Management's Discussion and Analysis of

# GOODFOOD MARKET CORP.

For the 52-weeks ended September 3, 2022

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## BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding the business environment, trends and significant changes in the results of operations and financial condition of Goodfood Market Corp. and its subsidiaries (the "Company" or "Goodfood") for the 52-weeks ended September 3, 2022 and August 31, 2021 and should be read in conjunction with our audited annual consolidated financial statements and the accompanying notes for the 52-weeks ended September 3, 2022. Please also refer to Goodfood's press release announcing its results for the 52-weeks ended September 3, 2022 issued on December 2, 2022. Quarterly reports, the Annual Report, and the Annual Information Form can be found on SEDAR at www.sedar.com 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.

In September 2021, the Company changed its fiscal year-end from a fixed year-end ending August 31 of each year to a floating year-end ending on the first Saturday of September of each year in order to align with comparative companies who are using floating year-ends. As a result, the Company is following a 52-week reporting cycle but will include a 53rd week every five to six years. For Fiscal 2022, the fourth quarter ended on September 3, 2022 is comprised of 1 less day compared to the fourth quarter in Fiscal 2021 and the 52-weeks ended September 3, 2022 is comprised of 3 additional days compared to Fiscal 2021. For simplicity, in this transition year, we refer to 13-weeks ended September 3, 2022 which is 13 weeks, we refer to 13-weeks ended August 31, 2021 even though it is 13-weeks and one day, we refer to 52-weeks ended September 3, 2022 which is 52-weeks and four days and we refer to 52-weeks ended August 31, 2021 which is 52 weeks and one day.

The consolidated financial statements for the 52-weeks ended September 3, 2022 have been prepared on the basis that the Company will continue as a going concern, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. During the fourth quarter of Fiscal 2022, the Company entered into a tolerance letter with its lenders as a result of a failure to meet certain financial covenants. The lenders agreed to tolerate such covenant breaches under certain conditions which include restricting Goodfood from using the revolver portion of the facility, under which no amount is currently outstanding other than letters of credit. In addition, the Company launched its Blue Ocean initiative, a review of its operations and overall business to drive efficiencies, return the Company to positive Adjusted EBITDA[1] by the first half of 2023 and to form the basis for the path to positive cash flow and long-term profitable growth. As part of the Blue Ocean initiative, the Company optimized its manufacturing footprint via the consolidation of several facilities throughout Canada and the Company shutdown its Goodfood On-Demand offering resulting in the following charges of $46.1 million of impairment of non-financial assets and $1.2 million of discontinuance of products related to Goodfood On-Demand grocery in the fourth quarter of 2022. The Company's ability to continue as a going concern is dependent on initiatives, including Project Blue Ocean, being realized and/or its ability to secure additional financing to meet anticipated cash needs for working capital and capital expenditures as required. As a result and in the context of the Blue Ocean initiatives and current status of the Company's credit facility and financing needs, there exists a material uncertainty about the Company's ability to continue as a going concern.

All amounts herein are expressed in Canadian dollars unless otherwise indicated and all references to 2022 refer to Fiscal 2022 and 2021 refer to Fiscal 2021 unless otherwise indicated.

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

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

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 December 2, 2022, unless otherwise noted.

## KEY FINANCIAL HIGHLIGHTS

This section provides a summary of our financial performance for the fourth quarter of Fiscal 2022 compared to the same period in 2021 and for Fiscal 2022 compared to the same period in 2021. We present metrics and measures to help investors better understand our performance, including certain metrics and measures which are not recognized by IFRS. Definitions of these non-IFRS financial measures are provided in the "Metrics and Non-IFRS Financial Measures" section of this MD&A and are important metrics to be considered when analyzing our performance. For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "Metrics and Non-IFRS Financial Measures – Reconciliation" section of this MD&A.

### HIGHLIGHTS OF THE FOURTH QUARTER OF 2022 COMPARED TO THE FOURTH QUARTER OF 2021

- Net sales were $50.4 million, a decrease of $29.0 million, or 37% compared to the same quarter last year.
- Gross margin totalled 28.3%, an increase of 5.4 percentage points and gross profit of $14.3 million decreased by $3.9 million or 21% compared to the same quarter last year. Gross margin and gross profit include $1.2 million of write-down due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted gross margin[1] which excludes the $1.2 million charge of write-down due to the discontinuance of products totalled 30.7%, an increase of 7.8 percentage points and adjusted gross profit[1] of $15.5 million decreased by $2.7 million or 15% compared to the same quarter last year.
- Net loss was $58.4 million compared to $22.1 million in the same quarter in 2021, an increase in net loss of $36.3 million. As a result of Blue Ocean initiatives, net loss includes a $46.1 million impairment charge and $1.2 million of write-down due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted EBITDA margin[1] was negative 3.8%, an improvement of 18.6 percentage points compared to the same quarter last year.
- Cash flows used in operating activities totalled $13.1 million, an improvement of $10.6 million compared to the same quarter last year.
- Active customers[1] of 157,000 compared to 249,000 for the same quarter in 2021

### HIGHLIGHTS OF FISCAL 2022 COMPARED TO THE SAME PERIOD OF 2021

- Net sales were $268.6 million, a decrease of $110.6 million, or 29% compared to the same period last year.
- Gross margin totalled 25.3%, a decrease of 5.3 percentage points and gross profit of $68.1 million decreased by $48.0 million or 41% compared to the same period last year. Gross margin and gross profit include $1.2 million of write-down due to the discontinuance of products related to Goodfood On-Demand grocery.
- Adjusted gross margin[1] which excludes the $1.2 million charge of write-down due to the discontinuance of products totalled 25.8%, a decrease of 4.8 percentage points and adjusted gross profit[1] of $69.2 million decreased by $46.9 million or 40% compared to the period last year.
- Net loss was $121.8 million compared to $31.8 million in the same period in 2021, an increase in net loss of $90.0 million. As a result of Blue Ocean initiatives, net loss includes a $46.1 million impairment

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

charge and $1.2 million of write-down due to the discontinuance of products related to Goodfood On-Demand grocery.

- Adjusted EBITDA margin[1] was negative 15.2%, a decrease of 11.2 percentage points compared to the same period last year.
- Cash flows used in operating activities totalled $59.0 million, an increase of $42.6 million compared to the same period last year.

## FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, assumptions, estimates and intentions, including, without limitation, statements in the "Financial Outlook" section of the MD&A. This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", and "continue", as well as the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical trends, current condition and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail under "Risk Factors" in the Company's Annual Information Form for the 52-weeks ended September 3, 2022 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow and net losses, going concern risk, food industry including current industry inflation levels, COVID-19 pandemic impacts and the appearance of COVID variants, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood's reputation, transportation disruptions, storage and delivery of perishable foods, product liability, unionization activities, consolidation trends, ownership and protection of intellectual property, evolving industry, reliance on management, failure to attract or retain key employees which may impact the Company's ability to effectively operate and meet its financial goals, factors which may prevent realization of growth targets, inability to effectively react to changing consumer trends, competition, availability and quality of raw materials, environmental and employee health and safety regulations, the inability of the Company's IT infrastructure to support the requirements of the Company's business, online security breaches, disruptions and denial of service attacks, reliance on data centers, open source license compliance, future capital requirements, operating risk and insurance coverage, management of growth, limited number of products, conflicts of interest, litigation, catastrophic events, risks associated with payments from customers and third parties, being accused of infringing intellectual property rights of others and, climate change and environmental risks. 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, and customer demand. In addition, information and expectations set forth herein are subject to and could change materially in relation to developments regarding the duration and severity of the COVID-19 pandemic and the appearance of COVID variants and its impact on product demand, labour mobility, supply chain continuity and other elements beyond our control. 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 fourth quarter of Fiscal 2022, the Company added the adjusted gross profit and adjusted gross margin metrics to measure performance from one period to the next without the variations that could potentially distort the trends in our operating performance primarily related to the discontinuation of our Goodfood On-Demand service offering.

| Metrics | Definitions |
|---|---|
| **Active customers** | An active customer is a customer that has placed an order within the last three months. Active customers include customers who have placed an order *(1)* received as part of our weekly meal subscription plan, a subscription active customer; and *(2)* received on a next-day, same-day or less basis, an on-demand active customer. 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.<br><br>A subscription active customer and an on-demand active customer should be evaluated independently, as a customer of the Company's platform can be counted as both a subscription active customer and an on-demand active customer. For example, this could occur if the customer has made an on-demand order in the three months prior to the relevant measurement date and holds a subscription account which has not been cancelled on or before the relevant measurement date.<br><br>Pursuant to the Company shutting down its Goodfood On-Demand offering as result of Project Blue Ocean, the Company will no longer differentiate active customers as subscription active customers or on-demand active customers in future quarters. |
| **Adjusted gross profit**<br><br>**&**<br><br>**Adjusted gross margin** | Adjusted gross profit is defined as gross profit excluding the impact of the discontinuance of products related to Goodfood On-Demand offering pursuant to the Company's Blue Ocean initiative. Adjusted gross margin is defined as the percentage of adjusted gross profit to net sales. The Company uses adjusted gross profit and adjusted gross margin to measure its performance from one period to the next excluding the variation caused by the items described above. Adjusted gross profit and adjusted gross margin are non-IFRS financial measures. We believe that these metrics are useful measures of financial performance to assess underlying trends in our ongoing operations.<br><br>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,**<br><br>**Adjusted EBITDA**<br><br>**&**<br><br>**Adjusted EBITDA margin** | EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes. Adjusted EBITDA is defined as EBITDA excluding share-based payments expense, the impact of the write-down due to the discontinuance of products related to Goodfood On-Demand offering, impairment of non-financial assets and reorganization and other related costs pursuant to the Company's Blue Ocean initiative. Adjusted EBITDA margin is defined as the percentage of adjusted EBITDA to net sales. EBITDA, adjusted EBITDA, and adjusted EBITDA margin are non-IFRS financial measures. We believe that EBITDA, adjusted EBITDA, and adjusted EBITDA margin are useful measures of financial performance to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its long-term debt. They also allow comparisons between companies with different capital structures.<br><br>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) cash**<br><br>**Total net (debt) cash to total capitalization** | Total net (debt) cash is a non-IFRS measure that measures how much total cash the Company has after taking into account its total debt. Total cash include cash and cash equivalent. Total debt includes the current and long-term portions of the debt as well as the liability component of the convertible debentures. We believe that total net (debt) cash measure is a useful measure to assess the Company's overall financial position.<br><br>Total net (debt) cash to total capitalization is a non-IFRS measure that is calculated as total net (debt) cash over total capitalization. Total capitalization is measured as total debt plus shareholder's equity. We believe this non-IFRS financial ratio to be a useful measure to assess the Company's financial leverage.<br><br>Please refer to the "Liquidity and capital resources" section of the MD&A for a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measure. |

## 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.

As part of our Blue Ocean initiative and driven by our objective to return to a positive Adjusted EBITDA[1] position in the first half of 2023, we simplified our Western operations by consolidating our British Columbia production facility into our Calgary facility. Together, our Montreal and Calgary facilities serve the whole of

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

Canada. In addition, we concluded a strategic review of our Goodfood On-Demand delivery model including the MFCs and announced the closing of all our MFCs and the shutdown of our wider 30-minute on-demand offering. Our go-forward strategy is centered on building the Goodfood brand through our weekly meal plans and add-ons nationally, providing approximately 500 Goodfood branded 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 December 1, 2022:

| | Total number of locations | Administrative offices | Distribution and manufacturing centres | Fulfillment facilities |
|---|---|---|---|---|
| Greater Montreal Area (Quebec) | 1 | X | X | X |
| Greater Toronto Area (Ontario) | 2 | X | | X |
| Calgary (Alberta) | 1 | | X | X |

## FINANCIAL OUTLOOK

Goodfood's core purpose is to create experiences that spark joy and help our community live longer on a healthier planet. As a food brand with a cult following from Canadians coast to coast, Goodfood is focused on growing its brand through our meal solutions including meal kits and prepared meals with a range of exciting Goodfood branded add-ons to be explored.

Meal kits are estimated to have reached over $1 billion dollar in size in Canada as part of the $144 billion Canadian Grocery industry, with roughly 8.4% of households subscribed to a meal kit service (see Annual Information Form for additional details). We believe that consumers' willingness to simplify their meal planning combined with their desire for joyful and nourishing food experiences at home while reducing food waste provides for significant room to increase online food delivery penetration. With a future household penetration of 20%, the market for weekly meal plans including meal kits, prepared meals and add-ons in Canada could reach approximately $3 billion in the coming years and Goodfood is ideally positioned to capture a significant share of that market.

Investing in efficient and highly targeted marketing strategies to capture new customers, increase order frequency and grow basket sizes through effective cross selling remains at the forefront of Goodfood's near-and-long-term goals. The Company's current focus however is centered around growing Adjusted EBITDA[1] and cash flows in the coming quarters while continuing to invest in a customer value proposition that will provide years of profitable growth. We established Project Blue Ocean to drive profitability and have implemented the majority of the identified initiatives:

- Ingredients simplification with ingredients sourced declining from over 400 to below 200
- Alignment of workforce with scale leading to significant headcount reductions
- Footprint rationalization leading to consolidation of production in 2 facilities in Montreal and Calgary
- Reduction of capital investments (capex)
- Meal kit and add on products price increases

These initiatives and the recently announced discontinuation of on-demand are having a positive impact on the financial performance of the business. For the first quarter of 2023, in light of the stable demand driven by our weekly subscriptions and improved margins, we now expect net sales of approximately $46-48 million and a gross margin in the 32-34% range. Towards the end of the first quarter of fiscal 2023, we initiated further selling general and administrative expenses reduction through headcount streamlining and contract re-negotiations to align our cost-structure to our go-forward operating model. As a result, we are reconfirming our expected path to return to positive quarterly Adjusted EBITDA[1] in the first half of 2023 with continued growth thereafter.

Despite recent challenges (see the discussions in the "Basis of Presentation" and "Capital Management" sections of the MD&A including material uncertainty regarding our ability to continue as a going concern), our focus on profitability and cash flows has started to bear fruit and, coupled with our unrelenting focus on nurturing our customer relationships, remains our top priority towards which we continue to strive. The Goodfood team is fully focused on building Canada's most loved millennial food brand.

## FISCAL 2022 AT A GLANCE

Board of Director Francois Vimard departure

On October 26, 2022, the Company announced that François Vimard had stepped down as a director of the Company to focus on his other Board commitments and to pursue other interests.

Blue Ocean initiative

As announced on July 13th, 2022, the Company launched its Blue Ocean initiative, a review of its operations and overall business to drive efficiencies, return the Company to positive Adjusted EBITDA[1] by the first half of 2023 and to form the basis for the path to positive cash flow and long-term profitable growth. As part of the Blue Ocean initiative, the Company increased its pricing, simplified its ready-to-cook operations through the optimization of its raw ingredient portfolio and optimized its manufacturing footprint via the consolidation of its breakfast facility in Montreal into its main production facility and the consolidation of its British Columbia production facility into its Calgary facility. In addition, after a strategic review completed in the fourth quarter of 2022, the Company announced on October 14th, 2022, the shutdown of its Goodfood On-Demand offering and the closing of all its MFCs and its  and a return to a strategy centered on building the Goodfood brand through its weekly meal plans and add-ons nationally, providing approximately 500 Goodfood branded products, as well as increasing flexibility and access to its products over time. The Company is continuing to develop and implement additional cost savings measures. The result of the aforementioned resulted in an impairment charge of $46.1 million in the fourth quarter of 2022 as well as a charge for the discontinuance of products related to Goodfood On-Demand offering of $1.2 million.

Appointment of John Khabbaz to our Board of Directors replacing Hamnett Hill

In April 2022, the Company announced the appointment of its newest Board of Directors member John Khabbaz. John Khabbaz is the Founder and Chief Investment Officer of Phoenician Capital, an investment management firm headquartered in New York City. Phoenician's mission is to invest in high-quality businesses built on foundations of strong unit economics and often led by pioneering founders. Mr. Khabbaz earned his undergraduate degree from McGill University and then attended Columbia University, where he received his MBA. Prior to founding Phoenician Capital in 2007, Khabbaz held leadership roles at a multi-asset class financial firm. Before that, he was the founder and CEO of a manufacturing business based in New York, with global operations spanning three continents.

$30 million bought deal offering of convertible unsecured debentures

In February 2022, the Company completed a $30 million bought deal offering of convertible unsecured debentures. The Company intended to use the net proceeds from the Offering to accelerate the scaling of Goodfood's on-demand grocery and meal solutions network, through the signing of multiple incremental new micro-fulfillment centers leases, fund their required capital expenditures as well as their initial start-up and expenses, and for general corporate purposes, as further detailed in the Final short-form prospectus dated February 4, 2022. For more detail refer to the "Use of Proceeds from Public Offerings" section of the MD&A.

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

Change in fiscal year-end

In September 2021, the Company changed its fiscal year-end from a fixed year-end ending August 31 of each year to a floating year-end ending on the first Saturday of September of each year in order to align with comparative companies who are using floating year-ends. As a result, the Company will follow a 52-week reporting cycle but will include a 53rd week every five to six years. For Fiscal 2022, the fourth quarter ended on September 3, 2022 is comprised of 1 less day compared to the fourth quarter in Fiscal 2021 and the year ending September 3, 2022 is comprised of 3 additional days compared to Fiscal 2021.

Appointment of its Chief Technology Officer

In September 2021, the Company announced the appointment of Bipasha Chiu as its new Chief Technology Officer. Bipasha is an experienced technology transformation and delivery executive focused in retail and digital commerce that will help continue building our technology platform.

## METRICS AND NON-IFRS FINANCIAL MEASURES – RECONCILIATION

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

### ACTIVE CUSTOMERS

| | For the 13-weeks ended | | For the 52-weeks ended | |
|---|---|---|---|---|
| | **September 3, 2022** | August 31, 2021 | **September 3, 2022** | August 31, 2021 |
| Active customers, beginning of period | **211,000** | 296,000 | **249,000** | 278,000 |
| Net change in active customers | **(54,000)** | (47,000) | **(92,000)** | (29,000) |
| Active customers, end of period | **157,000** | 249,000 | **157,000** | 249,000 |

### ADJUSTED GROSS PROFIT AND ADJUSTED GROSS MARGIN

The reconciliation of gross profit to adjusted gross profit and adjusted gross margin is as follows:

(In thousands of Canadian dollars, except percentage information)

| | For the 13-weeks ended | | For the 52-weeks ended | |
|---|---|---|---|---|
| | **September 3, 2022** | August 31, 2021 | **September 3, 2022** | August 31, 2021 |
| Gross profit | **$ 14,256** | $ 18,153 | **$ 68,055** | $ 116,094 |
| Discontinuance of products related to on-demand offering | **1,194** | – | **1,194** | – |
| Adjusted gross profit | **$ 15,450** | $ 18,153 | **$ 69,249** | $ 116,094 |
| Net sales | **$ 50,357** | $ 79,358 | **$ 268,586** | $ 379,234 |
| Gross margin | **28.3%** | 22.9% | **25.3%** | 30.6% |
| Adjusted gross margin (%) | **30.7%** | 22.9% | **25.8%** | 30.6% |

For the fourth quarter of 2022, adjusted gross margin increased by 7.8 percentage points compared to the corresponding period in 2021 mainly due to larger basket sizes, lower credit and incentives as a percentage of net sales as well as lower product costs and lower fulfilment costs driven by improved efficiencies partially offset by a lower sales base resulting from a shift in customer behaviors driven by post COVID-19 effects and the current economic conditions.

For the 52-weeks ended September 3, 2022, adjusted gross margin decreased by 4.8 percentage points compared to the corresponding period in 2021 mainly due to a decrease in net sales leading to operating de-leverage as well as the timing gap between inflationary pressures across all input costs and subsequent price increases.

### EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The reconciliation of net loss to EBITDA, adjusted EBITDA and adjusted EBITDA margin is as follows:

(In thousands of Canadian dollars, except percentage information)

| | For the 13-weeks ended | | For the 52-weeks ended | |
|---|---|---|---|---|
| | **September 3, 2022** | August 31, 2021 | **September 3, 2022** | August 31, 2021 |
| Net loss | **$ (58,408)** | $ (22,123) | **$ (121,761)** | $ (31,792) |
| Net finance costs | **1,677** | 524 | **5,233** | 2,170 |
| Depreciation and amortization | **4,853** | 2,176 | **17,295** | 8,820 |
| Deferred income tax expense (recovery) | **39** | 97 | **(1,495)** | 500 |
| EBITDA | **$ (51,839)** | $ (19,326) | **$ (100,728)** | $ (20,302) |
| Share-based payments expense | **1,472** | 1,587 | **5,986** | 4,857 |
| Discontinuance of products related to on-demand offering | **1,194** | – | **1,194** | – |
| Impairment of non-financial assets | **46,085** | – | **46,085** | – |
| Reorganization and other related costs | **1,160** | – | **6,742** | 139 |
| Adjusted EBITDA | **$ (1,928)** | $ (17,739) | **$ (40,721)** | $ (15,306) |
| Net sales | **$ 50,357** | $ 79,358 | **$ 268,586** | $ 379,234 |
| Adjusted EBITDA margin (%) | **(3.8)%** | (22.4)% | **(15.2)%** | (4.0)% |

For the fourth quarter of 2022, adjusted EBITDA margin improved by 18.6 percentage points compared to the corresponding period in 2021 mainly driven by stronger adjusted gross margin and lower selling, general and administrative expenses resulting in lower marketing expense and lower salary base from Blue Ocean initiatives, partly offset by a lower net sales base.

For the 52-weeks ended September 3, 2022, adjusted EBITDA margin decreased by 11.2 percentage points compared to the corresponding period in 2021 mainly due to a lower sales base. The lower sales were the result of a shift in customer behaviors from post COVID-19 effects as well as the current economic conditions partially offset by a higher on-demand active customer base compared to Fiscal 2021. A decrease in gross margin contributed to the lower adjusted EBITDA margin primarily due to a decrease in net sales leading to operating de-leverage as well as the timing gap between inflationary pressures across all input costs and subsequent price increases. In addition, lower adjusted EBITDA margin can be explained mainly by higher wages and salaries as a percentage of net sales resulting from the expansion of the management team and related administrative functions needed to build out the physical and digital on-demand fulfillment infrastructure, including the product offering required to support the Company's Goodfood On-Demand offering as well as marketing spend as a percentage of net sales.

## RESULTS OF OPERATIONS – FOURTH QUARTER OF FISCAL 2022 AND 2021

The following table sets forth the components of the Company's consolidated statement of loss and comprehensive loss:

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

| For the 13-weeks periods ended | | September 3, 2022 | | August 31, 2021 | | ($) | (%) |
|---|---|---|---|---|---|---|---|
| Net sales | **$** | **50,357** | $ | 79,358 | $ | (29,001) | (37)% |
| Cost of goods sold | | **36,101** | | 61,205 | | (25,104) | (41)% |
| Gross profit | **$** | **14,256** | $ | 18,153 | $ | (3,897) | (21)% |
| Gross margin | | **28.3%** | | 22.9% | | N/A | 5.4 p.p. |
| Selling, general and administrative expenses | | **18,850** | | 37,479 | | (18,629) | (50)% |
| Depreciation and amortization | | **4,853** | | 2,176 | | 2,677 | 123% |
| Impairment of non-financial assets | | **46,085** | | – | | 46,085 | N/A |
| Reorganization and other related costs | | **1,160** | | – | | 1,160 | N/A |
| Net finance costs | | **1,677** | | 524 | | 1,153 | 220% |
| Loss before income taxes | **$** | **(58,369)** | $ | (22,026) | $ | (36,343) | (165)% |
| Deferred income tax expense | | **39** | | 97 | | (58) | (60)% |
| Net loss, being comprehensive loss | **$** | **(58,408)** | $ | (22,123) | $ | (36,285) | (164)% |
| Basic and diluted loss per share | **$** | **(0.78)** | $ | (0.31) | $ | (0.47) | (152)% |

### VARIANCE ANALYSIS FOR THE FOURTH QUARTER OF 2022 COMPARED TO FOURTH QUARTER OF 2021

- Net sales decreased compared to the same period last year mainly due to the change in customer behaviors driven by removal of lock-down restrictions, the increased vaccine coverage as well as the current economic conditions partially offset by a higher on-demand active customer base in the fourth quarter of Fiscal 2022 compared to the same quarter last year.
- The decrease in gross profit primarily resulted from a decrease in net sales. The increase in gross margin was driven by larger basket sizes, lower credit and incentives, lower product costs and lower fulfilment costs as a percentage of sales driven by improved efficiencies.
- The decrease in selling, general and administrative expenses is primarily due to lower marketing spend and wages and salaries driven primarily by lower net sales and the Company's Blue Ocean initiatives. Selling, general and administrative expenses as a percentage of net sales decreased from 47.2% to 37.4%.
- Reorganization and other related costs were incurred in the fourth quarter of Fiscal 2022 mainly consisting of headcount reduction costs and external advisor fees related to the execution of Project Blue Ocean.
- Impairment of non-financial assets incurred in the fourth quarter of Fiscal 2022 was primarily related to the discontinuation of Goodfood On-Demand and other Blue Ocean initiatives primarily related to closure of facilities.
- The increase in depreciation and amortization expense is mainly due to the recognition of right-of-use assets from new facility lease agreements and related additions of leasehold improvements.
- The increase in net finance costs is mainly due to the Company's $30 million convertible debenture issued in February 2022 and higher lease obligations compared to the same quarter last year.
- The increase in net loss in the fourth quarter of 2022 compared to the same quarter last year is mainly due to an impairment of non-financial assets, lower net sales and higher depreciation and amortization partly offset by higher gross margin and lower wages and salaries and marketing spend.

## RESULTS OF OPERATIONS – FISCAL 2022 AND 2021

The following table sets forth the components of the Company's consolidated statement of loss and comprehensive loss:

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

| For the 52-weeks periods ended | | September 3, 2022 | | August 31, 2021 | | ($) | (%) |
|---|---|---|---|---|---|---|---|
| Net sales | **$** | **268,586** | $ | 379,234 | $ | (110,648) | (29)% |
| Cost of goods sold | | **200,531** | | 263,140 | | (62,609) | (24)% |
| Gross profit | **$** | **68,055** | $ | 116,094 | $ | (48,039) | (41)% |
| Gross margin | | **25.3%** | | 30.6% | | N/A | (5.3) p.p. |
| Selling, general and administrative expenses | | **115,956** | | 136,257 | | (20,301) | (15)% |
| Depreciation and amortization | | **17,295** | | 8,820 | | 8,475 | 96% |
| Impairment of non-financial assets | | **46,085** | | – | | 46,085 | N/A |
| Reorganization and other related costs | | **6,742** | | 139 | | 6,603 | 4,750% |
| Net finance costs | | **5,233** | | 2,170 | | 3,063 | 141% |
| Loss before income taxes | **$** | **(123,256)** | $ | (31,292) | $ | (91,964) | (294)% |
| Deferred income tax (recovery) expense | | **(1,495)** | | 500 | | (1,995) | N/A |
| Net loss, being comprehensive loss | **$** | **(121,761)** | $ | (31,792) | $ | (89,969) | (283)% |
| Basic and diluted loss per share | **$** | **(1.62)** | $ | (0.45) | $ | (1.17) | (260)% |

### VARIANCE ANALYSIS FOR FISCAL 2022 COMPARED TO FISCAL 2021

- Net sales decreased year-over-year mainly due to the change in customer behaviors driven by the removal of lock-down restrictions and the increased vaccine coverage and the current economic conditions partially offset by a higher Goodfood On-Demand active customer base during Fiscal 2022.
- The decrease in gross profit and gross margin primarily resulted from a decrease in net sales leading to operating de-leverage as well as the current extraordinary inflationary pressures, both impacting our input costs mainly on food, labour, production and shipping costs. The increase in food costs was also driven by the expansion of our private label grocery offering. Higher production costs primarily resulted from an increase in production and fulfillment labour due to inflationary increases in wages and operating de-leverage.
- The decrease in selling, general and administrative expenses is primarily due to lower marketing spend driven by lower net sales and the Company's reorganization initiatives, including Project Blue Ocean, to align its workforce and marketing spend towards its current net sales base which primarily impacted the second half of Fiscal 2022 results. Selling, general and administrative expenses as a percentage of net sales increased from 35.9% to 43.2%, primarily due to volume deleverage and the timing of impacts realized from Project Blue Ocean impacting results in the second half of Fiscal 2022.
- Reorganization and other related costs were incurred in Fiscal 2022 mainly consisting of headcount reduction costs and external advisor fees related to the execution of Project Blue Ocean.
- The increase in depreciation and amortization expense is mainly due to the recognition of right-of-use assets from new facility lease agreements and related additions of leasehold improvements as the Company expanded its product offering of grocery products and the ramp-up of new facilities across Canada prior to the strategic review of its strategy which began in the fourth quarter of Fiscal 2022.
- Impairment of non-financial assets incurred in the fourth quarter of Fiscal 2022 was primarily related to the discontinuation of Goodfood On-Demand and other Blue Ocean initiatives mainly related to closure of facilities.
- The increase in net finance costs is mainly due to the Company's increase of new facilities as the Company expanded its product offering of grocery products and the ramp-up of new facilities across Canada as well as the Company's $30 million convertible debenture issued in February 2022.
- A deferred income tax recovery was recognized due to the issuance of $30 million convertible debentures in February 2022.

- The increase in net loss year-over-year is mainly due to lower net sales and gross profit as well as the previously referenced impairment of non-financial assets, higher depreciation and amortization expense as well as higher reorganization and other related costs.

## 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 3, 2022 | August 31, 2021 | Variance | Main components |
|---|---|---|---|---|
| Cash and cash equivalents | **$ 36,885** | $ 125,535 | $ (88,650) | Due to the year-to-date net loss and capital investments in facilities partially offset by the convertible debenture issuance in February 2022 |
| Inventories | **6,884** | 14,318 | (7,434) | Due to lower net sales and improvement in inventory management process as well as discontinuance of products related to our on-demand offering |
| Assets held for sale | **3,654** | – | 3,654 | Related to our Blue Ocean Initiatives |
| Fixed assets | **18,408** | 33,367 | (14,959) | Mainly due to impairment of fixed assets and reclassification to assets held for sale |
| Right-of-use assets | **55,419** | 69,157 | (13,738) | Mainly due to impairment of right-of-use assets related to our Blue Ocean initiatives as well as termination of leases |
| Accounts payable and accrued liabilities | **27,104** | 52,207 | (25,103) | Mainly due to lower sales base and lower salaries and benefits accrual |
| Long-term debt, including current portion | **11,743** | 21,351 | (9,608) | Mainly due to repayment. Debt is classified fully as short-term due to the breach of certain financial covenants |
| Lease obligations, including current portion | **69,209** | 73,111 | (3,902) | New locations were added to the Company's facility portfolio partially offset by a termination of a lease and repayment terms |
| Convertible debentures, liability component | **27,469** | 5,623 | 21,846 | Liability component of the $30 million convertible debentures issued in February 2022 |

As a result of the Company's reorganization plan and the breach of certain financial covenants, the Company has decided to close several facilities as well as shut-down its on-demand grocery product offering. This resulted in the following cash generating units ("CGUs") being identified 1) the individual asset level, 2) at the leased facility level (including right-of-use asset and fixed assets pertaining to the leased premises) and 3) the geographical area level based on where customers are served that generate independent cash inflows. Consequently, the Company performed an impairment test of its non-financial assets since it had reason to believe that the carrying amount of the CGUs might not be recoverable.

During the year ended September 3, 2022, the Company recorded an impairment charge of $37.9 million on fixed assets, $7.7 million on right-of-use assets and $0.5 million on intangible assets from the following CGUs:

| CGU level | Recoverable amount | If FVLCD, fair value level inputs | Impairment charge | |
|---|---|---|---|---|
| Individual assets | FVLCD | Level 3 | $ | **9,022** |
| Leased facilities | VIU | N/A | | **37,063** |
| Geographical areas | FVLCD | Level 3 | | **–** |
| **Impairment charge of non-financial assets** | | | **$** | **46,085** |

When determining the fair value less costs of disposal ("FVLCD") of its individual assets, the Company used market inputs based on the expected price the Company would be able to sell the asset for on a secondary market. Subsequent to the impairment test, the individual assets were reclassified as assets held for sale as they met the condition to be classified as such as at September 3, 2022.

When determining the value in use ("VIU") of its leased facilities, the Company used a discounted cash flow model in which the main assumptions included the length of time the Company would expect to find a market participant to take over the lease and market rental rates. In addition, the discount rate employed for each cash flow projection was determined to be 8% based on capitalization rates according to the market in which the facilities are located.

## LIQUIDITY AND CAPITAL RESOURCES

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

### CAPITAL STRUCTURE

(In thousands of Canadian dollars, except percentage information)

| As at | | **September 3, 2022** | | August 31, 2021 |
|---|---|---|---|---|
| Long-term debt, including current portion | | **11,743** | | 21,351 |
| Convertible debentures, liability component | | **27,469** | | 5,623 |
| Total debt | **$** | **39,212** | $ | 26,974 |
| Shareholders' (deficiency) equity | | **(11,178)** | | 97,875 |
| Total capitalization | **$** | **28,034** | $ | 124,849 |
| Cash and cash equivalents | **$** | **36,885** | $ | 125,535 |
| Total net (debt) cash [(1)] | **$** | **(2,327)** | $ | 98,561 |
| Total net (debt) cash to total capitalization [(1)] | | **(8.3)%** | | 78.9% |

(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 was $2.3 million compared to total net cash of $98.6 million last year. This year-over-year negative variance of $100.9 million drove a decrease in total (debt) cash to total capitalization mainly due to its net loss as well as its investment in capital partially offset by the issuance of convertible debentures in February 2022.

## CAPITAL MANAGEMENT

The Company's objective in managing its capital structure is to ensure sufficient liquidity 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 and convertible debentures, as well as short-term or long-term debt.

The Company entered into a tolerance letter with its lenders as a result of a failure to meet certain financial covenants. The lenders agreed to tolerate such covenant breaches under certain conditions which include restricting Goodfood from using the revolver portion of the facility, under which no amount is currently outstanding or available other than letters of credit. Goodfood is in the process of negotiating the terms of a revised credit facility arrangement. In the event that a new credit facility is not in place in the near term, the Company would expect to have in place a further extension of the current tolerance letter. There can be no assurance as to a credit facility arrangement being put in place in a timely manner, the terms of such an arrangement or obtaining a further extension of the current tolerance letter. As a results of the covenant breach, a charge of $0.7 million related to external advisor fees was recorded in the fourth quarter of 2022 in reorganization and other related cost.

The Company's ability to continue as a going concern is dependent upon management's initiatives, including Project Blue Ocean, being realized and/or its ability to secure financing to meet anticipated cash needs for working capital and capital expenditures as required. However, there can be no assurance that the Company will be able to achieve its stated goals or that it will obtain additional financing or what the terms of such financing might be or for what period of time a tolerance letter will remain in place with the Company's lenders. As a result, material uncertainty currently exists with respect to our ability to continue as a going concern.

The following details initiatives completed or ongoing to reduce our liquidity risk:

- We continue to work through Blue Ocean initiative to drive efficiencies and return the Company to positive Adjusted EBITDA by the first half of 2023 and to form the basis for the path to positive cash flow and long-term profitable growth;
- We continue to work with our lenders to pursue a revised credit facility arrangement;
- We continue to evaluate and examine other financing options.

## CASH FLOWS

A summary of net cash flows by activity for the 13-weeks ended September 3, 2022 and August 31, 2021 is presented below:

(In thousands of Canadian dollars)

| For the 13-weeks ended | September 3, 2022 | August 31, 2021 | Variance |
|---|---|---|---|
| Cash flows used in operations, excluding change in non-cash operating working capital | **$ (3,661)** | $ (17,614) | $ 13,953 |
| Change in non-cash operating working capital | **(9,453)** | (6,112) | $ (3,341) |
| Net cash flows used in operating activities | **$ (13,114)** | $ (23,726) | $ 10,612 |
| Net cash flows used in investing activities | **(4,449)** | (7,709) | 3,260 |
| Net cash flows used in financing activities | **(44,401)** | (142) | (44,259) |
| Net change in cash and cash equivalents | **$ (61,964)** | $ (31,577) | $ (30,387) |
| Cash and cash equivalents, beginning of period | **98,849** | 157,112 | (58,263) |
| Cash and cash equivalents, end of period | **$ 36,885** | $ 125,535 | $ (88,650) |

Net cash flows used in operating activities improved by $10.6 million for the fourth quarter 2022 compared to the same period last year primarily due to a lower net loss before non-cash expenses partially offset by lower accounts payable and accrued liabilities driven by a lower sales base.

Net cash flows used in investing activities improved by $3.3 million for the fourth quarter 2022 compared to the same period last year primarily due to lower fixed assets additions as facility roll-outs came were concluded before fourth quarter of Fiscal 2022.

Net cash flows used in financing activities increased by $44.3 million for the fourth quarter 2022 compared to the same period last year primarily due to the Company's repayment of its revolver.

A summary of net cash flows by activity for the 52-weeks ended September 3, 2022 and August 31, 2021 is presented below:

(In thousands of Canadian dollars)

| For the 52-weeks ended | | September 3, 2022 | | August 31, 2021 | | Variance |
|---|---|---|---|---|---|---|
| Cash flows used in by operations, excluding change in non-cash operating working capital | **$** | **(47,873)** | $ | (16,344) | $ | (31,529) |
| Change in non-cash operating working capital | | **(11,108)** | | (14) | $ | (11,094) |
| Net cash flows used in operating activities | **$** | **(58,981)** | $ | (16,358) | $ | (42,623) |
| Net cash flows used in investing activities | | **(37,671)** | | (18,012) | | (19,659) |
| Net cash flows provided by financing activities | | **8,002** | | 55,503 | | (47,501) |
| Net change in cash and cash equivalents | **$** | **(88,650)** | $ | 21,133 | $ | (109,783) |
| Cash and cash equivalents, beginning of period | | **125,535** | | 104,402 | | 21,133 |
| Cash and cash equivalents, end of period | **$** | **36,885** | $ | 125,535 | $ | (88,650) |

Net cash flows used in operating activities increased by $42.6 million for the 52-weeks of 2022 compared to the same period last year primarily due to the increase in net loss and lower accounts payable and accrued liabilities driven by a lower sales base.

Net cash flows used in investing activities increased by $19.7 million for the 52-weeks of 2022 compared to the same period last year primarily due to higher fixed assets additions and deposits mainly attributable to the build-out of facilities.

Net cash flows provided by financing activities decreased by $47.5 million for the 52-weeks of 2022 compared to the same period last year primarily due to last year's issuance of common shares being higher in comparison to Fiscal 2022's issuance of convertible debentures.

## DEBT

During the first quarter of Fiscal 2021, the Company entered into a syndicated credit agreement totaling $46 million, including a term loan of $12.5 million, a revolving facility of $27.5 million and $6 million in other short-term financing ("Credit Facility 2021"). During the second quarter of Fiscal 2021, the Company increased the revolving facility by $15 million for a total of $42.5 million, and the other short-term financing by an amount not to exceed $15 million, and an additional lender was added to the syndicate. This increase brought the total available financing to $70 million. The Credit Facility 2021 is secured by a first-ranking hypothec on all of the Company's movable and immovable assets. The facilities bear variable interest rates of the Canadian Banker's Acceptance plus 2.50% and mature in November 2023. The term loan is repayable in four quarterly installments of $156 thousand beginning on November 30, 2021 and increasing to four quarterly installments of $313 thousand on November 30, 2022 with a bullet repayment of the balance of $10.6 million at the end of the term in November 2023.

For more detail with respect to the status of the Credit Facility 2021 and the existence of a tolerance letter with the Company's lenders, please refer to the subsection "Capital Management" of the "Liquidity and Capital Resources" section of this MD&A.

## INTEREST RATE SWAP

Goodfood had one swap agreement in place whereby the Company fixed the interest rate on a notional amount of $10.9 million which matured in November 2021. Goodfood has not entered into a new swap as at the end of the fourth quarter of Fiscal 2022.

## CONVERTIBLE DEBENTURES

On February 11, 2022, the Company issued 30,000 convertible unsecured subordinated debentures (the "2022 Debentures") at a price of $1 thousand 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 on September 30, 2022. Factoring in the 2022 Debentures issuance costs, the effective interest rate on the 2022 Debentures is 12.6%. The Debentures are convertible into common shares of the Company at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified for redemption by the Company at a conversion price of $4.60 per common share.

On or after March 31, 2025, and prior to March 31, 2026, provided that the volume weighted average trading price of the Company's common shares on the TSX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price, the 2022 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 2022 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 Fiscal 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "2020 Debentures") at a price of $1,000 per Debenture for gross proceeds of $30 million. The 2020 Debentures mature on March 31, 2025 and bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on March 31 and September 30 of each year, commencing on September 30, 2020. Factoring in the 2020 Debentures issuance costs, the effective interest rate on the 2020 Debentures is 11.76%. The 2020 Debentures are convertible into common shares of the Company at any time at the option of the holder at a conversion price of $4.70. Starting on March 31, 2023, under certain conditions, the debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest.

During the 52-weeks ended September 3, 2022, 1,364 Debentures (2021 – 11,284) were converted into common shares of the Company, resulting in the issuance of 293,647 (2021 – 2,400,819) common shares and the Company reclassified $1.1 million (2021 – $9.0 million) and $0.2 million (2021 – $1.9 million), respectively from the convertible debentures liability to common shares and from the equity component of the convertible debentures to common shares. A deferred income tax recovery of $1.6 million (2021 – nil) was recognized upon issuance of the 2022 Debentures for the 52-weeks ended September 3, 2022 (2021 – nil). A deferred income tax expense of $0.1 million (2021 – $0.5 million) was recognized upon conversion of the Debentures for the 52-weeks ended September 3, 2022. As at September 3, 2022, 35,488 Debentures (2021 – 6,852 Debentures) were outstanding.

## COMMON SHARES

Significant equity transactions that took place during the 13-weeks and 52-weeks ended September 3, 2022 were as follows:

- Nil and 161,707 stock options were exercised, respectively, for the same number of common shares;
- 72,897 and 231,453 restricted share units vested, respectively, and the same number of common shares were issued; and
- 744 and 1,364 Debentures were converted into 161,737 and 293,647 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 2022** | | | | Fiscal 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Active customers (1) | **157,000** | 211,000 | 246,000 | 254,000 | 249,000 | 296,000 | 306,000 | 290,000 |
| Net sales | **$ 50,357** | $ 67,031 | $ 73,377 | $ 77,821 | $ 79,358 | $ 107,795 | $ 100,654 | $ 91,427 |
| Gross profit | **14,256** | 17,556 | 17,595 | 18,648 | 18,153 | 37,732 | 30,636 | 29,573 |
| Gross margin | **28.3%** | 26.2% | 24.0% | 24.0% | 22.9% | 35.0% | 30.4% | 32.3% |
| Discontinuance of products related to on-demand offering | **1,194** | – | – | – | – | – | – | – |
| Adjusted Gross profit (1) | **15,450** | 17,556 | 17,595 | 18,648 | 18,153 | 37,732 | 30,636 | 29,573 |
| Adjusted Gross margin (1) | **30.7%** | 26.2% | 24.0% | 24.0% | 22.9% | 35.0% | 30.4% | 32.3% |
| Net loss | **$ (58,408)** | $(21,103) | $ (20,640) | $ (21,610) | $ (22,123) | $ (2,333) | $ (4,252) | $ (3,083) |
| Net finance costs | **1,677** | 1,596 | 1,056 | 904 | 524 | 431 | 540 | 675 |
| Depreciation and amortization | **4,853** | 5,220 | 4,282 | 2,940 | 2,176 | 2,318 | 2,292 | 2,033 |
| Deferred income tax expense (recovery) | **39** | (2) | (1,559) | 27 | 97 | 61 | 129 | 213 |
| EBITDA (1) | **$ (51,839)** | $(14,289) | $ (16,861) | $ (17,739) | $ (19,326) | $ 477 | $ (1,291) | $ (162) |
| Share-based payments expense | **1,472** | 1,177 | 1,984 | 1,353 | 1,587 | 869 | 1,404 | 997 |
| Discontinuance of products related to on-demand offering | **1,194** | – | – | – | – | – | – | – |
| Impairment of non-financial assets | **46,085** | – | – | – | – | – | – | – |
| Reorganization and other related costs | **1,160** | 2,477 | 1,293 | 1,812 | – | – | 139 | – |
| Adjusted EBITDA (1) | **$ (1,928)** | $(10,635) | $ (13,584) | $ (14,574) | $ (17,739) | $ 1,346 | $ 252 | $ 835 |
| Adjusted EBITDA margin (1) | **(3.8)%** | (15.9)% | (18.5)% | (18.7)% | (22.4)% | 1.2% | 0.3% | 0.9% |
| Basic and diluted loss per share (2) | **$ (0.78)** | $ (0.28) | $ (0.28) | $ (0.29) | $ (0.31) | $ (0.03) | $ (0.06) | $ (0.05) |

(1) For the definition of these Non-IFRS financial measures, please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A.

(2) The sum of basic and diluted loss per share on a quarterly basis may not equal basic and diluted loss per share on a year-to-date basis due to rounding.

Quarterly net sales increased sequentially for the first three quarters of Fiscal 2021, principally due to the Company's increasing product offering and flexibility as well as the ongoing impact of Covid-19 restrictions which positively impacted the average basket size and order frequency. With accelerated removal of lock-down restrictions and the increased vaccine coverage, Goodfood's net sales decreased in the last quarter of Fiscal 2021. Transitioning into the first quarter of Fiscal 2022, weekly orders and active customers increased throughout the quarter compared to the seasonal lows experienced in the latter part of the fourth quarter of Fiscal 2021, while net sales of the first quarter of Fiscal 2022 came in slightly lower than the fourth quarter of Fiscal 2021 as the quarterly order frequency was slightly lower. Net sales decreased in the second quarter of Fiscal 2022 due to four less days in the quarter compared to the first quarter of Fiscal 2021 coupled with the normal seasonal impact of Christmas and New Year holidays. With the change in customer behaviors from post COVID-19 effects and the current economic conditions, net sales decreased in the third quarter of Fiscal 2022. Fourth quarter net sales were impacted by the expected seasonal slowdown associated with the summer months as well as the weakening macro-economic environment driven in part by on-going high inflation rates.

Net loss for the first two quarters of Fiscal 2021 was negatively impacted by higher depreciation and amortization expense associated with the recognition of right-of-use assets from new and amended facility lease agreements and related additions of leasehold improvements as well as increased share-based payments expense. Net loss for the third and fourth quarter of Fiscal 2021 was negatively impacted by higher wages and salaries and higher marketing spend as the Company continued to grow and expand its operations and product offerings across Canada. In addition, for the fourth quarter of Fiscal 2021, net loss was impacted by the decrease in net sales. Net loss improved in the first and second quarter of Fiscal 2022 compared to the last quarter of Fiscal 2021 beginning with a progressively stronger gross margin throughout the quarter and cost efficiencies with selling, general and administration expenses partially offset by lower net sales. Net loss increased in the third quarter of Fiscal 2022 mainly due to higher depreciation and amortization and reorganization and related costs. Lastly net loss increased in the fourth quarter of Fiscal 2022 was due to the charges regarding the impairment of non-financial assets and the discontinuance of products related to on-demand offering.

For Fiscal 2021, the first quarter saw a decrease in quarterly adjusted EBITDA and adjusted EBITDA margin due to higher wages and salaries and higher marketing spend as the Company continued to grow and expand its operations and product offerings across Canada. The second and third quarter of the year saw a sequential increase in adjusted EBITDA and adjusted EBITDA margin driven primarily by rising quarterly net sales. The fourth quarter of Fiscal 2021, adjusted EBITDA and adjusted EBITDA margin was impacted by the decrease in net sales and the operating deleverage it created across both gross profit and selling, general and administrative expenses. Adjusted EBITDA and adjusted EBITDA margin improved in the first and second quarter of Fiscal 2022 compared to the last quarter of Fiscal 2021, beginning with a progressively stronger gross margin throughout the quarter and cost efficiencies with selling, general and administration expenses partially offset by lower net sales. As the Company continues to focus on improving profitability through its reorganization initiatives including Project Blue Ocean, adjusted EBITDA and adjusted EBITDA margin the third quarter of Fiscal 2022 continues to improve mainly driven by stronger gross margin in the quarter and continued cost efficiencies with selling, general and administration expenses partially offset by lower net sales. The fourth quarter of Fiscal 2022 saw a significant sequential improvement in the Adjusted EBITDA and Adjusted EBITDA margin, driven by both adjusted gross margin improvement as well as a reduction in the selling, general and administrative expenses required to support the business driven from the implementation of Blue Ocean initiatives, partly offset by a decline in net sales.

## TRENDS AND SEASONALITY

The Company's net sales and expenses are impacted by seasonality. During the holiday season and the summer season, the Company anticipates net sales to be lower as a higher proportion of customers elect to skip their delivery. The Company generally anticipates the number of active customers to be lower during these periods. During periods with warmer weather, the Company anticipates packaging costs to be higher due to the additional packaging required to maintain food freshness and quality. The Company also anticipates food costs to be positively affected due to improved availability during periods with warmer weather.

## FINANCIAL RISK MANAGEMENT

### CREDIT RISK

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligation. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk is primarily attributable to its cash and cash equivalents and accounts and other receivables. The 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 long-term debt and revolving facility bear interest at variable rates which are determined by a base rate set by the lender plus a margin. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in lenders' base rates. The Company managed its interest rate risk by using a variable-to-fixed interest rate swap which matured in November 2021. To date, the Company did not enter into a new interest rate swap. Refer to the "Liquidity and Capital Resources" section of this MD&A. As interest rates on Debentures are fixed, the Company is not exposed to interest rate risk on those instruments.

### LIQUIDITY RISK

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The Company monitors its risk of shortage of funds by monitoring forecasted and actual cash flows and maturity dates of existing financial liabilities and commitments and is actively managing its capital to ensure a sufficient liquidity position to finance its general and administrative, working capital and overall capital expenditures. However, the Company concluded that material uncertainty exists with respect to the Company's ability to continue as a going-concern for at least the next twelve months to realize its assets and satisfy its liabilities in the normal course of operations as they come due.

In order to address these uncertainties, the Company will rely on Blue Ocean initiatives, a review of its operations and overall business to drive efficiencies, return the Company to positive Adjusted EBITDA by the first half of 2023 and to form the basis for the path to positive cash flow and long-term profitable growth as well as negotiating the terms of a revised credit facility arrangement with its lenders. There can be no assurance that the Company will be successful in achieving positive results. Please refer to the "Basis of Presentation" section of the MD&A.

## BUSINESS RISK

For a detailed discussion of business risk factors, please refer to the Company's Annual Information Form for the 52-weeks ended September 3, 2022 and the Company's final short-form prospectus dated February 4, 2022, both documents available on SEDAR at www.sedar.com.

## 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 52-weeks ended:

| | Total carrying amount | Contractual cash flows | Less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 27,104 | $ 27,104 | $ 27,104 | $ – | $ – |
| Long-term debt, including current portion | 11,743 | 12,086 | 12,086 | – | – |
| Debentures, liability component | 27,469 | 45,220 | 2,282 | 42,938 | – |
| Lease obligations, including current portion | 69,209 | 79,773 | 11,024 | 40,807 | 27,942 |
| Purchase and service contract obligations | – | 9,626 | 9,236 | 390 | – |
| | **$ 135,525** | **$ 173,809** | **$ 61,732** | **$ 84,135** | **$ 27,942** |

As at September 3, 2022, 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, long-term debt and Debentures.

### INVESTMENT POLICY

The Company invests its excess cash with varying terms to maturity selected with regards to the expected timing of investments or expenditures for continuing operations.

### FINANCIAL COVENANTS

As discussed in the "Liquidity and Capital Resources" section of the MD&A, the Company's secured a credit facility that includes financial covenants which may restrict the Company's ability to pursue future transactions or opportunities. As at the end of the fourth quarter of Fiscal 2022, the Company was in not in compliance with these financial covenants. Refer to the "Liquidity and Capital Resources" section of the MD&A for further discussion on the covenant breaches.

## RELATED PARTIES

### KEY MANAGEMENT PERSONNEL

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

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

(In thousands of Canadian dollars)

| For the 52-weeks ended, | September 3, 2022 | August 31, 2021 |
|---|---|---|
| Salaries, fees and other short-term employee benefits | **$ 1,983** | $ 2,661 |
| Share-based payments expense | **2,931** | 1,594 |

### RELATED PARTY TRANSACTIONS

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

In connection with the issuance of the 2022 Debentures, 415 Debentures were purchased by 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, directors and officers. The plan provides for the granting of stock options to purchase common shares where at any given time the number of stock options reserved for issuance is equal to 10% of the Company’s issued and outstanding common shares, less any shares reserved for issuance under the restricted share unit plan. Under the plan, stock options generally vest over a period of three or four years and expire eight years from the grant date.

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

## OUTSTANDING SHARE DATA

| As at | December 1, 2022 | September 3, 2022 | August 31, 2021 |
|---|---|---|---|
| Common shares outstanding [(1)] | **75,474,962** | **75,233,027** | 74,718,045 |
| Debentures outstanding [(2)] | **7,505,957** | **7,550,638** | 1,457,872 |
| Stock options outstanding | **3,058,789** | **3,262,799** | 3,174,309 |
| Stock options exercisable | **1,973,515** | **1,865,747** | 1,112,432 |
| Restricted share units outstanding | **1,641,141** | **2,000,716** | 625,491 |

(1) As at December 1, 2022 and September 3, 2022, 227,765 and 171,829 common shares held in trust through the employee share purchase plan (August 31, 2021 – 70,498 common shares) were included in the common shares outstanding.

(2) As at December 1, 2022 and September 3, 2022, 35,278 and 35,488 Debentures (August 31, 2021 – 6,852 Debentures) were outstanding which are convertible into 7,501,584 and 7,547,236 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.

## USE OF PROCEEDS FROM PUBLIC OFFERINGS

### FEBRUARY 2021 PUBLIC OFFERING

On February 24, 2021, the Company completed a public offering and issued 4,800,000 common shares for net proceeds of $57.2 million.

The following table compares the estimated use of proceeds presented in the Company's final short-form prospectus dated February 17, 2021 with the actual use of proceeds as at September 3, 2022:

(In thousands of Canadian dollars)

| | Actual use of proceeds | Estimated use of proceeds | Variance |
|---|---|---|---|
| Capital expenditures to build out same-day delivery capabilities (including fulfillment technology and automation equipment) | $ 35,166 | $ 40,000 | $ (4,834) |
| General corporate purposes | 22,033 | 17,305 | 4,728 |
| Remaining as at September 3, 2022 | – | N/A | – |
| Total net proceeds | 57,199 | 57,305 | (106) |
| Share issuance costs | 2,801 | 2,695 | 106 |
| Gross proceeds | $ 60,000 | $ 60,000 | $ – |

(1) Capital projects includes leasehold improvements, furniture and fixtures, machinery and equipment as well as lease payments for new right-of-use assets and costs related to our cloud computing arrangements.

## FEBRUARY 2022 CONVERTIBLE DEBENTURES PUBLIC OFFERING

On February 11, 2022, the Company completed a public offering and issued $30 million of convertible debentures for net proceeds of $28 million.

The following table compares the estimated use of proceeds presented in the Company's final short-form prospectus dated February 4, 2022 with the actual use of proceeds as at September 3, 2022. Pursuant to the shutdown of its Goodfood On-Demand offering and the closing of all its MFCs as part of its Blue Ocean initiatives, the Company will no longer be investing in capital expenditures for its MFCs. Going forward, the Company will use the proceeds of this public offering to fund general corporate purposes including leases and Blue Ocean initiatives.

(In thousands of Canadian dollars)

| | Actual use of proceeds | Estimated use of proceeds | Variance |
|---|---|---|---|
| Micro-Fulfillment Related Capital Expenditures | $ 1,049 | $ 9,500 | $ (8,451) |
| Micro-Fulfillment Centres Start-Up Costs Including Leases [(1)] | 2,830 | 9,500 | (6,670) |
| General corporate purposes | 5,760 | 9,223 | (3,463) |
| Remaining as at September 3, 2022 | 18,423 | N/A | 18,423 |
| Total net proceeds | 28,062 | 28,223 | (161) |
| Debentures issuance costs | 1,938 | 1,777 | 161 |
| Gross proceeds | $ 30,000 | $ 30,000 | $ – |

(1) Start-up costs includes costs incurred before the launch of a micro-fulfillment centre as well as expenses related to opening and ramping up the micro-fulfillment centre.

## SEGMENT REPORTING

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

## DIVIDEND POLICY

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

## SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

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

## 1 ECONOMIC CONDITIONS AND UNCERTAINTIES

The COVID-19 pandemic has had an impact on Goodfood's overall business and operations and has resulted in different levels of restrictions by government authorities. As an essential service in Canada, Goodfood has been operating throughout the pandemic and implemented increased safety protocols at its locations to ensure the safety of its employees. The Company experienced an acceleration of growth in demand during the pandemic which has stabilized since the last quarters of Fiscal 2021. Pressure on supply chains, inventory levels and increased operational costs or disruptions and labour shortages could increase depending on the duration and severity of the pandemic as well as any changes to Goodfood's industry regulatory framework. The magnitude, duration, and severity of the COVID-19 pandemic and actual economic conditions are difficult to predict and could affect the significant estimates and judgements used in the preparation of the Company's consolidated financial statements.

## 2 CRITICAL JUDGEMENTS

Impairments 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.

Leases 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.

## 3 KEY SOURCES OF ESTIMATES AND ASSUMPTIONS

Impairments of non-financial assets

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

Measurement of net sales

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

Deferred income taxes

Deferred tax assets are recognized for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which tax attributes can be realized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has determined that it is not yet probable that deferred tax assets on the tax losses carried forward and other temporary differences will be realized and has recognized deferred tax assets to the extent of recognized deferred tax liabilities.

Leases

*Discount rate*

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

## CHANGES IN ACCOUNTING POLICIES

No changes in accounting policies were adopted during the 52-weeks ended September 3, 2022.

## 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 2020 amendment is effective for annual periods beginning on or after September 3, 2023. The 2020 amendments are subject to future developments and in November 2021 the IASB proposed to defer the effective date to no earlier than January 2024. The Company is currently evaluating the impact of the amendment 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 3, 2022.

## 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 3, 2022.

No changes were made during the Fiscal 2022 to the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.