Consolidated Financial Statements of

GOODFOOD MARKET CORP.

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

GOODFOOD MARKET CORP.

Table of Contents

KPMG LLP
Tour KPMG
600 de Maisonneuve Blvd West, Suite 1500
Montréal, QC H3A 0A3
Canada
Telephone 514 840 2100
Fax 514 840 2187

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	Signed
Jonathan Ferrari, Director and Chair of the Board	*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.