Management's Discussion and Analysis of

GOODFOOD MARKET CORP.

For the year ended August 31, 2021

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BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") is intended to assist readers in understanding the business environment, trends and significant changes in the results of operations and financial condition of Goodfood Market Corp. and its subsidiaries (the "Company" or "Goodfood") for the years ended August 31, 2021 and 2020 and should be read in conjunction with our audited annual consolidated financial statements and the accompanying notes for the year ended August 31, 2021 and 2020. Please also refer to Goodfood's press release announcing its results for year ended August 31, 2021 issued on November 17, 2021. Quarterly reports, the Annual Report, and the Annual Information Form can be found on SEDAR at www.sedar.com and under the "Investor Relations – Financial Information" section of our website: https://www.makegoodfood.ca/en/investors. Press releases are available on SEDAR and under the "Investor Relations – Press Releases" section of our corporate website.

The Company's annual audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the financial information herein was derived from those statements.

All amounts herein are expressed in Canadian dollars unless otherwise indicated and all references to Fiscal 2021 and to Fiscal 2020 are to the fiscal years ended August 31, 2021, and August 31, 2020, respectively.

The information in this MD&A is current to November 17, 2021, unless otherwise noted.

In this MD&A, references to "we", "our", "Goodfood" or the "Company" refer to Goodfood Market Corp. and its wholly owned subsidiaries (including Yumm Meal Solutions Corp., Goodfood Québec Inc., Goodfood Ontario Inc., Goodfood AB Inc., and Goodfood BC Inc.).

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.

The Company implemented the April 2021's International Financial Reporting Interpretations Committee ("IFRIC") agenda decision which clarified the accounting for configuration and customization in a cloud computing arrangement. As a result of this decision, the Company changed its accounting policy for costs incurred on cloud computing arrangements with retrospective application. Comparative figures for each period have been restated to reflect this amendment. The adjustments to our consolidated financial statements are discussed further in the "Changes in accounting policies" 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", 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 trends, current condition 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, 2021 available on SEDAR at www.sedar.com: limited operating history, negative operating cash flow, food industry, COVID-19 pandemic as well as the impact of the vaccine rollout, quality control and health concerns, regulatory compliance, regulation of the industry, public safety issues, product recalls, damage to Goodfood's reputation, transportation disruptions, storage and delivery of perishable foods, product liability, unionization activities, consolidation trends, ownership and protection of intellectual property, evolving industry, reliance on management, failure to attract or retain key employees which may impact the Company's ability to effectively operate and meet its financial goals, factors which may prevent realization of growth targets, inability to effectively react to changing consumer trends, competition, availability and quality of raw materials, environmental and employee health and safety regulations, the inability of the Company's IT infrastructure to support the requirements of the Company's business, online security breaches, disruptions and denial of service attacks, 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. This is not an exhaustive list of risks that may affect the Company's forward-looking statements. Other risks not presently known to the Company or that the Company believes are not significant could also cause actual results to differ materially from those expressed in its forward-looking statements. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning the availability of capital resources, business performance, market conditions, and customer demand. In addition, information and expectations set forth herein are subject to and could change materially in relation to developments regarding the duration and severity of the COVID-19 pandemic as well as the impact of the vaccine rollout and its impact on product demand, labour mobility, supply chain continuity and other elements beyond our control. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

METRICS AND NON-IFRS FINANCIAL MEASURES

The table below defines metrics and non-IFRS financial measures used by the Company throughout this MD&A. Non-IFRS financial measures do not have standardized definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. They are provided as additional information to complement IFRS measures and to provide a further understanding of the Company's results of operations from our perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS and should be read in conjunction with the consolidated financial statements for the periods indicated.

In addition, in the fourth quarter of Fiscal 2021, the Company added a new metric called active customers to track customers that have placed an order within the last three months. As the Company builds out its on-demand fulfillment network, opens up its digital store platform to non-subscribers allowing for multiple type of customers and as the grocery and ready-to-eat offering of the Company grows, the active customers metric is a key performance indicator that is better correlated to the Company's performance. In Fiscal 2022, the Company plans to transition to only reporting active customers and discontinuing its use of active subscribers as a metric.

For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "Metrics and Non-IFRS Financial Measures – Reconciliation" section of this MD&A.

Metrics	Definitions
Active subscribers	An active subscriber is an account that is scheduled to receive a delivery, has elected to skip delivery in the subsequent weekly delivery cycle or that is registered to Goodfood WOW. Active subscribers exclude cancelled accounts. For greater certainty, an active subscriber is only accounted for once, although different products might have been ordered in a given weekly delivery cycle. While the active subscribers metric is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we believe that the active subscribers metric is a useful metric for investors because it is indicative of potential future net sales. The Company reports the number of active subscribers at the beginning and end of the period, rounded to the nearest thousand.
Active customers	An active customer is a customer that has placed an order within the last three months. For greater certainty, an active customer is only accounted for once, although different products and multiple orders might have been purchased within a quarter. While the active customers metric is not an IFRS or non-IFRS financial measure, and, therefore, does not appear in, and cannot be reconciled to a specific line item in the Company's consolidated financial statements, we believe that the active customers metric is a useful metric for investors because it is indicative of potential future net sales. The Company reports the number of active customers at the beginning and end of the period, rounded to the nearest thousand.
EBITDA, Adjusted EBITDA & Adjusted EBITDA margin	EBITDA is defined as net income or loss before net finance costs, depreciation and amortization and income taxes. Adjusted EBITDA is defined as EBITDA excluding share-based payments expense and reorganization costs. Adjusted EBITDA margin is defined as the percentage of adjusted EBITDA to net sales. 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 to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to service its long-term debt. They also allow comparisons between companies with different capital structures.

COMPANY OVERVIEW

WHO WE ARE AND OUR VISION

Goodfood (TSX: FOOD) is a leading online grocery company in Canada, delivering fresh meal solutions and grocery items that make it easy for customers from across Canada to enjoy delicious meals at home every day. Goodfood's vision is to be in every kitchen every day by enabling customers to complete their grocery shopping and meal planning in minutes. Goodfood customers have access to a unique selection of online products as well as exclusive pricing made possible by its direct-to-consumer infrastructures and technology that eliminate food waste and costly retail overhead.

OUR OPERATIONS

The Company's main production facility and administrative offices are based in Montreal, Québec, with additional locations in the provinces of Québec, Ontario, Alberta, and British Columbia. Additional facilities located in the provinces of Ontario and Québec are currently under construction.

The following table provides a summary of our locations, including facilities not yet open but for which a lease was signed, as at August 31, 2021:

	Total number of locations	Administrative offices	Distribution and fulfillment centers	Manufacturing facilities
Greater Montreal Area (Quebec)	6	X	X	X
Ottawa (Ontario)	1		X	
Greater Toronto Area (Ontario)	5	X	X	X
Calgary (Alberta)	1		X	X
Vancouver (British Columbia)	1		X	X

FINANCIAL OUTLOOK

The online grocery industry is among the fastest growing industries. In particular, across the globe, we have observed that fast delivery of groceries provides a unique value proposition to customers that drives online grocery penetration. As a result, Goodfood believes that there are significant opportunities to rapidly grow its customer base and basket size by continuing to expand its national platform through capacity expansion with additional locations and investment in automation to improve the speed of servicing customers, increasing its product offering and investing in highly targeted marketing campaigns.

Goodfood's strategy in part involves delaying short-term profitability through the investment of capital in people, processes, marketing driving online grocery penetration, and technology with the goal of generating long-term shareholder value creation through ultimately leveraging its cost structure to achieve long-term margin and profitability goals. Growing Goodfood's market share, scale, on-demand delivery capabilities and product offering will allow the Company to deliver greater value to its customers while attaining attractive returns on invested capital. As the Company continues to grow, it is confident that it will achieve economies of scale and additional efficiencies which will lead to improvements in profitability while maintaining an unrivalled customer experience.

The Company expects that Fiscal 2022 will be the year in which its multi-year effort of preparing for the launch of on-demand grocery and meal-solution offering, supported by an optimized digital store platform is realized. Over the past two years, Goodfood's cost structure has included a growing and material amount of operating expenses related to this initiative, and when coupled with a subscriber-centric ready-to-cook revenue base that has not yet benefited from the additional revenue stream that an on-demand meal solution and grocery offering can generate, net loss and Adjusted EBITDA[1] have been materiality negatively impacted. In 2022, the Company expects investments to continue and to open on-demand fulfillment centers that can support significant incremental net sales. This will begin with the recent completion of construction at our Vancouver facility, followed by the recently announced launch of one-hour or less meal-solution and grocery deliveries out of our new Toronto facility to be followed in short-order by a similar facility in Montreal, in addition to our automated local fulfilment centre in Ottawa which will begin delivering orders early in the new calendar year, as well as additional facilities in key urban areas throughout Fiscal 2022. In addition, in Fiscal 2022, we expect an improved cost structure through realized efficiencies, further aligning it with our on-demand one-hour grocery initiative, and we expect progressive improvement in profitability throughout the year.

The COVID-19 pandemic has had an impact on Goodfood's overall business and operations and it expects that Fiscal 2022 will continue to be affected by the COVID-19 pandemic. As an essential service in Canada, Goodfood has been operating throughout the pandemic and implemented increased safety protocols at its locations to ensure the safety of its employees. The Company experienced an acceleration of growth in demand. Pressure on supply chains, inventory levels and increased operational costs or disruptions and labour shortages could increase depending on the duration and severity of the pandemic as well as any

[1] Please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A for corresponding definitions.

changes to Goodfood's industry regulatory framework. Goodfood may experience a slow down in demand due to relaxation of lock-down restrictions and the increased vaccine coverage. The magnitude, duration, and severity of the COVID-19 pandemic as well as the impact of the vaccine rollout are difficult to predict and could affect the significant estimates and judgements used in the preparation of the Company's annual consolidated financial statements. As a result of the COVID-19 pandemic, the number of employees working remotely has increased significantly, which has also increased demands on information technology resources and systems and increased the risk of phishing and other cybersecurity attacks.

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

FISCAL 2021 HIGHLIGHTS

This section provides a summary of our financial performance for the fiscal year ended and the three-month period ended August 31, 2021 compared to the same periods in 2020. We present metrics and measures to help investors better understand our performance, including certain metrics and measures which are not recognized by IFRS. Definitions of these non-IFRS financial measures are provided in the "Metrics and Non-IFRS Financial Measures" section at the beginning of this MD&A and are important metrics to be considered when analyzing our performance. For a reconciliation of these non-IFRS financial measures to the most comparable IFRS financial measures, as applicable, see the "Metrics and Non-IFRS Financial Measures – Reconciliation" section of this MD&A.

HIGHLIGHTS OF FISCAL 2021 COMPARED TO FISCAL 2020

- Net sales reached $379.2 million, an increase of $93.9 million, or 33% year-over-year.
- Gross margin reached 30.6%, an improvement of 0.3 percentage points and gross profit reached $116.1 million, an increase of $29.7 million, or 34% year-over-year.
- Net loss was $31.8 million compared to $5.3 million last year. Net loss includes the impact of the change in accounting policy for costs relating to cloud computing arrangements due to the IFRIC decision agenda of $1.4 million compared to $1.2 million last year.
- Adjusted EBITDA margin (1) was negative 4.0%, a decrease of 5.2 percentage points year-over-year.
- Cash flows used in operating activities totalled $16.4 million compared to cash flows provided by operating activities of $7.2 million in the same period last year.
- The Company reported a cash balance (2) of $125.5 million as at August 31, 2021, an increase of $18.6 million compared to the same period last year.

For the year-ended		**August 31, 2021**		August 31, 2020	(Δ %)
Key Performance Indicator					
Active subscribers (1)		**298,000**		280,000	6%
Active customers (1)		**249,000**		278,000	(10)%
(in thousands of Canadian dollars, except percentage information)					
Results of Operations					
Net sales	**$**	**379,234**	$	285,372	33%
Gross profit	**$**	**116,094**	$	86,419	34%
Gross margin		**30.6%**		30.3%	0.3 *p.p.*
Net loss	**$**	**(31,792)**	$	(5,341)	*N/A*
Adjusted EBITDA (1)	**$**	**(15,306)**	$	3,306	*N/A*
Adjusted EBITDA margin (1)		**(4.0)%**		1.2%	(5.2) *p.p.*
Financial Position and Cash Flows					
Cash, cash equivalents and restricted cash (2)	**$**	**125,535**	$	106,902	17%
Cash flows (used in) provided by operating activities		**(16,358)**		7,186	*N/A*

(1) Please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A for corresponding definitions.
(2) Cash balance as at August 31, 2021 includes cash and cash equivalents. Cash balance as at August 31, 2020 includes cash, cash equivalents and restricted cash.

HIGHLIGHTS OF THE FOURTH QUARTER OF 2021 COMPARED TO THE FOURTH QUARTER OF 2020

- Net sales were $79.4 million, a decrease of $4.3 million, or 5% compared to the same quarter last year.
- Gross margin totalled 22.9%, a decrease of 9.9 percentage points and gross profit of $18.2 million decreased by $9.3 million or 34%.
- Net loss was $22.1 million compared to a net income of $1.2 million in the same period in 2020. Net loss includes the impact of the change in accounting policy for costs relating to cloud computing arrangements due to the IFRIC decision agenda of $0.4 million compared to $0.4 million last year.
- Adjusted EBITDA margin (1) was negative 22.4%, a decrease of 28.2 percentage points compared to the same quarter last year.
- Cash flows used in operating activities totalled $23.7 million compared to cash flows provided by operating activities of $2.0 million in the same period last year.

For the three-month periods ended	August 31, 2021	August 31, 2020	(Δ %)
Key Performance Indicator			
Active subscribers (1)	**298,000**	280,000	6%
Active customers (1)	**249,000**	278,000	(10)%
(in thousands of Canadian dollars, except percentage information)			
Results of Operations			
Net sales	**$ 79,358**	$ 83,691	(5)%
Gross profit	**$ 18,153**	$ 27,474	(34)%
Gross margin	**22.9%**	32.8%	*(9.9) p.p.*
Net (loss) income	**$ (22,123)**	$ 1,225	*N/A*
Adjusted EBITDA (1)	**$ (17,739)**	$ 4,839	*N/A*
Adjusted EBITDA margin (1)	**(22.4)%**	5.8%	(28.2*) p.p.*
Financial Position and Cash Flows			
Cash, cash equivalents and restricted cash (2)	**$ 125,535**	$ 106,902	17%
Cash flows (used in) provided by operating activities	**(23,726)**	1,999	*N/A*

(1) Please refer to the "Metrics and Non-IFRS Financial Measures" section of this MD&A for corresponding definitions.
(2) Cash balance as at August 31, 2021 includes cash and cash equivalents. Cash balance as at August 31, 2020 includes cash, cash equivalents and restricted cash.

KEY HIGHLIGHTS OF FISCAL 2021 AND SUBSEQUENT EVENTS

1-hour delivery

In November 2021, the Company launched an even faster delivery option in certain areas of Toronto, being a "1-hour or less" delivery option for grocery, ready-to-cook and ready-to-eat meal products. Throughout the month of November, we will be introducing the 1-hour or less delivery to other neighbourhoods in Toronto and Montreal. Our world class infrastructure and continued investment in technology, staffing and fulfillment facilities is a key success factor to this initiative.

Private Label Grocery Products

During the year ended August 31, 2021, the Company further expanded its private label grocery products across Canada, with approximately 1,000 products available to purchase as at that date. The Company offers everyday grocery essentials with exclusive prices, across an array of categories: bakery, dessert, meat and seafood, drinks, pantry, produce, snacks, dairy, frozen and kitchen essentials.

Change in fiscal year-end

In September 2021, the Company changed its fiscal year-end from a fixed year-end ending August 31 of each year to a floating year-end ending on the first Saturday of September of each year in order to align the Company's year-end with that of comparative companies. As a result, the Company will follow a 52-week reporting cycle but will include a 53rd week every five to six years. For Fiscal 2022, the first quarter will end on December 4, 2021 and the year-end will be September 3, 2022. For Fiscal 2022, we will have 3 additional days compared to Fiscal 2021.

Recognized on the 2021 TSX30 for a second year in a row

In September 2021, the Company announced that it was included in the Toronto Stock Exchange's TSX30 for a second year in a row, a flagship program recognizing the 30 top-performing TSX stocks over a three-year period based on share price appreciation. It is an acknowledgement of the value Goodfood has created for shareholders through the strong growth and financial performance of the Company.

First Automated Fulfillment Center

In June 2021, the Company announced a leased facility in Ottawa, scheduled to open in the winter of 2021, that will be its first tech-enabled fulfillment center with automation capabilities to deliver over 4,000 products on a same-day or faster basis.

Departure and Appointment of its Chief Technology Officer

In May 2021, the Company announced the departure of Raghu Mocharla, its Chief Technology Officer, effective July 1, 2021. In September 2021, the Company announced the appointment of Bipasha Chiu as its new Chief Technology Officer. Bipasha is an experienced technology transformation and delivery executive focused in retail and digital commerce that will help continue building our technology platform.

CIBC and Goodfood team up to support frontline healthcare heroes with 100,000 meals

In May 2021, Goodfood and CIBC announced an initiative in appreciation of Canada's frontline healthcare to deliver 100,000 meals to hospitals in cities and communities across Canada for healthcare workers to take home, which commenced on International Nurses Day over a four-week period.

Equity Issuance

In February 2021, the Company completed a bought deal public offering with a syndicate of underwriters and issued 4.8 million common shares for gross proceeds of $60 million.

Departure and Appointment of its Chief Financial Officer

In January 2021, the Company announced the departure of Philippe Adam, its Chief Financial Officer, effective on April 2, 2021. In May 2021, the Company announced the appointment of Jonathan Roiter as its new Chief Financial Officer, effective June 7, 2021. Jonathan has over 25 years of experience in defining and executing financial roadmaps while building and leading high-performing teams.

Refinancing of Credit Facility

On November 30, 2020, the Company entered into a new syndicated bank financing totaling $46 million, including a term loan facility of $12.5 million, a revolving credit facility of $27.5 million and other short-term financing of $6 million. On February 16, 2021, the Company increased the revolving credit by $15 million for a total of $42.5 million, and the other short-term financing by an amount not to exceed $15 million, and an additional lender was added to the syndicate. This increase brought the total available financing to $70 million. The facilities feature flexible and improved financial conditions, including variable rates of Bankers' Acceptance ("BA") plus 2.50%, and come to maturity in November 2023. The Company will use the proceeds to fund the continued growth of the Company through capital and non-capital expenditures focusing on automation as well as the expansion of the business, refinancing of existing credit facilities and general corporate purposes.

Launch of Goodfood WOW

In October 2020, the Company announced the launch of its new unlimited same-day grocery delivery service, Goodfood WOW, in the Greater Montréal Area. In February 2021, the Company launched it in the Greater Toronto Area and in October 2021 in the Vancouver area. This new service is scheduled to expand to other major Canadian cities over the next year. Goodfood WOW offers an even more flexible and convenient online grocery experience, allowing customers to order any combination of meal kits, groceries, prepared meals and other products as frequently as needed during the week, with same-day delivery included for all orders, for a monthly subscription fee.

COVID-19 Impact and Measures

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

Starting in the second half of Fiscal 2020, Goodfood experienced several positive impacts on its financial results related to the COVID-19 pandemic such as increased subscriber growth, number of orders and average order values, which positively impacted net sales and continued throughout Fiscal 2021, with subsequent waves of the COVID-19 pandemic across Canada. With relaxation of lock-down restrictions and the increased vaccine coverage during the fourth quarter of fiscal 2021 combined with muted seasonality impact due to the pandemic in the fourth quarter of 2020, Goodfood experienced a decrease in the number of active subscribers in the last quarter of 2021 compared to prior quarters in 2020.

In Fiscal 2021, the Company incurred direct COVID-19 incremental costs of approximately $0.2 million and $1.8 million for the three-month period and year ended August 31, 2021, respectively, consisting of additional production costs and temporary agency premiums.

At the onset of the pandemic, precautionary measures were implemented at all of the Company's locations across Canada in addition to its already rigorous food safety standards. These measures included, but were not limited to:

- Enhanced hygiene procedures, including additional cleaning at all of its locations, mandatory hand washing prior to entry (for both visitors and employees), and accessibility to hand sanitizer stations;
- Social distancing measures put in place for the health and safety of employees, mandatory non-contact temperature checks before entering the facility, installation of physical safety barriers, requirement for all frontline employees to wear personal protection equipment, such as face masks and face shields, and the hiring of a team to ensure the health screening for employees and reinforce social distancing measures inside and outside of all locations; and

The Company continues to follow precautionary measures at its locations in addition to its already rigorous food safety standards to safeguard the health and safety of its employees as well as ensuring the quality of its products to its customers.

SELECTED ANNUAL FINANCIAL INFORMATION

(In thousands of Canadian dollars)

As at		August 31, 2021		August 31, 2020		August 31, 2019
Financial position						
Cash and cash equivalents and restricted cash	**$**	**125,535**	$	106,902	$	47,649
Fixed assets		**33,367**		19,191		13,545
Right-of-use assets		**69,157**		21,130		11,089
Total assets		**255,262**		161,557		80,499
Total debt (1)		**21,351**		21,678		14,031
Total lease obligations (2)		**73,111**		23,348		12,724
Total convertible debentures (3)		**6,466**		16,245		–
Shareholders' equity		**97,875**		56,069		17,117

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

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

For the years ended August 31,		2021		2020		2019
Comprehensive loss						
Net sales	**$**	**379,234**	$	285,372	$	161,333
Gross profit		**116,094**		86,419		40,310
Net loss, being comprehensive loss		**(31,792)**		(5,341)		(21,221)
Basic and diluted loss per share		**(0.45)**		(0.09)		(0.38)
Cash flows (used in) provided by:						
Operating activities	**$**	**(16,358)**	$	7,186	$	596
Investing activities		**(18,012)**		(8,051)		(6,955)
Financing activities		**55,503**		60,118		27,055

METRICS AND NON-IFRS FINANCIAL MEASURES - RECONCILIATION

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

ACTIVE SUBSCRIBERS

	For the three-month periods ended August 31,		For the years ended August 31,	
	2021	2020	**2021**	2020
Active subscribers, beginning of period	**317,000**	272,000	**280,000**	200,000
Net change in active subscribers	**(19,000)**	8,000	**18,000**	80,000
Active subscribers, end of period	**298,000**	280,000	**298,000**	280,000

ACTIVE CUSTOMERS

	For the three-month periods ended August 31,		For the years ended August 31,	
	2021	2020	**2021**	2020
Active customers, beginning of period	**296,000**	285,000	**278,000**	233,000
Net change in active customers	**(47,000)**	(7,000)	**(29,000)**	45,000
Active customers, end of period	**249,000**	278,000	**249,000**	278,000

EBITDA, ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

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

(In thousands of Canadian dollars, except percentage information)

	For the three-month periods ended August 31,		For the years ended August 31,	
	2021	2020	**2021**	2020
Net (loss) income	**$ (22,123)**	$ 1,225	**$ (31,792)**	$ (5,341)
Net finance costs	**524**	911	**2,170**	2,380
Depreciation and amortization	**2,176**	1,759	**8,820**	5,197
Deferred income tax expense (recovery)	**97**	526	**500**	(804)
EBITDA	**$ (19,326)**	$ 4,421	**$ (20,302)**	$ 1,432
Share-based payments expense	**1,587**	418	**4,857**	1,874
Reorganization costs	**–**	–	**139**	–
Adjusted EBITDA	**$ (17,739)**	$ 4,839	**$ (15,306)**	$ 3,306
Net sales	**$ 79,358**	$ 83,691	**$ 379,234**	$ 285,372
Adjusted EBITDA margin (%)	**(22.4)%**	5.8%	**(4.0)%**	1.2%

For the three-month period ended August 31, 2021, adjusted EBITDA margin decreased by 28.2 percentage points compared to the corresponding period in 2020 mainly due to lower revenue base resulting from relaxation of lock-down restrictions and the increased vaccine coverage in the fourth quarter of 2021 combined with muted seasonality impact due to the pandemic in the fourth quarter of 2020. In addition, lower adjusted EBITDA margin can be explained by higher wages and salaries as well as marketing spend as a percentage of net sales resulting from the expansion of the management team, including mainly our technology, operations management and marketing groups, and related administrative functions needed to build out the physical and digital on-demand fulfillment infrastructure, including the growing product offering required to support the Company's growth plan.

For the year ended August 31, 2021, adjusted EBITDA margin decreased by 5.2 percentage points compared to last year primarily due higher wages and salaries and marketing spend resulting from the expansion of the management team and related administrative functions needed to build out the physical and digital on-demand fulfillment infrastructure, including the growing product offering required to support the Company's growth plan. The decline was partially offset by the higher gross margin driven by a larger revenue base, a decrease in incentives and credits as a percentage of net sales as well as a decrease in shipping cost per order.

RESULTS OF OPERATIONS – FISCAL 2021 AND FISCAL 2020

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

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

For the years ended August 31,		2021		2020		($)	(%)
Net sales	**$**	**379,234**	$	285,372	$	93,862	33%
Cost of goods sold		**263,140**		198,953		64,187	32%
Gross profit	**$**	**116,094**	$	86,419	$	29,675	34%
Gross margin		**30.6%**		30.3%		N/A	0.3 p.p.
Selling, general and administrative expenses	**$**	**136,396**	$	84,987	$	51,409	60%
Depreciation and amortization		**8,820**		5,197		3,623	70%
Net finance costs		**2,170**		2,380		(210)	(9)%
Loss before income taxes		**(31,292)**		(6,145)		(25,147)	*N/A*
Deferred income tax expense (recovery)		**500**		(804)		1,304	*N/A*
Net loss, being comprehensive loss	**$**	**(31,792)**	$	(5,341)	$	(26,451)	*N/A*
Basic and diluted loss per share	**$**	**(0.45)**	$	(0.09)	$	(0.36)	*N/A*

VARIANCE ANALYSIS FOR FISCAL 2021 COMPARED TO FISCAL 2020

- The Company's continued focus on its strategy to become Canada's leading online grocer by increasing its product offering and flexibility for customers through same day delivery impacted positively the average basket size and order frequency which, combined with a larger subscriber base, resulted in increased net sales. The decrease in incentives and credits as a percentage of net sales from 15.9% to 10.9% also contributed to the increase in net sales.
- The increase in gross profit and gross margin resulted primarily from an increase in net sales as well as a decrease in incentives and credits as a percentage of net sales, larger basket sizes and lower fulfillment costs per order partially offset by an increase in production costs due to a higher production labour cost. The decrease in fulfillment costs consists mainly of a decrease in shipping costs from an increased density among the delivery zones as well as the expansion of our internal last-mile delivery capabilities.
- The increase in selling, general and administrative expenses is primarily due to higher wages and salaries resulting from the expansion of the management team and related administrative functions needed to build out the physical and digital on-demand fulfillment infrastructure, including the growing product offering required to support the Company's growth plan as well as higher marketing spend resulting from lower marketing spend in Fiscal 2020 due to COVID-19 positively impacting our net sales. Selling, general and administrative expenses as a percentage of net sales increased from 29.8% to 36.0%.
- The increase in depreciation and amortization expense is mainly due to the recognition of right-of-use assets from new facility lease agreements and lease modification agreements as well as related to fixed assets additions mainly attributable to the redesign of facilities layouts as well as technology and automation implementation as the Company continues to grow and expand its operations across Canada.
- The deferred income tax expense relates to the conversion of convertible debentures into common shares.
- The increase in net loss is explained principally by the increase in wages and salaries as well as the marketing spend, partially offset by the increase in net sales and gross margin.

RESULTS OF OPERATIONS – THREE-MONTH PERIODS ENDED AUGUST 31, 2021 AND 2020

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

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

For the three-month periods ended August 31,	2021	2020	($)	(%)
Net sales	**$ 79,358**	$ 83,691	$ (4,333)	(5)%
Cost of goods sold	**61,205**	56,217	4,988	9%
Gross profit	**$ 18,153**	$ 27,474	$ (9,321)	(34)%
Gross margin	**22.9%**	32.8%	N/A	(9.9) p.p.
Selling, general and administrative expenses	**$ 37,479**	$ 23,053	$ 14,426	63%
Depreciation and amortization	**2,176**	1,759	417	24%
Net finance costs	**524**	911	(387)	(42)%
Net (loss) income before income taxes	**(22,026)**	1,751	(23,777)	*N/A*
Deferred income tax expense	**97**	526	(429)	(82)%
Net (loss) income, being comprehensive (loss) income	**$ (22,123)**	$ 1,225	$ (23,348)	*N/A*
Basic and diluted (loss) earnings per share	**$ (0.30)**	$ 0.02	$ (0.32)	*N/A*

VARIANCE ANALYSIS FOR THE THREE-MONTH PERIOD ENDED AUGUST 31, 2021 COMPARED TO THE THREE-MONTH PERIOD ENDED AUGUST 31, 2020

- Accelerated removal of lock-down restrictions and the increased vaccine coverage during the fourth quarter of fiscal 2021 combined with muted seasonality impact due to the pandemic in the fourth quarter of 2020 reduced consumer demand resulting in net sales decreasing compared to the same period last year partially offset by a decrease in incentives and credits as a percentage of net sales from 12.1% to 7.4%.
- The decrease in gross profit and gross margin primarily resulted from a decrease in net sales leading to operating de-leverage, including production, food and overhead costs. Higher production costs primarily resulted from an increase in production and fulfillment labour due to inflationary increases in wages and increases in supervisory and other non-direct labour. The increase in food costs was in part driven by the expansion of our private label grocery offering. The higher overhead costs were mainly due to our continued investment in people to support the Company's growth plan.
- The increase in selling, general and administrative expenses is primarily due to higher wages and salaries resulting from the expansion of the management team, including mainly our technology, operations management and marketing groups, and related administrative functions needed to build out the physical and digital on-demand fulfillment infrastructure, including the growing product offering required to support the Company's growth plan. The increase can also be explained by higher marketing spend resulting from a temporary reduction of marketing spend last year due to the increased demand during the pandemic. Selling, general and administrative expenses as a percentage of net sales increased from 27.5% to 47.2%.
- The increase in depreciation and amortization expense is mainly due to the recognition of right-of-use assets from new or amended facility lease agreements and related additions of leasehold improvements as the Company continues to grow and expand its operations across Canada.
- The decrease in net finance costs is mainly due to the reduction in the outstanding debt for the convertible debentures compared to same period last year due to conversion of debentures in FY2021.
- The deferred income tax expense is lower in the fourth quarter of 2021 due to a lower amount of convertible debentures converted into common shares.
- The net loss in the fourth quarter of 2021 compared to net income in the comparable period of 2020 is due to lower net sales and gross profit as well as higher wages and salaries and marketing spend.

TRENDS AND SEASONALITY

The Company's net sales and expenses are impacted by seasonality. During the holiday and summer seasons, the Company anticipates net sales to be lower as a higher proportion of customers elect to skip their delivery. The Company generally anticipates the growth rate of active subscribers and the number of active customers to be lower during these periods. While this is typically the case, the COVID-19 pandemic as well as the impact of the vaccine rollout and changing government restrictions have had, and may continue to have, an impact on this trend. Seasonality in the fourth quarter of Fiscal 2020 was muted due to the pandemic. In Fiscal 2021, in light of the COVID-19 vaccine rollout as well as relaxation of lock-down restrictions in the summer, seasonality trends returned in the fourth quarter of Fiscal 2021. 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 costs to be positively affected due to improved availability during periods with warmer weather.

FINANCIAL POSITION

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

(In thousands of Canadian dollars)

As at	**August 31, 2021**	August 31, 2020	Variance	Main components
Cash, cash equivalents and restricted cash	**$ 125,535**	$ 106,902	$ 18,633	Public offering completed in Q2 of Fiscal 2021
Inventories	**14,318**	6,962	7,356	Due to the Company's continuous expansion of its product offering of grocery products and the ramp-up of new facilities across Canada
Fixed assets	**33,367**	19,191	14,176	Due to redesign and fit outs of facilities and investments in technology and automation to support our growth
Right-of-use assets	**69,157**	21,130	48,027	New locations across Canada due to the Company's continuous expansion
Lease obligations, including current portion	**73,111**	23,348	49,763	New locations across Canada due to the Company's continuous expansion
Common shares	**170,094**	97,801	72,293	Due to the public offering, the conversion of convertible debentures and exercise of stock options

LIQUIDITY AND CAPITAL RESOURCES

This section examines the Company's capital structure, sources of liquidity and various financial instruments, including its debt instruments.

CAPITAL STRUCTURE

(In thousands of Canadian dollars, except percentage information)

As at		August 31, 2021		August 31, 2020
Cash, cash equivalents and restricted cash [1]	**$**	**125,535**	$	106,902
Long-term debt, including line of credit and current portion		**21,351**		21,678
Convertible debentures, liability component		**5,623**		14,194
Total debt	**$**	**26,974**	$	35,872
Total shareholders' equity		**97,875**		56,069
Total capitalization	**$**	**124,849**	$	91,941
Total cash [1], net of debt	**$**	**98,561**	$	71,030
Total cash [1], net of debt to total capitalization		**78.9%**		77.3%

[1] Cash balance as at August 31, 2021 includes cash and cash equivalents. Cash balance as at August 31, 2020 includes cash, cash equivalents and restricted cash.

CAPITAL MANAGEMENT

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

CASH FLOWS

A summary of net cash flows by activity for the fiscal years ended August 31 is presented below:

(In thousands of Canadian dollars)

For the years ended August 31,		2021		2020		Variance
Cash flows (used in) provided by operations, excluding change in non-cash operating working capital	**$**	**(16,344)**	$	2,786	$	(19,130)
Change in non-cash operating working capital		**(14)**		4,400	$	(4,414)
Net cash flows (used in) provided by operating activities	**$**	**(16,358)**	$	7,186	$	(23,544)
Net cash flows used in investing activities		**(18,012)**		(8,051)		(9,961)
Net cash flows provided by financing activities		**55,503**		60,118		(4,615)
Net change in cash and cash equivalents	**$**	**21,133**	$	59,253	$	(38,120)
Cash and cash equivalents, beginning of period		**104,402**		45,149		59,253
Cash and cash equivalents, end of period	**$**	**125,535**	$	104,402	$	21,133

Net cash flows used in operating activities were $16.4 million for the year ended August 31, 2021 compared to net cash flows provided by operating activities of $7.2 million in the comparable period of 2020. This is a year-over-year negative variance of $23.5 million which is primarily due to the increase in net loss before non-cash expenses recorded for the year and an unfavourable variance in non-cash operating working capital mainly due to an increase in inventory to support its online grocery delivery.

Net cash flows used in investing activities increased by $10.0 million for the year ended August 31, 2021 compared to the same period last year primarily due to higher fixed assets additions and deposits mainly attributable to the redesign and fit outs of facilities as well as technology and automation implementation.

Net cash flows provided by financing activities decreased by $4.6 million for the year ended August 31, 2021 compared to the same period last year primarily due to the Company's lower financing activities related to its credit facilities compared to Fiscal 2020.

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

(In thousands of Canadian dollars)

For the three-month periods ended August 31,	2021	2020	Variance
Cash flows (used in) provided by operations, excluding change in non-cash operating working capital	**$ (17,614)**	$ 4,881	$ (22,495)
Change in non-cash operating working capital	**(6,112)**	(2,882)	$ (3,230)
Net cash flows (used in) provided by operating activities	**$ (23,726)**	$ 1,999	$ (25,725)
Net cash flows used in investing activities	**(7,709)**	(2,373)	(5,336)
Net cash flows (used in) provided by financing activities	**(142)**	26,789	(26,931)
Net change in cash and cash equivalents	**$ (31,577)**	$ 26,415	$ (57,992)
Cash and cash equivalents, beginning of period	**157,112**	77,987	79,125
Cash and cash equivalents, end of period	**$ 125,535**	$ 104,402	$ 21,133

Net cash flows used in operating activities were $23.7 million for the fourth quarter ended August 31, 2021 compared to net cash flows provided by operating activities of $2.0 million in the comparable period of 2020. This year-over-year negative variance of $25.7 million is primarily due to the net loss before non-cash expenses recorded as well as an unfavourable variance in change in non-cash operating working capital mainly explained by higher accounts and other receivables and lower accounts payable and accrued liabilities.

Net cash flows used in investing activities increased by $5.3 million for the fourth quarter ended August 31, 2021 compared to the same period last year primarily due to higher fixed assets additions mainly attributable to the redesign and fit outs of facilities as well as automation implementation.

Net cash flows used in financing activities were $0.1 million in the fourth quarter of 2021 compared to net cash flows provided by financing activities of $26.8 million in the comparable period of 2020. This year-over-year negative variance of $26.9 million was primarily due to the net proceeds resulting from the public issuance of common shares in 2020.

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

(In thousands of Canadian dollars)

As at August 31,	2021	2020
Cash and cash equivalents	**$ 125,535**	$ 104,402
Restricted cash [(1)]	–	2,500
	$ 125,535	$ 106,902

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

DEBT

Credit Facility 2021

During the first quarter ended November 30, 2020, the Company entered into a syndicated credit agreement totaling $46 million, including a term loan of $12.5 million, a revolving facility of $27.5 million and $6 million in other short-term financing ("Credit Facility 2021"). During the second quarter ended February 28, 2021, the Company increased the revolving facility by $15 million for a total of $42.5 million, and the other short-term financing by an amount not to exceed $15 million, and an additional lender was added to the syndicate. This increase brought the total available financing to $70 million. The Credit Facility 2021 is secured by a first-ranking hypothec on all of the Company's movable and immovable assets. The facilities bear variable interest rates of BA plus 2.50% and mature in November 2023. The term loan is repayable in four quarterly installments of $156 thousand beginning on November 30, 2021 and increasing to four quarterly installments of $313 thousand on November 30, 2022 with a bullet repayment of the balance of $10.6 million at the end of the term in November 2023.

As at August 31, 2021, Goodfood had outstanding letters of credit totalling $1.2 million (2020 – $0.9 million) which reduced the availability on the revolving facility.

As at August 31, 2021, $9.1 million of the revolving facility was drawn. It matures in November 2023 and is presented as a non-current liability. A balance of $33.4 million was undrawn and $32.2 million was available as at August 31, 2021.

The Credit Facility 2021 does not include a collateral requirement and the restricted cash required under the Credit Facility 2019 was released and reclassified to cash and cash equivalents during the first quarter ended November 30, 2020. As at August 31, 2021, the Company was in compliance with all covenants under the credit agreement governing the Credit Facility 2021.

As at August 31, 2021, the Company allocated $14.6 million (2020 – $7.3 million) to corporate credit cards to be used for business purposes of the other short-term financing amount for an aggregate amount of $15 million. Amounts owing with respect to credit cards are included in accounts payable and accrued liabilities.

Credit Facility 2019

During the year ended August 31, 2019, the Company obtained from a Canadian financial institution two secured three-year term loans totalling $12.5 million, a $10 million revolving line of credit and $5 million in other short-term financing ("Credit Facility 2019"). The Credit Facility 2019 was secured by a first-ranking hypothec on all of the Company's movable and immovable assets. The proceeds were used to fund expansion, capital expenditures, invest in automation, and were also used to refinance the Company's long-term debt.

As at August 31, 2020, $12.5 million of the term loans were disbursed, bearing variable interest at CDOR plus 2.50%. The term loans were repayable in quarterly installments of $31 thousand and $125 thousand, beginning on August 31, 2020 and November 30, 2020, respectively, with a bullet repayment of the balance at the end of the term in November 2021.

As at August 31, 2020, $9.1 million of the revolving line of credit was drawn. The revolving line of credit was repayable on demand and was presented as a current liability.

The Credit Facility 2019 included a collateral requirement of $2.5 million placed in a restricted cash account. As at August 31, 2020, the Company was in compliance with all covenants under the Credit Facility 2019.

The Credit Facility 2019 was repaid in full as at November 30, 2020.

INTEREST RATE SWAP

As at August 31, 2021, Goodfood has one swap agreement in place whereby the Company fixed the interest rate on a notional amount of $10.9 million until November 2021.

CONVERTIBLE DEBENTURES

On February 26, 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture for gross proceeds of $30 million. The Debentures mature on March 31, 2025 and bear a fixed interest rate of 5.75% per annum, payable semi-annually in arrears on March 31 and September 30 of each year, commencing on September 30, 2020. Factoring in the Debentures issuance costs, the effective interest rate on the Debentures is 11.76%. The Debentures are convertible into common shares of the Company at any time at the option of the holder at a conversion price of $4.70. Starting on March 31, 2023, under certain conditions, the debentures may be redeemed in whole or in part at the option of the Company at a price equal to the principal amount thereof plus accrued and unpaid interest.

During the year ended August 31, 2021, 11,284 Debentures (2020 – 11,864) were converted into common shares of the Company, resulting in the issuance of 2,400,819 (2020 – 2,524,242) common shares and the

Company reclassified $9.0 million (2020 - $9.3 million) and $1.9 million (2020 - $2.0 million), respectively from the convertible debentures liability to common shares and from the equity component of the convertible debentures to common shares. As at August 31, 2021, 6,852 Debentures were outstanding (2020 – 18,136 Debentures).

COMMON SHARES

Significant equity transactions that took place in Fiscal 2021 were as follows:

- In connection with the public offering completed February 24, 2021, the Company issued 4,800,000 common shares. Refer to the "Use of Proceeds from Public Offerings" section of this MD&A for information on use of proceeds by the Company;
- 1,182,693 stock options were exercised, respectively, for the same number of common shares; and
- 11,284 Debentures were converted into 2,400,819 common shares.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

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

	Fiscal 2021				Fiscal 2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Active subscribers	**298,000**	317,000	319,000	306,000	280,000	272,000	246,000	230,000
Active customers	**249,000**	296,000	306,000	290,000	278,000	285,000	227,000	233,000
Net sales	**$ 79,358**	$ 107,795	$ 100,654	$ 91,427	$ 83,691	$ 86,600	$ 58,790	$ 56,291
Gross margin	**22.9%**	35.0%	30.4%	32.3%	32.8%	28.8%	30.3%	28.8%
Net (loss) income	**$ (22,123)**	$ (2,333)	$ (4,253)	$ (3,083)	$ 1,225	$ 2,894	$ (3,448)	$ (6,012)
Net finance costs	**524**	431	540	675	911	1,154	218	97
Depreciation and amortization	**2,176**	2,318	2,293	2,033	1,759	1,421	1,024	993
Deferred income tax expense (recovery)	**97**	61	129	213	526	–	(1,330)	–
Share-based payments	**1,587**	869	1,404	997	418	560	485	411
Reorganization costs	**–**	–	139	–	–	–	–	–
Adjusted EBITDA (1)	**$ (17,739)**	$ 1,346	$ 252	$ 835	$ 4,839	$ 6,029	$ (3,051)	$ (4,511)
Adjusted EBITDA margin (1)	**(22.4)%**	1.2%	0.3%	0.9%	5.8%	7.0%	(5.2)%	(8.0)%
Basic and diluted (loss) earnings per share (2)	**(0.30)**	(0.04)	(0.06)	(0.05)	0.02	0.05	(0.06)	(0.10)

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

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

Quarterly net sales have increased since the first quarter of Fiscal 2020 principally due to the Company's continued focus on its strategy to become Canada's leading online grocer by increasing its product offering and flexibility to customers which positively impacted the average basket size and order frequency. With accelerated removal of lock-down restrictions and the increased vaccine coverage, Goodfood's net sales decreased in the last quarter of Fiscal 2021.

Adjusted EBITDA and adjusted EBITDA margin improved quarterly in Fiscal 2020 due to higher net sales and gross profit primarily from a larger subscriber base. For the third and fourth quarters of Fiscal 2020, adjusted EBITDA and adjusted EBITDA margin were further positively impacted by lower selling, general and administrative expenses as a percentage of net sales. For Fiscal 2021, adjusted EBITDA and adjusted EBITDA margin decreased comparatively to the third and fourth quarters of Fiscal 2020 due to higher wages and salaries and higher marketing spend as the Company continues to grow and expand its operations and product offerings across Canada. In addition, for the fourth quarter of Fiscal 2021, adjusted EBITDA and adjusted margin was impacted by the decrease in net sales.

Net (loss) income improved quarter over quarter, starting in the first quarter of Fiscal 2020 due to higher net sales and gross profit. For the third and fourth quarters of Fiscal 2020, lower selling, general and administrative expenses as a percentage of net sales also contributed to the improvement to a net income position. Net loss for the first two quarters of Fiscal 2021 was negatively impacted by higher depreciation and amortization expense associated with the recognition of right-of-use assets from new and amended facility lease agreements and related additions of leasehold improvements as well as increased share-based payments expense. Net loss for the third and fourth quarter of Fiscal 2021 was negatively impacted by higher wages and salaries and higher marketing spend as the Company continues to grow and expand its operations and product offerings across Canada. In addition, for the fourth quarter of Fiscal 2021, net loss was impacted by the decrease in net sales.

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 and accounts and other receivables. The Company's maximum credit exposure corresponds to the carrying amount of these financial assets. Management believes the credit risk is limited given that the Company deals with major North American financial institutions and an internationally established payment processor.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's long-term debt and revolving facility bear interest at variable rates which are determined by a base rate set by the lender plus a margin. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in lenders' base rates. The Company manages its interest rate risk by using a variable-to-fixed interest rate swap as described in the "Liquidity and Capital Resources" section of this MD&A. As interest rates on Debentures are fixed, the Company is not exposed to interest rate risk on those instruments.

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

LIQUIDITY RISK

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

For the fiscal year ending August 31, 2022, additional capital and non-capital expenditures as the Company continues to expand its footprint across Canada, as well as growing its active subscriber base and product offering, are expected to reduce the Company's cash balance and liquidity position compared to August 31, 2021, absent additional financing. We believe that the Company's cash and cash equivalents on hand and financing capacity will provide adequate sources of funds to meet short-term requirements, finance planned capital expenditures and fund any operating losses.

BUSINESS RISK

For a detailed discussion of business risk factors, please refer to the Company's Annual Information Form for the year ended August 31, 2021 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 AND MATURITY ANALYSIS OF CONTRACTUAL OBLIGATIONS

The following table details the maturity of the Company's contractual obligations as at August 31, 2021:

(In thousands of Canadian dollars)

	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 52,207	$ 52,207	$ 52,207	$ –	$ –
Long-term debt, including current portion (1)	21,351	22,958	1,279	21,679	–
Debentures, liability component	5,623	8,433	399	8,034	–
Lease obligations, including current portion	73,111	87,373	8,566	37,943	40,864
Purchase and service contract obligations	–	24,308	24,233	75	–
	$ 152,292	**$ 195,279**	**$ 86,684**	**$ 67,731**	**$ 40,864**

As at August 31, 2021, the Company does not 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 net sales or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material, other than the following:

During the year ended August 31, 2021, the Company entered into a ten-year lease for a 110,000 square-foot manufacturing center located in Ontario with two renewal options of five years. As at August 31, 2021, the Company did not have access to the asset and therefore the facility was not reflected as a right-of-use asset and no corresponding lease liability was recorded. Fixed rent payments represent a total commitment of $16 million over the term of the leases.

During the year ended August 31, 2020, the Company signed a ten-year lease for a 200,000 square-foot fulfillment centre located in the Greater Toronto Area, Ontario, Canada with two renewal options of five years. As at August 31, 2021, the Company did not have access to the asset and therefore, the facility was not reflected as a right-of-use asset and no corresponding lease liability was recorded. Fixed rent payments represent a total commitment of $34 million over the term of the lease.

Subsequent to August 31, 2021, the Company entered into a 7-year lease for a Montreal fulfillment facility. Fixed rent payments represent a total commitment of $3.0 million over the term of the lease.

FINANCIAL INSTRUMENTS

The Company's financial instruments primarily consist of cash and cash equivalents, accounts and other receivables, restricted cash, line of credit, accounts payable and accrued liabilities, long-term debt and Debentures.

INVESTMENT POLICY

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

DERIVATIVES

As at August 31, 2021, the Company had one interest rate swap agreement, as described in the "Liquidity and Capital Resources" section of the MD&A.

FINANCIAL COVENANTS

As discussed in the "Liquidity and Capital Resources" section of the MD&A, the Company's secured a credit facility that includes financial covenants which may restrict the Company's ability to pursue future transactions or opportunities. As at August 31, 2021, the Company was in compliance with these financial covenants.

RELATED PARTIES

KEY MANAGEMENT PERSONNEL

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

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

(In thousands of Canadian dollars)

For the years ended August 31,	2021	2020
Salaries, fees and other short-term employee benefits	**$ 2,661**	$ 2,884
Share-based payments expense	**1,594**	865

RELATED PARTY TRANSACTIONS

Related parties of the Company include Directors and key management personnel, their family members, and companies over which they have significant influence or control. For the year ended August 31, 2021, the Company has not transacted with related parties. For the year ended August 31, 2020, in connection with the issuance of Debentures, 75 Debentures were purchased by Board members and key management personnel at a price of $1,000 per Debenture.

SHARE-BASED PAYMENTS

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

A restricted share unit plan (the "RSU Plan") was established by the Company to attract and retain employees, officers and directors. The RSU Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the Company's issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan. Under the plan, RSUs generally vest over a period of 3 years.

OUTSTANDING SHARE DATA

As at	November 16, 2021	August 31, 2021	August 31, 2020
Common shares outstanding (1)	**74,919,081**	**74,647,547**	66,311,121
Debentures outstanding (2)	**1,348,936**	**1,457,872**	3,858,723
Stock options outstanding	**2,914,580**	**3,174,309**	4,751,695
Stock options exercisable	**1,212,369**	**1,112,432**	896,335
Restricted share units outstanding	**541,324**	**625,491**	–

(1) As at November 16, 2021 and August 31, 2021, 79,914 and 70,498 common shares (August 31, 2020 – 23,412 common shares), respectively, were excluded from the common shares outstanding as they were held in trust through the employee share purchase plan.

(2) As at November 16, 2021 and August 31, 2021, 6,340 and 6,852 Debentures (August 31, 2020 – 18,136 Debentures) were outstanding which are convertible into 1,348,936 and 1,457,872 common shares of the Company, respectively, at a conversion price of $4.70. Please refer to the "Debt" subsection of the "Liquidity and Capital Resources" section of this MD&A.

USE OF PROCEEDS FROM PUBLIC OFFERINGS

FEBRUARY 2020 CONVERTIBLE DEBENTURES PUBLIC OFFERING

On February 26, 2020, the Company completed a public offering and issued $30 million of Debentures for net proceeds of $28 million.

The following table compares the estimated use of proceeds presented in the Company's final short-form prospectus dated February 19, 2020 with the actual use of proceeds as at August 31, 2021:

(In thousands of Canadian dollars)

	Actual use of proceeds (1)	Estimated use of proceeds	Variance
Buildout of a new Toronto production and distribution facility	$ 2,157	$ 10,000	$ (7,843)
Capital projects (including process automation)	17,742	10,000	7,742
General corporate purposes	8,063	8,063	–
Remaining as at August 31, 2021	–	N/A	–
Total net proceeds	27,962	28,063	(101)
Debentures issuance costs	2,038	1,937	101
Gross proceeds	$ 30,000	$ 30,000	$ –

(1) Part of the intended use of proceeds on the buildout of the new Toronto facility was not used due to a delay in availability of the facility and given the stage of construction. Therefore, actual use of proceeds on capital projects are higher than were originally estimated. Capital projects includes leasehold improvements, furniture and fixtures, machinery and equipment as well as lease payments for new right-of-use assets and costs related to our cloud computing arrangements.

AUGUST 2020 PUBLIC OFFERING

On August 5, 2020, the Company completed a public offering and issued 4,755,250 common shares for net proceeds of $27.1 million (including proceeds from over-allotment option).

The following table compares the estimated use of proceeds presented in the Company's final short-form prospectus dated July 24, 2020 with the actual use of proceeds as at August 31, 2021:

(In thousands of Canadian dollars)

	Actual use of proceeds [1]	Estimated use of proceeds [2]	Variance
Capital expenditures to build out same-day delivery capabilities (including fulfillment technology and automation equipment)	$ 7,052	$ 15,000	$ (7,948)
General corporate purposes	12,093	12,093	–
Remaining as at August 31, 2021	7,948	N/A	7,948
Total net proceeds	27,093	27,093	–
Share issuance costs	1,676	1,676	–
Gross proceeds	$ 28,769	$ 28,769	$ –

(1) Capital projects includes leasehold improvements, furniture and fixtures, machinery and equipment as well as lease payments for new right-of-use assets and costs related to our cloud computing arrangements.

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

FEBRUARY 2021 PUBLIC OFFERING

On February 24, 2021, the Company completed a public offering and issued 4,800,000 common shares for net proceeds of $57.2 million.

The following table compares the estimated use of proceeds presented in the Company's final short-form prospectus dated February 17, 2021 with the actual use of proceeds as at August 31, 2021:

(In thousands of Canadian dollars)

	Actual use of proceeds	Estimated use of proceeds	Variance
Capital expenditures to build out same-day delivery capabilities (including fulfillment technology and automation equipment)	$ –	$ 40,000	$ (40,000)
General corporate purposes	1,758	17,305	(15,547)
Remaining as at August 31, 2021	55,441	N/A	55,441
Total net proceeds	57,199	57,305	(106)
Share issuance costs	2,801	2,695	106
Gross proceeds	$ 60,000	$ 60,000	$ –

SEGMENT REPORTING

The Company has one reportable segment as our principal business activity is focused on developing and servicing the online Canadian grocery 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.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. These assumptions and estimates are regularly reviewed. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The Company’s main judgements, estimates, and assumptions are presented below:

4.1 ECONOMIC CONDITIONS AND UNCERTAINTIES

The COVID-19 pandemic has had an impact on Goodfood’s overall business and operations and has resulted in different levels of restrictions by government authorities. As an essential service in Canada, Goodfood has been operating throughout the pandemic and implemented increased safety protocols at its locations to ensure the safety of its employees. The Company experienced an acceleration of growth in demand. Pressure on supply chains, inventory levels and increased operational costs or disruptions and labour shortages could increase depending on the duration and severity of the pandemic as well as any changes to Goodfood’s industry regulatory framework. The magnitude, duration, and severity of the COVID-19 pandemic are difficult to predict and could affect the significant estimates and judgements used in the preparation of the Company’s consolidated financial statements. Further details on the impact of the pandemic and measures implemented can be found in the “The financial outlook” and “Key highlights of Fiscal 2021 and subsequent events” sections of the MD&A.

4.2 CRITICAL JUDGEMENTS

Impairments of long-lived assets

At each reporting date, management determines whether fixed assets, right-of-use assets and intangible assets present indicators of impairment. For the purposes of its analysis, management uses its judgement considering factors such as the economic environment and the market in which the Company operates, budget, forecasts and physical obsolescence.

4.3 KEY SOURCES OF ESTIMATES AND ASSUMPTIONS

Measurement of net sales

Net sales are presented net of refunds, sales incentives and credits, including referral credits. Credit amounts are estimated based on the Company’s history and experience of the redemption percentage of those credits. The corresponding estimated liability for credits is included in deferred revenue.

Deferred income taxes

Deferred tax assets are recognized for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which tax attributes can be realized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has determined that it is not yet probable that deferred tax assets on the tax losses carried forward and other temporary differences will be realized and has recognized deferred tax assets to the extent of recognized deferred tax liabilities.

Leases

Estimate of the lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and assesses whether it will exercise renewal options at the end of the lease term. The renewal options are only included in the lease term if management is reasonably certain to renew. This significant estimate could affect the Company’s financial position if the lease term of the leases is reassessed differently.

Discount rate

In determining the carrying amount of the right-of-use assets and lease obligations, the Company generally uses its incremental borrowing rate ("IBR"), since the implicit rates are often not readily available due to information not being available from the lessor regarding the fair value of underlying assets and direct costs incurred by the lessor related to the leased assets. The IBR for each lease was determined on the commencement date of the lease.

CHANGES IN ACCOUNTING POLICIES

NEW AND AMENDED STANDARDS ADOPTED BY THE COMPANY

Amendment to *Cloud Computing Arrangements*

In April 2021, the International Financial Reporting Interpretations Committee ("IFRIC") finalized an agenda decision which clarified the customer's accounting for configuration and customization in a cloud computing arrangement. As a result of this decision, the Company changed its accounting policy for costs incurred on cloud computing arrangements with retrospective application.

As a result of this change, the Company will now expense configuration and testing costs related to certain cloud computing arrangements. The impact of changing this accounting policy, on a retrospective basis, to the Company's consolidated statements of loss for the years ended August 31, is as follows:

(In thousands of Canadian dollars)

		2021		2020
Decrease in depreciation and amortization	**$**	**243**	$	164
Increase in selling, general and administrative expense		**(1,606)**		(1,369)
Increase in net loss		**(1,363)**		(1,205)
Increase in basic and diluted loss per share		**(0.02)**		(0.02)

In addition, intangible assets of $1.5 million were derecognized as of August 31, 2020 for which $0.3 million related to prior period. Opening deficit for the year-ended August 31, 2020 was restated by an increase of $0.3 million and opening deficit for the year-ended August 31,2021 was restated by an increase of $1.5 million.

Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Estimates and Errors*

In October 2018, the IASB issued an amendment to IAS 1 and IAS 8 to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments were adopted on September 1, 2020. The adoption of these amendments had no material impact on the consolidated financial statements.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Amendment to IAS 1, *Presentation of Financial Statements*

In January 2020, the IASB issued an amendment to clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity. For the Company, the amendments are effective for fiscal period beginning on September 1, 2023 and are to be applied retrospectively. Earlier application is permitted. The Company is currently evaluating the impact of the amendment on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

DISCLOSURE CONTROLS AND PROCEDURES

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

Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of the DC&P and based on that evaluation, the Certifying Officers have concluded that the DC&P were effective as at August 31, 2021.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

No changes were made during the fiscal year 2021 to the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.