



**GREENSPACE BRANDS INC.**

**Management's Discussion and Analysis**

**For the three and six month periods ended September 30, 2015 and 2014**

# GreenSpace Brands Inc.

## Table of Contents

CORPORATE OVERVIEW	3
OPERATING STRATEGY	4
SECOND QUARTER AND YEAR-TO-DATE CONSOLIDATED RESULTS	5
SELECTED QUARTERLY INFORMATION	8
CASH FLOWS	9
LIQUIDITY AND CAPITAL RESOURCES	9
OFF BALANCE SHEET ARRANGEMENTS	10
TRANSACTIONS BETWEEN RELATED PARTIES	10
SUBSEQUENT EVENTS	11
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	11
CHANGES IN ACCOUNTING POLICIES / FUTURE ACCOUNTING POLICY CHANGES	12
RISKS AND UNCERTAINTIES	12
NON-IFRS MEASURES	13
OUTSTANDING SHARE DATA	14
OUTLOOK	14
FORWARD-LOOKING STATEMENTS	15
ADDITIONAL INFORMATION	15

## **MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Condition and Results of Operations for the three and six month periods ended September 30, 2015 and 2014.**

This Management's Discussion and Analysis ("MD&A") is a review of the consolidated financial condition and results of operations of GreenSpace Brands Inc. ("GreenSpace" or the "Company") as at and for the three and six month periods ended September 30, 2015 and is intended to help readers understand the Company's business and the key factors underlying its financial results. It should be read in conjunction with the Company's interim consolidated financial statements and accompanying notes and the annual consolidated financial statements and accompanying notes of the Company for the year ended March 31, 2015, which have been filed with applicable regulatory authorities and are available through SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information is also available on the Company's website at [www.greenspacebrands.ca](http://www.greenspacebrands.ca)

The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is reported in Canadian dollars; however, reference is made to earnings before interest expense, income taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA as defined in the "Non-IFRS Measures" section. EBITDA and Adjusted EBITDA are not measures of financial performance recognized under IFRS. The Company has included these measures as they are used by management to evaluate financial performance and management believes they will be used by certain investors and analysts in assessing the Company's financial performance. These measures are not necessarily comparable to similarly titled measures used by other companies and should not be construed as an alternative to net income or cash flow from operating activities as determined in accordance with IFRS. See the section within the MD&A entitled "Non-IFRS Measures" for further information.

This MD&A has been prepared as of November 25, 2015.

### **CORPORATE OVERVIEW**

Life Choices Natural Food Corp. was originally incorporated under the *Business Corporations Act* (Ontario) on May 31, 1999. Aumento Capital IV Corporation (now GreenSpace or the Company) was incorporated under the OBCA on June 11, 2013 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange ("TSX-V").

On April 30, 2015, Life Choices Natural Foods Corp. ("Life Choices"), Aumento Capital IV Corporation ("Aumento") and Aumento Subco (a wholly-owned subsidiary of Aumento) completed a three-cornered amalgamation whereby Life Choices and Aumento Subco amalgamated to form a new entity named "Life Choices Natural Food Corp." and shareholders of Life Choices received common shares in the capital of the Company ("Shares"). Prior to the amalgamation Aumento changed its name to "GreenSpace Brands Inc.". This transaction constituted the Company's qualifying transaction (the "Qualifying Transaction") under the policies of the TSX-V and the Shares of GreenSpace are now listed on the Toronto Venture Exchange ("TSX.V") under the symbol JTR ("Join The Revolution"). All proceeds raised as part of the Qualifying Transaction and concurrent private placement have been used in manner consistent with those detailed in the filing statements for the Qualifying Transaction.

The Qualifying Transaction was recorded as a reverse takeover for accounting purposes in accordance with EIC-10 "Reverse Takeover Accounting" of the CICA Handbook. The consolidated financial statements are accordingly a continuation of the financial statements of Life Choices while the capital structure is that of the Company. Life Choices is deemed to be the acquirer for accounting purposes. Since the Company did not constitute a business in accordance with EIC-124 "Definition of a Business" of the CICA Handbook, the transaction was accounted for as a capital transaction, that is, a financing and recapitalization of the Company. The results of operations and cash flows for periods prior to April 30, 2015 presented in the consolidated financial statements are those of Life Choices.

GreenSpace is in the business of developing, marketing and selling premium, convenient natural food products to Canadian consumers, featuring grass fed and/or pasture raised meat and dairy, raised without the use of added hormones and antibiotics, as well as additional product offerings in the natural and whole foods markets under its affiliated brands. GreenSpace sources its natural ingredients largely from local, ethically operated farms and combines those ingredients into tasty and nutritious products.

GreenSpace has developed and manages several brands in the natural food industry, namely, Life Choices Natural Foods (launched in 2002), Rolling Meadow (launched in August 2014), Holistic Choice (launched in August 2014), Kiwi Pure (launched in April 2015) and Nudge (launched in July 2015).

All Life Choices beef and pork products feature one common trait: they all contain meat from grass fed and/or pasture raised animals that have not been subject to feedlot conditions. The result is meat that features higher levels of Omega 3 fatty acids and Conjugated Linoleic Acids (“CLAs”). All of Life Choices’ chickens are raised in low density barns with a premium on the ethical treatment of the birds at all times. The Rolling Meadow brand offers premium quality dairy products, such as milk, yogurt, butter and kefir, made with 100% Canadian, grass fed milk. The Holistic Choice brand offers premium quality pet foods for cats and dogs. Holistic Choice pet foods are made with a high percentage of fresh meat in Safe Quality Food (“SQF”) Certified plants. None of the meats have been rendered and all are free of any added antibiotics and hormones, acting as an excellent source of protein to help promote bone health, and overall happy, healthy pets. Kiwi Pure is a grass-fed butter product line imported from New Zealand. Kiwi Pure butter contains 100% grass fed milk, provides improved omega ratios and contains no antibiotics or added hormones. Nudge offers snacking and convenience products and currently includes a line of organic macaroni and cheese products. Nudge Mac & Cheese is the first product of its kind in Canada to feature grass fed cheese. The Mac & Cheese product is the first of a number of snacking and convenience products expected to be brought to market under the Nudge label.

On October 19, 2015, the Company completed the acquisition of Love Child (Brands) Inc. (“Love Child”). Love Child is a Canadian-based producer of 100% organic food for infants and toddlers. Love Child’s mission is to bring to market only the purest, most natural and nutritionally-rich food, boosted by superfoods such as Quinoa, Acerola and Chia and without the addition of any synthetic preservatives, refined sugars or other additives. Love Child’s products include organic purees in BPA-free squeezable pouches and an extensive infant and toddler organic snack range.

GreenSpace aims to continue to grow through a two pronged growth strategy. First, GreenSpace expects to grow through making continued investments in new brand and product development and continued investment in its internally generated brands. Second, the Company expects to grow through acquisition by making strategic investments in strong, simple ingredient businesses in the natural and organic food space. The Company as it grows will focus on cost containment, cash flow and margin enhancement to offer innovative new products with healthy attributes. By integrating various brands, GreenSpace aims to achieve economies of scale and enhance market penetration. GreenSpace performs ongoing reviews of products and categories and has and may continue to eliminate certain products that do not meet standards for profitability or are not in line with the Company’s overall strategy.

## **OPERATING STRATEGY**

The Company’s operating strategies are designed to create value for customers and shareholders through innovative product development, market expansion and diversification.

GreenSpace’s priorities are to:

- i) develop new value-added products for consumers;
- ii) cross-sell acquired and developed brands through its strong third party distribution and retail channels;
- iii) make selective acquisitions on an opportunistic basis to diversify its product offerings and advance its standing in the natural and organic food market-place; and
- iv) maintain high internal operating efficiencies by maintaining a customer-focused, collaborative culture.

## SECOND QUARTER AND YEAR-TO-DATE CONSOLIDATED RESULTS

The following is a table and description of the second quarter and year-to-date consolidated operating results for the Company. A discussion of management's outlook is set forth under the "Outlook" section.

### Comparative Statements of Loss

(expressed in Canadian dollars)

	For the 3-month period ended September 30,				For the 6-month period ended September 30,			
	2015	2014	Inc/(Dec)	Inc/(Dec)	2015	2014	Inc/(Dec)	Inc/(Dec)
	\$	\$	\$	%	\$	\$	\$	%
Revenue	<b>1,733,474</b>	756,910	976,564	129.0	<b>3,179,728</b>	1,374,403	1,805,325	131.4
Cost of goods sold	<b>1,419,599</b>	588,383	831,216	141.3	<b>2,660,966</b>	1,075,079	1,585,887	147.5
Gross profit	<b>313,875</b>	168,527	145,348	86.2	<b>518,762</b>	299,324	219,438	73.3
Gross profit percentage	<b>18.1%</b>	22.3%			<b>16.3%</b>	21.8%		
General and administrative	<b>116,497</b>	39,530	76,967	194.7	<b>239,374</b>	74,912	164,462	219.5
Storage and Delivery	<b>118,280</b>	33,199	85,081	256.3	<b>195,425</b>	67,246	128,179	190.6
Salaries and benefits	<b>361,693</b>	162,681	199,012	122.3	<b>684,558</b>	298,415	386,143	129.4
Advertising and promotion	<b>226,301</b>	116,808	109,493	93.7	<b>347,463</b>	194,805	152,658	78.4
Professional fees	<b>150,948</b>	1,590	149,358	9393.0	<b>272,424</b>	8,298	264,126	3,182.8
Stock-based compensation	<b>77,285</b>	-	77,285	100.0	<b>115,748</b>	-	115,748	100.0
Reverse take-over listing fee	-	-	-	-	<b>991,454</b>	-	991,454	100.0
Net loss before interest and accretion expense and change in fair value of derivative liability.	<b>(737,129)</b>	(185,281)	(551,848)	297.8	<b>(2,327,684)</b>	(344,352)	(1,983,332)	575.9
Interest and accretion expense	<b>6,936</b>	23,408	(16,472)	(70.4)	<b>19,126</b>	44,329	(25,203)	(56.9)
Change in fair value of derivative liability	-	(1,657)	1,657	(100.0)	-	(3,086)	3,086	(100.0)
Net loss from continuing operations before income taxes	<b>(744,065)</b>	(207,032)	(537,033)	259.4	<b>(2,346,810)</b>	(385,595)	(1,961,215)	508.6
Income taxes recovery	-	-	-	-	-	-	-	-
Net loss from continuing operations	<b>(744,065)</b>	(207,032)	(537,033)	259.4	<b>(2,346,810)</b>	(385,595)	(1,961,215)	508.6
Net loss from discontinued operations, net of income taxes	-	-	-	-	-	2,229	(2,229)	(100.0)
Net loss and comprehensive loss	<b>(744,065)</b>	(207,032)	(537,033)	259.4	<b>(2,346,810)</b>	(387,824)	(1,958,986)	505.1
EBITDA <sup>1</sup>	<b>(737,129)</b>	(183,624)	(553,505)	301.4	<b>(2,327,684)</b>	(343,495)	(1,984,189)	577.6
As a percentage of revenue	<b>(42.5%)</b>	(24.3%)			<b>(73.2%)</b>	(25.0%)		
Adjusted EBITDA <sup>1</sup>	<b>(626,319)</b>	(183,624)	(442,695)	241.1	<b>(1,140,590)</b>	(343,495)	(797,095)	232.1
As a percentage of revenue	<b>(36.1%)</b>	(24.3%)			<b>(35.9%)</b>	(25.0%)		

<sup>1</sup> See Non-IFRS Measures

## Revenue

Revenue increased 129.0% in the second quarter of fiscal 2016, achieving our largest ever quarter in sales by a significant amount, as a result of revenue being contributed from a number of new brand launches and new product offerings implemented by the Company in the second half of fiscal 2015. The newly launched brands of Nudge, Kiwi Pure, and newly introduced Rolling Meadow product lines of yogurt, butter and kefir accounted for 54% of the quarterly revenue increase. The Company also experienced increased revenue from the Rolling Meadow fluid milk product line, which was just launched in August 2014, accounting for 23% of the quarter-over-quarter revenue increase. The remainder of the quarterly revenue increase came from the Life Choices product line, which experienced its largest sales quarter in history due to increased customer demand through the warm summer months, an increase in the number of retailers carrying the product and national distribution.

Revenue increased 131.4% in the first half of fiscal 2016 as compared to the same period in the prior year, primarily again due to incremental new brand launches and product offerings and strong sales results from the Life Choices brand which accounted for 75% and 22% of the year-to-date revenue increase, respectively.

All of the Company's new brands and new product offerings have been extremely well received and customer demand continues to build momentum quarter-over-quarter.

## Gross Profit

As expected during a quarter with significant brand launches and a larger proportion of Rolling Meadow fluid milk sales, gross profit as a percentage of revenue decreased in the second quarter of fiscal 2016 to 18.1% from 22.3% over the same period in the prior year, although improved significantly compared to the first quarter of fiscal 2016.

Gross profit in the second quarter of fiscal 2016 was impacted by higher than expected inventory write-offs on Rolling Meadow fluid milk as a result of the Company increasing its fluid milk orders after a large Canadian retailer indicated that they would be listing the product in September. The customer didn't finalize the listing until October 2015, creating one month of higher than normal spoiled product as we built inventory in anticipation of those customer orders. Consistent with previous quarters, the second quarter of fiscal 2016 was also impacted by the increased retailer program fees and incentives incurred by the Company to get new brand and product launches onto retailer shelves. The Company expects this unusually high incentive pricing to normalize as the products gain a following in the industry.

Gross profit through the first half of fiscal 2016 was lower than the comparative period in prior year due to a higher proportion of revenue being earned from the Rolling Meadow fluid milk products, increased inventory write-offs on the Company's new perishable product lines, higher than normal launch costs on new products and the discontinuation of Yamba. As discussed in previous quarters, Rolling Meadow fluid milk has margins 10% lower than the traditional Life Choices products. Sales volumes through the Rolling Meadow yogurt and butter products, expected to help offset the margin compression, have not been significant year-to-date, however they do continue to accelerate and improve the overall gross profit from the first quarter of 2016. With increased fluid milk revenue and the launch of Rolling Meadow yogurt and kefir product lines, inventory write-offs have been higher than expected through fiscal 2016. Gross profit as a percentage of revenue was also reduced through the first half of 2016 due to the discontinuation of the Yamba yogurt product line. This discontinuation resulted in the Company writing off \$17,000 of inventory.

Normalizing for the inventory write-offs associated with the discontinuation of Yamba and the inventory write-offs expected to normalize with the refinement of the Rolling Meadow order patterns it is management's estimate that the Company's second quarter and year-to-date margins would have improved by 2.1% in the second quarter and 1.8% year-to-date.

## Selling, General and Administrative ("SG&A") Expenses

As the Company continues to be in its growth phase, developing new brands, launching new products and generally building its presence in the Canadian organic and natural food market, we continue to see, as expected, higher SG&A expenses in the second quarter and year-to-date in fiscal 2016.

For the 3 months ended September 30, 2015, general and administrative expenses increased from 5.2% of revenue in the second quarter of fiscal 2015 to 6.7% of revenue in the current quarter. For the first half of the year, general and administrative expenses increased from 5.5% of revenue in prior year to 7.5% in the current year. Both the quarterly and year-to-date increases were the result of higher travel expenses due to: (i) senior executive travel associated with capital raising efforts and pursuing potential acquisition targets; and (ii) sales staff continuing to promote brands through the national sales channel. As well, the

Company has started to incur investor relations costs as a result of becoming a public company. Such costs are incremental and were not necessary in the prior year.

As expected with the increase in revenue and moving to national distribution on many products, storage and delivery expenses have also increased in the second quarter and year-to-date in fiscal 2016. For the quarter-ended September 30, 2015, storage and delivery expenses increased to 6.8% of revenue from 4.4% over the same period in prior year. For the first half of fiscal 2016, storage and delivery expenses have increased to 6.1% of revenue from 4.9% over the same period a year ago. Both the quarterly and year-to-date increases are the result of higher inventory levels requiring warehouse storage space, the perishable Rolling Meadow product lines requiring refrigerated storage and the Company incurring higher delivery costs shipping product to select new Western Canadian customers.

Salaries and benefit expenses continued to be higher in the current quarter and year-to-date due to the addition of a number of key staff. All key staffing positions that have been added have kept sales volumes increasing consistently quarter-over-quarter, helped fill the product pipeline with a number of new, innovative brands and the new positions have provided the resources for the Company to complete its going-public transaction and maintain its reporting issuer status. The Company's current organizational structure will allow the Company to expand and integrate a number of strategic acquisitions without significant headcount additions.

The advertising and promotional expenses in the second quarter and year-to-date have continued to be higher due to the Company's continued brand development, marketing and promotion spending to support and list all the recently launched brands and new products. These were planned expense increases and the Company expects through fiscal 2016 advertising and promotion as a percentage of revenue will reduce as a percentage of revenue as the Company gains economies of scale in marketing multiple brands within the GreenSpace structure; thereby, reaping the benefits of cross brand marketing and strengthening brand recognition.

Professional fees were higher during the second quarter and year-to-date in 2016 due to the incremental legal and auditing fees incurred on the going-public transaction, the acquisition of Love Child and legal fees incurred on a number of potential acquisition targets. It is expected that all of these incremental costs will be non-recurring and would not be considered part of normalized on-going operations.

During the first quarter of fiscal 2016, the Company's Board of Directors granted its initial stock option offerings around the Company's going-public transaction. A second tranche of options was awarded to new employees in the second quarter. Stock-based compensation expense was recognized in the second quarter and year-to-date were the result of these initial option awards.

The reverse take-over listing fee expensed in the first half of fiscal 2016 was entirely related to the Company's qualifying transaction and this listing fee represented the difference between the accounting fair value of consideration paid and the Aumento net assets assumed. This is a non-cash expense that would not be considered part of normal operations of the Company and this expense will not reoccur in future periods.

### **Interest and Accretion Expense**

The Company incurred lower interest charges in the second quarter and year-to-date in fiscal 2016 due to the higher bank overdraft and debt balance held in the prior year, prior to the going public transaction.

### **Net loss and comprehensive loss**

Net loss and comprehensive loss increased to (\$744,065) (loss of \$0.04 per share) in the second quarter of fiscal 2016 compared to (\$207,032) (loss of \$0.02 per share) over the same period in the prior year. For the six months ended September 30, 2015, net loss and comprehensive loss increased to (\$2,346,810) (loss of \$0.13 per share) compared to (\$387,824) (loss of \$0.03 per share) over the same period in the prior year. The increased loss was primarily due to one-time, non-recurring expenses in the current quarter and year related to the Company's going-public transaction. As well, the Company made a number of planned brand investments in the second quarter and current year which are expected to help the Company continue to grow and gain market share through future periods.

### **EBITDA and Adjusted EBITDA (see Non-IFRS Measures)**

The decrease in EBITDA and Adjusted EBITDA seen in the second quarter of fiscal 2016 was not unexpected as the company incurred non-recurring costs associated with its going-public transaction. As well, continuing through its growth phase, the Company incurred higher incentive and advertising costs in the current quarter and year-to-date to support its new brand

launches and higher salary and benefit expenses due to the assembly of a highly talented management team which will allow the Company to grow without the need to add additional resources.

## SELECTED QUARTERLY INFORMATION

(expressed in Canadian dollars)

Unaudited quarterly financial data for fiscal 2016 and 2015 for the periods available is summarized as follows. The sum of the net income per share from continuing and discontinued operations for each of the four quarters may not equal the net income per share for the full year, as presented, due to rounding. Note that the quarterly financial data from the quarter-ended December 31, 2013 was not presented in the table below because the figures were unaudited.

Three months ended	Sept 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	Jun 30, 2014	Mar 31, 2014
	\$	\$	\$	\$	\$	\$	\$
Revenue	1,733,474	1,446,254	1,433,105	826,713	756,910	617,493	502,517
Gross profit	313,875	204,887	283,298	20,616	168,527	130,797	164,016
Gross profit %	18.1%	14.2%	19.8%	2.5%	22.3%	21.2%	32.6%
Net loss from continuing operations	(754,200)	(1,602,746)	(797,665)	(467,878)	(207,032)	(178,563)	(135,824)
Net income (loss) from discontinued operations	-	-	-	-	-	(2,229)	(12,135)
Net loss	(754,200)	(1,602,746)	(797,665)	(467,878)	(207,032)	(180,792)	(147,959)
Net loss per share from continuing operations – basic and diluted	(0.04)	(0.09)	(0.05)	(0.04)	(0.02)	(0.02)	(0.01)
EBITDA <sup>1</sup>	(737,129)	(1,574,344)	(737,501)	(444,553)	(183,926)	(159,571)	(133,282)
EBITDA %	(42.5%)	(108.9%)	(51.5%)	(53.8%)	(24.3%)	(25.8%)	(26.5%)
Adjusted EBITDA <sup>1</sup>	(626,319)	(498,060)	(540,609)	(444,553)	(183,926)	(159,571)	(133,282)
Adjusted EBITDA %	(36.1%)	(34.4%)	(37.7%)	(53.8%)	(24.3%)	(25.8%)	(26.5%)

<sup>1</sup>See Non-IFRS Measures

Certain of the Company's product lines have seasonal fluctuations. Sales of the Life Choices BBQ product lines are stronger during the warmer summer months while sales of the Life Choices breaded and convenient snack food lines tend to be stronger during the colder months. Sales of Holistic Choice Pet Food and Rolling Meadow milk, yogurt and butter product lines have not shown any significant seasonal fluctuations.

Historically, net sales in the 4<sup>th</sup> quarter are highest and sales in the 1<sup>st</sup> quarter are lowest. Similar to sales the Company's earnings have traditionally been lowest in the first quarter and relatively consistent in the second, third and fourth fiscal quarters. Thus, the results of operations and cash-flows for any particular quarter are not indicative of the results expected for the full fiscal year.



## CASH FLOWS

### Summary Statement of Cash Flows

(thousands of Canadian dollars)

	For the six month period ended September 30,	
	2015	2014
Cash provided by (used for)	\$	\$
Operating activities	(2,701,798)	(560,740)
Financing activities	4,067,527	531,761
Net increase (decrease) in cash	1,365,729	(28,979)
Cash - beginning of period	-	28,979
<b>Cash – end of period</b>	<b>1,365,729</b>	<b>-</b>

Cash flow from continuing operations consumed \$2.7 million for the six month period ended September 30, 2015 (2014 - \$0.6 million). The negative operating cash-flow for fiscal 2016 was primarily the result of an operating loss incurred year-to-date and cash used to fund inventory requirements associated with the new brand and product launches. When introducing a new brand or product to market the Company needs to manufacture an initial large volume order to meet co-packer minimum order requirements. The Company financed those working capital requirements by completing a private placement of shares concurrent with completing its Qualifying Transaction. Proceeds from that private placement were also used to repay most of the Company's outstanding loan balances at the time of the Qualifying Transaction.

## LIQUIDITY AND CAPITAL RESOURCES

During the year ended March 31, 2014, Life Choices issued convertible promissory notes for total proceeds of \$314,371 bearing interest at 12% per annum. In April 2014, Life Choices issued an additional convertible promissory note for total proceeds of \$100,000 bearing interest at 10% per annum on the same terms and conditions. In December 2014, all convertible promissory notes totaling an aggregate of \$414,371 were converted, with the consent of the holders, into common shares resulting in the issuance of 285,772 common shares at a conversion price of \$1.45 per share.

During the year ended March 31, 2015, Life Choices entered into two term credit facilities with the Business Development Bank of Canada ("BDC"). The first was a five year term credit facility for \$100,000 bearing interest at 8.25% per annum. The second, was a four year term loan arrangement for \$50,000 bearing interest at 6.0% per annum. These two term loan facilities had collateral security but contained no other financial covenants.

On March 2, 2015, Life Choices issued a promissory note to a current shareholder for proceeds of \$500,000. The promissory note bore interest at 12.0% per annum and matured the earlier of May 30, 2015 or 5 business days subsequent to the completion of the Qualifying Transaction and concurrent private placement.

On April 30, 2015, proceeds from Life Choices's private placement, which net totalled \$4.8 million, completed in the conjunction with the Qualifying Transaction, were used to repay the full \$500,000 shareholder promissory note plus accrued interest as well as the second BDC term credit facility.

On September 30, 2015, the Company continued to carry the first BDC term loan on its balance sheet. As well, the Company had available a \$500,000 overdraft facility with TD Canada Trust. Subsequent to September 30, 2015 that overdraft facility was amended to allow the Company to borrow up to the lower of: i) \$750,000 or ii) 75% of accounts receivable aged less than 90 days plus 15% of inventory up to \$150,000. Both the original and amended facilities do not have any financial covenants and nothing was drawn on the facility at September 30, 2015.

The Company's future operating cash flows are largely dependent upon profitability and its ability to manage its working capital requirements, primarily inventory, accounts receivable and accounts payable.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by

issuing new Shares, taking on debt, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

In recent periods, the Company has been dependent on external financing to fund its activities. In order to continue to achieve its capital objectives, the Company will attempt to spend/invest its existing working capital and raise additional amounts as needed.

The Company considers its capital to be equity, comprising all aspects of Shareholder equity and long-term debt.

The Company manages capital through its financial and operational forecasting processes including working capital forecasts and forecasts of future operational cash flows from product launches. The Company budget is regularly updated based on actual experience and summary forecast information is frequently provided to the Board of Directors of the Company.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has an off balance sheet vehicle lease agreement whereby it pays \$1,012 per month for a delivery van expiring in December 2015. The total remaining obligation on this vehicle lease at September 30, 2015 was \$2,938.

On June 23, 2015, the Company also issued a stand-by letter of credit for \$161,122 U.S. dollars from a Canadian financial institution to one of its U.S. suppliers as security. The stand-by letter of credit was non-interest bearing and was to expire on March 31, 2016. On October 26, 2015, the stand-by letter of credit was returned by the U.S supplier and cancelled by the Canadian financial institution.

Other than these two off-balance sheet arrangements, the Company has no other material off-balance sheet arrangements.

## **TRANSACTIONS BETWEEN RELATED PARTIES**

The Company has a short term lease arrangement for office space with a shareholder of the Company. The Company paid rent expense of \$18,826 and \$nil for the 3-month period ended September 30, 2015 and 2014 and \$23,465 and \$nil for the 6-month period ended September 30, 2015 and 2014. The Company is in the process of finalizing a formal lease agreement with that shareholder.

The Company has an outstanding balance of \$237,879 at September 30, 2015 (March 31, 2015 - \$301,918) due to the CEO included in accounts payable and accrued liabilities. These amounts relate to unpaid compensation, accordingly, there are no specified repayment terms and this amount does not bear interest.

The Company purchases raw materials for the production of its finished products through a meat broker whose principal is also a shareholder of the Company. At September 30, 2015, \$nil (March 31, 2015 - \$415,230) was due to that meat broker. The year-end balance was included in accounts payable and accrued liabilities. For the three and six month periods ended September 30, 2015 total purchases from that meat broker amounted to \$314,756 and \$437,111 respectively (2014 - \$nil and \$73,261). These purchases of raw materials are on arm's length commercial terms and do not bear interest.

The Company has made a number of purchases from an unrelated company controlled by a shareholder. The purchases are completed on arm's length commercial terms and are expected to be repaid within the upcoming quarter. At September 30, 2015, \$21,860 was owed by the unrelated company controlled by a common shareholder (March 31, 2015 – Company owed the unrelated company \$19,101). The amount owed is non-interest bearing with no specified terms of repayment.

On March 2, 2015, the Company issued a promissory note to a current shareholder for proceeds of \$500,000. The promissory note bears interest at 12.0% per annum and was to mature the earlier of May 30, 2015 or 5 business days subsequent to the completion of the private placement. The principle promissory note and any accrued interest was repaid on May 5, 2015 subsequent to the completion of the private placement associated with the Qualifying Transaction.

Key management includes the Company's directors and officers. Compensation awarded to key management includes a salary, stock based compensation and director fees. The following table presents key management compensation:

	Three month period ended		Six month period ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Salary and director fees	\$218,981	\$68,750	\$405,071	\$137,500

## SUBSEQUENT EVENTS

### *Acquisition of Love Child and Closing of Equity Private Placement*

On October 19, 2015, the Company completed the acquisition of Love Child and closed the first tranche of a private placement of shares. The second tranche of the equity private placement was closed on November 20, 2015.

The aggregate purchase price for Love Child was approximately \$6 million, payable by way of \$2,100,000 cash, \$900,000 vendor-take back notes, 1,190,476 common shares of the Company and earn-out warrants exercisable for up to 714,286 Common Shares at a price of \$1.05 per Common Share, vesting in approximately 2 years if certain gross revenue targets are reached. Certain of the vendors were also entitled to earn-out shares valued at up to \$750,000, to be issued in approximately two years, if gross revenue targets are reached, the issue price per share to be determined at the time of public dissemination of such financial information. In conjunction with the issuance of the vendor-take back notes, warrants exercisable for a total of 225,000 Common Shares were issued, exercisable for one year at a price of \$1.00. The vendor-take back notes are secured against the assets of GreenSpace and Love Child, with a payout date one year from closing, subject to early repayment at the Company's election.

Through the first and second tranches of the equity private placement, the Company issued 1,874,408 units (the "Units") at a price of \$1.05 per Unit for aggregate gross proceeds of approximately \$1,968,128. Each Unit consisted of one Common Share and one quarter of one Common Share purchase warrant which entitles the holder to purchase one Common Share at a price of \$1.20 for a period of 24 months from issuance (the "Warrants"). Finder's fees of up to 9%, payable in cash and warrants, were paid on certain of the subscriptions received. A total of 27,800 warrants became issuable to finders in conjunction with both tranches of the equity private placement, such warrants having the same terms and conditions as the Warrants.

At the time of approval of these interim condensed consolidated financial statements, the initial accounting for this transaction is incomplete. Additional disclosures required under IFRS 3, B64, are still to be determined with respect to the acquisition of Love Child, its measurement basis, valuation technique and significant inputs used to measure the value.

### *Stock Option Grant*

On October 19, 2015, after the acquisition of Love Child, the Board of Directors of GreenSpace Brands Inc. approved the granting of incentive stock options (the "Options") pursuant to the terms of the Company's stock option plan to Love Child employees joining GreenSpace to acquire up to an aggregate of 106,618 common shares in the capital of the Company (the "Common Shares").

All Options granted to the employees are exercisable for a period of ten years at a price of \$0.92 per Common Share. These Options vest over a five year period with 20.0% of the Options vesting one year after the date of the grant and the remainder vesting 20.0% annually thereafter.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, is based upon the Company's unaudited condensed consolidated interim financial statements, which have been prepared in accordance with IFRS unless otherwise noted.

The preparation of these unaudited condensed consolidated interim financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgements, particularly those related to the determination of the estimated recoverable amount of accounts receivable, inventory, provisions, financial instruments and share based compensation. Management bases its estimates on historical experience and on various other

assumptions, which are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used. Critical accounting estimates and judgements are described in greater detail in the Life Choice's annual MD&A for the year ended March 31, 2015 and the audited annual consolidated financial statements for the year ended March 31, 2015.

## **CHANGES IN ACCOUNTING POLICIES / FUTURE ACCOUNTING POLICY CHANGES**

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous fiscal year.

### **Future Changes in Accounting Policies**

The Company is currently evaluating the adoption of the following new and revised standards. Any changes will be made in accordance with the applicable transitional provisions.

#### **IFRS 9 – Financial Instruments**

On July 24, 2014, the IASB issued the final version of IFRS 9 Financial Instruments (IFRS 9), which replaces IAS 39 Financial Instruments: Recognition and Measurement. This final version of IFRS 9 represents the completion of the IASB's project on financial instruments and it includes the requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This final version of IFRS 9 supersedes all prior versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company currently intends to adopt the standard on its effective date and is evaluating the impact on its consolidated financial statements.

#### **IFRS 15 - Revenue from Contracts with Customers**

On May 28, 2014, the IASB published IFRS 15 Revenue from Contracts with Customers, which replaces IAS 18, Revenues. The principle of this new standard is to recognize revenue to depict the transfer of goods or services to a client, for an amount which reflects the payment that the entity expects to receive in exchange for those goods and services. Revenue is recognized and measured using a five-step model. The new standard also introduces additional disclosures. This new standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company currently intends to adopt the standard on its effective date and is evaluating the impact on its consolidated financial statements.

## **RISKS AND UNCERTAINTIES**

The Company is subject to certain risks and uncertainties that could have a material adverse effect on the Company's results of operations, business prospects, financial condition and the trading price of the common shares. These risks and uncertainties include: cyclicalities, reduction in demand, seasonality, competition, information management, foreign exchange, labour, income tax matters, customer concentration, relationships with suppliers, product liability, capital and liquidity risk, collections from customers, interest rates, distribution agreements, lack of long term customer sales agreements, dependence on key personnel, and growth challenges. All of these factors remain substantially unchanged from those described in the Company's 2015 Annual Information Form and the Life Choice's March 31, 2015 year-end MD&A.

## NON-IFRS MEASURES

### Definitions and Reconciliations

“**EBITDA**” is earnings before interest expense, income taxes, depreciation and amortization. The Company’s management believes that in addition to net income or loss, EBITDA is a useful supplemental measure of cash available for distribution prior to debt service, changes in working capital, capital expenditures and income taxes. However EBITDA is not a recognized measure under IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS, or as an indicator of the Company’s performance, or as an alternative to cash flows from operating, investing and financing activities which measure the Company’s liquidity and cash flows. The Company’s method of calculating EBITDA may differ from the method used by other issuers and, accordingly, the Company’s EBITDA calculation may not be comparable to similarly titled measures used by other issuers.

“**Adjusted EBITDA**” represents EBITDA adjusted to exclude non-recurring income and expenses. The Company’s management believes that in addition to net income or loss, Adjusted EBITDA is a useful supplemental measure of cash available for distribution prior to debt service, changes in working capital, capital expenditures and income taxes. Adjusted EBITDA allows management to compare the Company’s operating performance over time on a consistent basis. It is believed that certain investors and analyst use Adjusted EBITDA to measure a company’s ability to service debt and to meet payment obligations, or as a common valuation measurement. However, Adjusted EBITDA is not a recognized measure under IFRS. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS, or as an indicator of the Company’s performance, or as an alternative to cash flows from operating, investing and financing activities which measure the Company’s liquidity and cash flows. The Company’s method of calculating Adjusted EBITDA may differ from the method used by other issuers and, accordingly, the Company’s Adjusted EBITDA calculation may not be comparable to similarly titled measures used by other issuers.

### Reconciliation of Net loss from continuing operations to EBITDA and Adjusted EBITDA from continuing operations

(expressed in Canadian dollars)

	3-months ended	6-months ended
	September 30, 2015	September 30, 2015
	\$	\$
Net loss and comprehensive loss	(744,065)	(2,346,810)
Interest and accretion expense	6,936	19,126
EBITDA	(737,129)	(2,327,684)
<i>Add back non-recurring expenses</i>		
Reverse take-over listing fee	-	991,454
Legal expenses associated with the Qualifying Transaction	35,914	110,544
Legal expenses associated with Acquisitions	74,896	74,896
Auditing expenses associated with the Qualifying Transaction	-	10,200
Adjusted EBITDA	(626,319)	(1,140,590)

	3-months ended	6-months ended
	September 30, 2014	September 30, 2014
	\$	\$
Net loss and comprehensive loss	(207,032)	(387,824)
Interest and accretion expense	23,408	44,329
EBITDA and Adjusted EBITDA	(183,924)	(343,495)

## OUTSTANDING SHARE DATA

As of November 25, 2015, the Company had 22,472,478 common shares issued and outstanding, 1,435,688 warrants convertible into 1,435,688 common shares of the Company and 1,392,380 options, convertible into 1,392,380 common shares of the Company.

## OUTLOOK

This section contains certain forward-looking statements. Please refer to the disclosure under the heading "Forward-Looking Statements" for a discussion of risks and uncertainties related to such statements.

Management continues to believe that there are a number of fundamental trends occurring within both the global and North American food market, which will inevitably drive demand for the Company's brands and products in future periods. As reported by the 2014 NPN Journal Industry Report, organic food sales are growing at an annual rate of 14% as compared to conventional food sales growing at an annual rate less than 2%. Presently, organic food sales make up only 6% of consumer food purchases but with these varying growth rates, it is expected that organic and natural sales take a much larger portion of consumer food purchases over the next five years. Considering this the 2014 NPN Journal Industry Report expects that the Global organic food market will reach \$210 billion by the year 2020 and over the next five years that market will have a cumulative average growth rate of 15.7%.

With these trends in mind, Management continues to be optimistic that this anticipated growth in the organic and natural food market will continue to drive demand for the Company's developed products and provides a lot of opportunity for further expansion into new product offerings and within existing brands. The combination of the Company's inherent strengths and exposure to these growing markets provides good fundamentals to support long-term growth in all of the Company's product lines. The Company's strong customer relationships, existing extensive distribution networks, well-recognized and respected brands and efficient operations further supports this fundamental market growth.

In particular, management believes it is one of very few companies positioned to capitalize on the emerging grass-fed trend in Canada. Through its dairy brand, Rolling Meadow, and the Life Choices brand, the Company has carved out a niche in the Canadian grass-fed market, which it hopes to exploit with continued product and brand launches.

The Company intends to continue to grow through a two pronged growth strategy. Firstly, the Company expects to have strong and on-going internal brand and product development. There are currently a number of new product offerings in various stages of development that will be released to market before the end of the current fiscal year. Secondly, the Company expects to grow through acquisition by making strategic investments in strong, simple ingredient businesses. The Love Child acquisition completed subsequent to quarter-end is a great example of the type of business that the Company is looking to acquire. Through the Company's strong customer relationships and existing extensive distribution networks management expects to increase and diversify Love Child's revenue and recognize a number of selling, general and administrative expense efficiencies, improving the overall profitability of the acquired business.

Management feels it is in a strong position to be one of the principle consolidators in the North American natural and organic food market, due to its industry position and accumulated reputational goodwill within the industry.

As it grows, the Company will focus on cost containment, margin enhancement and cash-flow management to offer innovative new products with healthy attributes. By integrating various brands, new products and strategic acquisitions, GreenSpace aims to achieve economies of scale and continue to enhance its overall market penetration.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this press release constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the heading “Outlook” and other statements concerning the Company’s 2016 objectives, strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause such differences include the cyclical nature of the construction and agriculture industries, changes in general economic conditions and interest rates, adverse weather, cost and availability of materials used to manufacture the Company’s products, competitive developments, legislative and government policy changes, as well as other risk factors included in the Company’s Annual Information Form dated November 9, 2015 under the heading “Risks and Uncertainties Related to the Business” and as described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company’s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements or levels of dividends and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward looking statements. The factors underlying current expectations are dynamic and subject to change. Certain statements included in this press release may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for all purposes. All forward-looking statements in this press release are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this press release and except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## **ADDITIONAL INFORMATION**

Additional information, including the Company’s annual information form, is on SEDAR at [www.sedar.com](http://www.sedar.com).