Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the three-month and six-month periods ended February 28, 2019

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BASIS OF PRESENTATION

The following has been prepared for the purposes of providing Management's Discussion and Analysis ("MD&A") of the financial condition of Goodfood Market Corp. (also referred to in this MD&A as "we", "our", "Goodfood" or "the Company") as at February 28, 2019, and the operating results of the Company for the three-month and six-month periods then ended. This MD&A is dated April 4, 2019 and reflects information available as at this date. All references in this MD&A to Fiscal 2019 are to the fiscal year ending August 31, 2019 and to Fiscal 2018 are to the fiscal year ended August 31, 2018. This document should be read in conjunction with the Company's annual audited financial statements and notes thereto for the year ended August 31, 2018 and the Company's condensed unaudited interim financial statements and notes (the "condensed interim financial statements") thereto for the three-month and six-month periods ended February 28, 2019. All amounts herein are expressed in Canadian dollars unless otherwise indicated.

The Company's condensed interim 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. Goodfood has applied IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), and IFRS 9, *Financial instruments* ("IFRS 9") and has early adopted IFRS 16, *Leases* ("IFRS 16").

FORWARD-LOOKING STATEMENTS

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, estimates and intentions. 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 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 year ended August 31, 2018 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow, food industry, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood's reputation, transportation disruptions, product liability, ownership and protection of intellectual property, evolving industry, unionization activities, reliance on management, factors which may prevent realization of growth targets, competition, availability and quality of raw materials, limited number of products, environmental and employee health and safety regulations, online security breaches and disruption, reliance on data centers, open source license compliance, future capital requirements, operating risk and insurance coverage, management of growth, conflicts of interest, litigation, and catastrophic events. 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. 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.

NON-IFRS MEASURES

Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "Gross merchandise sales", "Adjusted gross profit", "Adjusted gross margin", "EBITDA", "Adjusted EBITDA" and "Adjusted EBITDA margin". 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" section of this MD&A.

COMPANY OVERVIEW

Goodfood is a leading home meal solutions company in Canada, delivering fresh ingredients that make it easy for subscribers to prepare delicious meals at home every week. Goodfood's objective is to take the hassle out of cooking, leaving subscribers with the fun part - cooking, sharing with family and eating. Subscribers select their favorite dishes from a variety of original recipes online. The Company prepares a personalized box of fresh ingredients and delivers it to the subscriber's doorstep with easy step-by-step instructions. The Company has its administrative offices and a production facility based in Montréal, Québec, Canada, and a second production facility in Calgary, Alberta, Canada. Goodfood had 159,000 Active subscribers as of February 28, 2019.

FINANCIAL OUTLOOK

The home meal solutions industry is one of the fastest growing industries in the world and remains relatively new in Canada. As a result, Goodfood believes that there are significant opportunities and advantages to rapidly grow its subscriber base by continuing to invest in highly targeted marketing campaigns, capacity expansion, increasing its product offering and in continuing to expand its national platform. Goodfood's strategy is to delay short term profitability in order to invest in long term shareholder value creation. Growing Goodfood's market share and scale will allow the Company to deliver greater value to its customers while attaining high returns on invested capital. As the Company grows its subscriber base, we are confident that Goodfood will achieve economies of scale and additional efficiencies which will lead to improvements in profitability and an unrivalled experience for subscribers.

These objectives are based upon assumptions and are subject to risks and uncertainties, many of which are beyond our control. These risks and uncertainties could cause actual results to differ materially from these objectives. See the ''Forward-Looking Statements'' and ''Business Risk" sections of this MD&A.

SECOND QUARTER FISCAL 2019 HIGHLIGHTS

HIGHLIGHTS OF THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2019 COMPARED TO THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2018 [(1)]

- Revenue reached $36.6 million, an increase of $20.9 million, or 133%.
- Gross margin reached 20.9%, an improvement of 2.9 percentage points.
- Gross profit reached $7.7 million, an increase of $4.8 million, or 171%.
- Net loss reached $6.6 million, an increase of $4.2 million, resulting in net loss per share of $0.13.
- Cash used in operating activities reached $0.4 million, a decrease of $0.7 million.
- Gross merchandise sales reached $46.5 million, an increase of $27.7 million, or 147%.
- Adjusted gross margin reached 37.8%, an increase of 6.0 percentage points.
- Adjusted gross profit reached $17.6 million, an increase of $11.6 million, or 194%.
- Active subscribers reached 159,000 as at February 28, 2019 an increase of 98,000 or 161% compared to February 28, 2018, and an increase of 70,000 or 79% compared to August 31, 2018.

HIGHLIGHTS OF THE SIX-MONTH PERIOD ENDED FEBRUARY 28, 2019 COMPARED TO THE SIX-MONTH PERIOD ENDED FEBRUARY 28, 2018 [(1)]

- Revenue reached $66.2 million, an increase of $39.3 million, or 146%.
- Gross margin reached 21.4%, an improvement of 3.2 percentage points.
- Gross profit reached $14.1 million, an increase of $9.3 million, or 190%.
- Net loss reached $11.4 million, an increase of $6.5 million, resulting in net loss per share of $0.22.
- Cash provided by operating activities reached $1.4 million, an increase of $3.9 million.
- Gross merchandise sales reached $83.6 million, an increase of $51.5 million, or 160%.
- Adjusted gross margin reached 37.7%, an increase of 6.3 percentage points.
- Adjusted gross profit reached $31.6 million, an increase of $21.5 million, or 213%.

[(1)] The transition to IFRS 16 on September 1, 2018, had an impact on gross margin, adjusted gross margin, gross profit, adjusted gross profit, net loss and cash provided by operating activities. Refer to the related sections of this MD&A for the impact of the transition to IFRS 16.

MAIN EVENTS DURING THREE-MONTH AND SIX-MONTH PERIODS ENDED FEBRUARY 28, 2019

Expansion of Eastern Canada Facility

On September 24, 2018, the Company signed an amendment to the lease of the Eastern Canada facility, to renew and extend the term of the initial premises and lease an additional 72,000 square-foot area, expanding to a total of 155,000 square feet, which doubles the production capacity of the facility. The initial lease term ends in October 2023 with renewal options for a further fifteen years.

Debt Financing

In November 2018, the Company signed an agreement with a leading Canadian financial institution for a secured three-year term loan of $10.0 million, a $2.5 million revolving credit facility and $1.0 million in other short-term financing. The term loan and the revolving credit facility bear variable interest at banker's acceptance rate plus 2.50%. The term loan is repayable in quarterly installments of $125,000 beginning on December 4, 2020 with a bullet repayment of the balance at the end of the three-year term. As at February 28, 2019, the revolving credit facility was undrawn and $7.5 million of the term loan was disbursed with proceeds used to fund expansion capital expenditures, invest in automation and refinance the Company's long-term debt.

Equity Issuance

On February 22, 2019, the Company completed a public offering and issued 6,019,212 common shares for gross proceeds of $21.1 million. The Company intends to use the proceeds of the offering for investments in automation, the expansion of Western Canada's production facility, the development and rollout of breakfast and ready-to-eat meal solutions, the development of sustainable packaging, working capital and general corporate purposes.

ACTIVE SUBSCRIBERS

An Active subscriber is defined as an account that is scheduled to receive a delivery or has elected to skip delivery in the subsequent weekly delivery cycle. Active subscribers exclude cancelled accounts. While Active subscribers 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 our financial statements, we believe that Active subscribers is a useful metric for investors because it is indicative of future revenues. The Company reports the number of Active subscribers at the beginning and end of the period, rounded to the nearest thousand.

	Three-month periods ended February 28,		Six-month periods ended February 28,	
	2019	2018	2019	2018
Active subscribers, beginning of period	126,000	45,000	89,000	31,000
Net change in Active subscribers	33,000	16,000	70,000	30,000
Active subscribers, end of period	159,000	61,000	159,000	61,000

METRICS AND NON-IFRS FINANCIAL MEASURES

This section describes metrics and non-IFRS financial measures used by the Company throughout this MD&A. It also provides a reconciliation between non-IFRS financial measures and the most comparable IFRS financial measures, where applicable. Non-IFRS financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Non-IFRS financial measures 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 financial statements for the periods indicated.

GROSS MERCHANDISE SALES

Gross merchandise sales ("GMS") measures the total retail value of goods sold by the Company and is calculated before taking into account all incentives and credits included in revenue. Incentives and credits, presented at retail value, are principally comprised of sign-up inducements, which typically provide new Active subscribers with a discount on their first delivery. GMS is a non-IFRS financial measure. We believe that GMS is a useful revenue measure because the exclusion of incentives and credits provides a picture that is more indicative of future revenue.

The reconciliation of revenue to GMS is as follows:

(In thousands of Canadian dollars)	Three-month periods ended February 28, 2019	2018	Six-month periods ended February 28, 2019	2018
Revenue	$ 36,593	$ 15,673	$ 66,210	$ 26,909
Credits removed from cancelled accounts	(638)	-	(638)	-
Incentives and credits included in revenue	10,580	3,167	18,068	5,206
Gross merchandise sales	$ 46,535	$ 18,840	$ 83,640	$ 32,115

For the three-month and six-month periods ended February 28, 2019, Gross merchandise sales increased by $27.7 million and $51.5 million, respectively. The increase in Gross merchandise sales was primarily driven by the continued growth in the number of Active subscribers and the launch of the national platform. The increase in incentives and credits was primarily driven by the increase in Active subscribers, the launch of our national platform and planned marketing activities.

ADJUSTED GROSS PROFIT AND ADJUSTED GROSS MARGIN

Adjusted gross profit and Adjusted gross margin measure gross profit and gross margin on a retail value basis. Adjusted gross profit is calculated by subtracting the cost of goods sold from GMS. Adjusted gross margin is expressed in percentage terms and calculated as Adjusted gross profit divided by GMS. Adjusted gross profit and adjusted gross margin are non-IFRS financial measures. We believe that Adjusted gross profit and Adjusted gross margin are useful measures of financial performance because GMS is indicative of future revenues and therefore, of future gross profit and gross margin.

The reconciliation of Adjusted gross profit and Adjusted gross margin is as follows:

(In thousands of Canadian dollars)	Three-month periods ended February 28, 2019	2018	Six-month periods ended February 28, 2019	2018
Gross merchandise sales	$ 46,535	$ 18,840	$ 83,640	$ 32,115
Cost of goods sold	28,943	12,848	52,066	22,024
Adjusted gross profit	$ 17,592	$ 5,992	$ 31,574	$ 10,091
Adjusted gross margin	37.8%	31.8%	37.7%	31.4%

For the three-month and six-month periods ended February 28, 2019, Adjusted gross margin increased by 6.0 percentage points and 6.3 percentage points, respectively. The increase in Adjusted gross margin resulted primarily from lower production labour costs as a percentage of revenue and lower unit costs with regards to packaging and shipping due to increased operational efficiencies, additional automation investments and purchasing power, partially offset by higher food costs due to seasonality, introduction of l'Artisan and Clean15 meal plans and additional costs related to the commencement of the Western Canada operations. For the three-month and six-month periods ended February 28, 2019, Adjusted gross profit and Adjusted gross margin were favourably impacted by $113 thousand and 0.2 percentage points, and $200 thousand and 0.2 percentage points, respectively, as a result of early adopting IFRS 16.

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

EBITDA is defined as net income or loss before net finance expenses (income), depreciation and amortization expense and income tax expense. Adjusted EBITDA is defined as EBITDA excluding share-based compensation expenses as they are an equity compensation item and other items that we believe do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue. 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 because these measures are useful 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.

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

(In thousands of Canadian dollars)	Three-month periods ended February 28, 2019	Three-month periods ended February 28, 2018	Six-month periods ended February 28, 2019	Six-month periods ended February 28, 2018
Net loss	$ (6,560)	$ (2,393)	$ (11,411)	$ (4,913)
Net finance expenses (income)	89	(10)	176	(30)
Depreciation and amortization expense	555	72	1 042	109
EBITDA	$ (5,916)	$ (2,331)	$ (10,193)	$ (4,834)
Loss on disposal of fixed assets	-	-	-	113
Share-based compensation expense	429	78	804	152
Adjusted EBITDA	$ (5,487)	$ (2,253)	$ (9,389)	$ (4,569)
Revenue	$ 36,593	$ 15,673	$ 66,210	$ 26,909
Adjusted EBITDA margin (%)	(15.0%)	(14.4%)	(14.2%)	(17.0%)

For the three-month and six-month periods ended February 28, 2019, Adjusted EBITDA margin decreased by 0.6 percentage points and increased by 2.8 percentage points, respectively, when compared to the three-month and six-month periods ended February 28, 2018. For the three-month period ended February 28, 2019, the decrease in Adjusted EBITDA margin, resulted primarily from an increase in selling, general and administrative expenses, offset by higher gross profit. For the six-month period ended February 28, 2019, the increase in Adjusted EBITDA margin, resulted primarily from higher revenues and lower production labour costs as a percentage of revenue and lower unit costs with regards to packaging and shipping which generated a higher gross profit, offset by an increase in selling, general and administrative expenses. EBITDA and Adjusted EBITDA were also affected positively by $326 thousand and $539 thousand respectively during the three-month and six-month periods ended February 28, 2019 due to early adoption of IFRS 16. EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin would have been ($6.2) million and ($10.7) million, ($5.8) million and ($9.9) million, and (15.9%) and (15.0%), respectively for the three-month and six-month periods ended February 28, 2019 without early adoption of IFRS 16.

For the six-month period ended February 28, 2018, Adjusted EBITDA excludes the non-cash loss on the disposal of fixed assets as we believe this item does not reflect the performance of the underlying business of the Company.

RESULTS OF OPERATIONS – THREE-MONTH PERIODS ENDED FEBRUARY 28, 2019 AND 2018

The following table sets forth the components of the Company's statement of loss and comprehensive loss for the three-month periods ended February 28, 2019 and 2018:

	AS REPORTED				AMOUNT WITHOUT IFRS 16			
	THREE-MONTH PERIODS ENDED FEBRUARY 28,				THREE-MONTH PERIODS ENDED FEBRUARY 28,			
(In thousands of Canadian dollars)	2019	2018	Variance ($)[1]	Variance (%)[2]	2019	2018	Variance ($)[1]	Variance (%)[2]
Revenue	$ 36,593	$ 15,673	$ 20,920	133%	$ 36,593	$ 15,673	$ 20,920	133%
Cost of goods sold	28,943	12,848	(16,095)	125%	29,056	12,848	(16,208)	126%
Gross profit	$ 7,650	$ 2,825	$ 4,825	171%	$ 7,537	$ 2,825	$ 4,712	167%
Gross margin[3]	*20.9%*	*18.0%*	*N/A*	*N/A*	*20.6%*	*18.0%*	*N/A*	*N/A*
Selling, general and administrative expenses	$ 13,566	$ 5,156	$ (8,410)	163%	$ 13,779	$ 5,156	$ (8,623)	167%
Depreciation and amortization expenses	555	72	(483)	671%	255	72	(183)	254%
Net finance expenses (income)	89	(10)	(99)	990%	(66)	(10)	56	560%
Net loss, being comprehensive loss	$ (6,560)	$ (2,393)	$ (4,167)	174%	$ (6,431)	$ (2,393)	$ (4,038)	169%

(1) A positive variance represents a reduction to net loss and a negative variance represents an increase in net loss.
(2) Percentage change is presented in absolute values.
(3) Gross margin is calculated as gross profit divided by revenue and is expressed in percentage terms.

EXPLANATION OF VARIANCES FOR REPORTED AMOUNTS FOR THE THREE-MONTH PERIOD ENDED FEBRUARY 28, 2019 COMPARED TO 2018

- The increase in revenue was primarily driven by the continued growth in the number of Active subscribers and the launch of the national platform.
- The increase in gross profit was primarily driven by the continued growth in the number of Active subscribers and the launch of the national platform and is also due to a higher gross margin.
- While the Company's early adoption of IFRS 16, effective September 1, 2018, had a positive impact of 0.3% on gross margin, the increase in gross margin primarily resulted from lower production costs as a percentage of revenue and lower unit costs for packaging and shipping due to increased operational efficiencies, additional automation investments and purchasing power. This was partially offset by an increase in incentives and credits included in revenue primarily driven by the increase in Active subscribers, the launch of our national platform and planned marketing activities, as well as higher food costs due to seasonality, introduction of l'Artisan and Clean15 meal plans and additional costs related to the commencement of the Western Canada operations. The Company expects that fixed costs as a percentage of revenues will continue to decrease with the Company's continued growth which should further increase gross margin in the future.
- The increase in selling, general and administrative expenses is primarily due to planned increases in marketing costs and higher wage costs due to the addition of administrative personnel to support the Company's growth, partially offset by the classification of rent expense associated with leases previously classified as operating leases under IAS 17 as depreciation and interest expense pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018.
- The increase in depreciation and amortization expenses resulted from the acquisition of fixed assets across all asset classes for the Company's Eastern Canada and Western Canada production facilities, and from the recognition of right-of-use assets recognized pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018.
- The increase in net finance expenses (income) resulted primarily from the interest expense on lease obligations associated with the recognition of lease obligations pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018, partially offset by higher interest income earned due to increased interest rates and net cash generated in operating activities.
- The increase in net loss is mainly attributable to higher selling, general and administrative expenses and depreciation and amortization expenses, offset by higher gross profit.

RESULTS OF OPERATIONS – SIX-MONTH PERIODS ENDED FEBRUARY 28, 2019 AND 2018

The following table sets forth the components of the Company's statement of loss and comprehensive loss for the six-month periods ended February 28, 2019 and 2018:

	AS REPORTED SIX-MONTH PERIODS ENDED FEBRUARY 28,				AMOUNT WITHOUT IFRS 16 SIX-MONTH PERIODS ENDED FEBRUARY 28,			
(In thousands of Canadian dollars)	2019	2018	Variance ($)[1]	Variance (%)[2]	2019	2018	Variance ($)[1]	Variance (%)[2]
Revenue	$ 66,210	$ 26,909	$ 39,301	146%	$ 66,210	$ 26.909	$ 39,301	146%
Cost of goods sold	52,066	22,024	(30,042)	136%	52,266	22,024	(30,242)	137%
Gross profit	$ 14,144	$ 4,885	$ 9,259	190%	$ 13,944	$ 4,885	$ (9,059)	185%
Gross margin[3]	*21.4%*	*18.2%*	*N/A*	*N/A*	*21.1%*	*18.2%*	*N/A*	*N/A*
Selling, general and administrative expenses	$ 24,337	$ 9,606	$ (14,731)	153%	$ 24,676	$ 9.606	$ (15,070)	157%
Depreciation and amortization expenses	1,042	109	(933)	856%	480	109	(371)	340%
Loss on disposal of fixed assets	-	113	113	N/A	-	113	113	N/A
Net finance expenses (income)	176	(30)	(206)	687%	(120)	(30)	(90)	300%
Net loss, being comprehensive loss	$ (11,411)	$ (4,913)	$ (6,498)	132%	$ (11,092)	$ (4,913)	$ (6,179)	126%

(1) A positive variance represents a reduction to net loss and a negative variance represents an increase in net loss.
(2) Percentage change is presented in absolute values.
(3) Gross margin is calculated as gross profit divided by revenue and is expressed in percentage terms.

EXPLANATION OF VARIANCES FOR REPORTED AMOUNTS FOR THE SIX-MONTH PERIOD ENDED FEBRUARY 28, 2019 COMPARED TO 2018

- The increase in revenue was primarily driven by the continued growth in the number of Active subscribers and the launch of the national platform.
- The increase in gross profit was primarily driven by the continued growth in the number of Active subscribers and the launch of the national platform and is also due to a higher gross margin.
- While the Company's early adoption of IFRS 16, effective September 1, 2018, had a positive impact of 0.3% on gross margin, the increase in gross margin primarily resulted from lower production costs as a percentage of revenue and lower unit costs for packaging and shipping due to increased operational efficiencies, additional automation investments and purchasing power. This was partially offset by an increase in incentives and credits included in revenue primarily driven by the increase in Active subscribers, the launch of our national platform and planned marketing activities, as well as higher food costs due to seasonality, introduction of l'Artisan and Clean15 meal plans and additional costs related to the commencement of the Western Canada operations. The Company expects that fixed costs as a percentage of revenues will continue to decrease with the Company's continued growth which should further increase gross margin in the future.
- The increase in selling, general and administrative expenses is primarily due to planned increases in marketing costs and higher wage costs due to the addition of administrative personnel to support the Company's growth, partially offset by the classification of rent expense associated with leases previously classified as operating leases under IAS 17 as depreciation and interest expense pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018.
- The increase in depreciation and amortization expenses resulted from the acquisition of fixed assets across all asset classes for the Company's Eastern Canada and Western Canada production facilities, and from the recognition of right-of-use assets recognized pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018.
- The decrease in loss on disposal of fixed assets resulted from the disposal of fixed assets that occurred in Fiscal 2018. No other disposals of fixed assets have occurred during Fiscal 2019.

- The increase in net finance expenses (income) resulted primarily from the interest expense on lease obligations associated with the recognition of lease obligations pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018, partially offset by higher interest income earned due to increased interest rates and net cash generated in operating activities.
- The increase in net loss is mainly attributable to higher selling, general and administrative expenses and depreciation and amortization expenses, offset by higher gross profit.

FINANCIAL POSITION

The following table provides an analysis of the variances in the Company's statement of financial position as at February 28, 2019 compared to August 31, 2018:

	AS REPORTED			AMOUNT WITHOUT IFRS 16		
(In thousands of Canadian dollars)	February 28, 2019	August 31, 2018	Variance	February 28, 2019	August 31, 2018	Variance
Total Assets	**$ 72,735**	**$ 34,309**	**$ 38,426**	**$ 62,467**	**$ 34,309**	**$ 28,158**
Variance mainly due to:						
Cash and cash equivalents	46,271	24,453	21,818	46,271	24,453	21,818
Inventories	3,564	1,585	1,979	3,564	1,585	1,979
Fixed assets	8,043	6,006	2,037	8,420	6,006	2,414
Right-of-use-assets	10,655	-	10,655	-	-	-
Other non-current assets	1,606	349	1,257	1,613	349	1,264
Total Liabilities	**$ 47,415**	**$ 17,853**	**$ 29,562**	**$ 36,828**	**$ 17,583**	**$ 19,245**
Variance mainly due to:						
Accounts payable and accrued liabilities	23,223	11,343	11,880	23,223	11,343	11,880
Deferred revenue	4,505	2,522	1,983	4,505	2,522	1,983
Long-term debt, including current portion	7,509	2,092	5,417	7,752	2,092	5,660
Lease obligations	11,070	-	11,070	-	-	-
Other non-current liabilities	-	1,396	(1,396)	1,348	1,396	(48)
Total Shareholders' Equity	**$ 25,320**	**$ 16,456**	**$ 8,864**	**$ 25,639**	**$ 16,456**	**$ 9,183**
Variance mainly due to:						
Common shares	55,853	36,283	19,570	55,853	36,283	19,570
Deficit	(32,020)	(20,609)	(11,411)	(31,701)	(20,609)	(11,092)

EXPLANATION OF VARIANCES FOR REPORTED AMOUNTS FROM AUGUST 31, 2018 TO FEBRUARY 28, 2019

- The increase in cash and cash equivalents is the result of increased net cash generated in operating and financing activities.
- The increase in inventories is due to the Company's growth, where the increase in food inventory and packaging inventory generally follows weekly and monthly revenue trends, respectively.
- The increase in fixed assets is primarily due to investments in automation at the Company's Eastern and Western Canada production facilities.
- The increase in right-of-use assets and lease obligations and decrease in other non-current liabilities reflects the Company's early adoption of IFRS 16, effective September 1, 2018.
- The increase in other non-current assets is due to deposits on fixed assets for the automation and expansion of the Company's Eastern and Western Canada production facilities.
- The increase in accounts payable and accrued liabilities is primarily due to higher purchases resulting from the Company's growth and the more favourable payment terms.
- The increase in deferred revenue is due to Company's growth and to the timing of period-end within the Company's weekly delivery cycle.

- The increase in long-term debt resulted primarily from the secured financing closed in November 2018 where the Company obtained a commitment from a leading Canadian financial institution for a $10 million three-year term loan, a $2.5 million revolving credit facility and other short-term financing with favourable repayment terms. As at February 28, 2019, $7.5 million of the term loan was disbursed and the proceeds were used to fund expansion capital expenditures, invest in automation, and refinance the Company's long-term debt. The term loan is repayable in quarterly installments beginning in December 2020. In addition, leases previously classified as finance leases under IAS 17 are now reflected within lease obligations pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018.
- The increase in common shares is due to the public offering completed on February 22, 2019, where 6,019,212 commons shares were issued for gross proceeds of $21.1 million, less share issuance costs of $1.5 million.
- The increase in deficit is due to the net loss incurred for the three-month and six-month periods ended February 28, 2019.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

The Company's objective in managing its capital is to ensure a sufficient liquidity position to finance its operations, to maximize the preservation of capital and deliver competitive returns on invested capital. To fund its activities, the Company has relied on public and private placements, convertible notes and long-term debt, which are included in the Company's definition of capital. The Company manages its excess cash such that it has sufficient reserve to fund its operations and capital expenditures.

CASH FLOWS

A summary of net cash flows by activity for the three-month periods ended February 28, 2019 and 2018 is presented below:

(In thousands of Canadian dollars)	Three-month periods ended February 28, 2019	2018	Variance
Net cash used in operating activities	$ (416)	$ (1,106)	$ 690
Net cash provided by financing activities	24,188	379	23,809
Net cash used in investing activities	(2,825)	(659)	(2,166)
Net change in cash and cash equivalents	$ 20,947	$ (1,386)	$ 22,333
Cash and cash equivalents, beginning of period	25,324	16,563	8,761
Cash and cash equivalents, end of period	$ 46,271	$ 15,177	$ 31,094

The positive variance in net cash used in operating activities is primarily due to a favorable change in working capital and the classification of lease payments under IFRS 16 of $409 thousand as financing activities instead of as operating activities ($148 thousand for the three-month period ended February 28, 2018). The positive variance in net cash provided by financing activities is primarily due to the issuance of $21.1 million of common shares less share issuance costs of $1.5 million and proceeds from issue of long-term debt. The negative variance in net cash used in investing activities is primarily due to the increase in capital expenditures.

A summary of net cash flows by activity for the six-month periods ended February 28, 2019 and 2018 is presented below:

(In thousands of Canadian dollars)	Six-month periods ended February 28, 2019	2018	Variance
Net cash provided by (used in) operating activities	$ 1,407	$ (2,498)	$ 3,905
Net cash provided by financing activities	23,827	2,251	21,576
Net cash used in investing activities	(3,416)	(2,124)	(1,292)
Net change in cash and cash equivalents	$ 21,818	$ (2,371)	$ 24,189
Cash and cash equivalents, beginning of period	24,453	17,548	6,905
Cash and cash equivalents, end of period	$ 46,271	$ 15,177	$ 31,094

The positive variance in net cash provided by operating activities is primarily due to a favorable change in working capital and the classification of lease payments under IFRS 16 of $760 thousand as financing activities instead of as operating activities ($248 thousand for the six-month period ended February 28, 2018). The positive variance in net cash provided by financing activities is primarily due to the issuance of $21.1 million of common shares less share issuance costs of $1.5 million and proceeds from issue of long-term debt, partially offset by repayments of long-term debt. The negative variance in net cash used in investing activities is primarily due to the increase in capital expenditures.

CREDIT FACILITY

Significant financing transactions occurring in Fiscal 2019 were as follows:

- In November 2018, the Company obtained a commitment from a leading Canadian financial institution for a secured three-year term loan of $10 million, a $2.5 million revolving credit facility and $1.0 million in other short-term financing. The credit facility is secured by a first-ranking hypothec on all the Company's movable and immovable assets.
- As at February 28, 2019, $7.5 million of the term loan was disbursed, bearing variable interest at banker's acceptance plus 2.50% (4.51% as at February 28, 2019). The proceeds were used to fund expansion capital expenditures, invest in automation, and refinance the Company's long-term debt. The term loan is repayable in quarterly installments of $125,000 beginning on December 4, 2020 with a bullet repayment of the balance at the end of the three-year term ending in November 2021. Future proceeds from the financing will be used to fund expansion capital expenditures, invest in automation, and for general corporate purposes. Amounts owing with respect to credit cards are included in accounts payable and accrued liabilities. Transaction costs of $23 thousand are recorded against the debt as at February 28, 2019.
- The credit facility includes financial covenants with which the Company was in compliance as at February 28, 2019.
- As at February 28, 2019, the Company has corporate credit cards used for business purposes with authorised limits totaling $2.7 million, including $1.0 million in other short-term financing secured from a leading Canadian financial institution. In March 2019, the authorised limits of corporate credit cards used for business purposes increased to $5.2 million.

CONTRACTUAL OBLIGATIONS

The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments, as well as commitments with respect to leases as at February 28, 2019:

(In thousands of Canadian dollars)	Total	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 23,223	$ 23,223	$ -	$ -
Long-term debt	8,455	340	8,115	-
Leases [1]	15,566	1,751	6,662	7,153
	$ 47,244	$ 25,314	$ 14,777	$ 7,153

[1] As at February 28, 2019, future lease payments of $5,591 for which the Company is reasonably certain to exercise the renewal options have been recognized in lease obligations included in the statement of financial position as at February 28, 2019, representing an amount of $6,443 of undiscounted cash flows.

SELECTED QUARTERLY INFORMATION

The table below presents active subscribers, gross merchandise sales, revenue, net loss and basic and diluted net loss per share for the last eight fiscal quarters:

	Three-month periods ended							
	Feb. 28, 2019 [1]	Nov. 30, 2018 [1]	Aug. 31, 2018	May 31, 2018	Feb. 28, 2018	Nov. 30, 2017	Aug. 31, 2017	May 31, 2017
Active subscribers	159,000	126,000	89,000	76,000	61,000	45,000	31,000	23,000
(in thousands of Canadian dollars)								
Gross merchandise sales	$ 46,535	$ 37,105	$ 25,812	$ 26,166	$ 18,840	$ 13,275	$ 8,709	$ 7,536
Revenue	36,593	29,617	21,371	22,223	15,673	11,236	7,488	6,428
Net loss	(6,560)	(4,851)	(2,956)	(1,564)	(2,393)	(2,520)	(3,770)	(1,217)
Basic and diluted net loss per share [2]	(0.13)	(0.09)	(0.06)	(0.03)	(0.05)	(0.05)	(0.08)	(0.05)

[1] The transition to IFRS 16 on September 1, 2018, had an impact on net loss and basic and diluted net loss per share. Refer to the related sections of this MD&A for the impact of the transition to IFRS 16.

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

RECONCILIATION OF QUARTERLY NON-IFRS MEASURES

	Three-month periods ended							
(in thousands of Canadian dollars)	Feb. 28, 2019 [1]	Nov 30, 2018 [1]	Aug. 31, 2018	May 31, 2018	Feb. 28, 2018	Nov. 30, 2017	Aug. 31, 2017	May 31, 2017
Revenue	$ 36,593	$ 29,617	$ 21,371	$ 22,223	$ 15,673	$ 11,236	$ 7,488	$ 6,428
Credits removed from cancelled accounts	(638)	-	-	-	-	-	-	-
Incentives and credits	10,580	7,488	4,441	3,943	3,167	2,039	1,221	1,108
Gross merchandise sales	$ 46,535	$ 37,105	$ 25,812	$ 26,166	$ 18,840	$ 13,275	$ 8,709	$ 7,536

[1] The transition to IFRS 16 on September 1, 2018, had an impact on net loss and basic and diluted net loss per share. Refer to the related sections of this MD&A for the impact of the transition to IFRS 16.

FINANCIAL RISK MANAGEMENT

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 that it has sufficient funds to fulfill its obligations.

For the fiscal year ended August 31, 2019, anticipated operating losses as the Company continues to grow its Active subscriber base and capital expenditures are expected to reduce the Company's cash balance and liquidity position compared to February 28, 2019, absent additional financing. We believe that the Company's cash on hand and financing capacity will provide adequate sources of funds to meet short-term requirements, finance planned capital expenditures and fund any operating losses.

CREDIT RISK

Credit risk is the risk of loss if a counterparty to a financial instrument fails to meet its contractual obligation. The Company regularly monitors credit risk exposure and take 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 amounts receivable included in other current assets. The Company's maximum credit exposure corresponds to the carrying value of these financial assets. We believe the credit risk is limited because the Company deals with major North American financial institutions.

BUSINESS RISK

For a detailed discussion of the Company's risk factors, please refer to the Company's Annual Information Form for the year ended August 31, 2018 available on SEDAR at www.sedar.com.

ADDITIONAL FINANCING REQUIREMENTS

As a result of realized and anticipated growth in the number of Active subscribers, planned investment in operations, logistics, automation and technology as well as the potential for continued operating losses, the Company may require additional financing in the future to realize the goals outlined in the "Financial Outlook" section of this MD&A.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not currently 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 revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material. The Company's off-balance sheet arrangements consist only of obligations under operating leases with terms of twelve months or less or of low dollar value which are not material.

FINANCIAL INSTRUMENTS

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.

DERIVATIVES

The Company did not enter into derivative contracts for the three-month period ended February 28, 2019.

FINANCIAL COVENANTS

The Company's secured credit facility as discussed in the "Liquidity and Capital Resources" section of the MD&A includes financial covenants which may restrict the Company's ability to pursue future transactions or opportunities. As at February 28, 2019, the Company was in compliance with these financial covenants.

OUTSTANDING SHARE DATA

As at April 4, 2019, the Company had 57,844,457 common shares issued and outstanding, 2,827,015 stock options outstanding and 405,002 agent compensation options outstanding.

For additional information with respect to agent compensation options, refer to Note 14.1 to the Company's annual audited financial statements for the year ended August 31, 2018. For additional information with respect to stock options, refer to Note 14 to the Company's condensed interim financial statements for the three-month and six-month periods ended February 28, 2019.

USE OF PROCEEDS FROM PUBLIC OFFERINGS

On May 7, 2018, the Company completed a public offering and issued 4,000,000 common shares for net proceeds of $9.1 million.

The following table compares the estimated use of proceeds presented in the Company's final short form prospectus dated May 2, 2018 with the actual use of proceeds as at February 28, 2019:

(In thousands of Canadian dollars)	Actual Use of proceeds	Estimated Use of proceeds	Variance
Western Canada expansion	$ 3,657	$ 4,000	$ (343)
Process automation	1,711	2,000	(289)
Expansion of product offering and development of new meal solutions	1,037	1,000	37
Working capital and general corporate purposes	2,669	2,087	582
Total net proceeds	9,074	9,087	(13)
Share issuance costs	926	913	13
Gross proceeds	$ 10,000	$ 10,000	$ -

On February 22, 2019, the Company completed a public offering and issued 6,019,212 common shares for net proceeds of $19.6 million (including proceeds from over-allotment option of $1 million). As of February 28, 2019, none of the proceeds received from the public offering completed on February 22, 2019 had been used.

SEGMENT REPORTING

The Company has one reportable segment as our principal business activity is focused on developing and servicing the Canadian home meal solutions market.

CRITICAL ACCOUNTING ESTIMATES

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

The Company's significant accounting estimates and assumptions for the three-month and six-month periods ended February 28, 2019 are the same as those that applied to the Company's annual audited financial statements for the year ended August 31, 2018, except for significant judgments and key sources of estimation uncertainty related to the application of IFRS 16 and IFRS 15, which are described in Note 4 to the Company's condensed interim financial statements for the three-month and six-month periods ended February 28, 2019.

ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16

Effective September 1, 2018, the Company early adopted IFRS 16, *Leases*, using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended August 31, 2018 and the three-month and six-month periods ended February 28, 2018 have not been restated and continue to be reported under IAS 17, *Leases* ("IAS 17") and IFRIC 4, *Determining whether an arrangement contains a lease*.

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

For information with regards to the Company's specific application of IFRS 16 and the impact of this transition, refer to Note 4 to the Company's condensed interim financial statements for the three-month and six- month periods ended February 28, 2019

IFRS 15

Effective September 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers,* using the cumulative effect method, with the effect of adopting this standard recognized on September 1, 2018, the date of initial application. Accordingly, comparative figures as at August 31, 2018, and for the three-month and six-month periods ended February 28, 2018, have not been restated.

IFRS 15 replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue - Barter Transactions Involving Advertising Services*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. Under IFRS 15, revenue is recognized when a customer obtains control of the goods and services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

The Company generates revenue from the sale of meal solutions. IFRS 15 did not have an impact on the Company's accounting policies for revenue recognition since, under both IFRS 15 and previous standards, the Company recognizes revenue upon delivery of the meal solutions.

For information with regards to the Company's specific application of IFRS 15 and the impact of this transition, refer to Note 4 to the Company's condensed interim financial statements for the three-month and six-month periods ended February 28, 2019.

IFRS 9

Effective September 1, 2018, the Company adopted IFRS 9, *Financial Instruments*.

IFRS 9 sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard simplifies the classification of a financial asset as either at amortized cost or at fair value and requires the use of a single impairment method. The approach is based on how an entity manages financial instruments in the context of its business model and the contractual cash flow characteristics of financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

The Company's cash and cash equivalents, security deposits and amounts receivable, previously classified as loans and receivables under IAS 39, are classified as financial assets subsequently measured at amortized cost under IFRS 9. There is thus no change to the initial measurement of the Company's financial assets.

The Company's accounts payable and accrued liabilities, and long-term debt, previously classified as other financial liabilities under IAS 39, are classified as financial liabilities subsequently measured at amortized cost under IFRS 9. There is thus no change in the initial measurement of the Company's financial liabilities.

There was no impact of transition to IFRS 9 on the Company's condensed interim statement of financial position as at September 1, 2018.

For information with regards to the Company's specific application of IFRS 9 and the impact of this transition, refer to Note 4 to the Company's condensed interim financial statements for the three-month and six-month periods ended February 29, 2019.

RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to the Company's annual audited financial statements for the year ended August 31, 2018 as there have been no changes.

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 report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal control over financial reporting.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the three-month and six-month periods ended February 28, 2019, no changes were made to the Company's internal controls over financial reporting that have materially affected, or are reasonable likely to materially affect, the Company's internal controls over financial reporting.