Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the year ended August 31, 2020

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November 11, 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 years ended August 31, 2020 and 2019 and should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended August 31, 2020 and 2019. Please also refer to Goodfood's press release announcing its results for year ended August 31, 2020 issued on November 11, 2020. Quarterly reports, the Annual Report, and the Annual Information Form can be found on SEDAR at www.sedar.com and under the "Investor Relations – Financial Information" section of our website: https://www.makegoodfood.ca/en/investors. Press releases are available on SEDAR and under the "Investor Relations – Press Releases" section of our corporate website.

The Company's 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.

All amounts herein are expressed in Canadian dollars unless otherwise indicated and all references to Fiscal 2020 and to Fiscal 2019 are to the fiscal years ended August 31, 2020, and August 31, 2019, respectively.

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, 2020 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow, food industry, COVID-19 pandemic, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood's reputation, transportation disruptions, storage and delivery of perishable foods, product liability, unionization activities, consolidation trends, ownership and protection of intellectual property, evolving industry, reliance on management, 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 duration and severity of 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

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. They are provided as additional information to complement IFRS measures and to provide a further understanding of the Company's results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS and should be read in conjunction with the 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 – Reconciliation" section of this MD&A.

Metrics	Definitions
Active subscribers	An account that is scheduled to receive a delivery, has elected to skip delivery in the subsequent weekly delivery cycle or that is registered to Goodfood WOW. 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.
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.

In the fourth quarter of the year ended August 31, 2020, the Company discontinued the reporting of Gross Merchandise Sales, Adjusted Gross Profit and Adjusted Gross Margin as management believes these non-IFRS measures do not provide additional information to complement IFRS measures and to understand the financial performance of Goodfood.

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 from across Canada to enjoy delicious meals at home every day. 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 minutes. 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, Québec, with five additional production facilities located in the provinces of Québec, Ontario, Alberta, and British Columbia. A seventh production facility located in the province of Ontario is currently under construction. As at August 31, 2020, Goodfood had 280,000 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 customer experience.

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. 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.

As a result of the COVID-19 pandemic, the number of employees working remotely has increased significantly, which has also increased demands on information technology resources and systems and increased the risk of phishing and other cybersecurity attacks.

The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could affect the significant estimates and judgements used in the preparation of the Company's consolidated financial statements.

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.

FISCAL 2020 HIGHLIGHTS

HIGHLIGHTS OF FISCAL 2020 COMPARED TO FISCAL 2019

- Revenues reached $285.4 million, an increase of $124.0 million, or 77% year-over-year.
- Gross margin reached 30.3%, an improvement of 5.3 percentage points and gross profit reached $86.4 million, an increase of $46.1 million, or 114%.
- Goodfood reported net income for the last two quarters of Fiscal 2020, reducing the net loss for the year ended August 31, 2020 to $4.1 million, an improvement year-over-year of $16.8 million, resulting in basic loss per share of $0.07.
- Cash flows provided by operating activities reached $8.6 million, an improvement of $7.7 million compared to the same period last year.
- The Company reported a cash balance of $106.9 million (including cash and cash equivalents and restricted cash) as at August 31, 2020, an increase of $59.3 million compared to the same period last year.
- Goodfood reported positive Adjusted EBITDA margin for the first time since the Company's inception, reaching 1.6% for the year ended August 31, 2020, an improvement of 11.6 percentage points year-over-year.
- Active subscribers reached 280,000 as at August 31, 2020, an increase of 80,000, or 40%, compared to August 31, 2019.

HIGHLIGHTS OF THE THREE-MONTH PERIOD ENDED AUGUST 31, 2020 COMPARED TO THE THREE-MONTH PERIOD ENDED AUGUST 31, 2019

- Revenues reached $83.7 million, an increase of $38.4 million, or 85% year-over-year.
- Gross margin totalled 32.8%, an improvement of 6.1 percentage points and gross profit increased $15.4 million, or 127%, to reach $27.5 million.
- For the second consecutive quarter, Goodfood reported positive net income that amounted to $1.6 million, an improvement of $7.5 million compared to the same period in 2019, resulting in basic earnings per share of $0.03.
- Cash flows provided by operating activities reached $2.4 million, an improvement of $5.1 million year-over-year.
- Adjusted EBITDA margin was positive for the second consecutive quarter and reached 6.3%, an improvement of 16.0 percentage points year-over-year.

KEY HIGHLIGHTS OF FISCAL 2020 AND SUBSEQUENT EVENTS

Launch of Reusable Delivery Box and Green Initiatives

In October 2019, the Company launched its reusable delivery box, positioning the Company as a leader in the industry with respect to environmental sustainability initiatives. As a result of the ongoing COVID-19 pandemic, the Company has suspended its reusable delivery box program to reduce the risk of potential cross contamination for its members and intends to reinstate its reusable delivery box program when sanitary conditions permit.

During the fourth quarter of Fiscal 2020, Goodfood entered into an agreement with a supplier for plant-based packaging solutions to be used for select ready-to-eat products as part of the Company's green initiatives to eliminate 12 million pieces of single-serve packaging.

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 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. Goodfood's meal solutions include ready-to-blend smoothies and other breakfast items, prepared meals, cooked meats and sides, as well as salads and soups.

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

Private Label Grocery Products

During the year ended August 31, 2020, the Company further expanded its private label grocery products across Canada, with over 200 products available to purchase as at that date. The Company offers everyday grocery essentials with exclusive prices, across an array of categories: bakery, dessert, meat and seafood, drinks, pantry, produce, snacks, dairy and kitchen essentials. Our current member favourites include: Extra Virgin Olive Oil, Clean Green Juice and Gourmet Triple Chocolate Cookies.

Convertible Debenture Financing

In February 2020, the Company 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 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. As at August 31, 2020, $11.3 million, net of tax, or 11,864 convertible debentures, were converted into 2.5 million common shares.

Launch of Vancouver Fulfillment Center

In March 2020, the Company announced the official launch of a 84,000 square feet fulfillment center in Vancouver, British Columbia, which has been instrumental in helping to expand the Company's footprint in 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 national operating footprint. Fulfillment of orders at the new 42,000 square feet facility began in May 2020.

New Fulfillment Center in Montreal

In July 2020, the Company signed a lease for a 45,000 square feet facility in Montreal, further expanding its footprint and capabilities in the key urban centre. The new facility increased Goodfood's footprint to six facilities across Canada totalling nearly 590,000 square feet of purpose-built online grocery and meal solution delivery fulfillment capacity. The Company began operations in the new facility in October 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 facility will expand Goodfood's operating footprint to seven 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.

Inclusion in the S&P/TSX Smallcap Index

In June 2020, the Company announced that it had been selected to join the S&P/TSX Smallcap Index effective June 22, 2020. The Index is a key benchmark measure for the Canadian small cap equity markets and Goodfood's inclusion among its constituents is a testament to the track record of strong capital markets and financial performance delivered to date.

Launch of Flex Ordering Platform

In July 2020, the Company announced the launch of its new user-friendly ordering interface, Flex, to enhance subscriber experience. The new interface provides added flexibility to members, allowing them to freely purchase any quantity of meal solutions and private label groceries on a weekly basis. Members can fill their basket with grocery products, meal solutions or any combination of the two.

Equity Issuance

In August 2020, the Company completed a public offering and issued 4.8 million common shares for net proceeds of $27.1 million. The Company intends to use the proceeds for capital expenditures to build out same-day delivery capabilities (including fulfilment technology and automation equipment) and for general corporate purposes. Refer to the "Use of Proceeds from Public Offerings" section of this MD&A for information on use of proceeds by the Company.

Active Subscribers

As at August 31, 2020, Goodfood reached 280,000 active subscribers, with the addition of 8,000 net new active subscribers during the fourth quarter and 80,000 net new active subscribers during the fiscal year, representing an increase of 40% year-over-year. A strong rise in demand, accelerated by the COVID-19 pandemic, has driven subscriber additions, and prompted higher order rates and average order values, particularly in the second half of the fiscal year.

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 deemed an essential service in Canada, Goodfood has continued to operate without interruption.

In the second half 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 positively impacted revenue. However, the Company also experienced staffing and supply chain challenges which resulted in direct incremental costs of approximately $3.5 million for the year ended August 31, 2020. The COVID-19 related costs consist of $3 million in additional production labour costs which includes $1.7 million due to temporary wage increases and $1.3 million incurred for temporary agency premiums (but do not include the cost of standard hourly wages), as well as $0.5 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 time spent by management throughout the crisis. In order to alleviate pressure on operations coming from the increase in demand and to maintain high quality standards for our existing members, the Company curtailed delivery days for a few weeks and strategically matched its marketing spend to its supply chain capabilities on a temporary basis.

As part of the pandemic initiatives implemented by the Company:

- It launched the Essential Canadian Pay Program which ended on July 5, 2020, and which increased the pay of all hourly and salaried operations and production employees by $2 or more per hour; and
- It utilized various external agencies to hire qualified production agency employees to accommodate the increase in orders and volume.

At the onset of 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 included, but were 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.

Launch of Goodfood WOW

In October 2020, the Company announced the launch of its new unlimited same-day grocery delivery service, in the Greater Montreal Area. This new service is scheduled to expand to other major Canadian cities over the next year. The new service offers an even more flexible and convenient online grocery experience, allowing members to order any combination of meal kits, groceries, prepared meals and other products as frequently as needed during the week, with same-day delivery included for all orders over $35 – all for only $9.99 a month.

SELECTED ANNUAL FINANCIAL INFORMATION

(In thousands of Canadian dollars)

As at	**August 31, 2020**	August 31, 2019	August 31, 2018
Financial position			
Cash and cash equivalents and restricted cash	**$ 106,902**	$ 47,649	$ 24,453
Fixed assets	**19,191**	13,545	6,006
Total assets	**163,046**	80,783	34,309
Total debt [1]	**21,678**	14,031	2,592
Total convertible debentures [2]	**16,425**	–	–
Shareholders' equity	**57,558**	17,401	16,456

(1) Total debt consists of the line of credit and the current and non-current portion of long-term debt.
(2) Total convertible debentures consist of the liability and equity components of the convertible debentures.

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

For the years ended August 31,	**2020**	2019	2018
Comprehensive loss			
Revenues	**$ 285,372**	$ 161,333	$ 70,502
Gross profit	**86,419**	40,310	14,660
Net loss, being comprehensive loss	**(4,136)**	(20,937)	(9,434)
Basic loss per share	**(0.07)**	(0.38)	(0.19)
Diluted loss per share	**(0.07)**	(0.38)	(0.19)
Cash flows provided by (used in):			
Operating activities	**$ 8,555**	$ 880	$ 176
Financing activities	**60,118**	29,555	10,901
Investing activities	**(9,420)**	(9,739)	(4,171)

METRICS AND NON-IFRS FINANCIAL MEASURES - RECONCILIATION

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

ACTIVE SUBSCRIBERS

	For the three-month periods ended August 31,		For the years ended August 31,	
	2020	2019	**2020**	2019
Active subscribers, beginning of period	**272,000**	189,000	**200,000**	89,000
Net change in active subscribers	**8,000**	11,000	**80,000**	111,000
Active subscribers, end of period	**280,000**	200,000	**280,000**	200,000

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, except percentage information)

	For the three-month periods ended August 31,		For the years ended August 31,	
	2020	2019	**2020**	2019
Net income (loss)	**$ 1,590**	$ (5,887)	**$ (4,136)**	$ (20,937)
Net finance costs	**911**	81	**2,380**	346
Depreciation and amortization	**1,818**	874	**5,361**	2,617
Deferred income tax expense (recovery)	**526**	–	**(804)**	–
EBITDA	**$ 4,845**	$ (4,932)	**$ 2,801**	$ (17,974)
Share-based payments	**418**	541	**1,874**	1,810
Adjusted EBITDA	**$ 5,263**	$ (4,391)	**$ 4,675**	$ (16,164)
Revenues	**$ 83,691**	$ 45,259	**$ 285,372**	$ 161,333
Adjusted EBITDA margin (%)	**6.3%**	(9.7%)	**1.6%**	(10.0%)

For the three-month period and year ended August 31, 2020, adjusted EBITDA margin improved by 16.0 percentage points and 11.6 percentage points, respectively, compared to the corresponding period in 2019. For the three-month period and year ended August 31, 2020, the increase in adjusted EBITDA margin resulted primarily from a larger revenue base which accelerated the operating leverage effect as selling, general and administrative expenses as a percentage of revenues decreased, and higher gross margin, 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 – FISCAL 2020 AND FISCAL 2019

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

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

For the years ended August 31,	2020	2019	($) [1]	(%) [2]
Revenues	**$ 285,372**	$ 161,333	$ 124,039	77%
Cost of goods sold	**198,953**	121,023	(77,930)	64%
Gross profit	**$ 86,419**	$ 40,310	$ 46,109	114%
Gross margin	***30.3%***	*25.0%*	*N/A*	*N/A*
Selling, general and administrative expenses	**$ 83,618**	$ 58,284	$ (25,334)	43%
Depreciation and amortization	**5,361**	2,617	(2,744)	105%
Net finance costs	**2,380**	346	(2,034)	588%
Loss before income taxes	**(4,940)**	(20,937)	15,997	76%
Deferred income tax recovery	**(804)**	–	804	100%
Net loss, being comprehensive loss	**$ (4,136)**	$ (20,937)	$ 16,801	80%
Basic loss per share	**$ (0.07)**	$ (0.38)	$ 0.31	82%
Diluted loss per share	**$ (0.07)**	$ (0.38)	$ 0.31	82%

(1) A positive variance represents a decrease to net loss and a negative variance represents an increase in net loss.
(2) Percentage change is presented in absolute values.

VARIANCE ANALYSIS FOR FISCAL 2020 COMPARED TO FISCAL 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 led to a positive impact on basket size and order frequency. The increase in revenues is primarily due to growth in active subscribers, increased average order values and the positive impacts of COVID-19 on order rates. The decrease in incentives and credits as a percentage of revenues from 24.5% to 15.9% also contributed to the increase in revenues.
- The increase in gross profit and gross margin resulted primarily from a decrease in incentives and credits as well as lower food costs as a percentage of revenues. In addition, 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 contributed to the increase in gross profit and gross margin. This was partially offset by supplementary costs incurred directly related to the COVID-19 pandemic during the second half of Fiscal 2020 for additional production employees, temporary wage increases, and other production costs such as personal protection equipment and sanitizers.
- The increase in selling, general and administrative expenses is primarily due to higher wages resulting from the expansion of the management team and related administrative functions needed to support the Company's growth and increase in product offerings. Selling, general and administrative expenses as a percentage of revenues decreased from 36.1% to 29.3%.
- The increase in depreciation and amortization expense resulted from the recognition of new leased assets and from the additions of fixed assets across all asset classes.
- The increase in net finance costs primarily relates to interest expense resulting from a higher level of indebtedness in Fiscal 2020 due to the issuance of convertible debentures in February 2020, as well as an increase in lease obligations.
- The deferred income tax recovery is due to the recognition of previously unrecognized tax benefits to offset a deferred tax liability recognized on the equity component of the convertible debentures issued in February 2020. At the issuance of the convertible debentures, an income tax recovery of $1.3 million was recorded. During the year ended August 31, 2020, $0.5 million was reversed upon conversion of certain convertible debentures.
- The decrease in net loss is explained principally by the increase in revenues and higher gross profit.

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

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

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

For the three-month periods ended August 31,	2020	2019	($) (1)	(%) (2)
Revenues	**$ 83,691**	$ 45,259	$ 38,432	85%
Cost of goods sold	**56,217**	33,182	(23,035)	69%
Gross profit	**$ 27,474**	$ 12,077	$ 15,397	127%
Gross margin	***32.8%***	*26.7%*	*N/A*	*N/A*
Selling, general and administrative expenses	**$ 22,629**	$ 17,009	$ (5,620)	33%
Depreciation and amortization	**1,818**	874	(944)	108%
Net finance costs	**911**	81	(830)	1,025%
Net income (loss) before income taxes	**2,116**	(5,887)	8,003	136%
Deferred income tax expense	**526**	–	(526)	100%
Net income (loss), being comprehensive income (loss)	**$ 1,590**	$ (5,887)	$ 7,477	127%
Basic earnings (loss) per share	**$ 0.03**	$ (0.10)	$ 0.13	130%
Diluted earnings (loss) per share	**$ 0.03**	$ (0.10)	$ 0.13	130%

(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.

VARIANCE ANALYSIS FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2020 COMPARED TO THE THREE-MONTH PERIOD ENDED AUGUST 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 impacted positively the average basket size and order frequency which, combined with a larger subscriber base, in turn increased revenues. The decrease in incentives and credits as a percentage of revenues from 23.7% to 12.1% also contributed to the increase in revenues.
- The increase in gross profit and gross margin primarily resulted from a decrease in incentives and credits as a percentage of revenues, combined with a price increase on certain items, lower unit costs for packaging and shipping explained by an increased density among the delivery zones and purchasing power with key suppliers. This was offset by supplemental costs incurred directly related to the COVID-19 pandemic for additional production employees, temporary wage increases, and other production costs such as personal protection equipment and sanitizers.
- The increase in selling, general and administrative expenses is primarily due to higher wages as the Company continues to grow. Selling, general and administrative expenses as a percentage of revenues decreased from 37.6% to 27.0%.
- The increase in depreciation and amortization expense is mainly due to the additions of fixed assets across all asset classes.
- The increase in net finance costs is mainly due to a higher level of indebtedness arising from the issuance of convertible debentures in February 2020, as well as higher lease obligations.
- The deferred income tax expense relates to the reversal of recognized tax losses recorded in the third quarter of Fiscal 2020 resulting from the conversion of convertible debentures into common shares in the fourth quarter of Fiscal 2020.
- The increase in net income is explained principally by higher revenues and gross profit as well as a decrease in marketing expense, slightly offset by higher wages and salaries to support the growth of the business.

FINANCIAL POSITION

The following table provides an analysis of the variances in the Company's consolidated statement of financial position:

(In thousands of Canadian dollars)

As at	August 31, 2020	August 31, 2019	Variance
Total Assets	**$ 163,046**	$ 80,783	$ 82,263
Variance mainly due to:			
Cash and cash equivalents	**104,402**	45,149	59,253
Inventories	**6,962**	4,735	2,227
Fixed assets	**19,191**	13,545	5,646
Right-of-use assets	**21,130**	11,089	10,041
Intangible assets	**2,203**	512	1,691
Total Liabilities	**$ 105,488**	$ 63,382	$ 42,106
Variance mainly due to:			
Accounts payable and accrued liabilities	**40,878**	30,704	10,174
Line of credit	**9,063**	1,540	7,523
Convertible debentures	**14,194**	–	14,194
Lease obligations, including current portion	**23,348**	12,724	10,624
Total Shareholders' Equity	**$ 57,558**	$ 17,401	$ 40,157
Variance mainly due to:			
Common shares	**97,801**	56,598	41,203
Convertible debentures	**2,231**	–	2,231
Deficit	**(45,682)**	(41,546)	(4,136)

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

- The increase in cash and cash equivalents is primarily due to the issuance of convertible debentures in February 2020 and the issuance of shares in August 2020 combined with increased net cash flows provided by operating activities.
- 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. Despite the opening of new facilities and the launch of several new products, inventories as a percentage of cost of goods sold decreased year-over-year.
- The increase in fixed assets is primarily due to investments in 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 labour costs developing new functionalities on the Goodfood website platform to allow increased product offerings and flexibility for our members.
- The increase in accounts payable and accrued liabilities is primarily due to the Company's growth and expansion of its product offering and favourable payment terms as a result of increased purchasing power with key suppliers as the Company increases its scale, which resulted in higher purchases and payroll related accruals related to the increased headcount and expansion of the management team.
- The Company drew on its line of credit during Fiscal 2020 to fund capital expenditures and as a contingency plan to improve its liquidity position during the COVID-19 pandemic.
- The increase in convertible debentures resulted from the issuance of convertible debentures in February 2020. Refer to the "Debt" section of this MD&A for additional information on the convertible debentures.
- The increase in common shares is mainly due to the public offering completed in August 2020 as well as the conversion of convertible debentures.
- The increase in deficit is due to the net loss for Fiscal 2020.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

The Company's objective in managing its capital structure is to ensure sufficient liquidity to finance its operations and growth and to deliver competitive returns on invested capital. To fund its activities, the Company has relied on public and private placements of equity securities, convertible debentures, cash flows provided by operating activities and short-term or long-term debt, which are included in the Company's definition of capital. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

CASH FLOWS

A summary of net cash flows by activity is presented below:

(In thousands of Canadian dollars)

For the years ended August 31,	2020	2019	Variance
Net cash flows provided by operating activities	**$ 8,555**	$ 880	$ 7,675
Net cash flows provided by financing activities	**60,118**	29,555	30,563
Net cash flows used in investing activities	**(9,420)**	(9,739)	319
Net change in cash and cash equivalents	**$ 59,253**	$ 20,696	$ 38,557
Cash and cash equivalents, beginning of period	**45,149**	24,453	20,696
Cash and cash equivalents, end of period	**$ 104,402**	$ 45,149	$ 59,253

Net cash flows provided by operating activities increased from $0.9 million to $8.6 million for the year ended August 31, 2020 primarily due to the decrease in net loss recorded for the year ended August 31, 2020, partly offset by a less favourable variance in non-cash operating working capital primarily resulting from changes in accounts payable and accrued liabilities.

Net cash flows provided by financing activities for the year ended August 31, 2020 is primarily comprised of net proceeds from the issuance of convertible debentures and common shares during Fiscal 2020 as well as borrowing under the line of credit, partially offset by interest and lease obligation payments. Net cash flows provided by financing activities for the year ended August 31, 2019 is made up of net proceeds from the issuance of common shares, as well as proceeds from the issuance of long-term debt and borrowing under the line of credit, partly offset by interest and lease obligation payments.

Net cash flows used in investing activities for the year ended August 31, 2020 is primarily comprised of fixed asset additions driven by the buildout of the Vancouver fulfillment facility, the construction related to the partial in-housing of the ready-to-eat production at our Montreal facility, and the continued investment in automation equipment. Net cash flows used in investing activities for the year ended August 31, 2019 is mainly made up of fixed assets additions driven primarily by investments in automation equipment.

A summary of net cash flows by activity is presented below:

(In thousands of Canadian dollars)

For the three-month periods ended August 31,	2020	2019	Variance
Net cash flows provided by (used in) operating activities	**$ 2,423**	$ (2,710)	$ 5,133
Net cash flows provided by financing activities	**26,789**	3,307	23,482
Net cash flows used in investing activities	**(2,797)**	(5,161)	2,364
Net change in cash and cash equivalents	**$ 26,415**	$ (4,564)	$ 30,979
Cash and cash equivalents, beginning of period	**77,987**	49,713	28,274
Cash and cash equivalents, end of period	**$ 104,402**	$ 45,149	$ 59,253

Net cash flows provided by operating activities increased by $5.1 million to $2.4 million for the quarter ended August 31, 2020 primarily due to the net income recorded for the three-month period ended August 31, 2020, partially offset by an unfavourable variance in change in non-cash operating working capital mainly explained by a decrease in deferred revenue resulting from the timing of cash receipts with respect to the Company's weekly delivery cycle.

Net cash flows provided by financing activities for the quarter ended August 31, 2020 is primarily comprised of net proceeds resulting from the public issuance of common shares. Net cash flows provided by financing activities for the three-month period ended August 31, 2019 is made up of net proceeds from the issuance of long-term debt.

Net cash flows used in investing activities for the fourth quarter ended August 31, 2020 is primarily comprised of fixed assets additions mainly attributable to technology implementation and redesign of facilities layouts. Net cash flows used in investing activities for the three-month period ended August 31, 2019 is primarily made up of fixed assets additions driven by investments in automation equipment.

The following are amounts of cash, cash equivalents and restricted cash:

(In thousands of Canadian dollars)

As at August 31,	2020	2019
Cash and cash equivalents	**$ 104,402**	$ 45,149
Restricted cash [(1)]	**2,500**	2,500
	$ 106,902	$ 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 in Fiscal 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 on March 31, 2023, under certain conditions, the debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest. As at August 31, 2020, 11,864 Debentures ($11.9 million) were converted into 2.5 million common shares, resulting in 18,136 Debentures ($18.1 million) outstanding.
- As at August 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 August 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%. 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 August 31, 2020.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

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 August 31, 2020:

(In thousands of Canadian dollars)

	Payments due for the years following August 31, 2020			
	Total	**1 year**	**1 – 5 years**	**After 5 years**
Accounts payable and accrued liabilities	**$ 40,878**	$ 40,878	$ –	$ –
Line of credit (1)	**9,063**	9,063	–	–
Long-term debt, including current portion	**13,104**	1,142	11,962	–
Debentures, liability component	**23,447**	1,140	22,307	–
Lease obligations, including current portion (2) (3)	**28,424**	4,076	13,822	10,526
Other (4)	**1,974**	1,870	104	–
	$ 116,890	**$ 58,169**	**$ 48,195**	**$ 10,526**

(1) As at August 31, 2020, letters of credit amounting to $0.9 million reduced the availability on the line of credit.

(2) As at August 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 consolidated statement of financial position, representing an amount of $6.4 million of undiscounted cash flows.

(3) As at August 31, 2020, fixed rent payments representing a total commitment of $34 million and $1.5 million over the term of the leases are not reflected in the measurement of lease obligations. For more information, please refer to the "Off-balance sheet arrangements" section of this MD&A.

(4) As at August 31, 2020, Goodfood had commitments under purchase and service contract obligations for both operating and capital expenditures. Cash on hand will be used to fund these purchase obligations.

COMMON SHARES

Significant equity transactions that took place in Fiscal 2020 were as follows:

- 910,641 stock options were exercised for common shares;
- In connection with the issuance of 30,000 Debentures on February 26, 2020, 11,864 Debentures ($11.9 million) were converted into 2,524,242 common shares. Refer to the "Use of Proceeds from Public Offerings" section of this MD&A for information on use of proceeds by the Company; and
- In connection with the public offering completed on August 5, 2020, the Company issued 4,755,250 common shares. Refer to the "Use of Proceeds from Public Offerings" section of this MD&A for information on use of proceeds by the Company.

SELECTED QUARTERLY FINANCIAL INFORMATION

The table below presents selected quarterly financial information for the last eight fiscal quarters:

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

	Fiscal 2020				Fiscal 2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Active subscribers	**280,000**	272,000	246,000	230,000	200,000	189,000	159,000	126,000
Revenues	**$ 83,691**	$ 86,600	$ 58,790	$ 56,291	$ 45,259	$ 49,864	$ 36,593	$ 29,617
Gross margin	**32.8%**	28.8%	30.3%	28.8%	26.7%	28.3%	20.9%	21.9%
Net income (loss)	**$ 1,590**	$ 2,786	$ (3,360)	$ (5,152)	$ (5,887)	$ (3,639)	$ (6,560)	$ (4,851)
Net finance costs	**911**	1,154	218	97	81	89	89	87
Depreciation and amortization	**1,818**	1,484	1,066	993	874	701	555	487
Deferred income tax expense (recovery)	**526**	–	(1,330)	–	–	–	–	–
Share-based payments	**418**	560	485	411	541	465	429	375
Adjusted EBITDA (1)	**$ 5,263**	$ 5,984	$ (2,921)	$ (3,651)	$ (4,391)	$ (2,384)	$ (5,487)	$ (3,902)
Adjusted EBITDA margin (1)	**6.3%**	6.9%	(5.0)%	(6.5)%	(9.7)%	(4.8)%	(15.0)%	(13.2)%
Basic earnings (loss) per share (2)	**$ 0.03**	$ 0.05	$ (0.06)	$ (0.09)	$ (0.10)	$ (0.06)	$ (0.13)	$ (0.09)
Diluted earnings (loss) per share (2)	**0.03**	0.05	(0.06)	(0.09)	(0.10)	(0.06)	(0.13)	(0.09)

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

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

TRENDS AND SEASONALITY

The Company's revenues and expenses are impacted by seasonality. During the holiday and summer seasons, 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, and restricted cash. 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 does not designate derivatives (interest rate swap) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not significantly impact the fair value of the interest rate swaps and consequently, the Company's net loss.

LIQUIDITY RISK

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

For the fiscal year ending August 31, 2021, additional capital expenditures as the Company continues to expand its footprint across Canada, as well as growing its active subscriber base and product offering, are expected to reduce the Company's cash balance and liquidity position compared to August 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, 2020 available on SEDAR at www.sedar.com.

COVID-19

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. 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.

As a result of the COVID-19 pandemic, the number of employees working remotely has increased significantly, which has also increased demands on information technology resources and systems and increased the risk of phishing and other cybersecurity attacks.

The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could affect the significant estimates and judgements used in the preparation of the Company's consolidated financial statements.

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 following:

During the year ended August 31, 2020, the Company signed a ten-year lease for a 200,000 square-feet fulfillment centre located in the Greater Toronto Area, Ontario, Canada with two renewal options of five years. As at August 31, 2020, the Company did not have access to the asset and therefore, 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.

During the year ended August 31, 2020, the Company signed a thirty-month lease for a 44,967 square-feet fulfillment center located in Montreal, Québec, Canada with two renewal options of 90 days. As at August 31, 2020, the Company did not have access to the asset and therefore, the facility was not reflected as a right-of-use asset and no corresponding lease liability was recorded. The lease commencement date was October 1, 2020. Fixed rent payments represent a total commitment of $1.5 million over the term of the lease.

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 August 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's secured a credit facility that includes financial covenants which may restrict the Company's ability to pursue future transactions or opportunities. As at August 31, 2020, the Company was in compliance with these financial covenants.

RELATED PARTIES

KEY MANAGEMENT PERSONNEL

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

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

(In thousands of Canadian dollars)

For the years ended August 31,	2020	2019
Salaries, fees and other short-term employee benefits	**$ 2,884**	$ 1,963
Share-based payments	**865**	1,062

RELATED PARTY TRANSACTIONS

For the year ended August 31, 2020, in connection with the issuance of Debentures, 75 Debentures were purchased by Board members and key management personnel at a price of $1,000 per Debenture.

STOCK OPTIONS

A stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, directors and officers. The plan provides for the granting of stock options to purchase common shares where at any given time the number of stock options reserved for issuance is equal to 10% of the Company's issued and outstanding common shares. Under the plan, stock options generally vest over a period of four years and expire eight years from the grant date.

OUTSTANDING SHARE DATA

As at	November 10, 2020	August 31, 2020	August 31, 2019
Common shares outstanding (1)	**67,076,723**	**66,311,121**	58,144,400
Debentures outstanding (2)	**3,122,553**	**3,858,723**	–
Stock options outstanding	**4,899,143**	**4,751,695**	3,910,169
Stock options exercisable	**1,017,863**	**896,335**	639,039

(1) As at November 10, 2020 and August 31, 2020, 30,612 and 23,412 common shares, respectively, were held in trust through the employee share purchase plan.

(2) As at November 10, 2020 and August 31, 2020, 14,676 and 18,136 Debentures were outstanding which are convertible into 3,122,553 and 3,858,723 common shares of the Company, respectively, at a conversion price of $4.70. For more information, please refer to the "Debt" section of this MD&A.

USE OF PROCEEDS FROM PUBLIC OFFERINGS

AUGUST 2020 PUBLIC OFFERING

On August 5, 2020, the Company completed a public offering and issued 4,755,250 common shares for net proceeds of $27.1 million (including proceeds from over-allotment option). As at August 31, 2020, none of the proceeds received from the public offering completed on August 5, 2020 had been used.

The following table compares the estimated use of proceeds presented in the Company's final short-form prospectus dated July 24, 2020 with the actual use of proceeds as at August 31, 2020:

(In thousands of Canadian dollars)

	Actual use of proceeds	Estimated use of proceeds (1)	Variance
Capital expenditures to build out same-day delivery capabilities (including fulfilment technology and automation equipment)	$ –	$ 15,000	$ (15,000)
General corporate purposes	–	12,093	(12,093)
Remaining as at August 31, 2020	27,093	N/A	27,093
Total net proceeds	27,093	27,093	–
Share issuance costs	1,676	1,676	–
Gross proceeds	$ 28,769	$ 28,769	$ –

(1) Included in the estimated use of proceeds for general corporate purposes are the additional net proceeds from the exercise of the treasury over-allotment option.

FEBRUARY 2020 CONVERTIBLE DEBENTURES PUBLIC OFFERING

On February 26, 2020, the Company completed a public offering and issued $30 million of 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 August 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	$ 385	$ 10,000	$ (9,615)
Capital projects (including process automation)	3,069	10,000	(6,931)
General corporate purposes	5,007	8,063	(3,056)
Remaining as at August 31, 2020	19,501	N/A	19,501
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 August 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 August 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 are 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 judgements, 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 year ended August 31, 2020 include the uncertainties related to the COVID-19 pandemic, the estimation of the redemption percentage for sales incentives and credits including referral credits, the date at which fixed assets are available for intended use, the impairment of long-lived assets, the estimated term for leases, the discount rate for leases, and the recoverability of deferred income taxes.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Please refer to Note 28 of the Company's consolidated financial statements for the years ended August 31, 2020 and 2019. The Company is currently assessing the impact of adopting these amended standards and interpretations on the Company's consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer ("Certifying Officers") that, among other things, report on the design and effectiveness of disclosure controls and procedures ("DC&P") and the design and effectiveness of internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has designed DC&P to provide reasonable assurance that material information relating to the Company is made known to the Certifying Officers, and that information required to be disclosed to satisfy the Company's continuous disclosure obligations is recorded, processed, summarized and reported within the time periods specified by applicable Canadian securities legislation.

Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of the DC&P and based on that evaluation, the Certifying Officers have concluded that the DC&P were effective as at August 31, 2020.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

The Certifying Officers have designed ICFR or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In designing and evaluating internal controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements.

The control framework used to design the Company's ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

In addition, management, under the supervision of the Certifying Officers, has evaluated the effectiveness of ICFR and based on that evaluation, the Certifying Officers have concluded that the Company`s ICFR was effective as at August 31, 2020.

No changes were made to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.