

Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the three and nine-month periods ended May 31, 2020

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July 8, 2020**BASIS OF PRESENTATION**

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding the business environment, trends and significant changes in the results of operations and financial condition of Goodfood Market Corp. and its subsidiary (also referred to in this MD&A as "we", "our", "Goodfood" or "the Company") for the three and nine-month periods ended May 31, 2020. All references in this MD&A to Fiscal 2020 refer to the fiscal year ending August 31, 2020 and to Fiscal 2019 reference the fiscal year ended August 31, 2019. This document should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements and notes thereto for the years ended August 31, 2019 and 2018 and the Company's Unaudited Interim Condensed Consolidated Financial Statements and notes thereto (the "interim condensed consolidated financial statements") for the three and nine-month periods ended May 31, 2020 and 2019. All amounts herein are expressed in Canadian dollars unless otherwise indicated.

The Company's unaudited interim condensed 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.

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.

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, 2019 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, 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, 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. 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 COVID-19 pandemic 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

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".

The table below describes metrics and non-IFRS financial measures used by the Company throughout this MD&A. 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. 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.

Metrics	Definitions
Active subscribers	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. For greater certainty, an active subscriber is only accounted for once, although different products might have been ordered in a given weekly delivery cycle. 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 the Company's consolidated financial statements, we believe that active subscribers is a useful metric for investors because it is indicative of potential future revenues. The Company reports the number of active subscribers at the beginning and end of the period, rounded to the nearest thousand.

Non-IFRS financial measures	Definitions
Gross merchandise sales (“GMS”)	Gross merchandise sales measures the total retail value of goods sold by the Company and is calculated before taking into account all incentives and credits included in revenues. 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 revenues measure because the exclusion of incentives and credits provides a picture that is more indicative of future revenues.
Adjusted gross profit & 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.
EBITDA, Adjusted EBITDA & Adjusted EBITDA margin	EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes. Adjusted EBITDA is defined as EBITDA excluding share-based payments. Adjusted EBITDA margin is defined as the percentage of adjusted EBITDA to revenues. 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.

COMPANY OVERVIEW

Goodfood (TSX:FOOD) is a leading online grocery company in Canada, delivering fresh meal solutions and grocery items that make it easy for members across Canada to enjoy delicious meals at home every week. Goodfood's mission is to make the impossible come true, from farm to kitchen, by enabling members to complete their weekly meal planning and grocery shopping in less than one minute. Goodfood members have access to a unique selection of online products as well as exclusive pricing made possible by its world class direct-to-consumer fulfilment ecosystem that eliminates food waste and costly retail overhead. The Company's main production facility and administrative offices are based in Montreal, Quebec, with four additional production facilities located in the provinces of Quebec, Ontario, Alberta, and British Columbia. As at May 31, 2020, Goodfood had 272,000 active subscribers.

FINANCIAL OUTLOOK

The online grocery industry is among the fastest growing industries in the world. As a result, Goodfood believes there are significant opportunities and advantages to rapidly grow its subscriber base by continuing to invest in highly targeted marketing campaigns, capacity expansion through additional facilities and investments in automation, increasing its product offering and in continuing to expand its national platform.

Goodfood's strategy involves in part delaying short-term profitability in order to invest in generating long-term shareholder value creation, and also to continue improving its cost structure to achieve long-term margin and profitability goals. Growing Goodfood's subscriber base, market share, scale and product offering 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, it is confident that it will achieve economies of scale and additional efficiencies which will lead to improvements in profitability while maintaining an unrivalled experience for subscribers.

The COVID-19 pandemic has had an impact on Goodfood's overall business and operations. As an essential service in Canada, Goodfood continued to operate throughout the pandemic and experienced an acceleration of growth in demand. While subscriber orders have been fulfilled and consumer behaviour during the pandemic has contributed to an increase in subscriber base, orders by subscribers and overall business, operations and supply chains were significantly challenged with temporary supplier closures and substitution of unavailable ingredients combined with workforce shortages and additional sanitary measures, putting pressure on food and labour costs during the third quarter ended May 31, 2020. The Company continues to closely monitor the pandemic and continuously assess its potential impact on further production activities, supply chains, and facilities capacity to respond to the increasing demand and to prevent any disruptions of fulfillment. 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.

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 objectives. See the "Forward-Looking Statements" and "Business Risk" sections of this MD&A.

THIRD QUARTER FISCAL 2020 HIGHLIGHTS

HIGHLIGHTS FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2020 COMPARED TO THE THREE-MONTH PERIOD ENDED MAY 31, 2019

- Revenues reached \$86.6 million, an increase of \$36.7 million, or 74% year-over-year.
- Gross margin reached 28.8%, an improvement of 0.5 percentage points and gross profit reached \$24.9 million, an increase of \$10.8 million, or 77%.
- For the first time in the Company's history, Goodfood reported net income that amounted to \$2.8 million, representing an increase of \$6.4 million and resulting in basic earnings per share of \$0.05.
- The Company ended the quarter with a solid cash, cash equivalents and restricted cash position of \$80.5 million.
- Gross merchandise sales totalled \$99.8 million, an increase of \$38.6 million, or 63%.
- Adjusted gross margin was 38.2%, a decrease of 3.4 percentage points, and adjusted gross profit reached \$38.1 million, an increase of \$12.7 million, or 50%.
- Adjusted EBITDA margin was positive for the first time since inception and reached 6.9%, an improvement of 11.7 percentage points.
- Active subscribers totalled 272,000, an increase of 83,000 or 44%.

HIGHLIGHTS FOR THE NINE-MONTH PERIOD ENDED MAY 31, 2020 COMPARED TO THE NINE-MONTH PERIOD ENDED MAY 31, 2019

- Revenues reached \$201.7 million, an increase of \$85.6 million, or 74% year-over-year.
- Gross margin totalled 29.2%, an improvement of 4.9 percentage points and gross profit increased \$30.7 million, or 109% to reach \$58.9 million.
- Net loss was \$5.7 million, an improvement of \$9.3 million, resulting in basic loss per share of \$0.10.
- Gross merchandise sales totalled \$236.8 million, representing an increase of \$91.9 million, or 63%.
- Adjusted gross margin increased 0.3 percentage points to reach 39.7%, and adjusted gross profit reached \$94.1 million, an increase of \$37.1 million, or 65%.
- Adjusted EBITDA margin reached -0.3%, an improvement of 9.8 percentage points.

KEY HIGHLIGHTS FOR THE THREE AND NINE-MONTH PERIODS ENDED MAY 31, 2020Launch of Reusable Delivery Box

In October 2019, the Company announced the official launch of its new reusable delivery box, positioning Goodfood as a leader in the industry with respect to environmental sustainability initiatives. The new reusable box is made of a plastic compound, was custom-built specifically for Goodfood, and is part of the Company's green initiatives to eliminate 12 million pieces of single-serve packaging. Although this program has been temporarily suspended as a result of the current COVID-19 pandemic to ensure there is no cross-contamination in our facilities, it remains a top priority for the Company.

Chief Technology Officer Appointment

In November 2019, the Company announced the appointment of Raghu Mocharla to its management team as Chief Technology Officer. Mr. Mocharla was most recently Vice President, E-Commerce at Indigo and has more than 20 years of experience of progressively senior positions in technology development and management and is charged with strengthening the Company's competitive advantage in building a world-class user experience and automation ecosystem for online grocery deliveries.

Meal Solutions

Throughout the first three quarters of Fiscal 2020, the Company further expanded its ready-to-eat and breakfast meal solutions across Canada. The Company's product mix aims to expand its offerings to existing and prospective customers in order to provide full home meal solutions across the different meals of the day.

During the third quarter of Fiscal 2020, the Company completed the construction of its ready-to-eat meal solutions kitchen in the Montreal, Quebec facility to enable operations to expand its product offering and produce them in-house.

Private Label Grocery Products

During the nine-month period ended May 31, 2020, the Company further expanded its private label grocery products across Canada. The Company offers everyday grocery essentials with exclusive prices, including extra virgin olive oil, sea salt, a variety of premium proteins, peanut butter, tea, appetizers and more. Our current member favourites include: Three-Cheese Tortellini with Fresh Ricotta, Romano & Parmesan, It Might Just Be the World's Best Extra Old Cheddar Cheese and Extra Thick Butcher Cut Bacon!

Convertible Debenture Financing

In February 2020, the Company announced and completed a \$30 million financing through the issuance of convertible debentures. The debentures bear a fixed interest rate of 5.75% per annum, payable semi-annually, and will mature on March 31, 2025. The debentures are convertible at the holder's option into Goodfood common shares at a conversion price of \$4.70 per common share. Net proceeds from the offering are being used to fund the buildout of a new Toronto production and distribution facility, to further invest in capital projects (including automation related capital projects) at the existing production facilities in Montreal, Calgary and Vancouver as well as Toronto, and for general corporate purposes.

Launch of Vancouver Fulfillment Center

In March 2020, the Company announced the official launch of a fulfillment center in Vancouver, British Columbia. The 84,000 square feet facility has been operational since and has helped expand the Company's footprint throughout Western Canada.

Launch of First Toronto Fulfillment Center

In April 2020, the Company announced that it had signed a lease for its first fulfillment centre in the Greater Toronto Area, further expanding its countrywide operating footprint. Fulfillment of orders at the new 42,000 square feet facility began in May 2020.

Flagship Fulfillment Center in the Greater Toronto Area

In May 2020, the Company announced that it had signed a lease for its second fulfillment center in the Greater Toronto Area. The state of the art 200,000 square feet purpose built online grocery delivery facility will expand Goodfood's operating footprint to six facilities from coast to coast. The fulfillment center is currently under construction and should be operational by the end of summer 2021 and is expected to create over 2,000 jobs at full capacity.

Active Subscribers

As at May 31, 2020, Goodfood reached 272,000 active subscribers, representing a substantial addition of 26,000 net new subscribers during the third quarter of Fiscal 2020 despite the challenging operating environment where we reduced our marketing expenditures and focused on ensuring our ability to deliver to our existing subscriber base. The pandemic prompted significantly higher order frequency and basket sizes from existing members as Goodfood rapidly adapted its operations to ensure a safe workplace for its employees and a safe and reliable supply of essential food orders for its members.

COVID-19 Impact and Measures

The World Health Organization declared COVID-19 a global pandemic on March 11, 2020, and the outbreak has had an impact on Goodfood's overall business and operations. As the Company is an essential service in Canada, Goodfood has continued to operate without interruption albeit under challenging conditions.

In the third quarter of Fiscal 2020, Goodfood experienced several positive impacts on its financial results related to the COVID-19 pandemic such as increased subscriber growth, number of orders and average order values, which jointly impacted revenue. However, the Company also experienced staffing and supply chain challenges which resulted in direct costs of approximately \$2.4 million. The COVID-19 related costs consist of \$2.0 million in additional production labour costs which includes \$0.9 million due to temporary wage increases and \$1.1 million incurred for temporary agency premiums (but do not include the cost of standard hourly wages), as well as \$0.4 million in other production costs and selling, general and administrative expenses (including personal protection equipment, hand sanitizers, nursing staff and additional health and safety measures). The aforementioned direct costs incurred do not include any time spent by management throughout the crisis. In order to alleviate pressure on operations coming from the uptick in demand and maintain high quality standards to our existing members, the Company curtailed delivery days for a few weeks and strategically reduced its marketing spend on a temporary basis.

Throughout the pandemic, weekly newsletters from Goodfood's CEO were sent to members providing updates of the Company's operations and included information regarding precautionary measures implemented at its facilities in addition to its already rigorous food safety standards. These measures include, but are not limited to:

- Enhanced hygiene procedures, including additional cleaning at all of its facilities, mandatory hand washing prior to entry (for both visitors and employees), and accessibility to hand sanitizer stations;
- Social distancing measures put in place for the health and safety of employees, including a free shuttle service for employees to reduce the use of public transit, mandatory non-contact temperature checks before entering the facility, installation of physical safety barriers, requirement for all frontline employees to wear personal protection equipment, such as face masks and face shields, and the hiring of nurses and a security team to ensure the health screening for employees and reinforce social distancing measures inside and outside of all facilities; and
- Suspension of its Box Pick-up and Reusable Box Program to eliminate the risk of cross-contamination in its facilities.

The Company also:

- Launched the temporary Essential Canadian Pay Program which ended on July 6, 2020, and which increased the pay of all hourly and salaried operations and production employees by \$2 or more per hour; and
- Utilized various external agencies to hire qualified production agency employees to accommodate the increase in orders and volume.

Grants

During the third quarter of Fiscal 2020, the Company applied for the Canadian Agricultural Partnership Value-Added Products to Market which supports Alberta food processors and aims to enable growth of businesses through the development of processes. The Company has also applied to the Government of Canada's Emergency Processing Fund which provides assistance to companies to implement proper health and safety regulations for their employees as a result of COVID-19.

METRICS AND NON-IFRS FINANCIAL MEASURES

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 & Non-IFRS Measures" section at the beginning of this MD&A and are important metrics to be considered when analyzing our performance.

ACTIVE SUBSCRIBERS

	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2020	2019	2020	2019
Active subscribers, beginning of period	246,000	159,000	200,000	89,000
Net change in active subscribers	26,000	30,000	72,000	100,000
Active subscribers, end of period	272,000	189,000	272,000	189,000

The following tables provide a reconciliation between non-IFRS financial measures and the most comparable IFRS financial measures:

GROSS MERCHANDISE SALES

The reconciliation of revenues to GMS is as follows:

(In thousands of Canadian dollars)	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2020	2019	2020	2019
Revenues	\$ 86,600	\$ 49,864	\$ 201,681	\$ 116,074
Credits removed from cancelled accounts	(232)	-	(1,429)	(638)
Incentives and credits	13,455	11,348	36,546	29,417
Gross merchandise sales	\$ 99,823	\$ 61,212	\$ 236,798	\$ 144,853

For the three and nine-month periods ended May 31, 2020, GMS increased \$38.6 million and \$91.9 million, respectively to reach \$99.8 million and \$236.8 million, respectively. The Company's continued focus on its strategy to become Canada's leading online grocer by increasing its product offering and flexibility to members are driving basket size and order frequency. The increased order value and order rate combined with the positive impacts of COVID-19 and growth in the active subscriber base in the third quarter of Fiscal 2020 explain the increase in GMS during the three and nine-month periods ended May 31, 2020.

ADJUSTED GROSS PROFIT AND ADJUSTED GROSS MARGIN

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

(In thousands of Canadian dollars)	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2020	2019	2020	2019
Gross merchandise sales	\$ 99,823	\$ 61,212	\$ 236,798	\$ 144,853
Cost of goods sold	61,690	35,775	142,736	87,841
Adjusted gross profit	\$ 38,133	\$ 25,437	\$ 94,062	\$ 57,012
Adjusted gross margin	38.2%	41.6%	39.7%	39.4%

For the three-month period ended May 31, 2020, the adjusted gross margin decreased by 3.4 percentage points whereas the adjusted gross margin increased by 0.3 percentage points for the nine-month period ended May 31, 2020. For the three-month period ended May 31, 2020, the decrease in adjusted gross margin resulted primarily from pressure on food and labour costs resulting from the COVID-19 pandemic. For the nine-month period ended May 31, 2020, the increase in adjusted gross margin can be explained primarily by lower labour, food, packaging and shipping unit costs during the first six months of Fiscal 2020 driven by investments in automation, operational efficiencies, economies of scale, increased density among delivery zones, and purchasing power with key suppliers, offset by the impact of the COVID-19 pandemic on the third quarter of Fiscal 2020.

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

The reconciliation of net income (loss) to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin is as follows:

(In thousands of Canadian dollars)	Three-month periods ended May 31,		Nine-month periods ended May 31,	
	2020	2019	2020	2019
Net income (loss)	\$ 2,786	\$ (3,639)	\$ (5,726)	\$ (15,050)
Net finance costs	1,154	89	1,469	265
Depreciation and amortization	1,484	701	3,543	1,743
Deferred income tax recovery	—	—	(1,330)	—
EBITDA	\$ 5,424	\$ (2,849)	\$ (2,044)	\$ (13,042)
Share-based payments	560	465	1,456	1,269
Adjusted EBITDA	\$ 5,984	\$ (2,384)	\$ (588)	\$ (11,773)
Revenues	\$ 86,600	\$ 49,864	\$ 201,681	\$ 116,074
Adjusted EBITDA margin (%)	6.9%	(4.8%)	(0.3%)	(10.1%)

For the three and nine-month periods ended May 31, 2020, adjusted EBITDA margin improved by 11.7 and 9.8 percentage points, respectively. The increase in adjusted EBITDA margin resulted primarily from higher revenues, gross profits, as well as a temporary reduction in marketing spend which accelerates the operating leverage effect as selling, general and administrative expenses as a percentage of revenues decreased, offset by additional expenses resulting from the launch of new product offerings as well as the additional costs incurred due to COVID-19.

RESULTS OF OPERATIONS – THREE-MONTH PERIODS ENDED MAY 31, 2020 AND 2019

The following table sets forth the components of the Company's statement of income (loss) and comprehensive income (loss) for the three-month periods ended May 31, 2020 and 2019:

(In thousands of Canadian dollars, except per share and percentage information)	Three-month periods ended May 31,		Variance	
	2020	2019	(\$) ⁽¹⁾	(%) ⁽²⁾
Revenues	\$ 86,600	\$ 49,864	\$ 36,736	74%
Cost of goods sold	61,690	35,775	(25,915)	72%
Gross profit	\$ 24,910	\$ 14,089	\$ 10,821	77%
Gross margin ⁽³⁾	28.8%	28.3%	N/A	N/A
Selling, general and administrative	\$ 19,486	\$ 16,938	\$ (2,548)	15%
Depreciation and amortization	1,484	701	(783)	112%
Net finance costs	1,154	89	(1,065)	1,197%
Net income (loss) before income taxes	2,786	(3,639)	6,425	177%
Net income (loss), being comprehensive income (loss)	\$ 2,786	\$ (3,639)	\$ 6,425	177%
Basic net earnings (loss) per share	\$ 0.05	\$ (0.06)	\$ 0.11	183%
Diluted net earnings (loss) per share	\$ 0.05	\$ (0.06)	\$ 0.11	183%

(1) A positive variance represents an increase in net income or a decrease in net loss and a negative variance represents a decrease in net income or an increase in net loss.

(2) Percentage change is presented in absolute values.

(3) Gross margin is calculated as a percentage of gross profit to revenues.

VARIANCE ANALYSIS FOR THE THREE-MONTH PERIOD ENDED MAY 31, 2020 COMPARED TO THE THREE-MONTH PERIOD ENDED MAY 31, 2019

- The Company's continued focus on its strategy to become Canada's leading online grocer by increasing its product offering and flexibility to members are driving increased basket size and order frequency. The increased order value and order rate combined with the increase of business related to COVID-19 and growth in the active subscriber base in the third quarter of Fiscal 2020 explains the increase in revenues. The continued expansion of the Company's product offering and decrease in incentives and credits as a percentage of revenues also contributed to the increase in revenues.
- The increase in gross profit was primarily driven by the increase in revenues and a higher gross margin.
- The increase in gross margin primarily resulted from a decrease in incentives and credits as a percentage of revenues combined with lower unit costs for packaging and shipping due to increased operational efficiencies, additional automation investments, increased density among the delivery zones and purchasing power with key suppliers. This was offset by higher costs incurred for additional production employees and temporary wage increase, higher food costs and other production costs such as personal protection equipment directly related to COVID-19.
- The increase in selling, general and administrative expenses is mostly due to higher wage costs resulting from the addition of administrative personnel to support the Company's growth and increase in product offerings, as well as costs incurred directly related to the implementation of COVID-19 health and safety measures (including free employee shuttles, hand sanitizers, nursing staff and additional health and safety measures), partially offset by a temporary reduction in marketing expenditures during the third quarter of Fiscal 2020. Selling, general and administrative expenses as a percentage of revenues decreased from 34% to 23%.

- The increase in depreciation and amortization is primarily due to the acquisition of fixed assets, mainly associated with the expansion of production facilities and investments in automation, as well as the recognition of new leased facilities.
- The increase in net finance costs primarily relates to interest expense on the convertible debentures issued in February 2020, as well as higher interest expense on long-term debt and lease obligations.
- The increase in net income is explained principally by higher revenues and gross profit, slightly offset by higher selling, general and administrative expenses.

RESULTS OF OPERATIONS – NINE-MONTH PERIODS ENDED MAY 31, 2020 AND 2019

The following table sets forth the components of the Company's statement of income (loss) and comprehensive income (loss) for the nine-month periods ended May 31, 2020 and May 31, 2019:

(In thousands of Canadian dollars, except per share and percentage information)	Nine-month periods ended		Variance	
	May 31, 2020	May 31, 2019	(\$)	(%)
Revenues	\$ 201,681	\$ 116,074	\$ 85,607	74%
Cost of goods sold	142,736	87,841	(54,895)	62%
Gross profit	\$ 58,945	\$ 28,233	\$ 30,712	109%
<i>Gross margin</i>	29.2%	24.3%	N/A	N/A
Selling, general and administrative	\$ 60,989	\$ 41,275	\$ (19,714)	48%
Depreciation and amortization	3,543	1,743	(1,800)	103%
Net finance costs	1,469	265	(1,204)	454%
Loss before income taxes	(7,056)	(15,050)	7,994	53%
Deferred income tax recovery	(1,330)	–	1,330	100%
Net loss, being comprehensive loss	\$ (5,726)	\$ (15,050)	\$ 9,324	62%
Basic and diluted net loss per share	\$ (0.10)	\$ (0.28)	\$ 0.18	64%

VARIANCE ANALYSIS FOR THE NINE-MONTH PERIOD ENDED MAY 31, 2020 COMPARED TO THE NINE-MONTH PERIOD ENDED MAY 31, 2019

- The Company's continued focus on its strategy to become Canada's leading online grocer by increasing its product offering and flexibility to members are driving increased basket size and order frequency. The increased order value and order rate combined with the positive impacts of COVID-19 and growth in the active subscriber base in the third quarter of Fiscal 2020 explains the increase in revenues. The continued expansion of the Company's product offering and decrease in incentives and credits as a percentage of revenues also contributed to the increase in revenues.
- The increase in gross profit was primarily driven by the increase in revenues and a higher gross margin.
- The increase in gross margin primarily resulted from a decrease in incentives and credits as a percentage of revenues combined with lower unit costs for food, packaging and shipping due to increased operational efficiencies, additional automation investments, increased density among the delivery zones and purchasing power with key suppliers. This was offset by the increase in our product offering and the impact of the COVID-19 pandemic on labour and food costs during the third quarter of Fiscal 2020.

- The increase in selling, general and administrative expenses is mostly due to increased wage costs as the Company continues to grow its administrative team to support its growth, as well as the impact of additional costs incurred due to COVID-19, and partially offset by temporarily lower marketing expenditures during the third quarter of Fiscal 2020. Selling, general and administrative expenses as a percentage of revenues decreased from 36% to 30%.
- Depreciation and amortization increased as a result of additions to fixed assets, primarily related to the expansion of production facilities and investments in automation, as well as the recognition of new leases.
- The increase in net finance costs primarily relates to interest expense on the convertible debentures issued in February 2020 and interest expense on long-term debt and lease obligations.
- The deferred income tax recovery is due to the recognition of previously unrecognized tax benefits to offset a deferred tax liability created by the equity component of the Company's issuance of the convertible debentures.
- The decrease in net loss is explained principally by the increase in revenues and higher gross profit resulting from lower shipping costs and lower unit costs for food and packaging.

FINANCIAL POSITION

The following table provides an analysis of the Company's statement of financial position as at May 31, 2020 compared to August 31, 2019:

(In thousands of Canadian dollars)	May 31, 2020	August 31, 2019	Variance
Total Assets	\$ 136,029	\$ 80,783	55,246
<i>Variance mainly due to:</i>			
Cash and cash equivalents	77,987	45,149	32,838
Inventories	6,856	4,735	2,121
Fixed assets	17,970	13,545	4,425
Right-of-use assets	21,921	11,089	10,832
Intangible assets	1,514	512	1,002
Non-current deposits	1,858	402	1,456
Total Liabilities	\$ 118,935	\$ 63,382	\$ 55,553
<i>Variance mainly due to:</i>			
Accounts payable and accrued liabilities	41,971	30,704	11,267
Line of credit	9,063	1,540	7,523
Deferred revenues	8,007	5,923	2,084
Convertible debentures	23,202	–	23,202
Lease obligations, including current portion	24,055	12,724	11,331
Total Shareholders' Equity	\$ 17,094	\$ 17,401	\$ (307)
<i>Variance mainly due to:</i>			
Convertible debentures	3,690	–	3,690
Deficit	(47,272)	(41,546)	(5,726)

VARIANCE ANALYSIS FROM AUGUST 31, 2019 TO MAY 31, 2020

- The increase in cash and cash equivalents is primarily due to the issuance of convertible debentures in February 2020 combined, with cash provided by operating activities for the nine-month period ended May 31, 2020.
- The increase in inventories is primarily related to the Company's growth, with an increase in food and packaging inventory to support the weekly and monthly revenues cycles and also due to the product offering expansion and additional production facilities.
- The increase in fixed assets is primarily due to investments in the capacity expansions and automation of the Company's production facilities in order to increase production capacity and efficiency.
- The increase in right-of-use assets and lease obligations resulted from the recognition of new lease agreements, primarily for the leased facilities in British Columbia and Ontario.
- The increase in intangible assets resulted from investments in the development of an enterprise resource planning system to optimize the Company's operations as it continues to scale up, as well as time spent developing new functionalities on the Goodfood website which allow increased product offerings and flexibility for our members.
- The increase in non-current deposits resulted from deposits on fixed assets for capacity expansion and automation, as well as security deposits on new leases.
- The increase in accounts payable and accrued liabilities is primarily due to higher purchases linked to the Company's growth and expansion of its product offering, slightly offset by less favourable payment terms with suppliers due to COVID-19.
- The Company drew on the line of credit to fund capital expenditures and as a prudent decision to improve its liquidity position during the COVID-19 pandemic.
- The increase in deferred revenues is due to Company's growth as well as the timing of cash receipts with respect to the Company's weekly delivery cycle.
- The increase in convertible debentures in the liabilities and shareholders' equity sections resulted from the completion of a \$30 million financing in February 2020. The debentures bear a fixed interest rate of 5.75% per annum and will mature on March 31, 2025.
- The increase in deficit is due to the net loss incurred for the nine-month period ended May 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES**CAPITAL MANAGEMENT**

The Company's objective in managing its capital structure 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 of equity securities, convertible notes and convertible debentures, cash provided by operating activities and short-term or long-term senior debt, which are included in the Company's definition of capital. The Company manages its excess cash such that it has a 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 May 31, 2020 and May 31, 2019 is presented below:

(In thousands of Canadian dollars)	Three-month periods ended		Variance
	May 31, 2020	May 31, 2019	
Net cash provided by operating activities	\$ 8,552	\$ 2,339	\$ 6,213
Net cash provided by financing activities	4,718	2,482	2,236
Net cash used in investing activities	(2,323)	(1,379)	(944)
Net change in cash and cash equivalents	\$ 10,947	\$ 3,442	\$ 7,505
Cash and cash equivalents, beginning of period	67,040	46,271	20,769
Cash and cash equivalents, end of period	\$ 77,987	\$ 49,713	\$ 28,274

The positive variance in net cash provided by operating activities is primarily due to net income recorded for the three-month period ended May 31, 2020 combined with a greater movement in accounts payable, partially offset with higher receivables and inventory levels.

The positive variance in net cash provided by financing activities is primarily due to the increased borrowing on the line of credit.

The negative variance in net cash used in investing activities is primarily driven by the acquisition of fixed assets.

A summary of net cash flows by activity for the nine-month periods ended May 31, 2020 and May 31, 2019 is presented below:

(In thousands of Canadian dollars)	Nine-month periods ended		Variance
	May 31, 2020	May 31, 2019	
Net cash provided by operating activities	\$ 6,132	\$ 3,590	\$ 2,542
Net cash provided by financing activities	33,329	26,248	7,081
Net cash used in investing activities	(6,623)	(4,578)	(2,045)
Net change in cash and cash equivalents	\$ 32,838	\$ 25,260	\$ 7,578
Cash and cash equivalents, beginning of period	45,149	24,453	20,696
Cash and cash equivalents, end of period	\$ 77,987	\$ 49,713	\$ 28,274

The positive variance in net cash provided by operating activities is primarily due to the decrease in net loss recorded for the nine-month period ended May 31, 2020, offset by a smaller movement in accounts payable.

The positive variance in net cash provided by financing activities is primarily due to the issuance of convertible debentures during the second quarter of Fiscal 2020 as well as the increased borrowing on the line of credit.

The negative variance in net cash used in investing activities is due to fixed assets additions driven primarily by the buildout of the Vancouver fulfillment facility, the construction related to the partial in-housing of ready-to-eat production at our Montreal facility, and the continued investment in automation equipment.

The following are amounts of cash, cash equivalents and restricted cash as at May 31, 2020 compared to August 31, 2019:

(In thousands of Canadian dollars)	May 31, 2020	August 31, 2019
Cash and cash equivalents	\$ 77,987	\$ 45,149
Restricted cash ⁽¹⁾	2,500	2,500
	\$ 80,487	\$ 47,649

⁽¹⁾ Restricted cash consists of cash held as collateral, which is subject to the terms of the financing agreement (Refer to the "Debt" section of this MD&A).

DEBT

Significant financing transactions that took place during the nine-month period ended May 31, 2020 were as follows:

- On February 26, 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "Debentures") at a price of \$1,000 per debenture for gross proceeds of \$30 million. The Debentures mature on March 31, 2025 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 Debentures issuance costs, the effective interest rate on the Debentures is 11.76%. The 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 March 31, 2023, under certain conditions, the debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest.
- As at May 31, 2020, the Company had one signed swap agreement with a Canadian financial institution whereby the Company fixed the annual interest rates on notional amounts totalling \$11.3 million until November 2021.
- As at May 31, 2020, \$10 million and \$2.5 million of the Company's term loans with the same Canadian financial institution were disbursed, as well as \$9.1 million of the available \$10 million revolving line of credit, bearing variable interest at the Canadian Dollar Offered Rate ("CDOR") plus 2.50% (3.10% as at May 31, 2020). The proceeds are being used to fund the expansion, capital expenditures, invest in automation, and were also used to refinance the Company's long-term debt. The term loans are repayable in quarterly installments of \$125 thousand and \$31 thousand, beginning on November 30, 2020 and August 31, 2020, respectively, with a bullet repayment of the balance at the end of the term in November 2021.
- The Company's credit facility includes a collateral requirement of \$2.5 million placed in a restricted cash account and financial covenants with which the Company was in compliance as at May 31, 2020.

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 May 31, 2020:

(In thousands of Canadian dollars)	Total	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 41,971	\$ 41,971	\$ –	\$ –
Line of credit	9,063	9,063	–	–
Long-term debt, including current portion	13,230	992	12,238	–
Convertible debentures, liability component	38,784	1,890	36,894	–
Lease obligations, including current portion ^{(1) (2)}	29,435	4,175	13,967	11,293
	\$ 132,483	\$ 58,091	\$ 63,099	\$ 11,293

⁽¹⁾ As at May 31, 2020, future lease payments of \$5.6 million for which the Company is reasonably certain to exercise the renewal options have been recognized in lease obligations included in the Interim Condensed Consolidated Statement of Financial Position, representing an amount of \$6.4 million of undiscounted cash flows.

⁽²⁾ There are no future cash outflows related to lease agreements to which the Company is potentially exposed that are not reflected in the measurement of lease obligations, with the exception of future cash outflows pertaining to the lease signed in May 2020 for a flagship fulfillment center in the Greater Toronto Area. Considering that as at May 31, 2020, the Company did not have access to the asset, the facility was not reflected as a right-of-use asset and no corresponding lease liability was recorded. The expected delivery date and the expected rent payment commencement date is by the end of summer 2021, at which point management intends to commence operations. Fixed rent payments represent a total commitment of \$34 million over the term of the lease.

SELECTED QUARTERLY INFORMATION AND RECONCILIATION OF QUARTERLY NON-IFRS MEASURES

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

	Three-month periods ended							
	May 31, 2020 ⁽¹⁾	Feb. 29, 2020 ⁽¹⁾	Nov. 31, 2019 ⁽¹⁾	Aug 31, 2019 ⁽¹⁾	May 31, 2019 ⁽¹⁾	Feb. 28, 2019 ⁽¹⁾	Nov. 30, 2018	Aug 31, 2018
Active subscribers	272,000	246,000	230,000	200,000	189,000	159,000	126,000	89,000
(in thousands of Canadian dollars)								
Gross merchandise sales	\$ 99,823	\$ 68,939	\$ 68,036	\$ 55,977	\$ 61,212	\$ 46,535	\$ 37,105	\$ 25,812
Credits removed from cancelled accounts	232	1,197	-	-	-	638	-	-
Incentives and credits	(13,455)	(11,346)	(11,745)	(10,718)	(11,348)	(10,580)	(7,488)	(4,441)
Revenues	86,600	58,790	56,291	45,259	49,864	36,593	29,617	21,371
Net Income (loss)	2,786	(3,360)	(5,152)	(5,887)	(3,639)	(6,560)	(4,851)	(2,956)
Basic earnings (loss) per share ⁽²⁾	0.05	(0.06)	(0.09)	(0.10)	(0.06)	(0.13)	(0.09)	(0.06)
Diluted earnings (loss) per share ⁽²⁾	0.05	(0.06)	(0.09)	(0.10)	(0.06)	(0.13)	(0.09)	(0.06)

⁽¹⁾ The transition to IFRS 16 on September 1, 2018, had an impact for all quarters thereafter on net income (loss) and basic and diluted earnings (loss) per share. Refer to applicable sections of the Company's MD&A for the year ended August 31, 2019 for the impact of the transition to IFRS 16.

⁽²⁾ The sum of basic and diluted earnings (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.

TRENDS AND SEASONALITY

The Company's revenues and expenses are affected by seasonality. During holiday and peak season, the Company anticipates revenues to be lower as a higher proportion of active subscribers elect to skip their delivery. The Company anticipates the growth rate of active subscribers to be lower during these periods. While this is typically the case, the COVID-19 pandemic may have an impact on this trend. 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 cost 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, amounts receivable, restricted cash, and security deposits included in other assets. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk is limited given 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 line of credit 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 manages its interest rate risk by using a variable-to-fixed interest rate swap as described in the "Liquidity and Capital Resources" section of this MD&A.

The Company does not account for any fixed-rate financial assets or financial liabilities, at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

LIQUIDITY RISK

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

For the fiscal year ending August 31, 2020, anticipated operating losses, as the Company continues to grow its active subscriber base, and additional capital expenditures are expected to reduce the Company's cash balance and liquidity position compared to May 31, 2020, absent additional financing. We believe that the Company's cash and cash equivalents 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.

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, 2019 available on SEDAR at www.sedar.com.

COVID-19

The COVID-19 pandemic could materially and adversely impact our business. While the pandemic has, to date, contributed to an increase in active Subscribers and to size and frequency of orders, there can be no assurance this will continue. In addition, it is possible that developments related to the pandemic could have material adverse impacts on our operations and financial condition including loss of available labour, prolonged or temporary closures of one or more fulfillment centers due to a COVID-19 outbreak, government order or supply chain or carrier interruptions or delays. The COVID-19 pandemic has had, and could continue to have, a negative impact on financial markets and economic conditions, which may adversely impact consumer demand for our products. To the extent any of these events occur, our business, financial condition and operating results could be materially and adversely affected. The duration and severity of the COVID-19 pandemic are not known at this time and these factors could have an unpredictable impact on our operations and financial condition. In addition, the extent to which consumer behaviour patterns are impacted by the lifting of government restrictions in the medium and long term are unpredictable as are the potential resulting impacts on our business.

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, new product development, 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 revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material, other than the lease signed in May 2020 for a flagship fulfillment center in the Greater Toronto Area for which the facility is currently under construction and fixed rent payments represent a total commitment of \$34 million. The Company's other 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

As at May 31, 2020, the Company had one interest rate swap agreement, as described in the "Liquidity and Capital Resources" section of the MD&A.

FINANCIAL COVENANTS

As discussed in the "Liquidity and Capital Resources" section of the MD&A, the Company secured a credit facility that includes financial covenants which may restrict the Company's ability to pursue future transactions or opportunities. As at May 31, 2020, the Company was in compliance with these financial covenants.

OUTSTANDING SHARE DATA

As at May 31, 2020, the Company had 58,319,018 common shares issued and outstanding and 4,691,226 stock options outstanding. The basic weighted average number of common shares for the three and nine-month periods ended May 31, 2020 was 58,302,162 and 58,224,960, respectively. The diluted weighted average number of common shares for the three and nine-month periods ended May 31, 2020 was 59,000,866 and 58,224,960, respectively.

As at July 8, 2020, the Company had 58,351,145 common shares issued and outstanding and 4,677,490 stock options outstanding.

For additional information with respect to stock options, refer to Note 13 to the Company's Interim Condensed Consolidated Financial Statements for the three and nine-month periods ended May 31, 2020.

USE OF PROCEEDS FROM PUBLIC OFFERINGS**FEBRUARY 2020 CONVERTIBLE DEBENTURES PUBLIC OFFERING**

On February 26, 2020, 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 19, 2020 with the actual use of proceeds as at May 31, 2020:

(In thousands of Canadian dollars)	Actual use of proceeds	Estimated use of proceeds	Variance
Buildout of a new Toronto production and distribution facility	\$ 60	\$ 10,000	\$ (9,940)
Capital projects (including process automation)	798	10,000	(9,202)
General corporate purposes	1,753	8,063	(6,310)
Remaining as at May 31, 2020	25,351	N/A	25,351
Total net proceeds	27,962	28,063	(101)
Debentures issuance costs	2,038	1,937	101
Gross proceeds	\$ 30,000	\$ 30,000	\$ -

FEBRUARY 2019 PUBLIC OFFERING

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).

The following table compares the estimated use of proceeds presented in the Company's final short form prospectus dated February 18, 2019 with the actual use of proceeds as at May 31, 2020:

(In thousands of Canadian dollars)	Actual use of proceeds	Estimated use of proceeds ⁽¹⁾	Variance
Capital expenditures and process automation	\$ 9,668	\$ 10,000	\$ (332)
Expansion of product offering and development of new meal solutions	5,731	5,000	731
Implementation of reusable packaging initiatives	106	500	(394)
Working capital and general corporate purposes	4,065	4,065	-
Remaining as at May 31, 2020	-	N/A	-
Total net proceeds	19,570	19,565	5
Share issuance costs	1,497	1,502	(5)
Gross proceeds	\$ 21,067	\$ 21,067	\$ -

⁽¹⁾ Included in the estimated use of proceeds for working capital and general corporate purposes is the additional net proceeds from the exercise of the Treasury Over-Allotment Option.

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.

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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated 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 and nine-month periods ended May 31, 2020 are the same as those that applied to the Company's Annual Audited Consolidated Financial Statements for the years ended August 31, 2019 and 2018.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Please refer to Note 26 of the Company's Annual Audited Consolidated for the years ended August 31, 2019 and 2018 as there have been no change.

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 and nine-month periods ended May 31, 2020, no changes were made 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.