Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the year ended August 31, 2019

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BASIS OF PRESENTATION

The following has been prepared for the purposes of providing Management's Discussion and Analysis ("MD&A") of the financial condition of Goodfood Market Corp. and its subsidiary (also referred to in this MD&A as "we", "our", "Goodfood" or "the Company") as at August 31, 2019, and the operating results of the Company for the year then ended. In March 2019, the Company created a wholly-owned subsidiary, Yumm Meal Solutions Corp. This MD&A is dated November 14, 2019, and reflects information available at this date. All references in this MD&A to Fiscal 2019 and to Fiscal 2018 are to the fiscal year ended August 31, 2019, and August 31, 2018, respectively. This document should be read in conjunction with the Company's Consolidated Annual Audited Financial Statements and notes thereto for the year ended August 31, 2019. All amounts herein are expressed in Canadian dollars unless otherwise indicated.

The Company's Consolidated Annual Audited Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the financial information herein was derived from those statements. Goodfood has applied IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), and IFRS 9, *Financial instruments* ("IFRS 9") and has early adopted IFRS 16, *Leases* ("IFRS 16").

Management determines whether information is material based on whether they believe a reasonable investor's decision to buy, sell or hold securities of the Company would likely be influenced or changed should the information be omitted or misstated, and discloses material information accordingly.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", and "continue", as well as the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and therefore the reader is cautioned that such information may not be appropriate for other purposes. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in, or implied by, such forward-looking information. These risks and uncertainties include, but are not limited to, the following risk factors which are discussed in greater detail under "Risk Factors" in the Company's Annual Information Form for the year ended August 31, 2019 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow, food industry, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood's reputation, transportation disruptions, product liability, ownership and protection of intellectual property, evolving industry, unionization activities, reliance on management, factors which may prevent realization of growth targets, competition, availability and quality of raw materials, environmental and employee health and safety regulations, online security breaches and disruption, reliance on data centers, open source license compliance, future capital requirements, operating risk and insurance coverage, management of growth, limited number of products, conflicts of interest, litigation, catastrophic events, risks associated with payments from customers and third parties, being accused of infringing intellectual property rights of others and, climate change and environmental risks. Although the forward-looking information

contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning the availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

NON-IFRS MEASURES

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

COMPANY OVERVIEW

Goodfood is a leading online grocery company in Canada, delivering fresh meal solutions and grocery items that make it easy for members from coast to coast to enjoy delicious meals at home every week. Goodfood's mission is to make the impossible come true, from farm to kitchen, by enabling members to do their weekly meal planning and grocery shopping in less than 1 minute. Goodfood members get access to a unique selection of products online as well as exclusive pricing made possible by its world-class direct-to-consumer fulfilment ecosystem that cuts out food waste and expensive retail overhead. The Company has its main production facility and administrative offices based in Montreal, Quebec, and two secondary production facilities in Alberta and Quebec, with an additional production facility scheduled to open in January 2020 in British Columbia. Goodfood had 200,000 active subscribers as at August 31, 2019.

FINANCIAL OUTLOOK

The online grocery industry is one of the fastest growing industries in the world. As a result, Goodfood believes that there are significant opportunities and advantages to rapidly grow its subscriber base by continuing to invest in highly targeted marketing campaigns, capacity expansion through additional facilities and investments in automation, increasing its product offering and in continuing to expand its national platform. Goodfood's strategy is in part to delay short-term profitability in order to invest in long-term shareholder value creation. Growing Goodfood's 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, we are confident that Goodfood will achieve economies of scale and additional efficiencies which will lead to improvements in profitability while maintaining an unrivalled experience for subscribers.

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

FISCAL 2019 HIGHLIGHTS

HIGHLIGHTS OF FISCAL 2019 COMPARED TO FISCAL 2018 [(1)]

- Revenue reached $161.3 million, an increase of $90.8 million, or 129%.
- Gross margin reached 25.0%, an improvement of 4.2 percentage points.
- Gross profit reached $40.3 million, an increase of $25.7 million, or 175%.
- Net loss reached $20.9 million, an increase of $11.5 million, resulting in net loss per share of $0.38.
- Cash provided by operating activities reached $0.9 million, an increase of $0.7 million.
- Cash and cash equivalents and restricted cash as at August 31, 2019 reached $47.6 million, an increase of $23.2 million compared to August 31, 2018.
- Gross merchandise sales reached $200.8 million, an increase of $116.7 million, or 139%.
- Adjusted gross margin reached 39.7%, an improvement of 6.1 percentage points.
- Adjusted gross profit reached $79.8 million, an increase of $51.6 million, or 182%.
- Active subscribers reached 200,000 as at August 31, 2019, an increase of 111,000, or 125%, compared to August 31, 2018.

HIGHLIGHTS OF THE THREE-MONTH PERIOD ENDED AUGUST 31, 2019 COMPARED TO THE THREE-MONTH PERIOD ENDED AUGUST 31, 2018 [(1)]

- Revenue reached $45.3 million, an increase of $23.9 million, or 112%.
- Gross margin reached 26.7%, an improvement of 5.2 percentage points.
- Gross profit reached $12.1 million, an increase of $7.5 million, or 163%.
- Net loss reached $5.9 million, an increase of $2.9 million, resulting in net loss per share of $0.10.
- Cash used in operating activities reached $2.7 million, a decrease of $3.6 million.
- Gross merchandise sales reached $56.0 million, an increase of $30.2 million, or 117%.
- Adjusted gross margin reached 40.7%, an improvement of 5.7 percentage points.
- Adjusted gross profit reached $22.8 million, an increase of $13.8 million, or 152%.

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

KEY HIGHLIGHTS OF FISCAL 2019 AND SUBSEQUENT EVENTS

Expansion of Main Production Facility Located in Quebec, Canada

On September 24, 2018, the Company signed an amendment to the lease of the main production facility located in Montreal, to renew and extend the term of the initial premises and lease an additional 72,000 square-feet area, expanding to a total of 155,000 square feet, which doubles the production capacity of the facility. The initial lease term ends in October 2023 with renewal options for a further fifteen years. The leasehold improvements were substantially completed by August 31, 2019. It allowed the Company to efficiently manage its continued strong growth through added meal kit production capabilities and capacity to provide additional grocery products to its customers.

Debt Financing

In November 2018, the Company signed an agreement with a leading Canadian financial institution for a secured three-year term loan of $10 million, a $2.5 million revolving line of credit and $1 million in other short-term financing. In April 2019, the Canadian financial institution increased the amount in other short-term financing from $1 million to $3 million.

In August 2019, the Company obtained a commitment from the same Canadian financial institution for an additional secured term loan of $2.5 million, bearing the same terms as the agreement signed in November 2018. The Canadian financial institution also increased the amount of the revolving line of credit from $2.5 million to $10 million and the amount of other short-term financing from $3 million to $5 million.

The term loan and the revolving line of credit bear variable interest at the Canadian Dollar Offered Rate ("CDOR") plus 2.50%. The term loans are repayable in quarterly installments of $125 thousand and $31 thousand beginning on December 4, 2020 and August 31, 2020, respectively, with a bullet repayment of the balance at the end of the term in November 2021.

As at August 31, 2019, $1.5 million of the revolving line of credit was disbursed and $12.5 million of the term loans were disbursed with proceeds used to fund expansion capital expenditures, invest in automation and refinance the Company's long-term debt.

In March 2019, the Company signed two interest rate swap agreements with the same leading Canadian financial institution. With these agreements, the Company effectively fixed the interest rate on notional amounts of $2.5 million and $1.3 million, at rates of 4.72% and 4.57%, respectively, of the Company's long-term debt until maturity in November 2021.

Equity Issuance

On February 22, 2019, the Company completed a public offering and issued 6,019,212 common shares for gross proceeds of $21.1 million. The Company has used a portion of these proceeds and will continue to use the proceeds for investments in automation, the expansion of the Alberta production facility, the development and rollout of breakfast and ready-to-eat meal solutions, the development of sustainable packaging, working capital and general corporate purposes. Refer to the "Use of Proceeds from Public Offerings" section of this MD&A for more information on use of proceeds.

Expansion of Alberta, Canada Production Facility

During the second half of Fiscal 2019, the Company undertook major leasehold improvements in its Alberta, Canada production facility in order to increase the production capacity of this facility. The leasehold improvements were substantially completed by August 31, 2019. The added capacity will contribute to fulfill the growing demand for Goodfood products in Alberta and Western Canada in general.

Yumm.ca

On May 16, 2019, the Company announced the launch of Yumm.ca, a value meal solutions option targeting cost-conscious customers available nationwide.

Breakfast Meal Solutions and Production Facility

On June 10, 2019, the Company announced that its first breakfast meal solution, ready-to-blend superfood smoothies, was now available across Canada. Since then, the Company has expanded the breakfast product offering through the development of artisanal oat bowls and savoury omelettes.

On June 18, 2019, the Company signed a five-year lease with a renewal option of three years for a 20,000 square-feet breakfast production facility located in Quebec, Canada. Fixed rent payments represent a total commitment of $895 thousand. Operations began in the new facility in August 2019.

British Columbia, Canada Production Facility

On July 3, 2019, the Company signed a ten-year lease with a renewal option of five years for an 84,000 square-feet production facility located in British Columbia, Canada. The facility's delivery date was October 1, 2019, and the payment commencement date is January 15, 2020. Leasehold improvements in the facility began on October 1, 2019, and management intends to begin operations in the new facility in the beginning of calendar year 2020. Fixed rent payments represent a total commitment of $14.6 million. The facility will be used to service customers in British Columbia, and offers flexibility in operational capabilities with space available for ready-to-cook products and possibly additional product offerings.

Ready-to-Eat Meal Solutions

In July 2019, the Company launched its ready-to-eat meal solutions in the province of Quebec and is gradually expanding its distribution across Canada. The ready-to-eat product offering is comprised of prepared meals inspired by our internally-developed, original and highest rated ready-to-cook recipes, fresh salads, and hearty soups. The ready-to-eat product offering aims to expand the Company's offering to existing and prospective customers in order to provide full home meal solutions across the different meals of the day.

Active Subscribers

As at August 31, 2019, we reached the 200,000 active subscribers mark. The new milestone resulted from the addition of 11,000 net new active subscribers in the fourth quarter and 111,0000 net new active subscribers for the fiscal year.

Private Label Offerings

In the fourth quarter of Fiscal 2019, the Company launched its private label products in the province of Quebec and is gradually expanding its distribution across Canada. The Company offers everyday grocery essentials with exclusive prices, including extra virgin olive oil, sea salt, a variety of premium proteins, peanut butter, tea and more.

New Board Members

Terry Yanofsky and François Vimard joined Goodfood's Board of Directors in May and August of 2019, respectively. Ms. Yanofsky is the Senior Vice-President, General Manager of Sephora Canada and a seasoned retail executive. Mr. Vimard joined as Chair of the Audit Committee and is currently an independent Corporate Director. He spent over 22 years at Empire Ltd/Sobeys Inc., where he was most recently Interim President and CEO of both organizations and held the position of CFO from 2007 to 2016.

Reusable Delivery Box Launch

On October 16, 2019, the Company launched its reusable delivery box in Alberta and Quebec, positioning the Company as a leader in the industry with respect to environmental sustainability initiatives.

SELECTED ANNUAL FINANCIAL INFORMATION

The selected financial information below was derived from the Company's Consolidated Annual Audited Financial Statements for the years ended August 31, 2019 and 2018, prepared in accordance with IFRS.

(In thousands of Canadian dollars)	August 31, 2019	August 31, 2018
Financial position		
Cash and cash equivalents and restricted cash	$ 47,649	$ 24,453
Fixed assets	13,545	6,006
Total assets	80,783	34,309
Total debt [(1)]	14,031	2,592
Shareholders' equity	17,401	16,456

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

	Years ended August 31,	
(In thousands of Canadian dollars)	2019	2018
Comprehensive loss		
Revenue	$ 161,333	$ 70,502
Gross profit	40,310	14,660
Net loss, being comprehensive loss	(20,937)	(9,434)
Basic and diluted loss per share	(0.38)	(0.19)
Cash flows provided by (used in):		
Operating activities	$ 880	$ 176
Financing activities	29,555	10,901
Investing activities	(7,239)	(4,171)

METRICS AND NON-IFRS FINANCIAL MEASURES

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

Metrics	Definitions
Active subscribers	An account that is scheduled to receive a delivery or has elected to skip delivery in the subsequent weekly delivery cycle. Active subscribers exclude cancelled accounts. For greater certainty, an Active subscriber is only accounted for once, although different products might have been ordered in a given weekly delivery cycle. While active subscribers is not an IFRS or Non-IFRS Financial Measure, and therefore, does not appear in, and cannot be reconciled to, a specific line item in our consolidated financial statements, we believe that active subscribers is a useful metric for investors because it is indicative of potential future revenues. The Company reports the number of active subscribers at the beginning and end of the period, rounded to the nearest thousand.

Non-IFRS financial measures	Definitions
Gross merchandise sales ("GMS")	Gross merchandise sales measures the total retail value of goods sold by the Company and is calculated before taking into account all incentives and credits included in 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.
Adjusted gross profit & Adjusted gross margin	Adjusted gross profit and adjusted gross margin measure gross profit and gross margin on a retail value basis. Adjusted gross profit is calculated by subtracting the cost of goods sold from GMS. Adjusted gross margin is expressed in percentage terms and calculated as adjusted gross profit divided by GMS. Adjusted gross profit and adjusted gross margin are non-IFRS financial measures. We believe that adjusted gross profit and adjusted gross margin are useful measures of financial performance because GMS is indicative of future revenues and therefore, of future gross profit and gross margin.
EBITDA, Adjusted EBITDA & Adjusted EBITDA margin	EBITDA is defined as net income or loss before net finance expenses (income), depreciation and amortization expense 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 comparisons between companies with different capital structures.

ACTIVE SUBSCRIBERS

	Three-month periods ended August 31,		Years ended August 31,	
	2019	2018	2019	2018
Active subscribers, beginning of period	189,000	76,000	89,000	31,000
Net change in active subscribers	11,000	13,000	111,000	58,000
Active subscribers, end of period	200,000	89,000	200,000	89,000

GROSS MERCHANDISE SALES

The reconciliation of revenue to GMS is as follows:

	Three-month periods ended August 31,		Years ended August 31,	
(In thousands of Canadian dollars)	2019	2018	2019	2018
Revenue	$ 45,259	$ 21,371	$ 161,333	$ 70,502
Credits removed from cancelled accounts	-	-	(638)	-
Incentives and credits	10,718	4,441	40,135	13,591
Gross merchandise sales	$ 55,977	$ 25,812	$ 200,830	$ 84,093

For the three-month period and year ended August 31, 2019, GMS increased by $30.2 million and $116.7 million, respectively, surpassing the $200 million mark for the year. The increase in GMS was primarily driven by the continued growth in the number of active subscribers, the expansion of the national platform reaching new geographies in Canada, and increase in our product offering, including the launch of breakfast and ready-to-eat meal solutions, as well as planned strategic marketing activities.

ADJUSTED GROSS PROFIT AND ADJUSTED 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,	
(In thousands of Canadian dollars)	2019	2018	2019	2018
Gross merchandise sales	$ 55,977	$ 25,812	$ 200,830	$ 84,093
Cost of goods sold	33,182	16,778	121,023	55,842
Adjusted gross profit	$ 22,795	$ 9,034	$ 79,807	$ 28,251
Adjusted gross margin	40.7%	35.0%	39.7%	33.6%

For the three-month period and year ended August 31, 2019, the adjusted gross margin improved by 5.7 percentage points and 6.1 percentage points, respectively. The increase in the adjusted gross margin resulted primarily from lower production labour costs as a percentage of GMS driven by continued investments in automation, lower unit costs with regards to packaging and shipping due to additional operational efficiencies, increased density among the delivery zones, and purchasing power with key suppliers. Food cost as a percentage of GMS has remained stable throughout the year driven by a strategy adopted by the Company, as Goodfood is trying to increase the value proposition to members in order to grow its subscriber base and revenue.

For the three-month period and year ended August 31, 2019, as a result of early adopting IFRS 16, adjusted gross profit and adjusted gross margin were favourably impacted by $209 thousand and 0.4 percentage points, and $536 thousand and 0.3 percentage points, respectively.

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

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

(In thousands of Canadian dollars)	Three-month periods ended August 31, 2019	Three-month periods ended August 31, 2018	Years ended August 31, 2019	Years ended August 31, 2018
Net loss	$ (5,887)	$ (2,956)	$ (20,937)	$ (9,434)
Net finance expenses (income)	81	(50)	346	(98)
Depreciation and amortization expense	874	202	2,617	461
EBITDA	$ (4,932)	$ (2,804)	$ (17,974)	$ (9,071)
Loss on disposal of fixed assets	-	-	-	113
Share-based payments	541	158	1,810	458
Adjusted EBITDA	$ (4,391)	$ (2,646)	$ (16,164)	$ (8,500)
Revenue	$ 45,259	$ 21,371	$ 161,333	$ 70,502
Adjusted EBITDA margin (%)	(9.7%)	(12.4%)	(10.0%)	(12.1%)

For the three-month period and year ended August 31, 2019, adjusted EBITDA margin improved by 2.7 percentage points and 2.1 percentage points, respectively. For the three-month period and year ended August 31, 2019, the increase in adjusted EBITDA margin, resulted primarily from higher revenues and operating leverage, lower production labour costs as a percentage of revenue, and lower unit costs with regards to packaging and shipping which generated a higher gross profit, offset by an increase in selling, general and administrative expenses.

EBITDA and adjusted EBITDA were also affected positively by $510 thousand and $1.4 million, respectively, during the three-month period and year ended August 31, 2019, due to the early adoption of IFRS 16. EBITDA, adjusted EBITDA, and adjusted EBITDA margin would have been ($5.4) million and ($19.4) million, ($4.9) million and ($17.6) million, and (10.8%) and (10.9%), respectively for the three-month period and year ended August 31, 2019 without the early adoption of IFRS 16.

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.

RESULTS OF OPERATIONS – FISCAL 2019 AND 2018

The following table sets forth the components of the Company's Consolidated Annual Audited Statement of Loss and Comprehensive Loss for the years ended August 31, 2019 and 2018:

(In thousands of Canadian dollars, except share information)	AS REPORTED YEARS ENDED AUGUST 31,		Variance		AMOUNT WITHOUT IFRS 16 YEARS ENDED AUGUST 31,		Variance	
	2019	2018	($) [1]	(%) [2]	2019	2018	($) [1]	(%) [2]
Revenue	$ 161,333	$ 70,502	$ 90,831	129%	$161,333	$ 70,502	$ 90,831	129%
Cost of goods sold	121,023	55,842	(65,181)	117%	121,559	55,842	(65,717)	118%
Gross profit	$ 40,310	$ 14,660	$ 25,650	175%	$ 39,774	$ 14,660	$ 25,114	171%
Gross margin [3]	*25.0%*	*20.8%*	*N/A*	*N/A*	*24.7%*	*20.8%*	*N/A*	*N/A*
Selling, general and administrative expenses	$ 58,284	$ 23,618	$(34,666)	147%	$ 59,171	$ 23,618	$ (35,553)	151%
Depreciation and amortization expenses	2,617	461	(2,156)	468%	1,276	461	(815)	177%
Loss on disposal of fixed assets	-	113	113	100%	-	113	113	100%
Net finance expenses (income)	346	(98)	(444)	453%	(286)	(98)	188	192%
Net loss, being comprehensive loss	$ (20,937)	$ (9,434)	$(11,503)	122%	$(20,387)	$ (9,434)	$ (10,953)	116%
Basic and diluted net loss per share	$ (0.38)	$ (0.19)	$ (0.19)	100%	$ (0.37)	$ (0.19)	$ (0.18)	95%

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

EXPLANATION OF VARIANCES FOR REPORTED AMOUNTS FOR FISCAL 2019 COMPARED TO 2018

- The increase in revenue was primarily driven by the continued growth in the number of active subscribers, the expansion of the national platform to reach new geographies in Canada and the increase in our product offering, including the launch of breakfast and ready-to-eat meal solutions.
- The increase in gross profit was primarily driven by the increase in revenue and to a higher gross margin.
- While the Company's early adoption of IFRS 16 had a positive impact of 0.3% on gross margin, the increase in gross margin primarily resulted from lower production costs as a percentage of revenue, lower unit costs for packaging and shipping due to increased operational efficiencies, additional automation investments, increased density among the delivery zones and purchasing power with key suppliers. This was partially offset by an increase in incentives and credits included in revenue primarily driven by the increase in active subscribers, the expansion of our national platform, the increase in our product offering, including the launch of breakfast and ready-to-eat meal solutions and planned strategic marketing activities. The Company expects that fixed costs as a percentage of revenues will continue to decrease with the Company's continued growth which should further increase gross margin in the future.

- The increase in selling, general and administrative expenses is primarily due to planned strategic increases in marketing costs based on successful client acquisition strategies and higher wage costs due to the addition of administrative personnel to support the Company's growth and increase in our product offering, partially offset by the classification of rent expense associated with leases previously classified as operating leases under IAS 17 as depreciation and interest expense pursuant to the Company's early adoption of IFRS 16.
- The increase in depreciation and amortization expenses resulted from the acquisition of fixed assets across all asset classes, mainly for the expansion of production facilities, investments in automation, and from the recognition of right-of-use assets recognized pursuant to the Company's early adoption of IFRS 16.
- The decrease in loss on disposal of fixed assets resulted from the disposal of fixed assets that occurred in Fiscal 2018. No other disposals of fixed assets have occurred during Fiscal 2019.
- The increase in net finance expenses (income) resulted primarily from the interest expense on lease obligations associated with the recognition of lease obligations pursuant to the Company's early adoption of IFRS 16, effective September 1, 2018, partially offset by higher interest income earned due to increased interest rates and cash position provided by operating and financing activities.
- The increase in net loss is mainly attributable to higher selling, general and administrative expenses and depreciation and amortization expenses, offset by higher gross profit.

RESULTS OF OPERATIONS – THREE-MONTH PERIODS ENDED AUGUST 31, 2019 AND 2018

The following table sets forth the components of the Company's Consolidated Statement of Loss and Comprehensive Loss for the three-month periods ended August 31, 2019 and 2018:

	AS REPORTED				AMOUNT WITHOUT IFRS 16			
	THREE-MONTH PERIODS ENDED AUGUST 31,				THREE-MONTH PERIODS ENDED AUGUST 31,			
			Variance				Variance	
(In thousands of Canadian dollars, except share information)	2019	2018	($) [1]	(%) [2]	2019	2018	($) [1]	(%) [2]
Revenue	$ 45,259	$ 21,371	$ 23,888	112%	$ 45,259	$ 21,371	$ 23,888	112%
Cost of goods sold	33,182	16,778	(16,404)	98%	33,391	16,778	(16,613)	99%
Gross profit	$ 12,077	$ 4,593	$ 7,484	163%	$ 11,868	$ 4,593	$ 7,275	158%
Gross margin [3]	*26.7%*	*21.5%*	*N/A*	*N/A*	*26.2%*	*21.5%*	*N/A*	*N/A*
Selling, general and administrative expenses	$ 17,009	$ 7,397	$ (9,612)	130%	$ 17,310	$ 7,397	$ (9,913)	134%
Depreciation and amortization expenses	874	202	(672)	333%	464	202	(262)	130%
Net finance expenses (income)	81	(50)	(131)	262%	(91)	(50)	41	82%
Net loss, being comprehensive loss	$ (5,887)	$ (2,956)	$ (2,931)	99%	$ (5,815)	$ (2,956)	$ (2,859)	97%
Basic and diluted net loss per share	$ (0.10)	$ (0.06)	$ (0.04)	67%	$ (0.10)	$ (0.06)	$ (0.04)	67%

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

EXPLANATION OF VARIANCES FOR REPORTED AMOUNTS FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2019 COMPARED TO 2018

- The increase in revenue was primarily driven by the continued growth in the number of active subscribers, the expansion of the national platform to reach new geographies in Canada and the increase in our product offering, including the launch of breakfast and ready-to-eat meal solutions.
- The increase in gross profit was primarily driven by the increase in revenue and to a higher gross margin.
- While the Company's early adoption of IFRS 16 had a positive impact of 0.5% on gross margin, the increase in gross margin primarily resulted from lower production costs as a percentage of revenue, lower unit costs for packaging and shipping due to increased operational efficiencies, additional automation investments, increased density among the delivery zones and purchasing power with key suppliers. This was partially offset by an increase in incentives and credits included in revenue primarily driven by the increase in active subscribers, the expansion of our national platform, the increase in our product offering, including the launch of breakfast and ready-to-eat meal solutions and planned strategic marketing activities. The Company expects that fixed costs as a percentage of revenues will continue to decrease with the Company's continued growth which should further increase gross margin in the future.
- The increase in selling, general and administrative expenses is primarily due to planned strategic increases in marketing costs based on successful client acquisition strategies and higher wage costs due to the addition of administrative personnel to support the Company's growth and increase in product offering, partially offset by the classification of rent expense associated with leases previously classified as operating leases under IAS 17 as depreciation and interest expense pursuant to the Company's early adoption of IFRS 16.
- The increase in depreciation and amortization expenses resulted from the acquisition of fixed assets across all asset classes, mainly for the expansion of production facilities, investments in automation, and from the recognition of right-of-use assets recognized pursuant to the Company's early adoption of IFRS 16.
- The increase in net finance expenses (income) resulted primarily from the interest expense on lease obligations associated with the recognition of lease obligations pursuant to the Company's early adoption of IFRS 16 partially offset by higher interest income earned due to increased interest rates and cash position provided by operating and financing activities.
- The increase in net loss is mainly attributable to higher selling, general and administrative expenses and depreciation and amortization expenses, offset by higher gross profit.

FINANCIAL POSITION

The following table provides an analysis of the variances in the Company's Consolidated Annual Audited Statement of Financial Position as at August 31, 2019 compared to August 31, 2018:

	AS REPORTED			AMOUNT WITHOUT IFRS 16		
(In thousands of Canadian dollars)	August 31, 2019	August 31, 2018	Variance	August 31, 2019	August 31, 2018	Variance
Total Assets	**$ 80,783**	**$ 34,309**	**$ 46,474**	**$ 70,212**	**$ 34,309**	**$ 35,903**
Variance mainly due to:						
Cash and cash equivalents	45,149	24,453	20,696	45,149	24,453	20,696
Inventories	4,735	1,585	3,150	4,735	1,585	3,150
Restricted cash	2,500	-	2,500	2,500	-	2,500
Fixed assets	13,545	6,006	7,539	14,053	6,006	8,047
Right-of-use-assets	11,089	-	11,089	-	-	-
Total Liabilities	**$ 63,382**	**$ 17,853**	**$ 45,529**	**$ 52,261**	**$ 17,853**	**$ 34,408**
Variance mainly due to:						
Line of credit	1,540	500	1,040	1,540	500	1,040
Accounts payable and accrued liabilities	30,704	11,343	19,361	30,704	11,343	19,361
Deferred revenue	5,923	2,522	3,401	5,923	2,522	3,401
Long-term debt, including current portion	12,491	2,092	10,399	12,787	2,092	10,695
Lease obligations, including current portion	12,724	-	12,724	-	-	-
Total Shareholders' Equity	**$ 17,401**	**$ 16,456**	**$ 945**	**$ 17,951**	**$ 16,456**	**$ 1,495**
Variance mainly due to:						
Common shares	56,598	36,283	20,315	56,598	36,283	20,315
Deficit	(41,546)	(20,609)	(20,937)	(40,996)	(20,609)	(20,387)

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

- The increase in cash and cash equivalents is the result of increased net cash provided by operating and financing activities as cash flow from operations contributed $880 thousand, in addition to the equity and debt financing transactions completed during this fiscal year.
- The increase in inventories is due to the Company's growth, where the increase in food inventory and packaging inventory generally follows weekly and monthly revenue trends, respectively.
- The increase in restricted cash is the result of a covenant from the August 2019 debt financing where the bank amended the existing financing agreement to provide the Company with $12 million in further term loans, revolving line of credit and other short-term financing but required a cash collateral account of $2.5 million.
- The increase in fixed assets is primarily due to investments in the capacity expansions and automation of the Company's production facilities in order to increase production capacity.
- The increase in right-of-use assets and lease obligations reflects the Company's early adoption of IFRS 16.

- The increase in accounts payable and accrued liabilities is primarily due to higher purchases resulting from the Company's growth, increase in the Company's corporate credit cards limits and more favourable payment terms as a result of increased purchasing power with key suppliers as the Company increases its scale.
- The increase in deferred revenue is due to Company's growth and to the timing of period-end within the Company's weekly delivery cycle.
- The increase in long-term debt resulted from the secured financing closed in November 2018, where the Company obtained a commitment from a leading Canadian financial institution for a $10 million three-year term loan, a $2.5 million revolving line of credit and other short-term financing with favourable repayment terms. In August 2019, the Company obtained a commitment from the same Canadian financial institution to an additional secured term loan of $2.5 million, bearing the same terms as the agreement signed in November 2018, which further explains the increase in long-term debt. The Canadian financial institution also increased the amount of the revolving line of credit from $2.5 million to $10 million. As at August 31, 2019, $10 million and $2.5 million of the term loans were disbursed, respectively, and the proceeds were used to fund expansion capital expenditures, invest in automation, and refinance the Company's long-term debt.
- The increase in common shares is mainly due to the public offering completed on February 22, 2019, where 6,019,212 commons shares were issued for gross proceeds of $21.1 million, less share issuance costs of $1.5 million. In addition, a portion of the agent compensation options granted in connection with the private placement completed in June 2017 was exercised during the third quarter of Fiscal 2019 resulting in the issuance of 299,064 common shares for gross proceeds of $598 thousand.
- The increase in deficit is due to the net loss incurred for Fiscal 2019.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

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

CASH FLOWS

A summary of net cash flows by activity for years ended August 31, 2019 and 2018 is presented below:

	Years ended August 31,		
(In thousands of Canadian dollars)	2019	2018	Variance
Net cash provided by operating activities	$ 880	$ 176	$ 704
Net cash provided by financing activities	29,555	10,901	18,654
Net cash used in investing activities	(7,239)	(4,171)	(3,068)
Net change in cash and cash equivalents	$ 23,196	$ 6,906	$ 16,290
Cash and cash equivalents, beginning of period	24,453	17,547	6,906
Cash and cash equivalents and restricted cash, end of period	$ 47,649	$ 24,453	$ 23,196

The positive variance in net cash provided by operating activities is due to a favorable change in non-cash operating working capital, mostly driven by the Company's growth and more favourable payment terms with key suppliers, and to a lesser extent, the classification of lease payments under IFRS 16 of $1.8 million as financing activities instead of as operating activities ($641 thousand for the year ended August 31, 2018), partially offset by a higher net loss.

The positive variance in net cash provided by financing activities is primarily due to the issuance of $21.1 million of common shares and $12.5 million in proceeds from issuance of long-term debt during Fiscal 2019, partially offset by the issuance of $10 million of common shares and $2.5 million in proceeds from issuance of long-term debt during Fiscal 2018.

The negative variance in net cash used in investing activities is primarily due to the increase in capital expenditures in Fiscal 2019 relating to investments in automation and the expansion of production facilities in order to increase operational efficiencies and production capacity.

A summary of net cash flows by activity for the three-month periods ended August 31, 2019 and 2018 is presented below:

	Three-month periods ended August 31,		
(In thousands of Canadian dollars)	**2019**	**2018**	**Variance**
Net cash (used in) provided by operating activities	$ (2,710)	$ 939	$ (3,649)
Net cash provided by (used in) financing activities	3,307	(175)	3,482
Net cash used in investing activities	(2,661)	(298)	(2,363)
Net change in cash and cash equivalents	$ (2,064)	$ 466	$ (2,530)
Cash and cash equivalents, beginning of period	49,713	23,987	25,726
Cash and cash equivalents and restricted cash, end of period	$ 47,649	$ 24,453	$ 23,196

The negative variance in net cash provided by operating activities is primarily due to a higher net loss, a less favorable change in non-cash operating working capital and a $1 million tenant allowance that reimbursed a significant portion of the capital expenditures for the production facility in Alberta, Canada received in the fourth quarter of Fiscal 2018, partially offset by the classification of lease payments under IFRS 16 of $580 thousand as financing activities instead of as operating activities ($228 thousand for the three-month period ended August 31, 2018).

The positive variance in net cash provided by financing activities is primarily due to proceeds received from the $2.5 million term loan disbursement and the $1 million disbursement from the revolving line of credit in August 2019.

The negative variance in net cash used in investing activities is primarily due to the higher capital expenditures in the fourth quarter of Fiscal 2019 relating to investments in automation and the expansion of production facilities in order to increase operational efficiencies and production capacity.

CREDIT FACILITY

Significant financing transactions that took place in Fiscal 2019 were as follows:

- In November 2018, the Company obtained, from a leading Canadian financial institution, a secured three-year term loan of $10 million, a $2.5 million revolving line of credit and $1 million in other short-term financing. The credit facility is secured by a first-ranking hypothec on all of the Company's movable and immovable assets.

- In April 2019, the Canadian financial institution increased the amount in other short-term financing from $1 million to $3 million.
- In August 2019, the Company obtained, from the same Canadian financial institution, an additional secured term loan of $2.5 million, bearing the same terms as the commitment made in November 2018. The Canadian financial institution also increased the amount of the revolving line of credit from $2.5 million to $10 million and the amount of other short-term financing from $3 million to $5 million.
- As at August 31, 2019, $10 million and $2.5 million of the term loans were disbursed, respectively, as well as $1.5 million of the revolving line of credit, bearing variable interest at CDOR plus 2.50% (4.46% as at August 31, 2019). The proceeds were used to fund the expansion of capital expenditures, invest in automation, and refinance the Company's long-term debt. The term loan is repayable in quarterly installments of $125 thousand and $31 thousand, beginning on December 4, 2020 and August 31, 2020, respectively, with a bullet repayment of the balance at the end of the term in November 2021.
- In March 2019, the Company signed two interest rate swap agreements with the same leading Canadian financial institution. With these agreements, the Company effectively fixed the interest rate on notional amounts of $2.5 million and $1.3 million, at a rate 4.72% and 4.57%, respectively, of the Company's long-term debt until maturity in November 2021.
- As at August 31, 2019, the Company has corporate credit cards used for business purposes with authorised limits totaling $7.9 million. Amounts owing with respect to credit cards are included in accounts payable and accrued liabilities.
- The 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, 2019.

CONTRACTUAL OBLIGATIONS

The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments, as well as commitments with respect to leases as at August 31, 2019:

(In thousands of Canadian dollars)	Total	Less than 1 year	1 to 5 years	More than 5 years
Line of credit	$ 1,540	$ 1,540	$ -	$ -
Accounts payable and accrued liabilities	30,704	30,704	-	-
Long-term debt, including current portion	13,755	597	13,158	-
Leases [(1)] [(2)]	15,868	1,874	7,050	6,944
	$ 61,867	$ 34,715	$ 20,208	$ 6,944

(1) As at August 31, 2019, 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 Annual Audited Statement of Financial Position as at August 31, 2019, representing an amount of $6.4 million of undiscounted cash flows.

(2) With the exception of future cash flows associated with the British Columbia facility described in the "Fiscal 2019 Highlights" section of this MD&A, there are no future cash outflows related to lease agreements to which the Company is potentially exposed that are not reflected in the measurement of lease obligations.

COMMON SHARES

In connection with the public offering completed on February 22, 2019, the Company issued 6,019,212 common shares (of which 26,500 common shares were purchased by Board members and key management personnel) at a price of $3.50 per share for gross proceeds of $21.1 million, less share issuance costs of $1.5 million. 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 INFORMATION AND RECONCILIATION OF QUARTERLY NON-IFRS MEASURES

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

	Three-month periods ended							
	Aug. 31, 2019 (1)	May 31, 2019 (1)	Feb. 28, 2019 (1)	Nov. 30, 2018 (1)	Aug. 31, 2018	May 31, 2018	Feb. 28, 2018	Nov. 30, 2017
Active subscribers	200,000	189,000	159,000	126,000	89,000	76,000	61,000	45,000
(in thousands of Canadian dollars)								
Gross merchandise sales	$ 55,977	$ 61,212	$ 46,535	$ 37,105	$ 25,812	$ 26,166	$ 18,840	$ 13,275
Credits removed from cancelled accounts	-	-	638	-	-	-	-	-
Incentives and credits	(10,718)	(11,348)	(10,580)	(7,488)	(4,441)	(3,943)	(3,167)	(2,039)
Revenue	45,259	49,864	36,593	29,617	21,371	22,223	15,673	11,236
Net loss	(5,887)	(3,639)	(6,560)	(4,851)	(2,956)	(1,564)	(2,393)	(2,520)
Basic and diluted net loss per share (2)	(0.10)	(0.06)	(0.13)	(0.09)	(0.06)	(0.03)	(0.05)	(0.05)

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

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

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.

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 included in other current assets, restricted cash, and security deposits included in other assets. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk is limited because the Company deals with major North American financial institutions and an internationally established payment processor.

INTEREST RATE RISK

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 risk due to fluctuations in lenders' base rates. The Company manages its interest rate risk by using variable-to-fixed interest rate swaps as described in the "Liquidity and Capital Resources" section of the MD&A and in detail in Note 13 to its Consolidated Annual Audited Financial Statements for year ended August 31, 2019.

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 short and long-term detailed cash forecasts to ensure it has sufficient funds to fulfill its obligations.

For the fiscal year ending August 31, 2020, anticipated operating losses, as the Company continues to grow its active subscriber base, and additional capital expenditures are expected to reduce the Company's cash balance and liquidity position compared to August 31, 2019, absent additional financing. We believe that the Company's cash on hand and financing capacity will provide adequate sources of funds to meet short-term requirements, finance planned capital expenditures and fund any operating losses.

BUSINESS RISK

For a detailed discussion of the Company's risk factors, please refer to the Company's Annual Information Form for the year ended August 31, 2019 available on SEDAR at www.sedar.com.

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 revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material, with the exception of the new lease that was signed for the British Columbia, Canada production facility and is described in the "Fiscal 2019 Highlights" section of this MD&A.

FINANCIAL INSTRUMENTS

INVESTMENT POLICY

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

DERIVATIVES

The Company entered into two interest rate swap agreements during the year ended August 31, 2019, as described in the "Liquidity and Capital Resources" section of the MD&A and in detail in Note 13 to the Company's Consolidated Annual Audited Financial Statements for year ended August 31, 2019.

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, 2019, the Company was in compliance with these financial covenants.

RELATED PARTY TRANSACTIONS

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

During the year ended August 31, 2019, the Company had the following related party transaction:

- On February 22, 2019, in connection with the public offering described in "Liquidity and Capital Resources" section of this MD&A, 26,500 common shares were purchased by Board members and key management personnel at a price of $3.50 per share.

This transaction is recorded at the amount of consideration paid as established and agreed to by the related parties.

KEY MANAGEMENT PERSONNEL

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

During the year ended August 31, 2019, the Company had the following transaction with key management personnel:

- The Company incurred an expense of $2.0 million with respect to short-term employee benefits paid to key management personnel (including directors' fees);
- The Company incurred share-based payments of $1.1 million with respect to stock option awards granted to key management personnel;
- 1,156,766 stock options were granted to key management personnel and members of the board.

OUTSTANDING SHARE DATA

As at August 31, 2019, the Company had 58,144,400 common shares issued and outstanding and 3,910,169 stock options outstanding. The basic weighted average number of common shares as at August 31, 2019 was 55,069,384.

As at November 14, 2019, the Company had 58,144,400 common shares issued and outstanding and 3,976,697 stock options outstanding.

For additional information with respect to stock options, refer to Note 19 to the Company's Consolidated Annual Audited Financial Statements for the year ended August 31, 2019.

USE OF PROCEEDS FROM PUBLIC OFFERINGS

MAY 2018 PUBLIC OFFERING

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

The following table compares the estimated use of proceeds presented in the Company's final short form prospectus dated May 2, 2018 with the actual use of proceeds as at August 31, 2019:

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

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, 2019:

(In thousands of Canadian dollars)	Actual use of proceeds	Estimated use of proceeds (1)	Variance
Capital expenditures and process automation	$ 4,311	$ 10,000	$ (5,689)
Expansion of product offering and development of new meal solutions	2,246	5,000	(2,754)
Implementation of reusable packaging initiatives	83	500	(417)
Working capital and general corporate purposes	4,065	4,065	-
Remaining as at August 31, 2019	8,865	N/A	8,865
Total net proceeds	19,570	19,565	5
Share issuance costs	1,497	1,502	(5)
Gross proceeds	$ 21,067	$ 21,067	$ -

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

SEGMENT REPORTING

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

DIVIDEND POLICY

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

CRITICAL ACCOUNTING ESTIMATES

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

The Company's significant accounting estimates and assumptions for the year ended August 31, 2019, 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 estimates are disclosed in Note 4 of its Consolidated Annual Audited Financial Statements for the year ended August 31, 2019.

ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16

Effective September 1, 2018, the Company early adopted IFRS 16, *Leases*, using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended August 31, 2018 and the three-month period and year ended August 31, 2018, have not been restated and continue to be reported under IAS 17, *Leases* ("IAS 17") and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

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

For information with regards to the Company's specific application of IFRS 16 and the impact of this transition, refer to Note 5 to the Company's Consolidated Annual Audited Financial Statements for the year ended August 31, 2019.

IFRS 15

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

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

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

For information with regards to the Company's specific application of IFRS 15 and the impact of this transition, refer to Note 5 to the Company's Consolidated Annual Audited Financial Statements for the year ended August 31, 2019.

IFRS 9

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

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

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

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

There was no impact of transition to IFRS 9 on the Company's Statement of Financial Position as at September 1, 2018.

For information with regards to the Company's specific application of IFRS 9 and the impact of this transition, refer to Note 5 to the Company's Consolidated Annual Audited Financial Statements for the year ended August 31, 2019.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Please refer to Note 26 of the Company's Consolidated Annual Audited Financial Statements for the year ended August 31, 2019. The amended standards and interpretations are not expected to have a significant impact on the Company's Consolidated Annual Audited 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, 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, 2019.

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, 2019.

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