Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the year ended August 31, 2018

TABLE OF CONTENTS

BASIS OF PRESENTATION

The following has been prepared for the purposes of providing Management's Discussion and Analysis ("MD&A") of the financial condition of Goodfood Market Corp. (also referred to in this MD&A as "we", "our", "Goodfood" or "the Company") as at August 31, 2018, and the operating results of the Company for the year then ended. This MD&A is dated November 22, 2018 with information available at this date. All references in this MD&A to Fiscal 2019 are to the fiscal year ended August 31, 2019, to Fiscal 2018 are to the fiscal year ended August 31, 2018, and to Fiscal 2017 are to the fiscal year ended August 31, 2017. This document should be read in conjunction with the audited annual financial statements and notes thereto for the year ended August 31, 2018. All amounts herein are expressed in Canadian dollars unless otherwise indicated. All financial information presented in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

NON-IFRS MEASURES

Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "Gross merchandise sales", "Adjusted gross profit", "Adjusted gross margin", "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted net loss" and "Adjusted loss per share". For a reconciliation of these non-IFRS financial measures to the most comparative IFRS measure, see the "Metrics and Non-IFRS Financial Measures" section of this MD&A.

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", or "continue", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail under "Risk Factors" in the Company's Annual Information Form for the year ended August 31, 2018 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow, food industry, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood's reputation, transportation disruptions, product liability, ownership and protection of intellectual property, evolving industry, unionization activities, reliance on management, factors which may prevent realization of growth targets, competition, availability and quality of raw materials, limited number of products, environmental and employee health and safety regulations, online security breaches and disruption, reliance on data centers, open source license compliance, future capital requirements, operating risk and insurance coverage, management of growth, conflicts of interest, litigation, and catastrophic events. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

COMPANY OVERVIEW

Goodfood is a leading home meal solutions company in Canada, delivering fresh ingredients that make it easy for subscribers to prepare delicious meals at home every week. Goodfood's objective is to take the hassle out of cooking, leaving subscribers with the fun part - cooking, sharing with family and eating. Subscribers select their favorite dishes from a variety of originally developed recipes online. The Company prepares a personalized box of fresh ingredients and delivers it to the subscriber's doorstep with easy step-by-step instructions. The Company has its main production facility and administrative offices based in Montréal, Québec, Canada, and a second production facility in Calgary, Alberta, Canada. Goodfood had 89,000 active subscribers as of August 31, 2018.

FINANCIAL OUTLOOK

The home meal solutions industry is one of the fastest growing industries in the world and remains relatively new in Canada. As a result, Goodfood believes that there are significant opportunities to rapidly grow its subscriber base by continuing to invest in highly targeted marketing campaigns, capacity expansion, increasing its product offering and in continuing to expand its national platform. With the launch of the Western Canada production facility in the third quarter of Fiscal 2018, the Company is further expanding its client base. As the Company grows its subscriber base, we are confident that Goodfood can achieve additional economies of scale which will lead to improvements in profitability.

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

FISCAL 2018 HIGHLIGHTS

HIGHLIGHTS OF FISCAL 2018 COMPARED TO FISCAL 2017

- Revenue reached $70,501,757, an increase of $50,705,517, or 256%.
- Gross merchandise sales reached $84,092,897, an increase of $61,011,535, or 264%.
- Gross profit reached $14,659,806, an increase of $11,070,069, or 308%.
- Gross margin reached 20.8%, an improvement of 2.7 percentage points.
- Adjusted gross profit reached $28,250,946, an increase of $21,376,087, or 311%. Adjusted gross margin reached 33.6%, an improvement of 3.8 percentage points.
- Cash provided by operating activities reached $277,895, an improvement of $2,163,189.
- Active subscribers reached 89,000 at August 31, 2018, an increase of 58,000, or 187%.
- Adjusted EBITDA margin reached (12.1)%, an improvement of 5.8 percentage points.
- Adjusted net loss reached $9,321,491, an increase of $5,518,798.

HIGHLIGHTS OF THE THREE-MONTH PERIOD ENDED AUGUST 31, 2018 COMPARED TO THE THREE-MONTH PERIOD ENDED AUGUST 31, 2017

- Revenue reached $21,370,727, an increase of $13,882,348, or 185%.
- Gross merchandise sales reached $25,811,521, an increase of $17,102,393, or 196%.
- Gross profit reached $4,592,664 an increase of $3,588,398, or 357%.
- Gross margin reached 21.5%, an improvement of 8.1 percentage points.
- Adjusted gross profit reached $9,033,458, an increase of $6,808,443, or 306%. Adjusted gross margin reached 35.0%, an improvement of 9.5 percentage points.
- Cash provided by operating activities reached $991,316, an improvement of $2,817,891.
- Adjusted EBITDA margin reached (12.4)%, an improvement of 16.6 percentage points.
- Adjusted net loss reached $2,956,112, an improvement of $643,833.

MAIN EVENTS DURING FISCAL 2018

- In September 2017, the Company successfully completed the transfer of production operations to its new Eastern Canada facility which significantly increased the Company's production capacity and ability to generate operational efficiencies.
- On November 10, 2017, the Company signed a seven-year lease with renewal options for some further twenty years for a 43,000-square foot production facility located in Calgary, Alberta. The lease is classified as an operating lease with a total estimated commitment of approximately $4,300,000 over the seven-year term. The Company secured favorable terms including a tenant allowance that funds a significant portion of the expected capital expenditures to set up the facility, limited rent increases over the lease term and rights to expand into adjacent space to support future growth.
- In May 2018, the Company launched its national platform with the opening of the new production and distribution facility in Calgary, Alberta. The facility serves the Western Canadian provinces of British Columbia, Alberta, Saskatchewan and Manitoba, extending the Goodfood experience to Canadian consumers coast to coast.
- On May 7, 2018, the Company completed a public offering and issued 4,000,000 common shares for gross proceeds of $10,000,000. The Company intends to use the proceeds of the offering to accelerate its growth in Western Canada, including capital expenditures, to invest in automation, to launch new meal solutions, and for working capital and general corporate purposes.

ACTIVE SUBSCRIBERS

An Active subscriber is defined as an account that is scheduled to receive a delivery or has elected to skip delivery in the subsequent weekly delivery cycle. Active subscribers exclude cancelled accounts. While Active subscribers is not an IFRS or Non-IFRS Financial Measure, and therefore, does not appear in and cannot be reconciled to a specific line item in our financial statements, we believe that Active subscribers is a useful metric for investors because it is indicative of future revenues. The Company reports the number of Active subscribers at the beginning and end of the period, rounded to the nearest thousand.

	Three-month periods ended August 31,		Years ended August 31,	
	2018	2017	2018	2017
Active subscribers, beginning of period	76,000	23,000	31,000	3,000
Net change in Active subscribers	13,000	8,000	58,000	28,000
Active subscribers, end of period	89,000	31,000	89,000	31,000

SUBSEQUENT EVENTS

EXPANSION OF EASTERN CANADAN FACILITY

On September 24, 2018, the Company signed an amendment to the lease of the Eastern Canada facility, to renew and extend the term of the initial premises and lease an additional 72,000 square-foot area, expanding to a total 155,000 square-feet, which will double the production capacity of the facility. The initial lease term ends in October 2023 with renewal options for some further fifteen years. The additional leases are classified as operating leases with an additional estimated commitment of $3,433,000.

DEBT FINANCING

In November 2018, the Company obtained a commitment from a Canadian financial institution for a secured three-year secured term loan of $10,000,000, a $2,500,000 revolving credit facility and $1,000,000 in other short-term financing. The term loan and the revolving credit facility are bearing variable interest at acceptance fees plus 2.50%. The term loan will be repayable in quarterly instalments of $125,000 beginning on December 4, 2020 with a bullet repayment of the balance at the end of the three-year term. The proceeds of the term loan and the revolving credit facility will be used to refinance the Company's long-term debt, finance capital expenditures, invest in automation and for general corporate purposes.

SELECTED ANNUAL FINANCIAL INFORMATION

The selected financial information below was derived from the Company's August 31, 2018 and 2017 financial statements, prepared in accordance with IFRS.

	August 31, 2018	August 31, 2017
Financial position		
Cash	$ 24,453,231	$ 17,548,417
Fixed assets	6,005,563	2,300,147
Total assets	34,309,390	21,310,242
Total debt [1]	2,591,855	511,809
Shareholders' equity	16,455,986	16,351,579

[1] Total debt consists of the line of credit and current and non-current portion of long-term debt.

Year ended August 31,	2018	2017
Comprehensive loss		
Revenue	$ 70,501,757	$ 19,796,240
Gross profit	14,659,806	3,589,737
Net loss being comprehensive loss	(9,434,588)	(9,866,047)
Basic and diluted loss per share	(0.19)	(0.32)
Cash flows provided by (used in)		
Operating activities	$ 277,895	$ (1,885,294)
Financing activities	11,061,522	20,766,924
Investing activities	(4,434,603)	(1,853,143)

METRICS AND NON-IFRS FINANCIAL MEASURES

This section describes metrics and non-IFRS financial measures used by the Company throughout this MD&A. It also provides a reconciliation between non-IFRS financial measures and the most comparable IFRS financial measures, where applicable. Non-IFRS financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Non-IFRS financial measures are provided as additional information to complement IFRS measures and to provide further understanding of the Company's results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS and should be read in conjunction with the financial statements for the periods indicated.

GROSS MERCHANDISE SALES

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

The reconciliation of revenue to GMS is as follows:

	Three-month periods ended August 31,		Years ended August 31,	
	2018	2017	2018	2017
Revenue	$ 21,370,727	$ 7,488,379	$ 70,501,757	$ 19,796,240
Incentives and credits included in revenue	4,440,794	1,220,749	13,591,140	3,285,122
Gross merchandise sales	$ 25,811,521	$ 8,709,128	$ 84,092,897	$ 23,081,362

For the three-month period and year ended August 31, 2018, GMS increased by $17,102,393 and $61,011,535, respectively. The increase in GMS was primarily driven by the continued growth in the number of Active subscribers and the launch of our national platform.

ADJUSTED GROSS PROFIT AND ADJUSTED GROSS MARGIN

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

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

	Three-month periods ended August 31,		Years ended August 31,	
	2018	2017	2018	2017
Gross merchandise sales	$ 25,811,521	$ 8,709,128	$ 84,092,897	$ 23,081,362
Cost of goods sold	16,778,063	6,484,113	55,841,951	16,206,503
Adjusted gross profit	$ 9,033,458	$ 2,225,015	$ 28,250,946	$ 6,874,859
Adjusted gross margin	35.0%	25.5%	33.6%	29.8%

For the three-month period and year ended August 31, 2018, Adjusted gross margin increased by 9.5 percentage points and 3.8 percentage points, respectively. The increase in Adjusted gross margin resulted from decreased production labour costs as a percentage of revenue and lower unit costs for packaging, food, and shipping due to increased efficiencies, additional automation and purchasing power, partially offset by additional costs related to the commencement of the Western Canada operations.

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

EBITDA is defined as net income or loss before net finance expense, depreciation and amortization and income tax expense. Adjusted EBITDA is defined as EBITDA excluding share-based payments as they are an equity compensation item and other items that we believe do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue. EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS financial measures. We believe that EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are useful measures of financial performance because these measures are useful to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its long-term debt. They also allow comparison between companies with different capital structures.

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

	Three-month periods ended August 31,		Years ended August 31,	
	2018	2017	2018	2017
Net loss	$ (2,956,112)	$ (3,770,110)	$ (9,434,588)	$ (9,866,047)
Net finance expenses (income)	(50,966)	(49,670)	(98,065)	4,235,513
Depreciation and amortization	202,555	21,209	461,415	54,032
EBITDA	$ (2,804,523)	$ (3,798,571)	$ (9,071,238)	$ (5,576,502)
Reverse acquisition of Mira VII	-	1,457,831	-	1,805,410
Loss on disposal of fixed assets	-	-	113,097	-
Share-based payments	157,722	166,767	457,745	219,612
Adjusted EBITDA	$ (2,646,801)	$ (2,173,973)	$ (8,500,396)	$ (3,551,480)
Revenue	$ 21,370,727	$ 7,488,379	$ 70,501,757	$ 19,796,240
Adjusted EBITDA margin (%)	(12.4)%	(29.0)%	(12.1)%	(17.9)%

For the three-month period and year ended August 31, 2018, Adjusted EBITDA margin increased by 16.6 percentage points and 5.8 percentage points, respectively when compared to the three-month period and year ended August 31, 2017. For the three-month period and year ended August 31, 2018, the increase in Adjusted EBITDA margin, resulted primarily from higher revenues and gross margin which generated a higher Gross profit, offset by an increase in selling, general and administrative expenses.

For the year ended August 31, 2018, Adjusted EBITDA excludes the non-cash loss on the disposal of fixed assets as we believe this item does not reflect the performance of the underlying business of the Company.

For the three-month period and year ended August 31, 2017, Adjusted EBITDA excludes the reverse acquisition of Mira VII expenses as we believe this item does not reflect the performance of the underlying business of the Company.

ADJUSTED NET LOSS AND ADJUSTED LOSS PER SHARE

Adjusted net loss is defined as net loss adjusted for items that we believe do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance. Adjusted loss per share is defined as Adjusted net loss divided by the basic and diluted weighted average number of common shares outstanding. Adjusted net loss and Adjusted loss per share are non-IFRS financial measures. We believe that Adjusted net loss and Adjusted loss per share are useful measures of performance that can facilitate period-to-period comparisons.

The reconciliation of net loss to Adjusted net loss is as follows:

	Three-month periods ended August 31,		Years ended August 31,	
	2018	2017	2018	2017
Net loss	$ (2,956,112)	$ (3,770,110)	$ (9,434,588)	$ (9,866,047)
Loss on remeasurement of convertible notes	-	-	-	4,257,944
Reverse acquisition of Mira VII	-	1,457,831	-	1,805,410
Loss on disposal of fixed assets	-	-	113,097	-
Adjustments to net loss	$ -	$ 1,457,831	$ 113,097	$ 6,063,354
Adjusted net loss	$ (2,956,112)	$ (2,312,279)	$ (9,321,491)	$ (3,802,693)

For the three-month period and year ended August 31, 2018, Adjusted net loss increased by $643,833 and $5,518,798, respectively. The increase in Adjusted net loss resulted primarily from a higher net loss caused by an increase in selling, general and administrative expenses, offset partially by higher gross profit.

For the year ended August 31, 2018, Adjusted net loss excludes the non-cash loss on the disposal of fixed assets as we believe this item does not reflect the performance of the underlying business of the Company.

For the year ended August 31, 2017, Adjusted net loss excludes the non-cash loss on the remeasurement of convertible notes, as we believe this item does not reflect the performance of the underlying business of the Company.

For the three-month period and year ended August 31, 2017, Adjusted net loss excludes the reverse acquisition of Mira VII expenses, as we believe this item does not reflect the performance of the underlying business of the Company.

The reconciliation of basic and diluted loss per share to Adjusted loss per share is as follows:

	Three-month periods ended August 31,		Years ended August 31,	
	2018	2017	2018	2017
Net loss per share	$ (0.06)	$ (0.08)	$ (0.19)	$ (0.32)
Impact of adjustments to net loss above	-	0.03	-	0.20
Adjusted loss per share	$ (0.06)	$ (0.05)	$ (0.19)	$ (0.12)

RESULTS OF OPERATIONS – FISCAL 2018 AND 2017

The following table sets forth the components of the Company's statement of loss and comprehensive loss for the years-ended August 31, 2018 and 2017:

Years ended August 31,	2018	2017	Variance[1]	Variance (%)[2]
Revenue	$ 70,501,757	$ 19,796,240	$ 50,705,517	256%
Cost of goods sold	55,841,951	16,206,503	(39,635,448)	245%
Gross profit	$ 14,659,806	$ 3,589,737	$ 11,070,069	308%
Gross margin[3]	*20.8%*	*18.1%*	*2.7%*	N/A
Selling, general and administrative expenses	$ 23,617,947	$ 7,360,829	$ (16,257,118)	221%
Depreciation and amortization	461,415	54,032	(407,383)	754%
Reverse acquisition of Mira VII	-	1,805,410	1,805,410	N/A
Loss on disposal of fixed assets	113,097	-	(113,097)	N/A
Net finance (income) expenses	(98,065)	4,235,513	4,333,578	102%
Net loss being comprehensive loss	$ (9,434,588)	$ (9,866,047)	$ 431,459	4%

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

EXPLANATION OF VARIANCE FOR FISCAL 2018 COMPARED TO FISCAL 2017

- The increase in revenue was primarily driven by the continued growth in the number of Active subscribers and the launch of the national platform.
- The increase in gross profit was primarily driven by the continued growth in the number of Active subscribers. The increase in gross margin primarily resulted from lower production labour costs as a percentage of revenue and unit costs for packaging, food, and shipping due to increased efficiencies, automation and purchasing power, partially offset by additional costs related to the start-up of the Western Canada operations. The Company expects that fixed costs as a percentage of revenues will continue to decrease with the Company's continued growth which should increase Gross margin in the future.
- The increase in selling, general and administrative expenses is primarily due to a planned increase in marketing costs and higher wage costs due to the addition of administrative personnel to support the Company's growth.
- The increase in depreciation and amortization resulted from the acquisition of fixed assets across all asset classes, notably machinery and equipment for the Company's new Eastern and Western Canada production facilities.
- The decrease in reverse acquisition of Mira VII expenses resulted from the reverse acquisition transaction that occurred in Fiscal 2017.
- The increase in loss on disposal of fixed assets resulted from the disposal of machinery and equipment at the Company's previous Eastern Canada production facility during the first quarter of Fiscal 2018.
- The decrease in net finance expenses primarily resulted from last years loss on remeasurement of convertible notes immediately prior to their conversion into common shares of the Company in Fiscal 2017.
- The decrease in net loss primarily resulted from higher gross profit and lower finance expenses, substantially offset by higher selling, general and administrative expenses.

RESULTS OF OPERATIONS – THREE-MONTH PERIODS ENDED AUGUST 31, 2018 AND 2017

The following table sets forth the components of the Company's statement of loss and comprehensive loss for the three-month periods ended August 31, 2018 and 2017:

Three-month periods ended August 31,	2018	2017	Variance[1]	Variance (%)[2]
Revenue	$ 21,370,727	$ 7,488,379	$ 13,882,348	185%
Cost of goods sold	16,778,063	6,484,113	(10,293,950)	159%
Gross profit	$ 4,592,664	$ 1,004,266	$ 3,588,398	357%
Gross margin[3]	*21.5%*	*13.4%*	*8.1%*	N/A
Selling, general and administrative expenses	$ 7,397,187	$ 3,345,006	$ (4,052,181)	121%
Depreciation and amortization	202,555	21,209	(181,346)	855%
Reverse acquisition of Mira VII	-	1,457,831	1,457,831	N/A
Net finance income	(50,966)	(49,670)	1,296	3%
Net loss being comprehensive loss	$ (2,956,112)	$ (3,770,110)	$ 813,998	22%

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

EXPLANATION OF VARIANCE FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2018 COMPARED TO 2017

- The increase in revenue was primarily driven by the continued growth in the number of Active subscribers and the launch of the national platform.
- The increase in gross profit was primarily driven by the continued growth in the number of Active subscribers. The increase in gross margin primarily resulted from lower production labour costs as a percentage of revenue and unit costs for packaging, food, and shipping due to increased efficiencies, automation and purchasing power, partially offset by additional costs related to the start-up of the Western Canada operations. The Company expects that fixed costs as a percentage of revenues will continue to decrease with the Company's continued growth which should increase Gross margin in the future.
- The increase in selling, general and administrative expenses is primarily due to a planned increase in marketing costs and higher wage costs due to the addition of administrative personnel to support the Company's growth.
- The increase in depreciation and amortization resulted from the acquisition of fixed assets across all asset classes, notably machinery and equipment for the Company's new Eastern and Western Canada production facilities.
- The decrease in reverse acquisition of Mira VII expenses resulted from the reverse acquisition transaction that occurred in Fiscal 2017.
- Net finance income remains stable due to increased interest expense in connection with higher debt offset by increased interest income in connection with higher cash balance.
- The decrease in net loss primarily resulted from higher gross profit, partially offset by higher selling, general and administrative expenses.

FINANCIAL POSITION

The following table provides an analysis of the Company's statement of financial position as at August 31, 2018 compared to 2017:

		August 31, 2018		August 31, 2017		Variance
Total Assets	**$**	**34,309,390**	**$**	**21,310,242**	**$**	**12,999,148**
Variance mainly due to:						
Cash and cash equivalents		24,453,231		17,548,417		6,904,814
Sales tax receivable		1,656,554		773,462		883,092
Inventories		1,585,310		382,374		1,202,936
Fixed assets		6,005,563		2,300,147		3,705,416
Total Liabilities	**$**	**17,853,404**	**$**	**4,958,663**	**$**	**12,894,741**
Variance mainly due to:						
Line of credit		500,000		-		500,000
Accounts payable and accrued liabilities		11,343,138		3,529,373		7,813,765
Deferred revenue		2,521,999		841,037		1,680,962
Long-term debt, including current portion		2,091,855		511,809		1,580,046
Other non-current liabilities		1,396,412		76,444		1,319,968
Total Shareholders' Equity	**$**	**16,455,986**	**$**	**16,351,579**	**$**	**104,407**
Variance mainly due to:						
Common shares		36,283,498		27,144,084		9,139,414
Deficit		(20,609,290)		(11,174,702)		(9,434,588)

EXPLANATION OF VARIANCE FROM AUGUST 31, 2017 TO AUGUST 31, 2018

- The increase in cash and cash equivalents is the result of increased net cash generated in financing and operating activities, mainly due to the equity financing in May 2018.
- The increase in sales tax receivable is due to the Company's growth and additional capital expenditures.
- The increase in inventories is due to the Company's growth, where the increase in food and packaging inventory generally follow weekly and monthly revenue trends, respectively.
- The increase in fixed assets is primarily due to capital expenditures at the Company's new Eastern and Western Canada production facilities. During Fiscal 2018, the Company began depreciating approximately $5,150,000 of fixed assets which were previously classified as assets under construction.
- The increase in accounts payable and accrued liabilities is primarily due to higher purchases resulting from the Company's growth and better negotiated payment terms.
- The increase in deferred revenue is due to Company's growth and to the timing of year-end within the Company's weekly delivery cycle.
- The increase in other non-current liabilities is the result of the tenant allowance that reimbursed a significant portion of the capital expenditures to set up the Company's new Western Canada production facilities.
- The increase in common shares is mainly due to the public offering completed on May 7, 2018 where 4,000,000 common shares were issued for gross proceeds of $10,000,000, less share issuance costs of $925,942.
- The increase in deficit is due to the net loss incurred for the year ended August 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

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

CASH FLOWS

A summary of net cash flows by activity for the years ended August 31, 2018 and 2017 is presented below:

Years ended August 31,	2018	2017	Variance
Net cash provided by (used in) operating activities	$ 277,895	$ (1,885,294)	$ 2,163,189
Net cash provided by financing activities	11,061,522	20,766,924	(9,705,402)
Net cash used in investing activities	(4,434,603)	(1,853,143)	(2,581,460)
Net change in cash and cash equivalents	$ 6,904,814	$ 17,028,487	$ (10,123,673)
Cash and cash equivalents, beginning	17,548,417	519,930	17,028,487
Cash and cash equivalents, end	$ 24,453,231	$ 17,548,417	$ 6,904,814

The positive variance in net cash used in operating activities is primarily due to a favorable change in working capital and to the tenant allowance that reimbursed a significant portion of the capital expenditures to set up the Company's new Western Canada production facilities. The negative variance in net cash provided by financing activities is primarily due to financing in Fiscal 2017 was $9,705,402 higher than financing in Fiscal 2018. The negative variance in net cash used in investing activities is primarily due to capital expenditures for the Company's new Eastern and Western Canada production facilities in Fiscal 2018.

A summary of net cash flows by activity for the three-month periods ended August 31, 2018 and 2017 is presented below:

Three-month periods ended August 31,	2018	2017	Variance
Net cash provided by (used in) operating activities	$ 991,316	$ (1,826,575)	$ 2,817,891
Net cash (used in) provided by financing activities	(133,857)	19,546,519	(19,680,376)
Net used in investing activities	(391,851)	(1,692,403)	1,300,552
Net change in cash and cash equivalents	$ 465,608	$ 16,027,541	$ (15,561,933)
Cash and cash equivalents, beginning	23,987,623	1,520,876	22,466,747
Cash and cash equivalents, end	$ 24,453,231	$ 17,548,417	$ 6,904,814

The positive variance in net cash used in operating activities is primarily due to a favorable change in working capital and to the lease inducement for the Western Canada facility of $1,000,000 reimbursed by the landlord in the fourth quarter of Fiscal 2018. The negative variance in net cash provided by financing activities is primarily due to the private placement equity financing that occurred in the fourth quarter of Fiscal 2017. The positive variance in Net cash used in investing activities is primarily due to capital expenditures incurred at the Company's Eastern Canada facility in the fourth quarter of Fiscal 2017.

CREDIT FACILITY

Significant financing transactions occurring in Fiscal 2018 were as follows:

- In September 2017, the Company obtained a commitment from a Canadian chartered bank for a secured credit facility which includes a five-year variable-rate term loan of $2,500,000, a $500,000 revolving line of credit and $500,000 in other short-term financing. The credit facility is secured by inventory and a first-ranking movable hypothec on the Company's assets.

- On October 12, 2017, the term loan of $2,500,000 was disbursed, bearing variable interest at bank prime plus 3.25% (6.95% as at August 31, 2018). The term loan is repayable in equal quarterly instalments of $125,000 beginning on November 30, 2017 and ending August 31, 2022. The proceeds of the term loan were used to refinance the Company's long-term debt, finance capital expenditures, and for general corporate purposes.

- As at August 31, 2018, the line of credit of $500,000 was fully drawn, bearing variable interest at bank prime plus 3.25% (6.95% as at August 31, 2018). The line of credit is used to finance day-to-day operations and is repayable on demand.

- The credit facility includes financial covenants with which, as at August 31, 2018, the Company was in compliance.

- In November 2018, the Company obtained a commitment from a Canadian financial institution for a secured three-year secured term loan of $10,000,000, a $2,500,000 revolving credit facility and $1,000,000 in other short-term financing. For further details refer to the Subsequent Events section of this MD&A.

CONTRACTUAL OBLIGATIONS

The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments, as well as commitments with respect to operating leases as at August 31, 2018:

	Total	Less than 1 year	1 to 5 years	More than 5 years
Line of credit	$ 500,000	$ 500,000	$ -	$ -
Accounts payable and accrued liabilities	11,343,138	11,343,138	-	-
Long-term debt (1)	2,414,767	658,079	1,756,688	-
Operating leases (2)	6,946,285	1,253,505	4,432,639	1,260,141
	$ 21,204,190	$ 13,754,722	$ 6,189,327	$ 1,260,141

(1) In November 2018, the Company signed a new debt agreement with proceeds partially used to refinance the current long-term debt. For further details refer to the Subsequent Events section of this MD&A.

(2) In September 2018, the Company signed an amendment to the lease of the Eastern Canada facility, to renew and extend the term of the initial premises and lease an additional 72,000 square-foot area. For further details refer to the Subsequent Events section of this MD&A.

COMMON SHARES

On May 7, 2018, the Company completed a public offering and issued 4,000,000 common shares for gross proceeds of $10,000,000. The Company intends to use the proceeds of the offering to accelerate its growth in Western Canada, including capital expenditures, to invest in automation, to launch new meal solutions, and for working capital and general corporate purposes.

SELECTED QUARTERLY INFORMATION

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

	Three-month periods ended							
(in thousands of Canadian dollars)	Aug. 31, 2018	May 31, 2018	Feb. 28, 2018	Nov. 30, 2017	Aug. 31, 2017	May 31, 2017	Feb. 28, 2017	Nov. 30, 2016
Gross merchandise sales	$ 25,812	$ 26,166	$ 18,840	$ 13,275	$ 8,709	$ 7,536	$ 4,280	$ 2,556
Revenue	21,371	22,223	15,673	11,236	7,488	6,428	3,687	2,192
Net loss	(2,956)	(1,564)	(2,395)	(2,520)	(3,770)	(1,217)	(1,766)	(3,113)
Adjusted net loss	(2,956)	(1,564)	(2,395)	(2,407)	(2,312)	(861)	(208)	(422)
Basic and diluted net loss per share(1)	(0.06)	(0.03)	(0.05)	(0.05)	(0.08)	(0.05)	(0.07)	(0.13)
Basic and diluted adjusted net loss per share	(0.06)	(0.03)	(0.05)	(0.05)	(0.05)	(0.03)	(0.01)	(0.02)

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

The strong quarter-over-quarter increase is the result of our ability to introduce new meal solutions adding choice and improving customer curation at various price points, launch of our national platform and an ever-growing base of loyal customers. During the summer months there is a decrease in activity among existing subscribers as people are on vacation and eating out more often. This usually results in a lower order rate and GMS during the fourth quarter. An increase of active subscribers and orders typically occurs in September with back-to-school being one of the busiest periods of the year.

RECONCILIATION OF QUARTERLY NON-IFRS MEASURES

	Three-month periods ended							
(in thousands of Canadian dollars)	Aug. 31, 2018	May 31, 2018	Feb. 28, 2018	Nov. 30, 2017	Aug. 31, 2017	May 31, 2017	Feb. 28, 2017	Nov. 30, 2016
Revenue	$ 21,371	$ 22,223	$ 15,673	$ 11,236	$ 7,488	$ 6,428	$ 3,687	$ 2,192
Incentives and credits	4,441	3,943	3,167	2,039	1,221	1,108	593	364
Gross merchandise sales	$ 25,812	$ 26,166	$ 18,840	$ 13,275	$ 8,709	$ 7,536	$ 4,280	$ 2,556
Net loss	$ (2,956)	$ (1,564)	$ (2,395)	$ (2,520)	$ (3,770)	$ (1,217)	$ (1,766)	$ (3,113)
Loss on remeasurement of convertible notes	-	-	-	-	-	8	1,558	2,691
Reverse acquisition of Mira VII	-	-	-	-	1,458	348	-	-
Loss on disposal of fixed assets	-	-	-	113	-	-	-	-
Adjusted net loss	$ (2,956)	$ (1,564)	$ (2,395)	$ (2,407)	$ (2,312)	$ (861)	$ (208)	$ (422)
Basic and diluted net loss per share(1)	$ (0.06)	$ (0.03)	$ (0.05)	$ (0.05)	$ (0.08)	$ (0.05)	$ (0.07)	$ (0.13)
Impact of adjustments to net loss	-	-	-	-	0.03	0.02	0.06	0.11
Basic and diluted adjusted net loss per share	$ (0.06)	$ (0.03)	$ (0.05)	$ (0.05)	$ (0.05)	$ (0.03)	$ (0.01)	$ (0.02)

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

FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

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

For the fiscal year-ending August 31, 2019, anticipated operating losses as the Company continues to grow its Active subscriber base, capital expenditures and investments in automation, are expected to reduce the Company's cash balance and liquidity position compared to August 31, 2018, absent additional financing. We believe that the Company's cash on hand and financing capacity will provide adequate sources of funds to meet short-term requirements, finance planned capital expenditures and fund any operating losses.

CREDIT RISK

Credit risk is the risk of loss if a counterparty to a financial instrument fails to meet its contractual obligation. The Company regularly monitors credit risk exposure and take steps to mitigate the likelihood of this exposure resulting in losses. The Company's exposure to credit risk is primarily attributable to its cash and cash equivalents, security deposits and amounts receivable included in other current assets. The Company's maximum credit exposure corresponds to the carrying value of these financial assets. We believe the credit risk is limited because the Company deals with major North American financial institutions.

BUSINESS RISK

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

ADDITIONAL FINANCING REQUIREMENTS

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company's off-balance sheet arrangements consist of obligations under operating leases, which are disclosed in Note 22 of its audited annual financial statements for Fiscal 2018. The Company does not currently have any other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material.

FINANCIAL INSTRUMENTS

INVESTMENT POLICY

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

CONVERTIBLE NOTES

As at August 31, 2018 and August 31, 2017, no convertible notes remained outstanding. For the year ended August 31, 2017, the Company recorded a non-cash loss on remeasurement of convertible notes of $4,257,944.

The Company's convertible notes were classified at fair value through profit or loss. Changes in fair value, which was estimated using Level 3 inputs, were recorded in net finance expense.

Additional information regarding the convertible notes including details of their conversion features and valuation methodology is provided in Note 14 and Note 16 of the Company's audited annual financial statements for the year ended August 31, 2018.

DERIVATIVES

The Company did not enter into derivative contracts for the year ended August 31, 2018.

FINANCIAL COVENANTS

The Company's secured credit facility as discussed in the "Liquidity and Capital Resources" section of the MD&A includes financial covenants which may restrict the Company's ability to pursue future transactions or opportunities. As at August 31, 2018, the Company is in compliance with these financial covenants.

AMALGAMATION AND REVERSE ACQUISITION TRANSACTION IN FISCAL 2017

On April 25, 2017, Mira VII, together with its wholly-owned subsidiary Mira VII Subco Inc. ("Subco"), entered into an amalgamation agreement with Goodfood Market Inc. pursuant to which Subco would amalgamate with Goodfood Market Inc. (the "Amalgamation") to complete an arm's length qualifying transaction in accordance with the policies of the TSX Venture Exchange (the "Qualifying Transaction"). The Amalgamation was structured as a three-cornered amalgamation and as a result the amalgamated corporation was to become a wholly-owned subsidiary of Mira VII at the time of the completion of the Amalgamation.

Immediately prior to the completion of the Qualifying Transaction, Mira VII consolidated its common shares on the basis of one post-consolidation Mira VII common share for every 22.2222 Mira VII common share existing before such consolidation. Similarly, immediately prior to the Amalgamation, Goodfood Market Inc. split its common shares on the basis of 24.8379775 shares for each share existing prior to such split (the "Share Split").

On June 1, 2017, the Amalgamation was completed and Mira VII changed its name to Goodfood Market Corp. On June 7, 2017, the common shares of Goodfood Market Corp. began trading upon the Toronto Stock Exchange under the symbol "FOOD" and the common shares of the former Mira VII were delisted from the TSX Venture Exchange.

For accounting purposes, it was determined that Mira VII was the accounting acquiree and Goodfood Market Inc. was the accounting acquirer as the shareholders of the former Goodfood Market Inc. obtained control Goodfood Market Corp. Since Goodfood Market Inc. was considered the accounting acquirer, the consolidated financial statements Goodfood Market Corp. were prepared as a continuation of the financial statements of Goodfood Market Inc. reflecting the equity instruments of Mira VII.

In connection with the Amalgamation, the Company incurred reverse acquisition expenses of $1,805,410 which include a loss of $1,262,644 representing the excess of consideration transferred over the net assets acquired on the reverse acquisition date. For additional information pertaining to the Amalgamation, please refer to Note 5 of the Company's audited annual financial statements for the year ended August 31, 2018.

RELATED PARTY TRANSACTIONS

The chief executive officer ("CEO") and the president also acting as chief operating officer ("COO") are controlling shareholders of the Company and are members of the Board of Directors ("Board") of the Company. The CEO is also Chairman of the Board.

The Company's related party transactions for the year ended August 31, 2018 are as follows:

- On May 7, 2018, in connection with the public offering described in Note 14, 60,000 common shares were purchased by Board members at a price of $2.50 per share;
- On June 1, 2017, convertible notes held by a company controlled by a Board member with a carrying value of $2,639,434 were converted into 1,319,717 common shares;
- On May 31, 2017, 34,306 Class A Series 1 preferred shares and 236,000 Class A Series 2 preferred shares held by a company controlled by a Board member with a carrying value of $706,953 were converted into 6,713,854 common shares;
- On September 14, 2016, the Company issued a convertible note with a face value of $500,000 to a company controlled by a Board member; and
- On September 6, 2016, convertible notes held by a company controlled by a Board member with a carrying value of $471,550 were converted into 34,306 Class A Series 2 preferred shares.

These transactions are recorded at the amount of consideration paid as established and agreed to by the related parties. Convertible notes are subsequently measured at fair value through net loss.

KEY MANAGEMENT PERSONNEL

Key management personnel includes the members of the Board as well as the CEO, COO and Chief Financial Officer ("CFO").

- For the year ended August 31, 2018, the Company incurred an expense of $867,191 (2017 - $276,533) with respect to short-term employee benefits paid to key management personnel (including directors' fees);
- For the year ended August 31, 2018, the Company incurred share-based payment expense of $356,240 (2017 - 80,503) with respect to stock option awards granted to key management personnel;
- On September 1, 2018, 1,075,000 stock options at an exercise price of $2.55 were issued to key management personnel.

OUTSTANDING SHARE DATA

As at November 22, 2018, the Company had 51,825,245 common shares issued and outstanding, 2,498,747 stock options outstanding and 405,002 agent compensation options outstanding.

For additional information with respect to agent compensation options and stock options, refer to Note 14 and Note 18 to the Company's annual audited financial statements for the year-ended August 31, 2018, respectively.

SEGMENT REPORTING

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

TRENDS AND SEASONALITY

The Company's revenues and expenses are affected by seasonality. During holiday and popular vacation periods, the Company anticipates revenues to be lower as a higher proportion of Active subscribers elect to skip their delivery. The Company also anticipates the growth rate of Active subscribers to be lower during these periods. During periods with warmer weather, the Company anticipates packaging costs to be higher due to the additional packaging required to maintain food freshness and quality. The Company also anticipates food cost to be positively affected due to improved availability during periods with warmer weather.

The Company's historical revenue growth has minimized the impact of seasonality, but as our growth rate moderates or seasonal spending by our customers becomes more pronounced, seasonality could have a more significant impact on the Company's operating results from period-to-period.

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 and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of the Company may deem relevant.

CRITICAL ACCOUNTING ESTIMATES

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

The Company's significant accounting estimates and assumptions for year ended August 31, 2018 include the estimation of the redemption percentage for sales and referral credits included in deferred revenue and the recoverability of deferred income taxes. The Company uses judgment in determining the date at which fixed assets are available for their intended use. The significant accounting judgements and estimated are disclosed in Note 4 of its audited annual financial statements for Fiscal 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 2, CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS (AMENDMENTS TO IFRS 2)

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to apply the amendments to IFRS 2 in its financial statements prospectively, effective September 1, 2018.

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC 31, Revenue - Barter Transactions Involving Advertising Services. In April 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which are effective at the same time as IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

The Company will adopt IFRS 15 on September 1, 2018 and estimates that doing so will have no impact on the financial statements. Disclosures will be enhanced as required by IFRS 15.

IFRS 9, FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the complete IFRS 9, Financial Instruments (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard, which aligns hedge accounting more closely with risk management. The Company will adopt IFRS 9 (2014) in its financial statements for the annual period beginning on September 1, 2018.

While the adoption of IFRS 9 (2014) will change the classification of certain of the Company's financial instruments, the changes in classification do not result in any changes in measurement. As well, the new impairment guidelines do not result in a change in the carrying value of the Company's financial assets at amortized costs.

IFRS 16, LEASES

In January 2016, the IASB issued IFRS 16, Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on September 1, 2019.

Given that the Company has significant contractual obligations accounted for as operating leases under IAS 17, its preliminary conclusion is that there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the presentation of expense associated with the lease arrangements between selling, general and administrative expense, and amortization, and other net finance income.

The Company is in the process of analyzing the full impact of the adoption of IFRS 16. The Company intends to adopt IFRS 16 using the "modified retrospective approach".

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, particularly during the period in which the annual filings are being prepared, 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, 2018.

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, 2018.

During Fiscal 2018, personnel were added to the finance department in order to increase the segregation of duties and mitigate the risk of misappropriation of assets and errors. No other changes were made to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.