, 6,232 of 2025 Debentures (September 2, 2023 – 6,232) were outstanding at a price of $1,000 per Debenture.

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

	53 weeks ended September 7, 2024	52 weeks ended September 2, 2023
Convertible debentures, liability component balance, beginning of year	**$ 41,752**	$ 27,469
Net proceeds from issuance of the Debentures [1]	**–**	11,970
Accretion interest	**3,653**	2,489
Conversion of the Debentures	**–**	(176)
Convertible debentures, liability component balance, end of year	**45,405**	41,752
Current portion of convertible debentures, liability component	**(6,029)**	–
Non-current portion of convertible debentures, liability component balance	**$ 39,376**	$ 41,752

[1] For Fiscal 2023 issued convertible debentures, issuance costs attributable to the liability component amount to $0.4 million. Net proceeds of $0.2 million, including $0.1 million of deferred income taxes, were recorded as the equity component.

The following summarizes convertible debentures for the:

	53 weeks ended September 7, 2024	52 weeks ended September 2, 2023
In thousands of dollars		
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
Deferred income tax recovery recognized upon Debentures issuance	**–**	72
In number of debentures or common shares		
Number of debentures converted	**–**	210
Number of common shares issued from converted debentures (Note 18)	**–**	43,652
Total number of outstanding Debentures, end of period	**47,953**	47,953

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

17. LEASE OBLIGATIONS

The following table summarizes the continuity of the Company's lease obligations:

	September 7, 2024	September 2, 2023
Balance, beginning of year	**$ 13,364**	$ 69,209
Additions and lease modifications	**2,994**	272
Derecognition	**–**	(51,710)
Payment of lease obligations	**(3,833)**	(5,881)
Interest expense on lease obligations	**806**	1,474
Balance, end of year	**$ 13,331**	$ 13,364

The following table summarizes the contractual undiscounted cash flows from lease obligations:

As at	September 7, 2024	September 2, 2023
Less than one year	**$ 3,798**	$ 3,457
One to five years	**10,538**	10,247
More than 5 years	**1,414**	1,350
Total undiscounted lease obligations	**$ 15,750**	$ 15,054
Lease obligations balance, end of year	**$ 13,331**	$ 13,364
Current portion	**$ 2,961**	$ 2,862
Non-current portion	**$ 10,370**	$ 10,502

18. 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:

		September 7, 2024		September 2, 2023
	Number of shares	**Carrying amount**	Number of shares	Carrying amount
Balance, beginning of year	**76,525,507**	**$ 180,369**	75,233,023	$ 173,788
Debenture conversions (Note 16)	**–**	**–**	45,652	196
Restricted share units vested	**994,992**	**1,419**	1,421,765	6,475
Employee share purchase units vested	**34,889**	**5**	11,283	3
Purchased and held in trust through employee share purchase plan (Note 19)	**(215,296)**	**(66)**	(186,216)	(93)
Balance, end of year	**77,340,092**	**$ 181,727**	76,525,507	$ 180,369

As at September 7, 2024, the number of common shares issued and fully paid was 77,867,263 (2023 – 76,872,271).

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

LOSS PER SHARE

As at	**September 7, 2024**	September 2, 2023
Basic weighted average number of common shares outstanding	**76,928,635**	76,103,206

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 year ended September 7, 2024 and the year ended September 2, 2023, the diluted loss per share calculation did not take into consideration the potential dilutive effect of 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.

19. SHARE-BASED PAYMENTS

The Company's share-based payment plans consist of a stock option plan, a restricted share unit plan and an employee share purchase plan.

STOCK OPTION PLAN

A stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, officers and directors. The Stock Option Plan provides for the granting of 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 Stock Option Plan, options generally vest over a period of three or four years and expire eight years from the grant date.

The following table summarizes the continuity of the stock options:

	September 7, 2024		September 2, 2023	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**4,029,723**	**$ 2.82**	3,262,799	$ 4.44
Granted	**–**	**–**	1,848,701	0.54
Forfeited	**(311,314)**	**5.30**	(566,551)	2.98
Expired	**(665,846)**	**5.47**	(515,226)	4.73
Outstanding, end of year	**3,052,563**	**1.99**	4,029,723	2.82
Exercisable, end of year	**2,336,688**	**$ 2.41**	2,252,171	$ 3.98

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

The following table provides additional information about the Company's stock options as at year end:

		2024		2023
Exercise Price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
Less than $2.99	**2,167,210**	**5.1**	2,167,191	6.2
$ 3.00 – 5.99	**626,640**	**3.9**	1,409,242	5.3
$ 6.00 – 8.99	**258,713**	**3.9**	453,290	5.0
Outstanding, end of year	**3,052,563**	**4.8**	4,029,723	5.7
Exercisable, end of year	**2,336,688**	**4.3**	2,252,171	4.7

No stock options were granted during Fiscal 2024. During the 53 weeks ended September 7, 2024 , a recovery of $0.3 million (2023 – expense of $1.0 million) was recorded in the consolidated statements of loss in relation to the Stock Option Plan.

RESTRICTED SHARE UNIT PLAN

The Company granted to Participants a number of restricted share units ("RSUs") based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. The expense in relation to the RSU Plan is measured at the fair value of the underlying RSU at the grant date and is expensed over the award's vesting period. 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. The RSUs are time-based awards and one third of the amount of RSUs granted will vest upon the continuous employment of the Participants on each of the anniversaries of the RSU grant, over a period of three years starting from the date of the grant or such other period not exceeding three years as determined by the Board.

Pursuant to the terms of the RSU Plan, Participants will receive, upon vesting of the RSUs, common shares of the Company issued from treasury.

The following table summarizes the continuity of the RSUs:

	September 7, 2024	September 2, 2023
Outstanding, beginning of year	**1,878,328**	2,000,716
Granted	**2,869,916**	2,054,907
Vested	**(994,992)**	(1,421,566)
Forfeited	**(315,519)**	(755,729)
Outstanding, end of year	**3,437,733**	1,878,328

During the 53 weeks ended September 7, 2024, an expense of $1.1 million (2023 – $2.8 million) was recorded in the consolidated statements of loss in relation to the RSU Plan.

As at September 7, 2024, 1,296,430 stock options and RSUs (2023 – 1,779,176) were available for issuance.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

EMPLOYEE SHARE PURCHASE PLAN

On September 1, 2019, the Company implemented an employee share purchase plan ("ESPP") to attract and retain employees and directors. Under this plan, employees or directors are permitted to contribute between 1% and 5% of their eligible earnings, up to $10,000 annually, to purchase the Company's equity shares. The Company, in turn, provides a matching contribution equal to 50% of the participant's personal contribution. Shares purchased with the Company's contributions become vested two years from the contribution date. All contributions are used by the plan's trustee to purchase equity shares on the open market, on behalf of employees.

The following table summarizes the continuity of the ESPP:

	September 7, 2024			September 2, 2023		
	Number of shares		**Amount**	Number of shares		Amount
Unvested contributions, beginning of year	**346,762**	**$**	**968**	171,829	$	878
Contributions	**215,296**		**66**	186,216		93
Vested	**(34,889)**		**(5)**	(11,283)		(3)
Unvested contributions, end of year	**527,169**	**$**	**1,029**	346,762	$	968

During the 53 weeks ended September 7, 2024, an expense of $0.1 million (2023 – $0.1 million) was recorded in the consolidated statements of loss in relation to the employee share purchase plan.

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

As at		**September 7, 2024**		September 2, 2023
Accounts and other receivables	**$**	**2,350**	$	(540)
Inventories		**124**		3,603
Other current assets		**(43)**		780
Accounts payable and accrued liabilities		**(3,126)**		(8,585)
Deferred revenues		**(489)**		(1,396)
	$	**(1,184)**	$	(6,138)

The following transactions had no cash impact:

		September 7, 2024		September 2, 2023
Financing activities				
Unpaid debenture issue costs	**$**	**–**	$	6

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

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

	September 7, 2024	September 2, 2023
Operating activities		
Payments related to discontinuance of products related to on-demand offering	**$ –**	$ 319
Payments made for reorganization and other related costs [1]	**736**	6,275

[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 (refer to Note 6).

21. COMMITMENTS

Goodfood had commitments under purchase and service contract obligations for both operating and capital expenditures.

The following summarizes the commitments that are not recognized as liabilities:

As at	September 7, 2024	September 2, 2023
Less than 1 year	**$ 6,573**	$ 6,539
Between 1 and 5 years	**446**	1,247
More than 5 years	**–**	–
	$ 7,019	$ 7,786

22. FINANCIAL INSTRUMENTS

Goodfood has determined that the fair value of cash and cash equivalents, accounts and other receivables, and accounts payable and accrued liabilities approximates 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 1 and 3 inputs. As at September 7, 2024, the Company determined that the fair value of its Debentures approximates $19.1 million which was determined based on market trading value for 2025 Debentures and 2027 Debentures and market conditions for 2028 Debentures.

23. FINANCIAL RISKS

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, accounts and other receivables and lease receivable. 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. As interest rates on Debentures are fixed, the Company is not exposed to interest rate risk on those instruments.

Sensitivity analysis for interest rate risk

An increase or decrease of 100 basis points in the market interest rate would not have a significant impact on the Company's net loss.

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, supported by available cash and cash flows from operations, in order to repay its credit facilities when it becomes due in November 2024 should they not be renewed as well as to repay its 2025 Debentures when they come due on March 31, 2025.

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.

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.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

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

					September 7, 2024
	Total carrying amount	**Contractual cash flows**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 14,903	$ 14,903	$ 14,903	$ –	$ –
Debt [1]	1,138	1,165	1,165	–	–
Debentures, liability component, including current portion	45,405	62,927	9,256	53,671	–
Lease obligations, including current portion	13,331	15,750	3,798	10,538	1,414
	$ 74,777	**$ 94,745**	**$ 29,122**	**$ 64,209**	**$ 1,414**

					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 [1]	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
	$ 77,145	$ 102,148	$ 27,625	$ 73,173	$ 1,350

(1) As at September 7, 2024, an interest rate of 9.70% (2023 – 7.87%) was used to determine the estimated interest payments on the variable-rate portion of the Company's debt.

24. 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:

	For the 53 weeks ended	For the 52 weeks ended
	September 7, 2024	September 2, 2023
Salaries, fees and other short-term employee benefits	**$ 3,212**	$ 2,290
Share-based payments expense	**360**	2,189

RELATED PARTY TRANSACTIONS

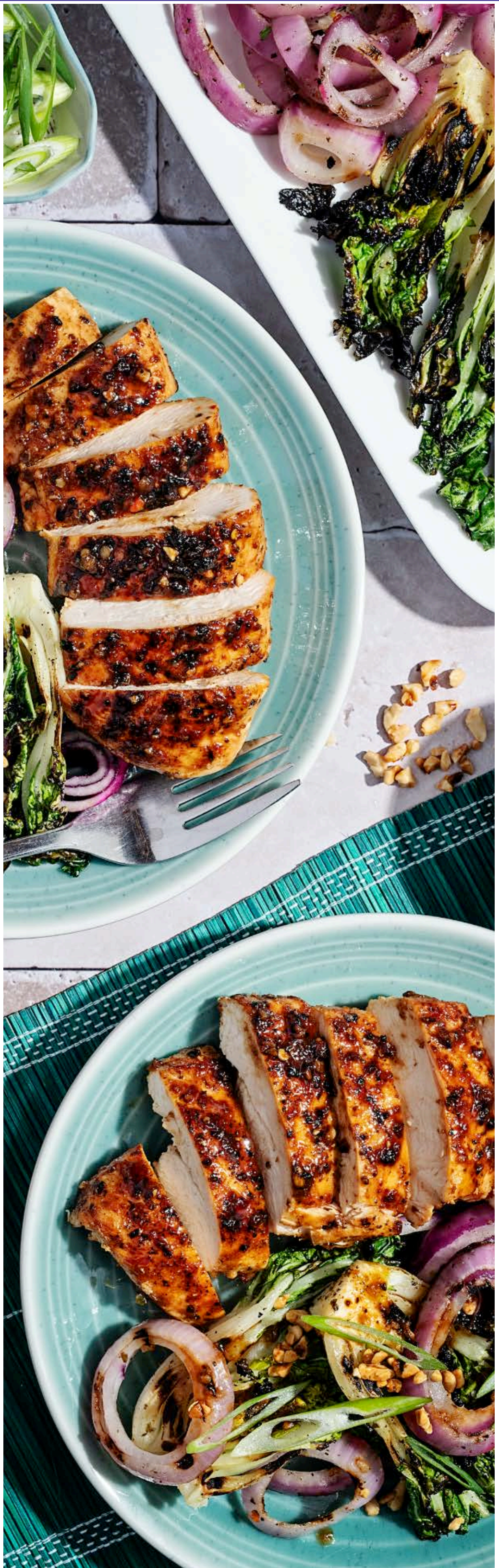
Related parties of the Company include Directors and key management personnel, their family members, and companies over which they have significant influence or control. For the 53 weeks ended September 7, 2024, the Company has not transacted with related parties other than those detailed above.

For the 52 weeks ended September 2, 2023, 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.

25. SUBSEQUENT EVENT

On November 13, 2024, the Company entered into a share purchase agreement to acquire 81% of the shares of Genuine Tea Inc. ("Genuine Tea") for a purchase price of approximately $2.4 million, including future performance-based payment. Genuine Tea is a leading Canadian craft tea company. The founding shareholders will continue to lead the business and hold the remaining shares of the company, with Goodfood having a right to acquire their shares in the future. As at the date of issuance of the consolidated financial statements, the Company has not yet determined the fair value of net assets acquired, including any intangible assets that may exist.

CORPORATE
INFORMATION



STOCK INFORMATION

Shares listed: **Toronto Stock Exchange**
Ticker symbol: **FOOD**
Initial public offering: **2017**
52-week high/low as at November 26, 2024 : **$0.54 - $0.20**
Share price as at November 26,2024: **$0.45**
Common shares outstanding as at September 7, 2024: **77,340,092**

TRANSFER AGENT AND REGISTRAR

TSX Trust

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ANNUAL MEETING OF SHAREHOLDERS

Tuesday, January 21, 2025
Virtual Meeting - Details to Come

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