



**Condensed Consolidated Interim Financial Statements of
GREENSPACE BRANDS INC.**

For the three and nine month periods ended December 31, 2017 and 2016

These condensed consolidated interim financial statements and the notes thereto have not been reviewed by the Company's external auditors.

GreenSpace Brands Inc.

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For the three and nine month periods ended December 31, 2017 and 2016

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GreenSpace Brands Inc.
Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(Expressed in thousands of Canadian dollars)

	December 31	March 31
	2017	2017
	\$	\$
Assets		(Note 5)
Current assets		
Accounts receivable, net of allowance for doubtful accounts of \$286 (March 31, 2017 - \$286)	9,127	6,461
HST receivable	370	265
Income tax receivable	-	8
Prepaid expenses	607	275
Inventory (note 7)	10,879	5,148
Due from related parties (note 13)	38	38
Total current assets	21,021	12,195
Property, plant and equipment (note 8)	1,271	777
Intangible assets (note 5 and 9)	18,027	18,850
Goodwill and other intangible assets (note 5)	20,273	14,680
Total assets	60,592	46,502
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	6,447	5,720
HST payable	268	196
Loans to related parties (note 5 and 13)	654	1,391
Loans payable (note 10)	170	71
	7,539	7,378
Loans payable - non-current (note 10)	313	167
Long term debt (note 11)	4,751	3,147
Deferred tax liabilities (note 5)	3,562	3,843
Total liabilities	16,165	14,535
Shareholders' equity		
Share capital (note 12)	57,421	43,185
Contributed surplus (note 5, 12(c) and 12(d))	1,912	2,186
Accumulated deficit	(14,906)	(13,404)
	44,427	31,967
Total liabilities and shareholders' equity	60,592	46,502

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

Approved by the Board:

Matthew von Teichman-Logischen
Chairman

James Haggarty
Director

GreenSpace Brands Inc.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss For the three and nine month periods ended December 31, 2017 and 2016

(unaudited)

(Expressed in thousands of Canadian dollars, except per share and number of shares amounts)

	Three months ended		Nine months ended	
	December 31 2017 \$	December 31 2016 \$	December 31 2017 \$	December 31 2016 \$
Gross revenue	16,348	10,078	45,951	29,014
Less: rebates and discounts	(1,798)	(985)	(5,292)	(2,591)
Less: listing fees	(284)	(60)	(826)	(442)
Net revenue	14,266	9,033	39,833	25,981
Cost of goods sold	11,202	7,009	31,333	19,880
Gross profit	3,064	2,024	8,500	6,101
Expenses				
General and administrative	895	425	2,144	1,389
Storage and delivery	667	564	1,814	1,118
Salaries and benefits	985	693	3,016	2,214
Advertising and promotion	671	59	1,401	684
Professional fees	91	149	330	362
Stock-based compensation (note 12 (c))	49	42	124	157
Amortization of intangible assets	353	260	1,059	780
Total expenses	3,711	2,192	9,888	6,704
Net loss before interest expense, accretion expense and income taxes	(647)	(168)	(1,388)	(603)
Interest expense	98	113	246	394
Net loss before accretion expense and income taxes and discontinued operations	(745)	(281)	(1,634)	(997)
Accretion expense	34	318	149	1,231
Deferred income tax (recovery)	(94)	(69)	(281)	(207)
Loss from continuing operations	(685)	(530)	(1,502)	(2,021)
Loss from discontinued operations, net of income taxes (note 6)	-	(396)	-	(503)
Net loss and comprehensive loss	(685)	(926)	(1,502)	(2,524)
Net loss per share				
Basic and diluted from discontinued operations	-	(0.01)	-	(0.01)
Basic and diluted from continuing operations	(0.01)	(0.01)	(0.02)	(0.05)
Weighted average number of shares basic and diluted	64,773,987	43,268,354	60,375,360	38,976,316

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

GreenSpace Brands Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (unaudited)

(Expressed in thousands of Canadian dollars, except for number of shares)

	Share capital		Contributed	Accumulated	Total
	Number	Amount	Surplus	Deficit	Shareholders'
		\$	\$	\$	Equity
					\$
March 31, 2017	54,787,510	43,185	2,186	(13,404)	31,967
Issuance of share options	-	-	124	-	124
Exercise of warrants	1,143,488	1,484	(211)	-	1,273
Exercise of options	262,501	544	(187)	-	357
Shares issued for repayment of loan from related parties	1,013,714	1,178	-	-	1,178
Shares issued through short form prospectus	7,300,000	10,804	-	-	10,804
Shares issued for business combination	695,270	1,029	-	-	1,029
Share issuance costs	-	(803)	-	-	(803)
Net loss and comprehensive loss	-	-	-	(1,502)	(1,502)
December 31, 2017	65,202,483	57,421	1,912	(14,906)	44,427
March 31, 2016	35,849,662	22,483	2,202	(10,102)	14,583
Issuance of share options	-	-	157	-	157
Exercise of warrants	350,000	405	(78)	-	327
Shares issued through short form prospectus	6,210,000	7,017	-	-	7,017
Shares issued for repayment of loan from related parties	1,006,114	1,192	-	-	1,192
Share issuance costs	-	(650)	-	-	(650)
Net loss and comprehensive loss	-	-	-	(2,524)	(2,524)
December 31, 2016	43,415,776	30,447	2,281	(12,626)	20,102

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

GreenSpace Brands Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the nine month periods ended December 31, 2017 and 2016

(unaudited)

(Expressed in thousands of Canadian dollars)

	2017	2016
	\$	\$
Cash flow from operating activities		
Loss and comprehensive loss	(1,502)	(2,524)
Loss from discontinued operations	-	-
Items not affecting cash:		
Depreciation and amortization	1,255	919
Deferred income tax recovery	(281)	(207)
Stock-based compensation	124	157
Inventory provision	12	381
Interest expense	246	394
Accretion expense	149	1,231
Changes in non-cash working capital (note 16)	(7,775)	(3,603)
Cash utilized in operating activities - continuing operations	(7,772)	(3,252)
Cash utilized in operating activities - discontinued operations	-	(107)
Total cash utilized in operating activities	(7,772)	(3,359)
Cash flow from investing activities		
Cash used for business combination	(4,113)	-
Additions to property, plant and equipment	(664)	(150)
Additions to indefinite life intangible assets	(236)	(173)
Total cash utilized in investing activities	(5,013)	(323)
Cash flow from financing activities		
(Decrease) increase in bank overdraft	-	(998)
Proceeds from issuance of shares	10,001	6,367
Warrants exercised	1,273	328
Options exercised	357	-
Proceeds from (repayment of) advances from related party, net	245	(5,250)
(Repayment of) advances from loans payable, net	(412)	(1,958)
Advances from long term debt, net	1,525	5,485
Interest paid	(204)	(399)
Total cash provided by financing activities	12,785	3,575
Increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of the period	-	-
Cash and cash equivalents, end of the period	-	-

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

GreenSpace Brands Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2017 and 2016

(unaudited)

(expressed in thousands of Canadian dollars, except per share and number of shares)

1. Nature of Operations

On April 13, 2015, Aumento Subco, a wholly-owned subsidiary of Aumento Capital IV Corporation (“Aumento” or the “Corporation”) and Life Choices Natural Foods Corp. (“Life Choices”) entered into a definitive agreement (the “Definitive Agreement”). Pursuant to the terms of the Definitive Agreement, on April 30, 2015, Life Choices, Aumento and Aumento Subco completed a three-cornered amalgamation (the “Amalgamation”) whereby Life Choices and Aumento Subco amalgamated to form a new entity named Life Choices Natural Food Corp. (referred to herein as “Amalco”). After the Amalgamation, the property of each of Life Choices and Aumento Subco became the property of Amalco, and Amalco became liable for the obligations of each of Life Choices and Aumento Subco. Amalco will continue to carry on the business and operations of Life Choices as a wholly-owned subsidiary of the Corporation.

Prior to closing the Amalgamation, the Corporation’s name was changed to GreenSpace Brands Inc.

At the time, GreenSpace Brands Inc. (“GreenSpace” or the “Company”) is an organic and natural food company whose principal business is to create natural food products and brands for sale into the Canadian natural food marketplace. The Company’s main brands include Life Choices Natural Foods, Rolling Meadow Dairy, Nudge, Kiwi Pure and Holistic Choice Pet Food.

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, 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. Refer to note 5 for further details on the Love Child acquisition.

On February 25, 2016, the Company completed the 70% share acquisition of Central Roast Inc. (“Central Roast”). Central Roast is a leading all-natural functional snacks company that manufactures, markets, and distributes healthy snacks to major consumer retail customers in Canada. The acquisition strengthened the Company’s brand penetration with Canadian retail and distribution partners, provided extensive opportunities for increased penetration of existing product lines into the high velocity single serve snack category and into the new gas and convenience distribution channels. On October 7, 2016, as part of finalizing the terms on a new three year, \$7.5 million revolving senior secured asset based lending facility with Toronto-Dominion Bank the Company acquired the remaining 30% of the issued and outstanding shares of Central Roast. Refer to note 5 for further details on the Central Roast acquisition.

On January 18, 2017, the Company completed the acquisition of Nothing But Nature Inc. (“Nothing But Nature”). Nothing But Nature owns the organic juice brand Kiju and sells a wide variety of organic juices and drinks throughout Canada and select USA customers. The brand focuses on providing consumers with sustainable, healthy drinks without compromising quality and taste. Refer to note 5 for further details on the Nothing But Nature acquisition.

On August 23, 2017, the Company completed the acquisition of The Cold Press Corp. (“Cedar”). Cedar is the brand leader in the cold pressed juice category and has recently developed a line of probiotic drinks within their cold pressed juice business that compliments the Company’s strategy of launching products in the ‘gut health’ space. The Company intends to grow the distribution of Cedar and launch new products under the Cedar brand. Refer to note 5 for further details on the Cedar acquisition.

The Corporation was incorporated under the Ontario Business Corporations Act and domiciled in Ontario, Canada on June 11, 2013. The head office of the Company is 176 St. George Street, Toronto, Ontario, Canada M5R 2M7.

GreenSpace Brands Inc.

Notes to the Condensed Consolidated Interim Financial Statements

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(unaudited)

(expressed in thousands of Canadian dollars, except per share and number of shares)

2. Statement of Compliance, Going Concern and Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”), under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended March 31, 2017. The condensed interim consolidated financial statements do not include all of the disclosures included in the annual audited consolidated financial statements and the notes thereto included in the Company’s audited consolidated financial statements for the year ended March 31, 2017.

These condensed interim consolidated financial statements were approved by the Company’s Board of Directors on February 14, 2018.

Going concern

These condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business, and do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim consolidated financial statements.

As at December 31, 2017, the Company had a positive working capital of \$13,482 (March 31, 2017 - \$4,817), an accumulated deficit of \$14,906 (March 31, 2017: \$13,404). During the nine month period ended December 31, 2017, the Company, invested significantly in working capital primarily in inventory and as a result the Company generated negative cash flows from operations of \$7,772 (2016: \$1,370). One of the Company’s strategic growth objectives is to be a consolidator in the natural and organic marketplace. In order to do so, the strategic decision was made by management to make the overhead investments in advance of the strategic acquisitions. Consequently, the current organizational structure allows the Company to expand and integrate a number of strategic acquisitions without significant incremental headcount additions and other overhead costs.

On October 7, 2016, the Company finalized the terms on a \$7.5 million revolving senior secured asset based lending facility with The Toronto-Dominion Bank. After closing the ABL Facility, the Company refinanced the majority of its short-term loan obligations under a long-term, cost effective borrowing facility.

On January 10, 2017, the Company completed a bought deal offering of 7,085,417 shares for gross proceeds of \$8.5 million. The net proceeds were used by the Company to finance the acquisition of all outstanding shares of Nothing But Nature Inc. and for working capital and general corporate purposes.

On August 3, 2017, the Company completed a short form prospectus of 7,300,000 shares for gross proceeds of \$10.8 million, which included the exercise of the over allotment option for an additional 500,000 shares. The net proceeds were used by the Company to continue the Company’s acquisition strategy, including the acquisition of The Cold Press Corp., and for general working capital and corporate purposes.

On December 21, 2017, the Company increased its ABL Facility with Toronto-Dominion Bank from \$7.5 million to \$10 million by including assets from recent acquisitions.

GreenSpace Brands Inc.

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(expressed in thousands of Canadian dollars, except per share and number of shares)

2. Statement of Compliance, Going Concern and Basis of Presentation - continued

Management's continued strategy is to stay focused on increasing revenue and at the same time exercise careful cost control to sustain profitable operations in the near term. In the event that cash flow from operations, together with the proceeds from existing and any future financings are insufficient to cover planned expenditures, management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations. These factors raise some doubt about the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the condensed interim consolidated financial statements could be required.

Basis of Measurement

These condensed interim consolidated financial statements are prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value.

Principles of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Life Choices Natural Food Corp., Rolling Meadow Dairy Ltd., 1706817 Ontario Ltd., the Everyday Fundraising Group, Grandview Farms Sales Ltd., Love Child (Brands) Inc., GSB Investment Corp., Central Roast Inc., Nothing But Nature Inc., GSB Beverage Inc. and The Cold Press Corp. from their respective dates of acquisition. All inter-company balances and transactions have been eliminated.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ from these estimates. The effect of changes in such estimates on the condensed interim consolidated financial statements in future periods could be significant. Accounts specifically affected by estimates in these condensed interim consolidated financial statements are:

Allowance for Doubtful Accounts: Management assesses the credit worthiness and the financial position of all customers to arrive at and provide for an allowance for doubtful accounts on receivables.

Provisions for Inventory: Management makes estimates of the future customer demand for the Company's products when establishing appropriate provisions for inventory. In making these estimates, management considers product life of inventory and the profitability of recent sales of inventory. In many cases, product sold by the Company turns over quickly and inventory on-hand values are lower, thus reducing the risk of material misstatement. Management ensures that systems are in place to highlight and properly value inventory that may be approaching "best before" dates. To the extent that actual losses on inventory differ from those estimated, both inventory and net loss will be affected.

GreenSpace Brands Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2017 and 2016

(unaudited)

(expressed in thousands of Canadian dollars, except per share and number of shares)

3. Significant Accounting Judgments, Estimates and Assumptions - continued

Business Combinations: In a business combination: substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Intangible assets valuation: The values associated with intangible assets involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods. The Company assesses impairment by comparing the recoverable amount of an intangible asset with its carrying value. The recoverable amount is defined as the higher of value in use, or fair value less cost to sell. The determination of recoverable amount involves management estimates.

Goodwill impairment: Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (customer relationships and non-compete agreement) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the condensed consolidated statement of operations and comprehensive loss. The assessment of fair value requires the use of estimates and assumptions related to future operating performance and discount rates; differences in these estimates and assumptions could have a significant impact on the consolidated financial statements. During the quarter ended December 31, 2017, the Company recognized no write-down of intangibles or impairment of goodwill.

4. Significant Accounting Policies

The Company's accounting policies are set out in the Company's annual consolidated financial statements for the year ended March 31, 2017 and were consistently applied to all the periods presented unless otherwise noted below.

(a) Future accounting policies

The International Accounting Standards Board (IASB) or IFRS Interpretations Committee (IFRIC) issued certain new standards, interpretations, amendments and improvements to existing standards, the standards that may be applicable to the Company are as follows:

IFRS 9 – Financial Instruments

In July 2014, the IASB issued in its final form IFRS 9 - Financial Instruments (IFRS 9) which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 establishes principles for the financial reporting of

GreenSpace Brands Inc.

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(unaudited)

(expressed in thousands of Canadian dollars, except per share and number of shares)

4. Significant Accounting Policies - continued

financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2018. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers (IFRS 15), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases (IFRS 16), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

Amendments to IFRS 2 - Share-based Payments

In June 2016, the IASB issued amendments to IFRS 2 - Share-based Payments (IFRS 2), clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification from cash-settled to equity-settled. The amendments to IFRS 2 are effective prospectively for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently in the process of reviewing the standard to determine the impact on the annual consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

The Company does not intend to adopt any of these standards before their respective effective dates.

GreenSpace Brands Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2017 and 2016

(unaudited)

(expressed in thousands of Canadian dollars, except per share and number of shares)

5. Business Combinations

(i) Acquisition of Love Child (Brands) Inc. (“Love Child”)

On October 19, 2015, the Company completed a share acquisition of 100% of the outstanding common shares of Love Child a Canadian-based producer of organic food for infants and toddlers.

The aggregate purchase price for Love Child was comprised of:

- \$2,100 cash;
- \$1,250 in common shares issued at a price of \$1.05 per share;
- \$810 in vendor take back notes valued up to \$900 (“LCO VTB Notes”) which initially had a term of 1 year and an interest rate of 9%. The LCO VTB Notes have been discounted using a discount rate of 16% which represents the time value of money. In conjunction with the LCO VTB Notes, holders received warrants exercisable for a total of 225,000 Common Shares (“LCO VTB Warrants”). The LCO VTB Warrants were exercisable for a period of one year at a price of \$1.00 per Common Share. The LCO VTB Warrants were valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 0.52%, expected volatility of 43.6% and an expected life of one year. On the date of acquisition, the value attributed to the VTB Warrants was \$72 recognized in contributed surplus. As well, the LCO VTB Notes were secured against the assets of the Company and Love Child. The LCO VTB Notes were classified as loans to related parties on the condensed consolidated interim statements of financial position.

On March 22, 2016, \$100 of the LCO VTB Notes were repaid. The Company extended the term on the LCO VTB Notes to April 1, 2017 and in doing so incurred a 1.25% extension fee and the interest rate on LCO VTB Notes increased to 12% per annum immediately and 1.5% per annum every three months thereafter. The changes made to the LCO VTB Notes have been accounted for as a debt modification.

The LCO VTB Notes were fully repaid during the year ended March 31, 2017.

- \$232 in earn-out warrants exercisable for up to 714,286 Common Shares at a price of \$1.05 per share (“Earn-out Warrants”). These Earn-out Warrants are contingent on the Love Child gross revenue for the twelve-month period ended September 30, 2017 exceeding certain revenue targets. On the date of acquisition the probability of Love Child achieving those revenue targets was set at 100% and the Earn-out Warrants were valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 0.52%, expected volatility of 43.6% and an expected life of two years. The value attributed to the Earn-out Warrants was \$232 recognized in contributed surplus; and
- \$557 in earn-out shares valued up to \$750 (“Earn-out Shares”), issuable after the financial results from the quarter-ended September 30, 2017 were publicly released. The Earn-out Shares were discounted using a discount rate of 16% which represents the time value of money. These Earn-out Shares are contingent on the Love Child gross revenue for the twelve-month period ended September 30, 2017 exceeding certain revenue targets. The issue price on the Earn-out Shares was determined at the time of public dissemination of the September 30, 2017 quarter-end financial results based on the lower of i) the 5 day volume weighted average price (“VWAP”) of the Company’s common shares pre-announcement of the Love Child acquisition or ii) the 5 day VWAP of the Company’s Common Shares pre- public dissemination of the September 30, 2017 quarter-end consolidated financial results. On the date of acquisition, at March 31, 2017, the probability of Love Child achieving those gross revenue targets were set at 100%. The Earn-out Shares were classified as loans to related parties on the

GreenSpace Brands Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2017 and 2016

(unaudited)

(expressed in thousands of Canadian dollars, except per share and number of shares)

5. Business Combinations - continued

condensed consolidated interim statements of financial position (see Note 13). On November 16, 2017, the earn-out shares were settled with the issuance of 750,000 shares at a VWAP value of \$1.00 per share as the gross revenue targets for the twelve-month period ended September 30, 2017 were exceeded.

In accordance with IFRS 3 Business Combinations, the acquisition was accounted for using the purchase method. The allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

Purchase price:

Cash	\$	2,100
Common Shares		1,250
LCO VTB Notes		810
LCO VTB Warrants		72
Earn-out Warrants		232
Earn-out Shares		557
<u>Total purchase price</u>		<u>5,021</u>

Fair Value of assets acquired and liabilities assumed:

Accounts receivable	\$	581
Tax assets receivable		21
Inventory		1,462
Prepaid expenses		30
Property, plant and equipment		37
Bank indebtedness		(942)
Accounts payable and accrued liabilities		(1,131)
Promissory note		(750)
Loans payable		(156)
<u>Total net assets acquired and liabilities assumed</u>		<u>(848)</u>
Fair value of intangible assets		
Customer relationships (Note 9)		1,360
Brand (Note 9)		1,730
Product recipes (Note 9)		200
Deferred tax liability		(360)
<u>Fair value of goodwill</u>	\$	<u>2,939</u>

The Company finalized its assessment of the purchase price allocation during the quarter ended September 30, 2016. This resulted in an adjustment being booked to the previously presented March 31, 2016 balance sheet between goodwill and intangible assets. The allocation of the consideration paid remained consistent with the initial valuation. Intangible assets of customer relations, brand name, product recipes and goodwill have been separately accounted for. Customer relationships are being amortized over a useful life of 8 years and brand name and product recipes have been identified as indefinite life intangible assets. The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth. A deferred tax liability of \$360 was set up to account for the temporary differences on amortization of the identified intangible assets using an expected tax rate of 26.5%.

GreenSpace Brands Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2017 and 2016

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(expressed in thousands of Canadian dollars, except per share and number of shares)

5. Business Combinations - continued

The prior year net loss was adjusted for additional amortization expense of \$70 related to the purchase price allocation to intangible assets and income tax recovery of \$38 for the reduction of deferred tax liabilities due to amortization of intangible assets.

On March 22, 2016, the Love Child Promissory note of \$0.8 million was repaid and the general security agreement on the Love Child assets was consequently released.

Financing for the acquisition was completed using cash from the Company and a private equity placement.

(ii) Acquisition of Central Roast Inc. (“Central Roast”)

On February 25, 2016, the Company completed a share acquisition of 70% of the outstanding common shares of Central Roast a leading, Canadian-based, all-natural functional snack company that manufactures, markets, and distributes healthy snacks through the major retail channels in Canada.

The aggregate purchase price for Central Roast was comprised of:

- \$7,500 cash;
- \$3,000 in GreenSpace units (“Unit Consideration”). Each Unit consisting of one common share in the capital of GreenSpace issued at a price of \$0.90 per share and one-half of one common share purchase warrant (“Unit Warrant”), with each whole Unit Warrant entitling the holder to purchase one Common Share at a price of \$1.20 per share until February 25, 2019. The Unit Warrants were valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 0.43%, expected volatility of 42.7% and an expected life of three years. On the date of acquisition, the value attributed to the Unit Warrants was \$256 recognized in contributed surplus;
- \$230 vendor take back note valued up to \$250 (“CR VTB”). The CR VTB is unsecured, non-interest bearing and repayable over twelve monthly installments from the closing of the Central Roast acquisition. The CR VTB was discounted using a discount rate of 16% which represents the time value of money and it were classified as a loan from related parties on the condensed consolidated interim statements of financial position. The CR VTB was fully repaid during the year ended March 31, 2017;
- The share purchase agreement contained a net working capital settlement whereby any difference between the net working capital acquired and a target net working capital balance needed to be settled between the former shareholders of Central Roast and the Company (“Net Working Capital Settlement”). On the date of acquisition, the Net Working Capital Settlement resulted in a payable of \$293 which was classified as a loan from related parties on the condensed consolidated interim statements of financial position. It was fully repaid during the year ended March 31, 2017;
- Earn-out consideration valued at up to \$1,500 (“Earn-out Consideration”) was discounted using a discount rate of 16% which represents time value of money. The discounted value of \$1,262 was classified as a loan from related parties on the consolidated statements of financial position. The Earn-out Consideration are contingent on the annualized gross revenue for the three-month period ended March 25, 2017 exceeding certain revenue thresholds. The first \$0.5 million of the Earn-out Consideration was to be settled in cash and any remainder in common shares valued at the 20-trading day volume weighted average price prior to issuance. See Note 13.

GreenSpace Brands Inc.

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5. Business Combinations - continued

- \$4,500 in Deferred Consideration (“Deferred Consideration”) was discounted using a discount rate of 16%, which represents the time value of money, and the discounted value of \$3,834 was classified as loan from related parties on the consolidated statements of financial position. The Company and the former shareholders of Central Roast entered into a mandatory purchase agreement to acquire the remaining 30% of the Central Roast outstanding common shares on or before March 25, 2017. The Deferred Consideration was to be settled with:
 - \$3,600 in cash;
 - \$792 million in common shares, each common share valued at the 20-trading day volume weighted average price prior to issuance; and
 - \$108 million in warrants with the same terms as the Unit Warrant, valued at the volume weighted average price of the Unit Warrants for 20 consecutive trading days prior to the date of issuance.

\$1,600 of the Deferred Consideration was secured by a personal guarantee from the Company’s Chief Executive Officer (“CEO”). The Deferred Consideration was discounted using a discount rate of 16% which represents the time value of money and was classified as a loan from related parties on the condensed consolidated interim statements of financial position. The amount was fully repaid during the year ended March 31, 2017.

In accordance with IFRS 3 Business Combinations, the acquisition was accounted for using the purchase method. The allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

Purchase price:

Cash	\$	7,500
Unit Consideration		3,000
CR VTB1		230
Net Working Capital Settlement		293
Earn-out Consideration		1,262
Deferred Consideration		3,834
Total purchase price		16,119

Fair Value of assets acquired and liabilities assumed:

Accounts receivable (net allowance of \$102)	\$	1,984
Inventory		1,163
Prepaid expenses		43
Property, plant and equipment		443
Bank indebtedness		(735)
Accounts payable and accrued liabilities		(1,834)
HST payable		(64)
Loan from related parties		(793)
Loan payable – TD Equipment Finance (Note 10)		(133)
Total net assets acquired and liabilities assumed		74
Fair value of intangible assets		
Customer relationships (Note 9)		6,430
Brand (Note 9)		4,050
Non-compete (Note 9)		680
Deferred tax liability		(2,948)
Fair value of goodwill	\$	7,833

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5. Business Combinations - continued

The Company finalized its assessment of the purchase price allocation during the quarter ended December 31, 2016. This resulted in an adjustment being booked to the previously presented March 31, 2016 balance sheet between goodwill and intangible assets. The allocation of the consideration paid remains consistent with the initial valuation. Intangible assets of customer relations, brand name, non-compete and goodwill have been separately accounted for. Customer relations is being amortized over a useful life of 10 years, non-compete is being amortized over a useful life of 3 years and brand name were identified as an indefinite life intangible asset. The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth. A deferred tax liability of \$2,948 was set up to account for the temporary differences on amortization of the identified intangible assets using an expected tax rate of 26.5%. This was also adjusted in the previously presented March 31, 2016 balance sheet.

The prior period net loss was adjusted for additional amortization expense of \$72 related to the purchase price allocation to intangible assets and income tax recovery of \$19 for the reduction of deferred tax liabilities due to amortization of intangible assets.

Financing for the acquisition was completed through a short-form prospectus.

The Company retains full economic benefit of Central Roast from the date of acquisition and consequently there is no proportionate allocation of post-acquisition profit and loss to the non-controlling partners.

(iii) Acquisition of Nothing But Nature Inc. (“Nothing But Nature”)

On January 18, 2017, the Company completed a share acquisition of 100% of the outstanding common shares of Nothing But Nature. Nothing But Nature owns the Kiju brand and sells a wide variety of organic juices and drinks throughout Canada and select USA customers. The brand focuses on providing consumers with sustainable, healthy drinks without compromising quality and taste.

The aggregate purchase price for Nothing But Nature was comprised of:

- \$6,216 cash;
- \$2,664 million in GreenSpace common shares (“Share Consideration”), each common share issued at a price of \$1.27 per share;
- Earn-out consideration valued at up to \$1,000 (“Earn-out Consideration”). The Earn-out Consideration are contingent on the annualized net revenue for the twelve-month period ended December 31, 2017 exceeding certain revenue thresholds. The Earn-out Consideration will be settled in common shares valued at the lower of the 20 day volume weighted average price before and after the announcement date of the Company’s December 31, 2017 quarterly financial results. At January 18, 2017 and March 31, 2017, the probability of Nothing But Nature achieving those net revenue targets was determined to be likely with a value of \$330. Discounted at a rate of 16%, which represents time value of money, \$288 was classified as loan from related parties on the condensed consolidated interim statements of financial position (Note 13);

In accordance with IFRS 3 Business Combinations, the acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

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5. Business Combinations - continued

Purchase price:

Cash	\$	6,216
Share Consideration		2,664
Earn-out Consideration		288
Total purchase price		9,168

Fair Value of assets acquired and liabilities assumed:

Cash	\$	316
Accounts receivable (net allowance of \$77)		785
Inventory		856
Income tax receivable		8
Prepaid expenses		3
Property, plant and equipment		48
Accounts payable and accrued liabilities		(1,252)
Total net assets acquired and liabilities assumed		764
Fair value of intangible assets		
Customer relationships (Note 9)		3,060
Brand (Note 9)		2,100
Non-compete (Note 9)		200
Deferred tax liability		(864)
Fair value of goodwill	\$	3,908

The Company finalized its assessment of the purchase price allocation during the quarter ended December 31, 2017. This resulted in an adjustment being booked to the previously presented March 31, 2017 balance sheet between goodwill and intangible assets. The allocation of the consideration paid remains consistent with the initial valuation. Intangible assets of customer relations, brand name, non-compete and goodwill have been separately accounted for. Customer relations is being amortized over a useful life of 10 years, non-compete is being amortized over a useful life of 3 years and brand name were identified as an indefinite life intangible asset. The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth. A deferred tax liability of \$864 was set up to account for the temporary differences on amortization of the identified intangible assets using an expected tax rate of 26.5%. This was also adjusted in the previously presented March 31, 2017 balance sheet.

The prior period net loss was adjusted for additional amortization expense of \$62 related to the purchase price allocation to intangible assets and income tax recovery of \$16 for the reduction of deferred tax liabilities due to amortization of intangible assets.

Financing for the acquisition was completed through a private equity placement and a short-form prospectus public equity completed in January 2017 (See Note 12).

(iv) Acquisition of The Cold Press Corp. (“Cedar”)

On August 23, 2017, the Company completed a share acquisition of 100% of the outstanding common shares of Cedar. Cedar is the brand leader in the cold pressed juice category and has recently developed a line of probiotic drinks within their cold pressed juice business that compliments the Company’s strategy of launching products in the

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5. Business Combinations - continued

‘gut health’ space. The Company intends to grow the distribution of Cedar and launch new products under the Cedar brand.

The aggregate purchase price for Cedar was comprised of:

- \$4,113 cash;
- \$1,029 in GreenSpace common shares (“Share Consideration”), each common share issued at a price of \$1.48 per share;
- \$243 vendor take back note (“Cedar VTB”). The Cedar VTB is unsecured, non-interest bearing and repayable over twelve monthly installments from the closing of the Cedar acquisition. The Cedar VTB was classified as a loan to related parties on the condensed consolidated interim statements of financial position;
- Earn-out consideration valued at up to \$1,000 (“Earn-out Consideration”). The Earn-out Consideration are contingent on the annualized net revenue for the twelve-month period ended September 30, 2018 exceeding certain revenue thresholds. The Earn-out Consideration will be settled in common shares valued at the 20 day volume weighted average price 5 days before September 30, 2018. At August 23, 2017 and December 31, 2017, the probability of Cedar achieving those net revenue targets was determined to be likely with a value of \$544. Discounted at a rate of 16%, which represents time value of money, \$460 was classified as loan to related parties on the condensed consolidated interim statements of financial position (Note 13);

In accordance with IFRS 3 Business Combinations, the acquisition was accounted for using the purchase method. The preliminary allocation of the purchase price to the estimated fair value of the net assets acquired is as follows:

Purchase price:

Cash	\$	4,113
Share Consideration		1,029
Cedar VTB		243
Earn-out Consideration		460
Total purchase price		5,845

Fair Value of assets acquired and liabilities assumed:

Cash	\$	(39)
Accounts receivable		560
Inventory		152
Prepaid expenses		6
Property, plant and equipment		26
Accounts payable and accrued liabilities		(370)
Income taxes payable		(14)
HST payable		(92)
Total net assets acquired and liabilities assumed		229
Goodwill and other intangible assets	\$	5,616

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5. Business Combinations - continued

The goodwill and other intangible assets relate to Cedar's brand name, customer relationships, supplier relationships and assembled workforce. As of December 31, 2017 the allocation of the purchase consideration has not been finalized and is currently based on preliminary estimates in regards to the fair value of the assets acquired and the contingent consideration paid. The actual fair value of the contingent consideration may differ from the amount disclosed in the preliminary purchase price allocation and is subject to change. It is expected that the unallocated purchase price will be allocated between goodwill and intangibles upon completion of the valuation of the acquisition. It is expected that the customer relationships and supplier relationships will be valued over a period of 10 years and 5 years, respectively, which Management considers reasonable useful lives.

6. Discontinued Operations

In October 2016, the Company exited the United States (US) business carried on by Love Child. The operating results of the US business of Love Child have been presented as a discontinued operation.

The following table summarizes the operations of the US business of Love Child as classified as discontinued operations for the three and nine month period ended December 31, 2017 and 2016:

	Three month period ended December 31, 2017	Three month period ended December 31, 2016	Nine month period ended December 31, 2017	Nine month period ended December 31, 2016
	\$	\$	\$	\$
Net revenue	-	52	-	108
Cost of goods sold	-	288	-	362
Gross profit	-	(236)	-	(254)
Expenses	-	160	-	249
Loss from discontinued operations, net of tax	-	(396)	-	(503)
Loss attributed to common shareholders	-	(396)	-	(503)

Due to the accumulated net losses there is no income tax expense recorded in respect of the discontinued operations.

The US business of Love Child had current assets of \$nil as at December 31, 2017 (March 31, 2017 - \$nil) and current liabilities of \$54 as at December 31, 2017 (March 31, 2017 - \$54). It did not have any non-current assets. These amounts have been treated as a disposal group for the US business, but have not been classified as held-for-sale because their carrying amount will be principally recovered through continuing use, being the collection of cash and receivables, disposition of inventory and the settlement of liabilities.

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6. Discontinued Operations - continued

The following table summarizes the net cash flows attributable to the discontinued operations for the nine-month period ended December 31, 2017 and 2016:

	Nine month period ended December 31, 2017 \$	Nine month period ended December 31, 2016 \$
Cash flows from operations	-	(183)
Cash flows from financing activities	-	-

7. Inventory

Inventory consists of:

	December 31 2017 \$	March 31 2017 \$
Raw materials	807	544
Packaging	2,408	936
Finished goods	7,664	3,668
Total	10,879	5,148

Included in cost of goods sold is a provision for inventory amounting to \$177 for the three month period ended December 31, 2017 (2016 - \$141) and \$189 for the nine month period ended December 31, 2017 (2016 - \$381).

The amount of inventory recognized as an expense in cost of goods sold was \$11,025 for the three month period ended December 31, 2017 (2016 - \$6,868) and \$31,144 for the nine month period ended December 31, 2017 (2016 - \$19,499).

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8. Property, Plant and Equipment

	Furniture and equipment	Leasehold improvements	Computer equipment	Software	Fixture at customer locations	Printing and production plates	Warehouse equipment	Design	Total
Cost									
Balance, March 31, 2017	351	58	86	31	37	146	487	44	1,240
Additions	77	455	25	-	15	23	42	27	664
Acquired through business combination (note 5)	11	-	-	-	-	21	-	-	32
Balance, December 31, 2017	439	513	111	31	52	190	529	71	1,936
Accumulated depreciation									
Balance, March 31, 2017	90	37	54	24	14	58	186	-	463
Depreciation for the year	53	44	27	3	7	13	35	14	196
Acquired through business combination (note 5)	6	-	-	-	-	-	-	-	6
Balance, December 31, 2017	149	81	81	27	21	71	221	14	665
Net book value									
Balance, March 31, 2017	261	21	32	7	23	88	301	44	777
Balance, December 31, 2017	290	432	30	4	31	119	308	57	1,271

Depreciation expense charged to the condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended December 31, 2017 was \$82 and \$196 respectively (2016: \$50 and \$139).

9. Intangible Assets

	Customer Relationship	Brand	Product Recipes	Non-Compete Agreement	Total
Cost					
Balance, March 31, 2017	10,850	8,165	200	880	20,095
Additions	-	236	-	-	236
Balance, December 31, 2017	10,850	8,401	200	880	20,331
Accumulated amortization					
Balance, March 31, 2017	988	-	-	257	1,245
Amortization for the period	843	-	-	216	1,059
Balance, December 31, 2017	1,831	-	-	473	2,304
Net book value					
As at March 31, 2017	9,862	8,165	200	623	18,850
As at December 31, 2017	9,019	8,401	200	407	18,027

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10. Loans Payable

	December 31 2017	March 31 2017
<u>BDC Loans</u>		
BDC loan payable, interest at BDC's floating base rate plus 1% per annum, repayable in payments of principal of \$1 monthly plus interest (payable monthly), maturing November 2018	11	21
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, repayable in payments of principal of \$2 monthly plus interest (payable monthly), maturing February 23, 2019	34	49
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, repayable in payments of principal of \$1 monthly plus interest (payable monthly), maturing February 23, 2022	59	68
TD Equipment Finance	79	100
TD Term Loan	300	-
	483	238
Less amounts due within one year	170	71
Loans payable - non-current	313	167

TD Equipment Finance

As part of the acquisition of Central Roast the Company retained a leasing loan agreement with TD Equipment Finance. The machinery lease contract is repayable in monthly instalments of \$2, includes interest calculated at 3.85% and matures on August 15, 2020.

TD Term Loan

To finance the acquisition of an HVAC system at the Central Roast warehouse, the Company entered into a term loan with TD for \$300. The term loan is repayable in monthly principal instalments of \$8, plus interest calculated at prime. The loan matures in December 2020.

BDC Loans

On June 24, 2014 the Company entered into two loan payables with the Business Development Bank of Canada ("BDC") for a total of \$0.15 million. The first loan payable was for \$0.05 million bearing interest at the BDC's floating base rate plus 1% per annum and matures in November 2018. The second loan payable was for \$0.1 million bearing interest at the BDC's floating base rate plus 3.25% per annum. On April 20, 2015, proceeds from the Concurrent

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10. Loans Payable - continued

Financing were used to repay the second loan payable with BDC, which had an outstanding balance of \$92 on the date of repayment.

As part of the acquisition of Love Child (note 6), the Company acquired two additional BDC loans. The first acquired BDC loan was for \$0.1 million bearing interest at BDC's floating base rate plus 3% per annum, interest payable monthly and the loan matures on February 23, 2019. The second acquired BDC loan was again for \$0.1 million bearing interest at BDC's floating base rate plus 3% per annum, interest payable monthly and the loan matures on February 23, 2022.

The Company is in the process of consolidating all of its BDC loans. The loans are presently secured by a personal guarantee from the Company's Chief Executive Officer ("CEO").

The required future principal repayments are as follows:

2018	170
2019	152
2020	139
2021	14
2022	8
	<hr/>
	483

11. Long Term Debt

On October 7, 2016, the Company finalized the terms on a \$7.5 million revolving senior secured asset based lending facility with The Toronto-Dominion Bank ("ABL Facility"). The ABL Facility has a three-year term.

The Company incurred a total of \$0.1 million in transaction costs related to the ABL Facility. All transaction costs are being amortized to net earnings as interest expense over the three-year term. The maximum availability under the ABL facility is subject to a borrowing base calculation determined as a percentage of the Company's accounts receivable, inventory less priority payables and availability reserves.

Proceeds from the new facility were used to complete the acquisition of the remaining 30% of the issued and outstanding shares of Central Roast Inc. ("Central Roast"), making Central Roast a wholly-owned subsidiary of GreenSpace.

After closing the ABL Facility, the Company refinanced the majority of its short-term loan obligations under a long-term, cost effective borrowing facility. Remaining initial proceeds from the new ABL Facility were used to finance working capital and capacity is still available to assist in financing future acquisitions.

The ABL Facility is secured by substantially all of the assets of the Company and contains a standard fixed charge coverage financial covenant of 1.1:1. Effective March 31, 2017, the fixed charge coverage covenant was amended to allow the Company to add back unfinanced capital expenditures, debt repayments or listing fees that were financed with equity in calculating the covenant.

On December 21, 2017, the Company increased its ABL Facility with Toronto-Dominion Bank from \$7.5 million to \$10 million by including assets from recent acquisitions.

At December 31, 2017, the Company was in compliance with this financial covenant.

GreenSpace Brands Inc.

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12. Share Capital

(a) Authorized: Unlimited number of common shares

Common shares issued and fully paid:

	Number	Amount \$
Balance at March 31, 2016	35,849,662	22,483
Shares issued from September 2016 Short Form Prospectus (i)	6,210,000	7,017
Shares issued for repayment of loan from related parties (ii)	1,202,686	1,492
Shares issued from Nothing But Nature Equity Raise (iii)	7,085,417	8,503
Shares issued for business combination (Note 5)	2,097,638	2,664
Shares issued for convertible loan (iv)	521,739	600
Exercise of options	41,618	40
Exercise of warrants	1,778,750	1,776
Share issuance costs	-	(1,390)
Balance at March 31, 2017	54,787,510	43,185
Shares issued for repayment of loan from related parties (ii)	1,013,714	1,178
Shares issued from August 2017 Short Form Prospectus (v)	7,300,000	10,804
Shares issued for business combination (Note 5)	695,270	1,029
Exercise of options	262,501	544
Exercise of warrants	1,143,488	1,484
Share issuance costs (v)		(803)
Balance at December 31, 2017	65,202,483	57,421

- (i) On September 2, 2016, the Company completed a bought deal short form prospectus offering (“September Equity Financing”) of 6,210,000 common share at an issue price of \$1.13 per share for aggregate gross proceeds of \$7.0 million.

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12. Share Capital - continued

- (ii) On October 7, 2016, the Company issued \$1.2 million in 1,006,114 common shares based on the 20 day volume weighted average trading price ("VWAP") as part of the settlement of the Deferred Consideration for acquisition of the remaining interest of Central Roast. See note 5.

On November 16, 2017, the Company issued \$750 in 750,000 common shares based on the 5 day pre-announcement of the Love Child acquisition VWAP for \$1.00 per share as part of the settlement of Love Child earn out shares. See note 5.

- (iii) On January 10, 2017, the Company closed a bought deal, public equity offering and private equity placement to sell 7,085,417 common shares of the Company at a price of \$1.20 per share (the "Nothing But Nature Equity Raise ") for aggregate gross proceeds of \$8,502.

A total of 7,085,417 common shares were sold pursuant to the Nothing But Nature Equity Raise, including 543,750 common shares issued as a result of the Underwriters' full exercise of the over-allotment option. An aggregate of 4,168,750 common shares were issued by way of a short form prospectus filed in each of the Provinces of Canada (other than Quebec) and in the United States. An aggregate of 2,916,667 common shares were issued by way of a private equity placement.

- (iv) On December 18, 2015, the Company issued a promissory note to a shareholder for proceeds of \$0.4 million. The promissory note bears interest at 10.0% per annum, had a 1% placement fee and initially matured the earlier of June 30, 2016 or 10 business days subsequent to the completion of any equity financing. On February 25, 2016, the repayment term on the promissory note was extended by the current shareholder to April 1, 2017. On June 29, 2016, the Company issued a second promissory note to the same shareholder for proceeds of \$0.2 million. This second promissory note, similar to the first, bears interest at 10.0% per annum, had a 1% placement fee and was initially expected to mature on April 1, 2017. On October 17, 2016, in exchange for an extension of the repayment term to October 1, 2017, these two outstanding promissory notes became convertible debt loans which provided the shareholder the ability to convert any portion of the loan principle into common shares of the Company at a price of \$1.15 per common share. The notes were converted into 521,739 common shares on March 2, 2017.

- (v) On August 3, 2017, the Company closed a bought deal short form prospectus offering of 7,300,000 common shares of the Company at a price of \$1.48 per share (the "Offering"), which includes 500,000 common share issued pursuant to the exercise of the over-allotment option, for aggregate gross proceeds of \$10.804 million. The Offering was conducted by a syndicate of underwriters (the "Underwriters") led by Beacon Securities Limited and Cormark Securities Inc., and including Laurentian Bank Securities Inc., PI Financial Corp. and Raymond James Ltd.

In consideration of the services rendered by the Underwriters in connection with the Offering, GreenSpace paid the Underwriters a commission equal to 6% of the gross proceeds of the Offering, including any proceeds raised pursuant to the exercise of the over-allotment option, provided, however, that a fee of 3% was payable in respect of proceeds raised from certain "president's list" subscribers totaling 804,200 Common Shares. In closing its short form prospectus, the Company incurred commission and professional fees totalling \$803.

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12. Share Capital - continued

(b) Escrowed Shares:

As of December 31, 2017, no common shares were held in escrow.

(c) Stock options:

The Company has established a stock option plan for its directors, officers, employees and technical consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Company's Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire within one year thereafter.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table reflects the continuity of stock options:

	Number of stock options	Range of Exercise Price (\$)	Weighted average exercise price (\$)
Balance, March 31, 2017	1,736,317	0.92 – 1.36	1.01
Granted (i)	423,445	1.02 - 1.27	1.09
Exercised	(262,501)	1.36	1.36
Cancelled	(166,557)	0.96 – 1.34	1.11
Balance, December 31, 2017	1,730,704	0.92 – 1.34	1.03

- (i) On June 23, 2017, the Company's Board of Directors granted 91,909 options to acquire common shares to its new employees that recently joined the Company. These options vested over a period of five years, have an exercise price of \$1.27 per share and are exercisable within ten years from the date of grant. The options were valued on June 23, 2017, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates of 1.11%, expected volatility of 41% and an expected life of 5 to 8 years. The value attributed to the 91,909 options was \$71 and these options are being expensed using a graded vesting method over the five-year vesting period.

On August 23, 2017, the Company's Board of Directors granted 140,000 options to acquire common share to employees and directions. These options vested over a period of five years, have an exercise price of \$1.02 per share and are exercisable within ten years from the date of grant. The options were valued on August 23, 2017, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates of 1.80%, expected volatility of 41% and an expected life of 5 to 8 years. The value attributed to the 140,000 options was \$89 and these options are being expensed using a graded vesting method over the five-year vesting period.

On November 15, 2017, the Company's Board of Directors granted 191,536 options to acquire common share to employees and directions. These options vested over a period of five years, have an exercise price of \$1.06

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12. Share Capital - continued

per share and are exercisable within ten years from the date of grant. The options were valued on November 15, 2017, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates of 1.90%, expected volatility of 41% and an expected life of 5 to 8 years. The value attributed to the 191,536 options was \$128 and these options are being expensed using a graded vesting method over the five-year vesting period.

The following table summarizes the outstanding and exercisable options held by directors, officers and employees as at December 31, 2017:

Exercise Price Range (\$)	Outstanding			Exercisable	
	Number of options	Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Vested Options	Weighted Average Exercise Price (\$)
0.92 – 0.96	1,076,472	7.56	0.96	546,620	0.96
0.99 – 1.24	450,962	7.66	1.08	86,576	1.19
1.27 – 1.34	203,270	9.15	1.32	-	-
	1,730,704	7.77	1.03	633,196	0.99

(d) Warrants:

The following table reflects the continuity of warrants:

	Number of warrants	Exercisable warrants	Value \$	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (year)
Balance as of March 31, 2017	8,312,460	7,598,174	1,478	1.12	1.57
Warrants exercised	(1,143,488)	(1,143,488)	(211)	1.11	-
Balance as of December 31, 2017	7,168,972	7,168,972	1,267	1.18	0.96

13. Related Party Balances and Transactions

Loans from Related Parties

On November 16, 2017, 750,000 shares were issued at a price of \$1.00 per share to settle the Love Child Earn-out Shares Accretion expense recognized within the three and nine month period ended December 31, 2017 is \$12 and \$84 respectively (2016 - \$nil).

The Cedar VTB of \$243 is unsecured, non-interest bearing and repayable over twelve equal monthly installments from the closing of the Cedar acquisition in August 2017.

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13. Related Party Balances and Transactions - continued

Cedar Earn-out consideration will be settled in common shares before December 31, 2018. Earn-out amount of \$544 discounted at 16% to be \$460 as of August 23, 2017. Accretion expense recognized for the three and nine month period ended December 31, 2017 is \$22 and \$31 (2016 - \$nil).

Transactions with Related Parties

The Company has a lease arrangement for office space with a shareholder of the Company. The Company paid rent expense of \$41 and \$123 during the three and nine month period ended December 31, 2017 (2016 – \$23 and \$69).

The Company has an outstanding balance of \$149 at December 31, 2017 (March 31, 2017 - \$159) 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 has made a number of purchases for an unrelated company controlled by a common shareholder. The purchases are completed on arm's length commercial terms and are expected to be repaid within the upcoming fiscal year. At December 31, 2017, \$38 was owed by the unrelated company controlled by a common shareholder (March 31, 2017 – \$38). The amount owed is non-interest bearing with no specified terms of repayment.

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 months period ended		Nine months period ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Salary and director fees	\$189	\$182	\$504	\$561

14. Commitments and Contingencies

Commitments

The Company has a non-material vehicle lease agreement expiring in October 2021.

On July 4, 2016, the Company entered into a 10-year lease agreement for a 50,000 square foot warehouse facility. The lease agreement commences on November 1, 2016 and the space will be sufficient to accommodate the current year inventory build as a result of new revenue opportunities and the new facility also gives the Company adequate space for growth. The new leased facility has an annual rent of \$0.4 million.

In October 2016, under its new ABL Facility, the Company issued a stand-by letter of credit for \$0.2 million to one of its Canadian suppliers for extended credit terms.

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14. Commitments and Contingencies - continued

Contingencies

The Company may become involved in certain claims and litigation arising out of the ordinary course and conduct of business where certain claims are made against or by the Company. Management assesses such claims and, if they are considered likely to result in a loss and the amount of loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated or where the litigation may result in a contingent gain.

15. Expenses by Nature

	3 month ended December 31, 2017	3 months ended December 31, 2016	9 month ended December 31, 2017	9 months ended December 31, 2016
Raw materials and consumables used	11,025	6,868	31,144	19,500
Storage and delivery	667	564	1,814	1,118
Salaries and benefits	985	693	3,016	2,214
Advertising and promotion	654	59	1,401	684
Professional fees	91	149	330	362
Stock-based compensation	49	42	124	157
Amortization of intangible assets	353	260	1,059	780
Other expenses	1,090	566	2,333	1,769
	14,914	9,201	41,221	26,584

16. Changes in Non-Cash Working Capital

	9 month ended December 31, 2017	9 months ended December 31, 2016
HST receivable	(105)	64
Accounts receivable	(2,106)	(1,646)
Prepaid expenses	(326)	(17)
Income taxes recoverable	8	-
Inventory	(5,590)	(1,998)
Accounts payable and accrued liabilities	363	(238)
HST payable	(19)	232
	(7,775)	(3,603)

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17. Financial Risk Management

(a) Concentration Risk

The Company currently has heavy reliance on a small number of large customers for revenue. The Company continues to expand its customer base to reduce this reliance. A new sales team is focused on expanding the business in Western Canada and Quebec, and new customers have been obtained from across Canada. Management will continue to monitor and reduce this reliance.

For the three months ended December 31, 2017, the Company had one (2016 - one) customers representing over 10% of total revenue for an aggregate of approximately 32% (2016 – 31%) of total revenue. For the nine months ended December 31, 2017 the company had one (2016 – one) customers representing over 10% of total revenue for an aggregate of approximately 29% (2016 – 29%) of total revenue.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer, investee or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable.

In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk.

To mitigate this risk the Company reviews the creditworthiness of material new customers, monitors customer payment performance and, where appropriate, reviews the financial condition of existing customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers and economic circumstances.

The Company's maximum credit exposure is represented by the balance of accounts receivable at each reporting date. As at December 31, 2017, \$479 (March 31, 2017 - \$297) of accounts receivable are past due but have been determined not to be impaired.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing, loans from related parties and loans payable.

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17. Financial Risk Management - continued

Significant commitments in years subsequent to December 31, 2017 are as follows:

	Carrying value \$	Contractual cash flows \$	Payable in 1 year \$	2-5 years \$
Accounts payable and accrued liabilities	6,447	6,447	6,447	-
Loans from related party	654	162	162	-
Loans payable	483	483	171	312
Long term debt	4,751	4,751	-	4,751
	12,335	11,843	6,780	5,063

(d) Market Risk

i. Interest Rate Risk

Interest rate risk arises because the Company has loan payables with variable interest rates. The Company's objective in managing interest rate risk is to minimize the interest expense on liabilities and debt. The Company does not believe that its profit and loss or cash flows would be affected to any significant degree by a sudden change in market interest rates. The interest rates that it pays on the line of credit and loan payable can fluctuate with the prime rate.

ii. Foreign Currency Risk

The Company is exposed to some foreign currency risk as some of the product ingredients are denominated in U.S. dollars and Euros. Accordingly, the Company's results are affected, and may be affected in the future, by sudden exchange rate fluctuations of the U.S. dollar and Euro. Currently the Company manages foreign currency risk by forecasting need and incorporating forecasted U.S. and Euro foreign exchange rates into customer prices.

18. Capital Management

Management defines capital as the Company's share capital and long-term debt. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its sales, expenses, working capital and any required capital expenditures. The Company is not subject to any externally imposed capital requirements.

The capital management objectives for fiscal 2018 remain the same as those of the previous fiscal year.

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19. Subsequent Events

Exercise of Warrants

Subsequent to December 31, 2017, the Company had warrants exercised resulting in the issuance of additional common shares for cash proceeds of \$138.

Stock Option Grant

On February 14, 2018, the Board of Directors of the Company approved the granting of incentive stock options (the "Options") pursuant to the terms of the Corporation's stock option plan to a number of employees to acquire up to an aggregate of 20,000 common shares in the capital of the Company.

All Options granted to the employees are exercisable for a period of ten years at a price of \$1.18 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.

Acquisition of Galaxy Nutritional Foods

On January 24, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Galaxy Nutritional Foods ("Galaxy"). Total consideration was for \$17.8 million USD, comprised of \$4.5 million USD in cash, \$7.62 million USD in common shares ("Share Consideration), and a two year vendor take back loan of \$5.72 million USD, carrying an 8.5% coupon. The Company issued 7.16 million Common shares at \$1.37 per share as part of the transaction, a 14.2% premium to the closing market price on the day the deal was announced on December 20th, 2017. The Share Consideration will be subject to lock-up and escrow pursuant to which approximately 45% of the Share Consideration shall be locked up for 12 months from the closing date, 5% of the Share Consideration shall be in escrow for 13 months from the closing date and the remaining 50% shall be locked-up for 18 months from the closing date, subject to certain exemptions.