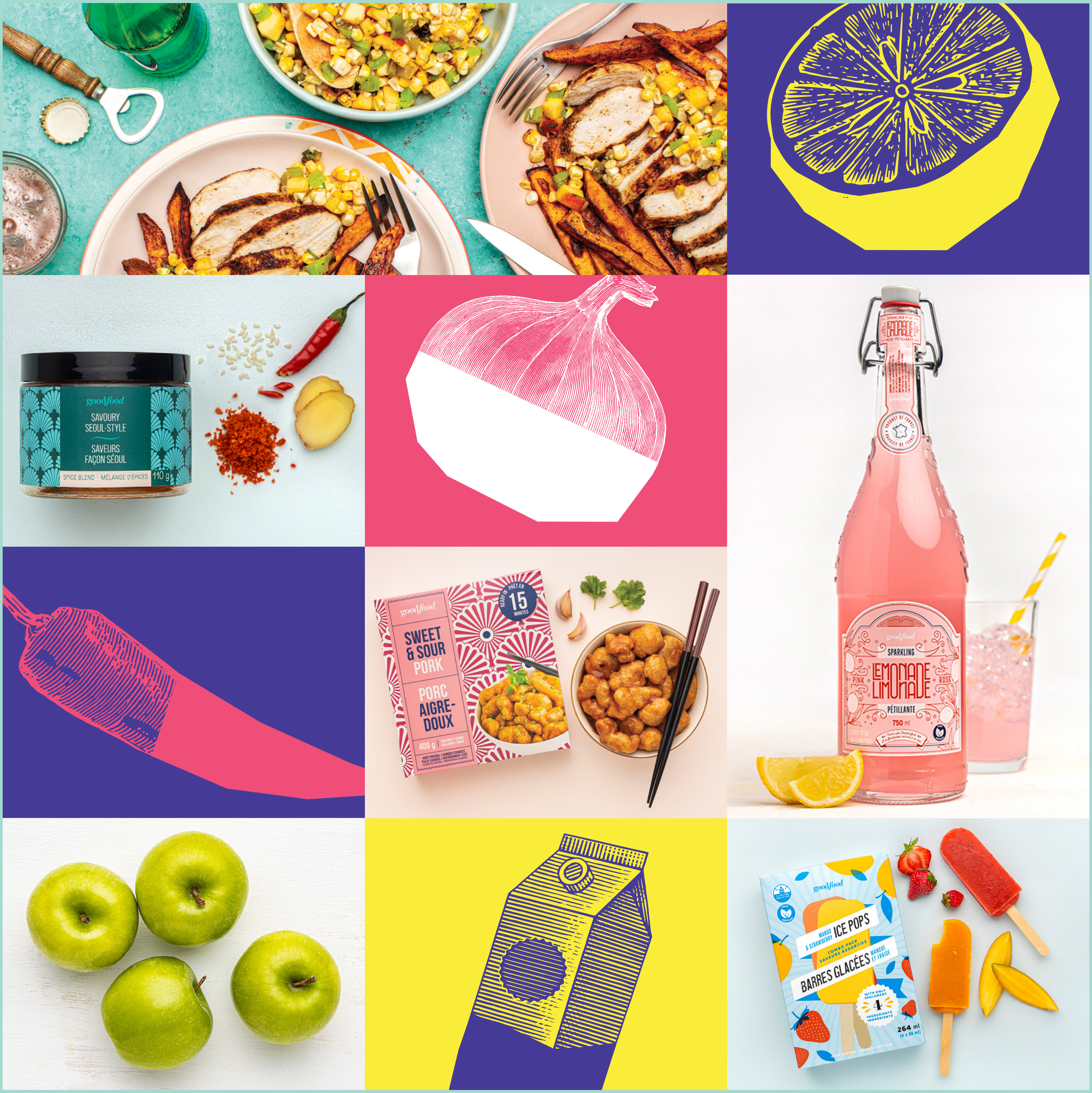
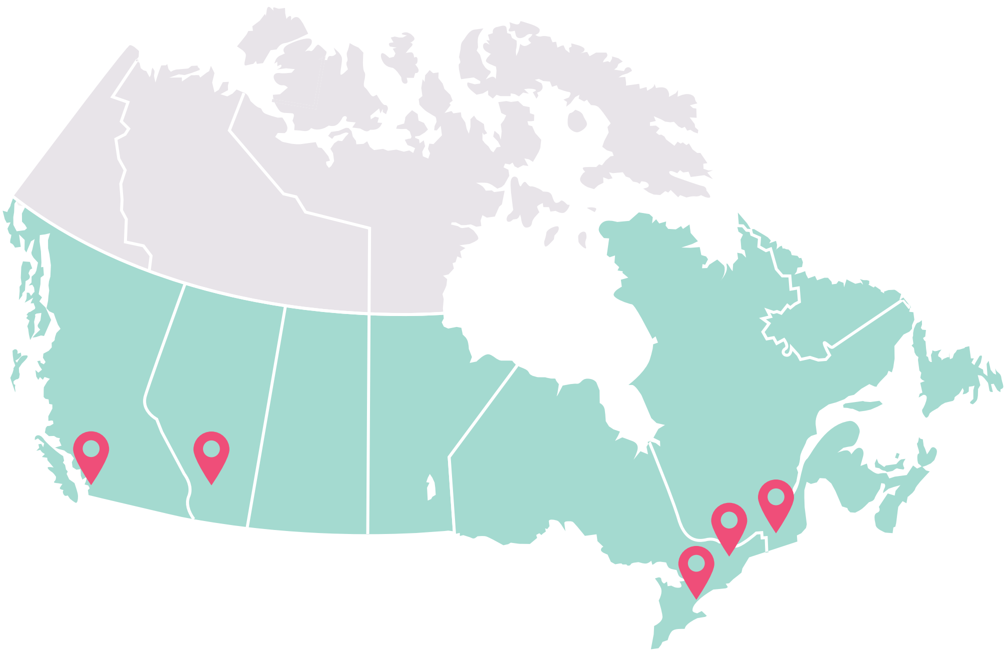
goodfood



ANNUAL REPORT 2021

Goodfood (TSX:FOOD) is a leading online grocery company in Canada, delivering fresh meal solutions and grocery items on-demand, making 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 clients have access to a unique selection of online products as well as exclusive pricing made possible by its direct-to-consumer fulfilment network and technology that eliminate food waste and costly retail overhead. The Company's main production facility and administrative offices are based in Montreal, Québec, with additional production facilities located in the provinces of Quebec, Ontario, Alberta, and British Columbia.

2021
AT A GLANCE



The following table provides a summary of our ocations, including facilities not yet open, 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

13
PRODUCTION FACILITIES

3,200
EMPLOYEES

298K
SUBSCRIBERS[(1)]

$379M
REVENUES

(1) This is a metric or non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the Metrics and Non-IFRS financial measures section in the Management's Discussion and Analysis.

3-YEAR
FINANCIAL HIGHLIGHTS

For the years ended August 31	2021	%Δ	2020	%Δ	2019
Operating Results					
Net Sales	**379,234**	33%	**285,372**	77%	**161,333**
Gross Profit	**116,094**	34%	**86,419**	114%	**40,310**
Adjusted EBITDA(1)	**(15,306)**		**3,306**		**(16,164)**
Net loss being comprehensive loss	**(31,792)**		**(5,341)**		**(21,221)**
Basic and diluted loss per share	**(0.45)**		**(0.09)**		**(0.38)**
Operating Metrics					
Active Subscribers(1)	**298,000**	6%	**280,000**	40%	**200,000**
Gross Margin	**30.6%**	0.3 pp	**30.3%**	5.3 pp	**25.0%**
Adjusted EBITDA Margin(1)	**(4.0%)**	(5.2) pp	**1.2%**	11.2 pp	**(10.0%)**
Financial Position					
Cash(2)	**125,535**		**106,902**		**47,649**
Fixed assets	**33,367**		**19,191**		**13,545**
Total assets	**255,262**		**161,557**		**80,499**
Total debt(3)	**21,351**		**21,678**		**14,031**
Total convertible debentures(4)	**6,466**		**16,245**		**-**
Shareholders' equity	**97,875**		**56,069**		**17,117**
Cash flows provided by (used in)					
Operating activities	**(16,358)**		**7,186**		**596**
Financing activities	**55,503**		**60,118**		**27,055**
Investing activities	**(18,012)**		**(8,051)**		**(6,955)**

(1) This is a metric or non-IFRS financial measure which does not have a standardized meaning prescribed by IFRS and may therefore not be comparable to similar measures presented by other issuers. Please refer to the Non-IFRS financial measures section in the Management's Discussion and Analysis.

(2) Includes cash, cash equivalents and restricted cash when applicable.

(3) Includes the line of credit and the current portion of long-term debt.

(4) Includes the liability and equity components of the convertible debentures.

2021

KEY HIGHLIGHTS

INNOVATION FOR OUR CUSTOMERS

- Launched Goodfood mobile application: over 100,000 downloads, 4.6 rating
- Introduced over 600 new grocery items to surpass 1,000 overall products
- Launched 10-minute meal kits
- Launched Goodfood WOW, a monthly unlimited same-day delivery service, in Toronto, Montreal and Vancouver

STRONG FINANCIAL PERFORMANCE

- Record net sales and gross profit, growing 33% and 34% respectively
- Selected to TSX30 as top 30 performing stocks for second year in a row and made top 3 in the Financial Times list of fastest growing companies in the Americas
- Ended 2021 in strong financial position with $125.5 million of cash on hand

EXPANDED FOOTPRINT FOR ON-DEMAND DELIVERY

- Launched 1-hour or less delivery in Toronto, soon Montreal
- Footprint of 13 purpose-built facilities
- Made strong progress on strategy of building distributed network of centralized manufacturing and distribution to feed localized, fast fulfilment centre
- Continued automation investment with Ottawa automated fulfilment centre

TAKING CARE OF OUR COMMUNITY

- Provided meals to frontline healthcare workers across the country and raised funds for the Breakfast Club of Canada
- Goodfood partnered with CIBC to provide frontline healthcare workers with 100,000 meals through the initiative, called "Plate it Forward"
- Hired an ESG consultant to assist in conducting a materiality assessment of its ESG priorities
- Launched compostable food packaging for select products and first to use electric refrigerated fleet in Canada

MESSAGE TO SHAREHOLDERS

This year has been marked by continued growth for Goodfood. Our subscriber and active customer base reached new records driving a 33% growth in our net sales and 34% in our gross profit. Beyond the record financial performance in fiscal 2021, our business has continued to positively evolve. Our strategy of building an on-demand fulfilment network allowing Canadians to quickly receive their grocery and meal solutions baskets has taken significant steps forward with our offering surpassing the 1,000-product mark, serviced through 13 coast-to-coast manufacturing, distribution, and fulfillment facilities, with orders orchestrated with a revamped technology backbone. During 2021, our customers in Toronto, Montreal and Vancouver began enjoying same-day delivery service through our Goodfood WOW offering, and we are pleased to have launched in November 2021 our 1-hour or less grocery, ready-to-cook, and ready-to-eat, fulfilment service in Toronto and soon Montreal – a truly disruptive online grocery offering. Combined with a bigger selection and faster delivery times, this represents an important step in further digitizing Canada's grocery consumption. And this is only the beginning.

As we embark in the eighth year of the Goodfood journey, we will continue to build-out more aisles of our digital grocery store and bring further innovation to our meal solutions offering, continuing to work tirelessly to successfully bring online a more complete grocery and meal solutions basket, and a seamless shopping experience to customers. Canadians are in the process of testing on-demand grocery and meal solutions delivery and choosing their preferred brands, and we are well-positioned to provide them with the best on-demand value proposition.

MESSAGE TO SHAREHOLDERS

THE (R)EVOLUTION BEGAN THIS YEAR…

At the start of the year, our nascent grocery selection offered customers approximately 400 products – it now boasts over 1,000 delicious Goodfood products. The evolution of Goodfood was truly in full swing this year as we transitioned from a meal kit business to an online grocer and meal solutions provider. We will continue this transition and focus on three key execution pillars:

SELECTION

Our vision of the Canadian consumer grocery basket is simple, shoppers want to purchase the products that allow them to answer the question "what will we eat this week". Our selection of grocery, ready-to-cook and ready-to-eat products can answer all meal occasions on a given week. We have made tremendous progress on that front with the introduction of over 600 new grocery products, 10-minute meal kits, and ready-to-eat meal solutions now prepared in our kitchens. Over the coming year and beyond, we will continue to build our selection to answer that question better and better.

SPEED

To continue pushing the digitization of the grocery, it is imperative to offer customers an experience that rivals traditional grocery in the speed Canadians can complete their basket and have it in their homes. For that reason, we have invested significantly in and begun setting up a distributed network of facilities in which centralized meal solutions manufacturing and grocery distribution will feed local fulfilment centres that will efficiently and rapidly turn around orders to customers. This network will support our on-demand delivery strategy and this year, it had enabled the launch of Goodfood WOW, our same-day delivery offering, in Montreal, Toronto and Vancouver. The delivery times through WOW have also been tightened from an 11.30am cut-off for an 8pm delivery to a 2pm cut-off for a 6pm delivery.

TECHNOLOGY

The orchestration of orders within an hour or less is no simple feat. In 2021, we have invested heavily in people and tools that have built the technology to enable the increasing selection and faster delivery times to come together. We have revamped the technology backbone of Goodfood to develop and incorporate all the components that allow our front-end customer-facing platform to integrate with our optimized last-mile logistics, fulfilment operation and increasingly complex supply chain.

MESSAGE TO SHAREHOLDERS

...AND WILL CONTINUE IN 2022 WITH THE LAUNCH OF ON-DEMAND DELIVERY

When we began our adventure seven years ago, our vision was to build a leading online grocer that could make our lives and the lives of millions of Canadians simpler, better. Seven years on, we remain fully committed to that vision and to making the investments to further crystallize what we accomplished thus far and expand our market share. We are excited by the growth we have seen in 2021 across all our growth drivers and our focus remains on relentlessly improving customers' lives as we move further forward with our transition from one aisle of the grocery store (meal kits) to building all the aisles Canadians need and deliver to them faster in 2022.

With the recent launch of 1-hour or less delivery of all our product categories in Toronto and soon Montreal, we are well on our way to providing a viable on-demand alternative to brick-and-mortar grocery shopping. As Fiscal 2022 unfolds, we will look to further expand our product offering as well as broaden the availability of on-demand deliveries in key urban areas across the country.

In the coming year, our technology will also continue to evolve as we will focus on making our shopping experience even more seamless through faster website performance and, more importantly, an open platform where customers can shop without a subscription.

Through selection, speed and technology, our revolution of the Canadian grocery has truly begun.

MESSAGE TO SHAREHOLDERS

THE BEST IS YET TO COME

Fiscal 2021 has been a tremendously successful transition year for Goodfood and its shareholders. The milestones reached this year are crucial in our journey, be it the 33% revenue growth, the 295% grocery sales growth, the gross margin improvement, or the selection surpassing 1,000 products, all our accomplishments this year have put us on the right path to online grocery and meal solutions leadership in Canada.

As Canadians, we are also very pleased to see Canada achieving an 88% vaccination rate for COVID-19. The pent-up demand for restaurant dining, hospitality and travel expressed itself throughout the summer and despite that, our business has shown significant resilience, with revenues only declining 5% when compared to 2020, a year in which the normal seasonal trends of our business were muted due to the significant COVID-19 restrictions in place at the time. Despite the expected choppiness in demand levels and the labour cost inflation absorbed in the fourth quarter, we still achieved record gross margin this fiscal year.

Our achievements have translated in significant shareholder value creation, with the Goodfood stock jumping 44% this year[1] and being selected on the TSX30 list for the second year in a row. We are also proud to have made the top 3 in the Financial Times list of fastest growing companies in the Americas. It undoubtedly has been a good year. But the best is yet to come.

[1] Represents share price return from close on August 31, 2020 ($6.81) to close on August 31, 2021 ($9.84)

MESSAGE TO SHAREHOLDERS

In Fiscal 2022 and beyond, the revolution will continue as we launch our next phase of initiatives. We have recently launched a 1-hour or less delivery service available in Toronto and in short order Montreal, supplementing WOW same-day deliveries in the broader Greater Toronto and Montreal areas, enabled by our investments in a distributed network infrastructure. Through local fulfilment centres fed by centralized manufacturing and distribution centres, our customers now have access faster than ever to ready-to-cook, ready-to-eat and grocery products. Over the course of the year and next year, investments in these centres will support the launch of shorter delivery times of a bigger selection from cost to coast. What is more, our website will also soon be open to all Canadians who wish to purchase groceries online without requiring a subscription, a truly game-changing step in opening our business to 38 million Canadians.

As the $142 billion grocery industry [2] continues to shift online, we are tremendously excited by the simple fact that each 1% shift online represents a $1.4 billion opportunity for Goodfood. We have begun laying the foundation to capture that shift through our execution pillars: selection, speed, and technology. With these pillars beginning to take shape, we believe to be in an excellent position to continuing growing through our three growth vectors: ready-to-cook meal kits, ready-to-eat meal solutions and private label and branded grocery products. By putting together the right selection with on-demand delivery speed and a seamless shopping experience, we will look to acquire more customers, and entice them to purchase bigger baskets, more often.

[2] Statista, July 2021, "Retail sales of food and beverage in Canada"

MESSAGE TO SHAREHOLDERS

AGAIN, MOST IMPORTANTLY

Having reached a workforce of nearly 3,200 employees, our exceptional performance this year still reflects the dedication of our people. Our success would not have been possible without their incredible contributions both in good and more challenging times. To all Goodfoodies, we want to say thank you for your hard work and your steadfast trust in our strategy.

Our performance this year has still also been driven by the unwavering confidence of our shareholders, customers, board members, suppliers, and other stakeholders. We want to express our deep appreciation for your trust and support. We are thrilled to have rewarded your confidence in our strategy with strong returns and will constantly work to continue doing so.

When we created Goodfood, we envisioned improving the experience of Canadian grocery shoppers and our goal to be in every kitchen, every day, has been accelerated in the past 18 months. As we continue to build towards that ambitious goal, it is with great pride that we share with you our Fiscal year 2021 financial results.

Jonathan Ferrari
Co-Founder, Chairman of the Board and CEO

Neil Cuggy
Co-Founder, Director, President and COO

BOARD OF DIRECTORS

JONATHAN FERRARI
Co-Founder, Chairman
of the Board and CEO

NEIL CUGGY
Co-Founder, Director,
President and COO

HAMNETT HILL
Director

DONALD OLDS
Director

TERRY YANOFSKY
Director

FRANÇOIS VIMARD
Director

goodfood

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

goodfood

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2021 AND 2020

GOODFOOD MARKET CORP.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Goodfood Market Corp.

Opinion

We have audited the consolidated financial statements of Goodfood Market Corp. (the "Entity"), which comprise:

- the consolidated statements of financial position as at August 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended August 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matters to be communicated in our auditors' report.

KPMG

Assessment of the existence and accuracy of inventories

Description of the matter

We draw attention to Note 3 and Note 10 to the financial statements.

The Entity's inventories balance is $14.3 million. The Entity's inventories mainly consist of food, packaging supplies and work in process. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

Why the matter is a key audit matter

We identified the assessment of the existence and accuracy of inventories as a key audit matter. This matter represented an area of higher assessed risk of material misstatement given the magnitude of the inventories balance. In addition, an increased extent of audit effort was needed to address the matter.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- We observed the Entity's physical inventory counts for a selection of locations at or close to year-end and performed a sample of independent test counts which we compared to the Entity's records.
- We tested a sample of inventory items to purchase invoices and we recalculated the first-in, first-out basis of the sampled inventory items.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditor's report thereon, included in the "Annual report" as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditors' report is Alain Bessette.

KPMG LLP*

Montréal, Canada

November 16, 2021

*CPA auditor, CA, public accountancy permit No. A115894

GOODFOOD MARKET CORP.

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except share and per share information)

For the years ended August 31,	Notes	2021	2020[1]
Net sales		**$ 379,234**	$ 285,372
Cost of goods sold		**263,140**	198,953
Gross profit		**116,094**	86,419
Selling, general and administrative expenses		**136,396**	84,987
Depreciation and amortization	12,13,14, 22	**8,820**	5,197
Operating loss		**(29,122)**	(3,765)
Net finance costs	6	**2,170**	2,380
Loss before income taxes		**(31,292)**	(6,145)
Deferred income tax expense (recovery)	7	**500**	(804)
Net loss, being comprehensive loss for the period		**$ (31,792)**	$ (5,341)
Basic and diluted loss per share		**$ (0.45)**	$ (0.09)
Basic and diluted weighted average number of common shares outstanding	20	**70,742, 923**	58,919,209

[1] Refer to Note 5 for retrospective change in accounting policy.

The accompanying notes are an integral part of these consolidated financial statements.

GOODFOOD MARKET CORP.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

As at	Notes	August 31, 2021	August 31, 2020[1]
Assets			
Current assets:			
Cash and cash equivalents		**$ 125,535**	$ 104,402
Accounts and other receivables	9	**5,968**	4,464
Inventories	10	**14,318**	6,962
Other current assets	11	**709**	780
		146,530	116,608
Non-current assets:			
Restricted cash	17	–	2,500
Fixed assets	12	**33,367**	19,191
Right-of-use assets	13	**69,157**	21,130
Intangible assets	14	**2,082**	714
Other non-current assets	15	**4,126**	1,414
Total assets		**$ 255,262**	$ 161,557
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	16	**$ 52,207**	$ 40,878
Line of credit	17	–	9,063
Deferred revenues		**5,095**	5,390
Current portion of long-term debt	17	**651**	656
Current portion of lease obligations	19	**5,443**	2,990
		63,396	58,977
Non-current liabilities:			
Long-term debt	17	**20,700**	11,959
Convertible debentures	18	**5,623**	14,194
Lease obligations	19	**67,668**	20,358
Total liabilities		**157,387**	105,488
Shareholders' equity:			
Common shares	20	**170,094**	97,801
Contributed surplus		**5,901**	3,208
Convertible debentures	18	**843**	2,231
Deficit		**(78,963)**	(47,171)
Total shareholders' equity		**97,875**	56,069
Total liabilities and shareholders' equity		**$ 255,262**	$ 161,557

(1) Refer to Note 5 for retrospective change in accounting policy.

The accompanying notes are an integral part of these consolidated financial statements.
Approved on behalf of Goodfood Market Corp. by:

(signed)
Jonathan Ferrari, Director and Chair of the Board

(signed)
Francois Vimard, Director and Chair of the Audit Committee

GOODFOOD MARKET CORP.

Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars)

For the years ended August 31,	Notes	Common Shares	Contributed Surplus	Convertible Debentures	Deficit	Total
Balance as at August 31, 2019 [1]		$ 56,598	$ 2,349	$ –	$ (41,830)	$ 17,117
Net loss for the period		–	–	–	(5,341)	(5,341)
Share-based payments expense	21	–	1,874	–	–	1,874
Stock options exercised	21	2,968	(1,015)	–	–	1,953
Employee share purchase plan	21	(96)	–	–	–	(96)
Net share issuance	20	27,093	–	–	–	27,093
Net convertible debentures issuance [2]	18	–	–	3,690	–	3,690
Net convertible debentures conversions [3]	18	11,238	–	(1,459)	–	9,779
Balance as at August 31, 2020 [1]		$ 97,801	$ 3,208	$ 2,231	$ (47,171)	**$ 56,069**
Net loss for the period		–	–	–	(31,792)	**(31,792)**
Share-based payments expense	21	–	4,230	–	–	**4,230**
Stock options exercised	21	4,623	(1,537)	–	–	**3,086**
Employee share purchase plan	21	(427)	–	–	–	**(427)**
Net share issuance	20	57,199	–	–	–	**57,199**
Net convertible debentures conversions [3]	18	10,898	–	(1,388)	–	**9,510**
Balance as at August 31, 2021		**$ 170,094**	**$ 5,901**	**$ 843**	**$ (78,963)**	**$ 97,875**

[1] Refer to Note 5 for retrospective change in accounting policy.
[2] The equity component of the convertible debentures presented above is net of income taxes of $1.3 million.
[3] The conversions of the convertible debentures presented above is net of income taxes of $0.5 million (2020 – $0.5 million).

The accompanying notes are an integral part of these consolidated financial statements.

GOODFOOD MARKET CORP.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

For the years ended August 31,	Notes	2021	2020[1]
Operating:			
Net loss		**$ (31,792)**	$ (5,341)
Adjustments for:			
Depreciation and amortization	12,13,14, 22	**8,820**	5,197
Share-based payments expense	21	**4,230**	1,874
Net finance costs	6	**2,170**	2,380
Deferred income tax expense (recovery)	7	**500**	(804)
Change in non-cash operating working capital	22	**(14)**	4,400
Other non-current assets		**(272)**	(520)
Net cash (used in) provided by operating activities		**(16,358)**	7,186
Investing:			
Additions and deposits to fixed assets	12,15	**(16,651)**	(8,426)
Additions to intangible assets	14	**(2,102)**	(407)
Interest received		**741**	782
Net cash used in investing activities		**(18,012)**	(8,051)
Financing:			
Net (repayment) borrowing under line of credit	17	**(9,063)**	7,523
Proceeds from drawdown of revolving facility	17	**9,063**	–
Net proceeds from issuance of convertible debentures	18	–	27,976
Net proceeds from issuance of common shares	20	**57,364**	27,241
Proceeds from exercise of stock options	21	**3,086**	1,953
Shares purchased under employee share purchase plan	21	**(427)**	(96)
Net payments of lease obligations	19	**(3,553)**	(2,574)
Net proceeds from issuance of long-term debt	17	**12,193**	–
Net repayment of long-term debt	17	**(12,500)**	–
Interest paid		**(3,160)**	(1,905)
Change in restricted cash	17	**2,500**	–
Net cash provided by financing activities		**55,503**	60,118
Increase in cash and cash equivalents		**21,133**	59,253
Cash and cash equivalents, beginning of year		**104,402**	45,149
Cash and cash equivalents, end of year		**$ 125,535**	$ 104,402
Supplemental disclosure of cash flow information	22		

(1) Refer to Note 5 for retrospective change in accounting policy.

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Goodfood Market Corp. is an online grocery company in Canada, delivering fresh meal solutions and grocery items to members across Canada. References to Goodfood Market Corp. (or "Goodfood", the "Company") represent the financial position, financial performance, cash flows and disclosures of Goodfood Market Corp. and its subsidiaries on a consolidated basis.

These financial statements are prepared on a consolidated basis and include its wholly owned subsidiaries which do not currently conduct any activities.

Goodfood Market Corp. is incorporated under the *Canada Business Corporations Act* and is listed on the Toronto Stock Exchange ("TSX") under the symbol "FOOD". The Company has its main production facility and administrative offices based in Montréal, Québec, with additional locations in Québec, Ontario, Alberta, and British Columbia.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Details of the Company's accounting policies are included in Note 3.

The consolidated financial statements of the Company for the years ended August 31, 2021 and 2020 were authorized by the Board of Directors ("Board") on November 16, 2021 for publication on November 17, 2021.

2.2 BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss;
- equity share-based payment arrangements which are measured at fair value at grant date; and
- lease obligations, which are measured at the present value of minimum lease payments at lease inception.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are stated in Canadian dollars, which is the functional and presentation currency of Goodfood Market Corp.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

The consolidated financial statements of the Company include the accounts of the Company and of its wholly owned subsidiaries.

<u>Subsidiaries</u>

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. The Company reassesses whether it controls an entity if facts and circumstances indicate that one or more of the aforementioned points have changed. A subsidiary is consolidated from the date the Company obtains control and continues to be consolidated until the date that such control ceases.

3.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from the sale of goods is measured at the fair value of consideration received, net of refunds, sales incentives and credits. Revenue is recognized at a point in time, which is upon delivery of meal solutions, as it meets the criteria to satisfy the performance obligation. Sales and referral credits are recognized as revenue upon redemption and when the Company fulfills its obligation. Deferred revenue is recognized for consideration received in advance of the related revenue. Sales and referral credits are also included in deferred revenue and are measured based on the fair value of the sales and referral credits granted, taking into consideration the estimated redemption percentage.

3.3 TAXES

Income tax expense comprises current and deferred income taxes. It is recognized in the consolidated statements of loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the years and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred income tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

3.4 FINANCE INCOME AND FINANCE COSTS

Finance income comprises of interest income and foreign exchange gains. Finance costs comprise of interest expense on debt, lease obligations, convertible debentures, foreign exchange losses and changes in fair value of interest rate swaps. The Company classifies interests paid as financing activities and interests received as investing activities in the Company's consolidated statements of cash flows.

3.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of cash held in financial institutions, outstanding deposits and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

3.6 INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the first-in, first-out method. Cost includes acquisition costs net of discounts, and other costs incurred to bring inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

3.7 RESTRICTED CASH

Restricted cash is cash where specific restrictions exist on the Company's ability to use this cash. Restricted cash consists primarily of cash held as collateral, which is subject to the terms of the financing agreement (refer to Note 17).

3.8 FIXED ASSETS

3.8.1 RECOGNITION AND MEASUREMENT

Fixed assets are recognized at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use, as well as directly attributable payroll and consulting costs.

When components of a fixed asset have materially different useful lives, they are accounted for separately.

Gains and losses on disposal of a fixed asset are determined by comparing the proceeds from disposal with the carrying amount and are recognized in the consolidated statements of loss.

3.8.2 SUBSEQUENT EXPENDITURE

The cost of replacing a fixed asset is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statements of loss as incurred.

3.8.3 DEPRECIATION

Depreciation is calculated over the cost of the asset less its residual value and is recognized in the consolidated statements of loss on a straight-line basis over the estimated useful lives of each part of a fixed asset, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets under construction are not depreciated and reflect the cost of fixed assets, which are not yet available for their intended use. Assets under construction will start to be depreciated when they are available for their intended use. Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset	Period
Furniture and fixtures	3 to 5 years
Machinery and equipment	3 to 20 years
Computer hardware and other	3 to 5 years
Leasehold improvements	Shorter of lease term and useful life

3.9 LEASES

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 0 to 11 years for facilities, automotive equipment and other equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease obligation

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease obligation comprise of fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statements of loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.10 INTANGIBLE ASSETS

3.10.1 RECOGNITION AND MEASUREMENT

Intangible assets that have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets include the cost of software tools and licenses as well as directly attributable payroll and consulting costs.

3.10.2 SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the consolidated statements of loss as incurred.

3.10.3 AMORTIZATION

Amortization is recognized in the consolidated statements of loss on a straight-line basis over the estimated useful lives of the finite life of intangible assets. Intangible assets in development are not amortized and reflect the cost of developing the intangible asset, which are not yet available for their intended use. Intangible assets in development will start to be amortized when they are available for their intended use.

The estimated useful lives for the current year and comparative periods are as follows:

Asset	**Period**
Software	3 to 5 years
Intellectual property	5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

3.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company reviews the carrying amount of its non-financial assets, which include intangible assets with a finite useful life, fixed assets and right-of-use assets on each reporting date, in order to determine if specific events or changes in circumstances indicate that their carrying amounts may not be recoverable.

For impairment testing purposes, assets that cannot be tested individually are aggregated into a cash generating unit ("CGU"). An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statements of loss.

3.12 GOVERNMENT GRANTS

Government grants are recognized only when the Company has reasonable assurance that it meets the conditions and will receive the grants. Government grants related to assets, including investment tax credits, are recognized in the consolidated statements of financial position as a deduction from the carrying amount of the related asset. They are then recognized in the consolidated statements of loss over the estimated useful life of the depreciable asset that the grants were used to acquire, as a deduction from the depreciation expense.

Other government grants are recognized in the consolidated statements of loss as a deduction from the related expenses.

3.13 FINANCIAL INSTRUMENTS

3.13.1 RECOGNITION AND INITIAL MEASUREMENT

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issuance.

3.13.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") – debt investment, FVOCI – equity investment, or FVTPL.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investment

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investment

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Loss. This election is done on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. The Company has not designated any financial assets at fair value through profit or loss and does not have any financial assets at FVOCI.

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of loss. Any gain or loss on derecognition is recognized in the consolidated statements of loss.

Financial liabilities

Financial liabilities are classified and measured as amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses are recognized in the consolidated statements of loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Finance expense is recognized in the consolidated statements of loss.

3.13.3 DERECOGNITION

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received or receivable is recognized in the consolidated statements of loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statements of loss.

3.13.4 OFFSETTING

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.13.5 IMPAIRMENT

The Company recognizes expected credit losses and changes in such losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets. The expected credit losses identified were not significant.

3.13.6 FAIR VALUE MEASUREMENT

In establishing the fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1: defined as observable inputs such as quoted prices in active markets.

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

3.13.7 INTEREST RATE SWAP AGREEMENTS

The Company’s swap agreement is measured at fair value with gains and losses in fair value presented in net finance costs in the Company’s consolidated statements of loss.

3.13.8 CONVERTIBLE DEBENTURES

Convertible debentures are measured at amortized cost, using the effective interest rate method. They are initially measured at fair value, which is the consideration received, net of transaction costs incurred, net of the equity component. Transactions costs related to those instruments are included in the value of the instruments and amortized using the effective interest rate method. The effective interest expense is included in net finance costs in the consolidated statements of loss.

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issuance, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date. The equity component is recognized and included in equity, without being subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the portion recognized in equity will be transferred to common shares. Issuance costs are divided between the liability and equity components in proportion to their respective values.

On the early redemption or repurchase of convertible debentures, the Company allocates the consideration paid on extinguishment to the liability based on its fair value at the date of the transaction and the residual is allocated to the conversion option. Any resulting gain or loss relating to the liability element is credited or charged to the consolidated statements of loss and the difference between the carrying amount and the amount considered to be settled relating to the holder option is treated as a common share transaction.

3.14 PROVISIONS

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as net finance costs.

Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

3.15 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.16 SHARE-BASED PAYMENTS

The Company's share-based payment plans consist of a stock option plan, a restricted share unit plan and an employee share purchase plan. Employees, consultants, officers and directors of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of the Company's stock option plan is determined by the fair value at the date when the grant is made using the Black-Scholes option pricing model. The cost of the Company's restricted share unit plan is determined based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. The costs are recognized as a share-based payment expense, together with a corresponding increase in equity (contributed surplus), over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired. The expense or credit in the statements of loss for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

3.17 EMPLOYEE SHARE PURCHASE PLAN

The Company's contributions, used to purchase shares on the open market on behalf of employees, are recognized when incurred as an employee benefit expense, with a corresponding increase in contributed surplus. The amount expensed is adjusted to reflect the number of awards for which it is expected that the vesting conditions will be me met, so that the amount ultimately expensed will depend on the number of awards that meet the vesting conditions at the vesting date.

Unvested shares held in trust on behalf of employees are treasury shares and, therefore, deducted from equity until they become vested.

3.18 FOREIGN CURRENCY

Transactions in foreign currencies are comprised of purchases from foreign suppliers. These transactions are translated using the functional currency of the Company at exchange rates at the dates of the transactions. The related payables denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at that date. The resulting foreign currency gains or losses are recognized on a net basis within net finance costs in the consolidated statements of loss.

3.19 EARNINGS PER SHARE

Basic earnings per share are computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding during the year adjusted to include the dilutive impact of stock options, unvested shares of the employee share purchase plan ("ESPP"), and convertible debentures.

3.20 SEGMENT REPORTING

The Company determined that it operated a single operating segment for the years ended August 31, 2021 and 2020.

4. 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 are provided in Management's Discussion and Analysis for the year ended August 31, 2021.

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.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

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.

5. CHANGES IN ACCOUNTING POLICIES

5.1 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:

		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.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

5.2 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.

6. NET FINANCE COSTS

	For the years ended August 31,			
		2021		2020
Interest expense on debt	**$**	**986**	$	733
Interest expense on lease obligations		**1,208**		927
Interest expense on the Debentures, including accretion interest		**1,092**		1,309
Interest income		**(870)**		(772)
Foreign exchange (gain) loss		**(126)**		83
Fair value (gain) loss on interest rate swaps		**(120)**		100
	$	**2,170**	$	2,380

7. INCOME TAXES

A reconciliation of the Company's income taxes at Canadian statutory rates is as follows:

	For the years ended August 31,			
		2021		2020 (1)
Loss before income taxes	**$**	**(31,292)**	$	(6,145)
Canadian statutory rates		**25.9%**		26.5%
Income tax benefit at the combined Canadian statutory rate	**$**	**(8,105)**	$	(1,628)
Decrease resulting from:				
Change in unrecognized deferred income tax assets		**7,503**		297
Permanent differences		**1,236**		531
Change in tax rates		**244**		–
Other		**(378)**		(4)
Total income tax expense (recovery)	**$**	**500**	$	(804)

(1) Refer to Note 5 for retrospective change in accounting policy.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

Deferred income tax assets (liabilities) are attributable to the following items:

	Lease obligations	Net operating losses	Debentures	Fixed assets	Deferred income tax assets (liabilities)
As at August 31, 2019	$ 2,736	$ –	$ –	$ (2,736)	$ –
Recognized in net loss	2,201	1,044	(240)	(2,201)	804
Recognized in equity	–	–	(804)	–	(804)
As at August 31, 2020	$ 4,937	$ 1,044	$ (1,044)	$ (4,937)	**$ –**
Recognized in net loss	12,188	(726)	226	(12,188)	(500)
Recognized in equity	–	–	500	–	500
As at August 31, 2021	**$ 17,125**	**$ 318**	**$ (318)**	**$ (17,125)**	**$ –**

The Company had unrecognized deferred income tax assets as follows:

As at	August 31, 2021	August 31, 2020 (1)
Net operating loss carry forwards	**$ 14,500**	$ 7,453
Fixed assets	**1,810**	1,250
Share and debt issuance costs	**1,433**	1,265
Intangible assets	**1,155**	723
Other	**117**	92
Unrecognized deferred income tax assets	**$ 19,015**	$ 10,783

(1) Refer to Note 5 for retrospective change in accounting policy.

The Company has operating tax losses carried forward of $53.8 million (2020 – $32.1 million) which are partially recognized for an amount of $1.2 million (2020 – $3.9 million), and unrecognized deductible temporary differences of $18.8 million (2020 – $8.6 million) that are available to reduce taxable income. Deferred income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can realize the benefits therefrom. As at August 31, 2021, the amounts and expiry dates of the tax losses carried forward were as follows:

2035	**$ 49**
2036	**712**
2037	**3,547**
2038	**8,516**
2039	**18,089**
2040	**921**
2041	**21,991**
	$ 53,825

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

8. SUPPLEMENTAL STATEMENT OF LOSS AND COMPREHENSIVE LOSS INFORMATION

	For the years ended August 31,	
	2021	2020
Expense related to variable lease payments not included in the lease obligations	**$ 819**	$ 157
Salaries, fees and other short-term employee benefits	**121,350**	70,932

9. ACCOUNTS AND OTHER RECEIVABLES

As at	**August 31, 2021**	August 31, 2020
Sales taxes receivable	**$ 4,633**	$ 3,063
Rewards program receivable	**1,034**	863
Volume discounts receivable	**147**	421
Other receivables	**154**	117
	$ 5,968	$ 4,464

10. INVENTORIES

As at	**August 31, 2021**	August 31, 2020
Food	**$ 11,814**	$ 4,534
Packaging supplies	**1,742**	1,928
Work in process	**762**	500
	$ 14,318	$ 6,962

The cost of inventories recognized as an expense within cost of goods sold during the year ended August 31, 2021 was $236.5 million (2020 – $172.8 million).

11. OTHER CURRENT ASSETS

As at	**August 31, 2021**	August 31, 2020
Prepaid expenses	**$ 426**	$ 524
Deposits and other	**283**	256
	$ 709	$ 780

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

12. FIXED ASSETS

	Furniture and fixtures	Machinery and equipment	Computer hardware and other	Leasehold improvements	Assets under construction [1]	Total
Cost:						
As at August 31, 2019	$ 716	$ 6,480	$ 674	$ 7,079	$ 232	$ 15,181
Additions	790	2,049	736	1,436	3,075	8,086
Transfers	–	–	–	3,256	(3,256)	–
As at August 31, 2020	$ 1,506	$ 8,529	$ 1,410	$ 11,771	$ 51	$ 23,267
Additions	2,571	1,485	2,169	1,511	10,371	18,107
As at August 31, 2021	**$ 4,077**	**$ 10,014**	**$ 3,579**	**$ 13,282**	**$ 10,422**	**$ 41,374**
Accumulated depreciation:						
As at August 31, 2019	$ 130	$ 507	$ 216	$ 783	$ –	$ 1,636
Depreciation	205	891	292	1,052	–	2,440
As at August 31, 2020	$ 335	$ 1,398	$ 508	$ 1,835	$ –	$ 4,076
Depreciation	510	1,207	759	1,455	–	3,931
As at August 31, 2021	**$ 845**	**$ 2,605**	**$ 1,267**	**$ 3,290**	**$ –**	**$ 8,007**
Net carrying amounts:						
As at August 31, 2020	$ 1,171	$ 7,131	$ 902	$ 9,936	$ 51	$ 19,191
As at August 31, 2021	**3,232**	**7,409**	**2,312**	**9,992**	**10,422**	**33,367**

(1) Additions of assets under construction include \$0.9 million (2020 – \$0.5 million) related to capitalized depreciation of right-of-use assets.

13. RIGHT-OF-USE ASSETS

	Facilities	Automotive equipment	Other equipment	Total
As at August 31, 2019	$ 10,348	$ 290	$ 451	$ 11,089
Additions	12,411	536	324	13,271
Derecognition	–	–	(73)	(73)
Depreciation	(2,581)	(378)	(198)	(3,157)
As at August 31, 2020	$ 20,178	$ 448	$ 504	$ 21,130
Additions and lease modifications	52,609	150	757	53,516
Depreciation	(4,616)	(171)	(702)	(5,489)
As at August 31, 2021	**$ 68,171**	**$ 427**	**$ 559**	**$ 69,157**

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

14. INTANGIBLE ASSETS

	Software [1] [2]	Intellectual property	Total
Cost:			
As at August 31, 2019	$ 224	$ 74	$ 298
Additions	609	–	609
Disposals, write-offs and transfers	(63)	–	(63)
As at August 31, 2020	$ 770	$ 74	$ 844
Additions	1,657	–	1,657
As at August 31, 2021	**$ 2,427**	**$ 74**	**$ 2,501**
Accumulated amortization:			
As at August 31, 2019	$ 70	$ –	$ 70
Amortization	58	15	73
Disposals, write-offs and transfers	(13)	–	(13)
As at August 31, 2020	$ 115	15	$ 130
Amortization	274	15	289
As at August 31, 2021	**$ 389**	**$ 30**	**$ 419**
Net carrying amounts:			
As at August 31, 2020	$ 655	$ 59	$ 714
As at August 31, 2021	**2,038**	**44**	**2,082**

[1] For the year ended August 31, 2021, the net carrying amount of software under development amounted to $1.1 million (2020 – $0.4 million).

[2] Refer to Note 5 for retrospective change in accounting policy.

15. OTHER NON-CURRENT ASSETS

As at	**August 31, 2021**	August 31, 2020
Security deposits	**$ 1,054**	$ 882
Deposits on fixed assets	**3,072**	532
	$ 4,126	$ 1,414

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	**August 31, 2021**	August 31, 2020
Accounts payable	**$ 30,078**	$ 26,068
Accrued liabilities	**22,129**	14,810
	$ 52,207	$ 40,878

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

17. DEBT

As at		**August 31, 2021**		August 31, 2020
Interest-bearing financing:				
Secured revolving facility, variable interest at BA[1] plus 2.50%, maturing in November 2023	**$**	**9,063**	$	–
Secured term loan, variable interest at BA[1] plus 2.50%, maturing in November 2023		**12,500**		–
Matured borrowings:				
Secured line of credit, variable interest at CDOR[2] plus 2.50%		**–**		9,063
Secured term loan, variable interest at CDOR[2] plus 2.50%		**–**		12,500
	$	**21,563**	$	21,563
Interest rate swap		**26**		146
Unamortized financing costs		**(238)**		(31)
	$	**21,351**	$	21,678
Line of Credit		**–**		(9,063)
Current portion of long-term debt		**(651)**		(656)
	$	**20,700**	$	11,959

(1) BA is defined as the Canadian Banker's Acceptance Rate.
(2) CDOR is defined as the Canadian Dollar Offered Rate.

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

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

$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.

As at August 31, 2021, the Company's interest rate swap is classified as a derivative financial liability and is not designated as a hedging instrument. For the year ended August 31, 2021, a gain in fair value of $0.1 million (2020 – loss of $0.1 million) is presented in net finance costs (refer to Note 6). As at August 31, 2021, a liability of $26 thousand is presented in the current portion of long-term debt. As at August 31, 2020, a liability of $0.1 million was presented in long-term debt.

PRINCIPAL PAYMENTS

Principal payments due on the long-term debt in each of the following fiscal years are as follows:

		Principal payments
2022	**$**	**625**
2023		**1,250**
2024		**19,688**

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

18. CONVERTIBLE DEBENTURES

On February 26, 2020, the Company issued 30,000 convertible unsecured subordinated debentures (the "Debentures") at a price of $1 thousand per Debenture for gross proceeds of $30 million. The Debentures mature on March 31, 2025 (the "Maturity Date") 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, which commenced on September 30, 2020.

The Debentures are convertible into common shares of the Company at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date and the last business day immediately preceding the date specified for redemption by the Company at a price of $4.70 (the "Conversion Price") per common share.

On or after March 31, 2023, and prior to March 31, 2024, provided that the volume weighted average trading price of the Company's common shares on the TSX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price, 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. On or after March 31, 2024, and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

In the event of a change in control, the Company will be required to make a payment to the holders of the Debentures in accordance with the make-whole premium provisions set forth by the indenture of the Debentures.

The conversion option, net of related issuance costs and deferred income taxes, has been recorded in shareholders' equity for an amount of $3.7 million. Factoring in the Debentures issuance costs, the effective interest rate on the Debentures is 11.76%.

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 (Refer to Note 20) from the convertible debentures liability to common shares and from the equity component of the convertible debentures to common shares. A deferred income tax expense of $0.5 million (2020 – recovery $0.8 million) was recognized upon conversion of the Debentures for the period ended August 31, 2021. As at August 31, 2021, 6,852 Debentures were outstanding (2020 – 18,136 Debentures).

The following table summarizes the continuity of the Company's Debentures for the years ended:

	August 31, 2021	August 31, 2020
Convertible debentures, liability component balance, beginning of year	**$ 14,194**	$ –
Net proceeds from issuance of the Debentures [(1)]	**–**	22,942
Accretion interest	**439**	505
Conversion of the Debentures	**(9,010)**	(9,253)
Convertible debentures, liability component balance, end of year	**$ 5,623**	$ 14,194

(1) In connection with the issuance of the Debentures, a net amount of $3.7 million was recorded in equity, representing gross proceeds of $5.4 million, less allocated issuance costs of $0.4 million and a deferred income tax recovery of $1.3 million.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

19. LEASE OBLIGATIONS

The following table summarizes the continuity of the Company's lease obligations for the years ended:

	August 31, 2021	August 31, 2020
Balance, beginning of year	**$ 23,348**	$ 12,724
Additions and lease modifications	**53,905**	13,271
Derecognition	**–**	(73)
Payment of lease obligations	**(5,534)**	(3,501)
Interest expense on lease obligations (1)	**1,392**	927
Balance, end of year	**$ 73,111**	$ 23,348

(1) Interest expense on lease obligations include $0.2 million (2020 – nil) capitalized in assets under construction.

The following table summarizes the contractual undiscounted cash flows from lease obligations:

As at	**August 31, 2021**	August 31, 2020
Less than one year	**$ 8,566**	$ 4,076
One to five years	**37,943**	13,822
More than 5 years (1)	**40,864**	10,526
Total undiscounted lease obligations	**$ 87,373**	$ 28,424
Lease obligations balance, end of year	**$ 73,111**	$ 23,348
Current portion	**$ 5,443**	$ 2,990
Non-current portion	**$ 67,668**	$ 20,358

(1) As at August 31, 2021, future lease payments of $10.9 million (2020 – $5.6 million) for which the Company is reasonably certain to exercise the renewal options, have been recognized in lease obligations, representing an amount of $12.1 million (2020 – $6.4 million) of undiscounted cash outflows.

As at August 31, 2021, the Company entered into several lease commitments some of which the lease has not commenced. As at August 31, 2021, these leases were not reflected as right-of-use assets and lease obligations. Fix rent payments represent a total commitment of $50.0 million over the term of the leases.

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.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

20. SHAREHOLDERS' EQUITY

COMMON SHARES

The Company is authorized to issue an unlimited number of no par value common shares.

The movements in common shares were as follows for the years ended August 31:

		2021		2020
	Number of shares	**Carrying amount**	Number of shares	Carrying amount
Balance, beginning of year	**66,311,121**	**$ 97,801**	58,144,400	$ 56,598
Net share issuance through a bought deal offering	**4,800,000**	**57,199**	4,755,250	27,093
Debenture conversions (Note 18)	**2,400,819**	**10,898**	2,524,242	11,238
Exercise of stock options (Note 21)	**1,182,693**	**4,623**	910,641	2,968
Purchased and held in trust through employee share purchase plan (Note 21)	**(47,086)**	**(427)**	(23,412)	(96)
Balance, end of year	**74,647,547**	**$ 170,094**	66,311,121	$ 97,801

During the year ended August 31, 2021, the Company issued 4,800,000 (2020 – 4,755,250) common shares at a price of $12.50 (2020 – $6.05) per common share for gross proceeds of $60 million (2020 – $28.8 million), less share issuance costs of $2.8 million (2020 – $1.7 million), in connection with a public offering.

As at August 31, 2021, the number of common shares issued and fully paid was 74,718,045 (2020 – 66,334,533).

LOSS PER SHARE

As at	**August 31, 2021**	August 31, 2020
Basic and diluted weighted average number of common shares outstanding	**70,742, 923**	58,919,209

Issued shares from the exercise of stock options, Debenture conversions and share issuance are weighted from the transaction date. The purchase of common shares to fund the employee share purchase plan is weighted from the transaction date.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

21. SHARE-BASED PAYMENTS

The Company's share-based payment plans consist of a stock option plan, a restricted share unit plan and an employee share purchase plan.

STOCK OPTION PLAN

A stock option plan (the "Stock Option Plan") was established by the Company to attract and retain employees, consultants, officers and directors. The Stock Option Plan provides for the granting of 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 Stock Option Plan, options generally vest over a period of three or four years and expire eight years from the grant date.

The following table summarizes the continuity of the stock options during the years ended August 31:

		2021		2020
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**4,751,695**	**$ 3.51**	3,910,169	$ 2.57
Granted	**647,434**	**8.17**	2,299,307	4.41
Exercised	**(1,182,693)**	**2.61**	(910,641)	2.14
Forfeited	**(1,042,127)**	**4.53**	(547,140)	2.82
Outstanding, end of year	**3,174,309**	**4.47**	4,751,695	3.51
Exercisable, end of year	**1,112,432**	**$ 3.45**	896,335	$ 2.48

For the year ended August 31, 2021, the weighted average share market price of the Company's common shares upon the exercise date of stock options was $10.09 (2020 – $6.44).

The following table provides additional information about the Company's stock options as at August 31:

		2021		2020
Exercise Price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
Less than $1.00	**25,144**	**4.2**	86,658	5.6
$ 1.00 – 1.99	**47,976**	**4.0**	160,830	5.0
$ 2.00 – 2.49	**36,398**	**4.2**	101,106	5.2
$ 2.50 – 2.99	**734,301**	**5.3**	1,469,755	6.1
$ 3.00 – 3.49	**992,421**	**5.9**	1,751,790	7.0
$ 3.50 – 3.99	**226,425**	**6.6**	328,532	7.6
$ 6.00 – 6.49	**433,219**	**6.9**	653,024	7.9
$ 7.00 – 7.49	**200,000**	**7.0**	200,000	8.0
$ 7.50 – 7.99	**196,335**	**7.8**	–	–
$ 8.00 – 8.49	**282,090**	**7.2**	–	–
Outstanding, end of year	**3,174,309**	**6.2**	4,751,695	6.8
Exercisable, end of year	**1,112,432**	**5.8**	896,335	6.0

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

Stock options granted during the year ended August 31, 2021 had a weighted average fair value of $3.87 per option (2020 – $2.05), using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2021	2020
Expected volatility	**57%**	53%
Risk-free interest rate	**0.59%**	0.97%
Expected life of options	**4.8 years**	5.1 years
Common share value at grant date	**$ 8.17**	$ 4.41
Weighted average exercise price	**$ 8.17**	$ 4.41

During the year ended August 31, 2021, an expense of $2.8 million (2020 – $1.9 million), including fringe benefits related to stock options exercised of $0.6 million (2020 – nil), was recorded in the consolidated statements of loss in relation to the Stock Option Plan.

RESTRICTED SHARE UNIT PLAN

In September 2020, the Company adopted a restricted share unit plan (the "RSU Plan") to reward certain employees, officers and directors of the Company (the "Participants"). The RSU Plan was approved in January 2021. Following the implementation of the RSU Plan, the Company granted to Participants a number of restricted share units ("RSUs") based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. The expense in relation to the RSU Plan is measured at the fair value of the underlying RSU at the grant date and is expensed over the award's vesting period. 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. The RSUs are time-based awards and one third of the amount of RSUs granted will vest upon the continuous employment of the Participants on each of the anniversaries of the RSU grant, over a period of three years starting from the date of the grant or such other period not exceeding three years as determined by the Board.

Pursuant to the terms of the RSU Plan, Participants will receive, upon vesting of the RSUs, common shares of the Company issued from treasury.

The following table summarizes the continuity of the RSUs during the year ended August 31:

	2021
Outstanding, beginning of year	–
Granted	**707,823**
Forfeited	**(82,332)**
Outstanding, end of year	**625,491**

During the year ended August 31, 2021, an expense of $2.0 million was recorded in the consolidated statements of loss in relation to the RSU Plan.

As at August 31, 2021, 3,672,004 stock options and RSUs were available for issuance (2020 – 1,881,758).

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

EMPLOYEE SHARE PURCHASE PLAN

On September 1, 2019, the Company implemented an employee share purchase plan ("ESPP") to attract and retain employees and directors. Under this plan, employees or directors are permitted to contribute between 1% and 5% of their eligible earnings, up to $10,000 annually, to purchase Company's equity shares. The Company, in turn, provides a matching contribution equal to 50% of the participant's personal contribution. Shares purchased with the Company's contributions become vested two years from the contribution date. All contributions are used by the plan's trustee to purchase equity shares on the open market, on behalf of employees.

The following table summarizes the continuity of the ESPP during the years ended August 31:

		2021		2020
	Number of shares	**Amount**	Number of shares	Amount
Unvested contributions, beginning of year	**23,412**	**$ 96**	–	$ –
Contributions	**47,086**	**427**	23,412	96
Vested	**–**	**–**	–	–
Unvested contributions, end of year	**70,498**	**$ 523**	23,412	$ 96

During the year ended August 31, 2021, an expense of $0.1 million (2020 – $15 thousand) was recorded in the consolidated statements of loss in relation to the employee share purchase plan.

22. SUPPLEMENTAL CASH FLOW INFORMATION

The following summarizes the net changes in non-cash items related to operating working capital:

As at	**August 31, 2021**	August 31, 2020
Accounts and other receivables	**$ (1,375)**	$ (1,869)
Inventories	**(7,356)**	(2,227)
Other current assets	**(29)**	(534)
Accounts payable and accrued liabilities	**9,041**	9,563
Deferred revenues	**(295)**	(533)
	$ (14)	$ 4,400

The additional transactions that had no cash impact for the year ended August 31, 2021 were as follows:

- Assets under construction additions of $0.9 million (2020 – $0.5 million) relating to capitalized depreciation on right-of-use assets had no cash impact on investing activities.
- Unpaid additions to fixed assets of $3.8 million (2020 – $0.9 million) were excluded from the consolidated statements of cash flows.
- Share issuance costs of $20 thousand (2020 – $0.1 million) were unpaid and included in accounts payable and accrued liabilities which had no cash impact on financing activities.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

23. COMMITMENTS

As at August 31,2021, Goodfood had commitments under purchase and service contract obligations for both operating and capital expenditures.

The following summarizes the commitments that are not recognized as liabilities:

As at	August 31, 2021	August 31, 2020
Less than 1 year	**$ 24,233**	$ 1,870
Between 1 and 5 years	**75**	104
More than 5 years	**–**	–
	$ 24,308	$ 1,974

24. FINANCIAL INSTRUMENTS

Goodfood has determined that the fair value of cash and cash equivalents, accounts and other receivables, restricted cash, line of credit, and accounts payable and accrued liabilities approximate their respective carrying amounts at the consolidated statements of financial position date, due to the short-term maturity of those instruments.

Goodfood determined that the fair value of its long-term debt and Debentures approximates their carrying amount as they bear interest at market interest rates for financial instruments with similar terms and risks.

The Company determined the valuation of its Debentures at issuance using Level 3 inputs.

The fair value of the interest rate swap as at August 31, 2021 and 2020 was estimated using Level 2 inputs.

25. FINANCIAL RISKS

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 Note 17. 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.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

Sensitivity analysis for interest rate risk

An increase or decrease of 100 basis points in the interest rate would not have a significant impact on 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.

Capital management

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

The following are amounts due on contractual maturities of financial liabilities, including estimated interest payments as at August 31:

					2021
	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
	$ 152,292	**$ 170,971**	**$ 62,451**	**$ 67,656**	**$ 40,864**

					2020
	Total carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 40,878	$ 40,878	$ 40,878	$ –	$ –
Line of credit	9,063	9,063	9,063	–	–
Long-term debt, including current portion (1)	12,615	13,104	1,142	11,962	–
Debentures, liability component	14,194	23,447	1,140	22,307	–
Lease obligations, including current portion	23,348	28,424	4,076	13,822	10,526
	$ 100,098	$ 114,916	$ 56,299	$ 48,091	$ 10,526

(1) As at August 31, 2021, an interest rate of 2.92% (2020 – 3.00%) was used to determine the estimated interest payments on the variable-rate portion of the Company's long-term debt, and the fixed interest rate pursuant to the swap agreement mentioned in Note 17 was used to determine the interest payments on the fixed-rate portion of the Company's long-term debt.

(Unless otherwise stated, all tabular amounts are in thousands of Canadian dollars)

26. 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:

	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 described in Note 18, 75 Debentures were purchased by Board members and key management personnel at a price of $1,000 per Debenture.

These transactions were recorded at the amount of consideration paid as established and agreed to by the related parties.

CORPORATE
INFORMATION

STOCK INFORMATION

Shares listed: **Toronto Stock Exchange**
Ticker symbol: **FOOD**
Initial public offering: **2017**
52-week high/low (Sept. 1, 2020 – Aug. 31, 2021): **$14.53-$6.18**
Share price as at November 10, 2020: **$6.96**
Common shares outstanding as at August 31, 2020: **74,647,546**

TRANSFER AGENT AND REGISTRAR

TSX Trust

AUDITORS

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LEGAL COUNSEL

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ANNUAL MEETING OF SHAREHOLDERS

Tuesday, January 18, 2021
Virtual Meeting - Details to Come

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