Condensed Consolidated Interim Financial Statements of

GREENSPACE BRANDS INC.

For the three month periods ended June 30, 2016 and 2015

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

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For the three month periods ended June 30, 2016 and 2015

GreenSpace Brands Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)
(Expressed in thousands of Canadian dollars)

	June 30 2016 $	March 31 2016 $
Assets		
Current assets		
Accounts receivable, net of allowance for doubtful accounts of $164 (March 31, 2016 - $164)	**4,622**	3,993
HST receivable	**82**	241
Prepaid expenses	**220**	407
Inventory (note 7)	**4,146**	3,479
Due from related parties (note 12)	**38**	38
Total current assets	**9,108**	8,158
Property, plant and equipment (note 8)	**723**	716
Unallocated purchase price (note 6)	**22,004**	22,004
Total assets	**31,835**	30,878
Liabilities		
Current liabilities		
Bank overdraft (note 9)	**1,561**	998
Accounts payable and accrued liabilities (note 12)	**5,450**	4,979
HST payable	**111**	57
Loans from related parties (note 6 and 12)	**7,859**	4,432
Loans payable (note 10)	**1,731**	1,649
	16,712	12,115
Loans from related parties - non-current (note 6 and 12)	**557**	3,831
Loans payable - non-current (note 10)	**224**	243
Total liabilities	**17,493**	16,189
Shareholders' equity		
Share capital (note 11)	**22,483**	22,483
Contributed surplus (note 6, 11(c) and 11(d))	**2,265**	2,202
Accumulated deficit	**(10,406)**	(9,996)
	14,342	14,689
Total liabilities and shareholders' equity	**31,835**	30,878

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 month periods ended June 30, 2016 and 2015

(unaudited)

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

	Three months ended	
	June 30 2016 $	June 30 2015 $
Gross revenue	**9,213**	1,594
Less: rebates and discounts	**(674)**	(148)
Less: listing fees	**(128)**	(33)
Net revenue	**8,411**	1,413
Cost of goods sold	**6,307**	1,241
Gross profit	**2,104**	172
Expenses		
General and administrative	**465**	123
Storage and delivery	**237**	77
Salaries and benefits	**956**	323
Advertising and promotion	**241**	88
Professional fees	**84**	121
Stock-based compensation (note 11 (c))	**63**	38
Reverse take-over listing fee (note 5)	**-**	991
Total expenses	**2,046**	1,761
Net income (loss) before interest expense, accretion expense and income taxes	**58**	(1,589)
Interest expense	**161**	12
Net loss before accretion expense and income taxes	**(103)**	(1,601)
Accretion expense	**307**	
Income tax expense (recovery)	**-**	-
Net loss and comprehensive loss	**(410)**	(1,601)
Net loss per share		
Basic and diluted	**(0.01)**	(0.11)
Weighted average number of shares basic and diluted	**35,849,662**	14,120,282

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 Number	Amount	Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
		$	$	$	$
March 31, 2016	35,849,662	22,483	2,202	(9,996)	14,689
Issuance of share options	-	-	63	-	63
Net loss attributable to common shareholders	-	-	-	(410)	(410)
June 30, 2016	**35,849,662**	**22,483**	**2,265**	**(10,406)**	**14,342**
March 31, 2015	3,369,415	3,617	-	(4,707)	(1,090)
Share split as part of qualifying transaction (note 5)	11,336,470	-	-	-	-
Reverse take-over transaction (note 5)	804,650	1,094	67	-	1,161
Shares issued through private placements	3,897,059	5,300	-	-	5,300
Share issuance costs	-	(636)	187	-	(449)
Issuance of share options	-	-	38	-	38
Net loss attributable to common shareholders	-	-	-	(1,601)	(1,601)
June 30, 2015	**19,407,594**	**9,375**	**292**	**(6,308)**	**3,359**

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 three month periods ended June 30, 2016 and 2015

(unaudited)

(Expressed in thousands of Canadian dollars)

	2016	2015
	$	$
Cash flow from operating activities		
Loss and comprehensive loss	**(410)**	(1,601)
Items not affecting cash:		
Depreciation	**43**	-
Stock-based compensation	**63**	38
Reverse take-over listing fees	**-**	991
Inventory provision	**111**	47
Interest expense	**160**	-
Accretion expense	**307**	-
Changes in non-cash working capital (note 15)	**(537)**	(978)
Total cash utilized in operating activities	**(263)**	(1,503)
Cash flow from investing activities		
Additions to property, plant and equipment	**(51)**	-
Total cash utilized in investing activities	**(51)**	**-**
Cash flow from financing activities		
(Decrease) increase in bank overdraft	**564**	(293)
Proceeds from issuance of common shares, net	**-**	4,850
Proceeds from (repayment of) advances from related party, net (note 12)	**200**	(506)
(Repayment of) Proceeds from loans payable	**(292)**	(61)
Cash acquired from reverse take-over (note 5)	**-**	169
Interest paid	**(158)**	(29)
Total cash provided by financing activities	**314**	4,130
Increase in cash and cash equivalents	**-**	2,627
Cash and cash equivalents, beginning of the period	**-**	-
Cash and cash equivalents, end of the period	**-**	2,627

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

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.

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 6 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. Refer to note 6 for further details on the Central Roast 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.

2. Basis of Presentation and Statement of Compliance

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, 2016. 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, 2016.

These condensed interim consolidated financial statements were approved by the Company’s Board of Directors on July 27, 2016.

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 June 30, 2016, the Company had working capital deficiency of $7.6 million (March 31, 2016 - $4.0 million), an accumulated deficit of $10.4 million (March 31, 2016: $10.0 million). During the three month period ended June 30, 2016, the Company, as a result of numerous revenue opportunities invested significantly in working capital and as a result the Company generated negative cash flows from operations of $0.4 million (2015: $1.5 million). One of the Company`s strategic growth objectives is to be a consolidator in the Canadian 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 costs. Now, with the completion of both the Love Child and Central Roast acquisitions (see note 6), the Company has proven it has obtained the required revenue scale to more then cover those consolidated overhead costs and become profitable.

The continuation of the Company as a going concern is dependent upon its ability to renew and extend its existing loans, raise additional financing and ultimately maintain profitable operations. Management's current 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. Management is also in the process of evaluating a number of potential sources of debt financing. Although management intends to assess and act on these options through the course of the year, there can be no assurance that the steps management take will be successful.

In the event that cash flow from operations, together with the proceeds from 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. There is material uncertainty that the Company will be able to maintain profitable operations or raise funds in the future. These factors raise significant doubt about the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the 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. and Central Roast Inc., from their respective dates of acquisition. All inter-company balances and transactions have been eliminated.

Accounting for Business Combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition-date fair values of the assets transferred and liabilities assumed by the Company, liabilities incurred by the Company to former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognized in the statement of operations as incurred. At the acquisition date, the identifiable assets acquired, liabilities and contingent liabilities assumed are recognized at their fair values, except for deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 Income tax.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the statement of operations as a bargain purchase gain.

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.

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. As of June 30, 2016 the allocation of the purchase consideration is based on preliminary estimates in regards to the fair value of the assets acquired and the contingent consideration paid has not been finalized. 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 intangible assets upon completion of the valuation of the acquisition.

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, 2016 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 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.

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.

5. Reverse Take-over Transaction ("RTO")

On April 13, 2015, Aumento Subco, a wholly-owned subsidiary of Aumento and Life Choices entered into a 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 GreenSpace Brands Inc. (the "Qualifying Transaction").

Pursuant to the terms of the Definitive Agreement, securities were exchanged as follows:

- Each outstanding Aumento common share was exchanged for 0.5 GreenSpace common shares ("Share Consolidation");
- Each outstanding Aumento stock option was exchanged for 0.5 GreenSpace stock options
- Each outstanding common share of Life Choices was exchanged for 4.364521 GreenSpace common shares ("Share Split");
- 804,650 GreenSpace common shares were issued to Aumento shareholders.

Concurrent Financing

Concurrent with the closing of the Qualifying Transaction, Life Choices completed a private placement of 3,897,059 common shares at a purchase price of $1.36 per share, for gross proceeds of 5.3 million. The Share Split was completed prior to the closing of this private placement. The Company incurred cash transaction costs of $0.4 million in this transaction. As part of this private placement, the Company also issued 262,501 agent options, exercisable over a period of two years, at an exercise price of $1.36.

Accounting

Although the Qualifying Transaction resulted in the amalgamation of Aumento and Life Choices, the Qualifying Transaction constituted a reverse take-over of Aumento and has been accounted for as a reverse take-over transaction in accordance with guidance provided in IFRS 2 Share-based Payment and IFRS 3 Business Combinations. As Aumento did not qualify as a business according to the definition in IFRS 3, the reverse take-over transaction does not constitute a business combination; rather, it is treated as an issuance of shares by Life Choices for the net monetary assets of Aumento.

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

The net assets of Aumento received were as follows:

Cash	$ 169
Total net assets acquired	**$ 169**
Notional price paid for Aumento shares	$ 1,094
Fair value of Aumento management options	46
Fair value of Aumento agent options	20
Total purchase price	**$ 1,160**
Reverse take-over listing fee	**$ 991**

As well, the Company incurred professional fees associated with the reverse take-over totalling $nil during the three month period ended June 30, 2016 (2015 - $85). These costs were non-recurring and were recorded as professional fees on the condensed consolidated interim statement of operations. The notional price paid for the Aumento shares was determined based on the estimated fair value of common shares upon closing of the RTO transaction and concurrent financing.

6. 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:

- $2.1 million cash;

- $1.3 million in GreenSpace common shares ("Common Shares") issued at a price of $1.05 per share;

- $0.9 million in vendor take back notes ("LCO VTB Notes") which initially had a term of 1 year and an interest rate of 9%. 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 are exercisable for a period of one year at a price of $1.00 per Common Share. The LCO VTB Warrants have been 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 have been secured against the assets of the Company and Love Child.

  On March 22, 2016, $0.1 million 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 have been classified as loans from related parties on the consolidated statements of financial position;

- $0.3 million 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;

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

- $0.6 million in earn-out shares valued at up to $0.8 million ("Earn-out Shares"), issuable after the financial results from the quarter-ended September 30, 2017 are publicly released. 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 will be 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, 2016 and at June 30, 2016, the probability of Love Child achieving those gross revenue targets has been set at 100% and the Earn-out Shares have been discounted using a discount rate of 16% which represents the time value of money. The Earn-out Shares have been classified as other long-term liabilities on the consolidated statements of financial position;

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	$	2,100
Common Shares		1,250
LCO VTB Notes		900
LCO VTB Warrants		72
Earn-out Warrants		232
Earn-out Shares		557
Total purchase price		5,111
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)
Total net assets acquired and liabilities assumed		(848)
Unallocated purchase price	$	5,959

The unallocated purchase price is mainly attributable to Love Child's brand name, customer relationships, supplier relationships and assembled workforce. 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 considered reasonable useful lives.

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.

As of June 30, 2016 the allocation of the purchase consideration has not been finalized and is still 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.

(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:

- $7.5 million cash;

- $3.0 million 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 have been 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;

- $0.2 million vendor take back note ("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 has been discounted using a discount rate of 16% which represents the time value of money and it has been classified as a loan from related parties on the consolidated statements of financial position;

- 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 has been classified as a loan from related parties on the consolidated statements of financial position;

- Earn-out consideration valued at up to $1.3 million ("Earn-out Consideration"). 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 will be settled in cash and any remainder in common shares valued at the 20 trading day volume weighted average price prior to issuance. On the date of acquisition and at June 30, 2016, the probability of Central Roast achieving those gross revenue targets has been set at 100%. The Earn-out Consideration has been discounted using a discount rate of 16% which represents the time value of money and it has been classified as loan from related parties on the consolidated statements of financial position;

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

- $3.8 million in Deferred Consideration ("Deferred Consideration"). The Company and the former shareholders of Central Roast have 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 has been discounted using a discount rate of 16%, which represents the time value of money, and it has been classified as loan from related parties on the consolidated statements of financial position. The Deferred Consideration will be settled with:
    - $3.6 million in cash;
    - $0.8 million in common shares, each common shares valued at the 20 trading day volume weighted average price prior to issuance; and
    - $0.1 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.

$1.6 million of the Deferred Consideration has been secured by a personal guarantee from the Company's Chief Executive Officer ("CEO"). The Deferred Consideration has been discounted using a discount rate of 16% which represents the time value of money and has been classified as a loan from related parties on the consolidated statements of financial position;

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	$	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 (note 12)		(793)
Loan payable – TD Equipment Finance (note 10)		(133)
Total net assets acquired and liabilities assumed		74
Unallocated purchase price	$	16,045

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

The unallocated purchase price is mainly attributable to Central Roast's brand name, customer relationships, supplier relationships and assembled workforce. 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 considered reasonable useful lives.

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.

As of June 30, 2016 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.

7. Inventory

Inventory consists of:

	June 30 2016 $	March 31 2016 $
Raw materials	**183**	61
Packaging	**980**	1,046
Finished goods	**2,983**	2,372
Total	**4,146**	3,479

Included in cost of goods sold is a provision for inventory amounting to $111 for the three month period ended June 30, 2016 (2015 - $47).

The amount of inventory recognized as an expense in cost of goods sold was $6,196 for the three month period ended June 30, 2016 (2015 - $1,238).

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

8. Property, Plant and Equipment

	Furniture and equipment	Leasehold improvements	Computer equipment	Software	Fixture at customer locations	Printing and production plates	Warehouse equipment	Total
Cost								
Balance, March 31, 2016	285	70	48	31	19	117	421	991
Additions	15	-	9	-	16	7	8	55
Disposals	-	(26)	-	-	-	-	-	(26)
Balance, June 30, 2016	300	44	57	31	35	124	429	1,020
Accumulated depreciation								
Balance, March 31, 2016	27	45	30	20	5	36	112	275
Depreciation for the year	15	3	4	1	-	4	16	43
Disposals	-	(21)	-	-	-	-	-	(21)
Balance, June 30, 2016	42	27	34	21	5	40	128	297
Net book value								
Balance, March 31, 2016	258	25	18	11	14	81	309	716
Balance, June 30, 2016	258	17	23	10	30	84	301	723

Depreciation expense charged to the condensed interim consolidated statements of loss and comprehensive loss for the three months ended June 30, 2016 was $43 (2015: $nil).

9. Bank Overdraft

At March 31, 2015, the Company had a revolving credit facility that allowed the Company to borrow up to $0.3 million in principal and was secured by a general security agreement from the Company. The Company's Chief Executive Officer ("CEO") provided a personal guarantee and provided his personal residence as collateral for the overdraft facility. The facility was repayable on demand bearing interest at 3.0% per annum.

After completing the Qualifying Transaction (note 5), the Company entered into a new revolving credit facility, which allowed the Company to borrow up to $0.5 million in principal, secured by a general security agreement over the assets of the Life Choice Natural Foods operating division. The facility was payable on demand and had an interest rate of prime plus 1.75% per annum.

On October 14, 2015, the $0.5 million overdraft facility was amended to allow the Company to borrow up to the lower of: i) $0.75 million or ii) 75% of accounts receivable aged less than 90 days plus 15% of inventory up to $0.15 million. The amended facility continued to be payable on demand and continued to bear interest at a prime borrowing rate plus 1.75% per annum. Subsequent to June 30, 2016, the Bank extended the overdraft facility to allow the Company to borrow up to $0.95 million.

On February 25, 2016, as part of the acquisition of Central Roast, the Company acquired a revolving credit facility which allowed the Company to borrow up to the lower of: i) $0.9 million or ii) 75% of accounts receivable aged less than 90 days. The acquired overdraft facility is secured by a general security agreement over the assets of the Central Roast operating division, is payable on demand and bears interest at a prime borrowing rate plus 1% per annum. The credit facility also includes an additional $0.1 million in credit by way of TD Visa. The Bank has also provided a U.S. exchange contract permitting the Company to buy foreign contracts of $0.2 million per day to a maximum of $1 million at any given time. The contract does not require the Company to pay any upfront or collateral fees.

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

At June 30, 2016, $1,505 (March 31, 2016: $1,140) was drawn on these consolidated revolving credit facilities and this balance has been classified as bank overdraft on the consolidated statements of financial position.

10. Loans Payable

	June 30 2016	March 31, 2016
BDC Loans		
BDC loan payable, interest at BDC's floating base rate plus 1% per annum, repayable in payments of principal of $1,040 monthly plus interest (payable monthly), maturing November 2018	**30**	33
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, repayble in payments of principal of $1,675 monthly plus interest (payable monthly), maturing February 23, 2019	**64**	69
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, repayble in payments of principal of $1,050 monthly plus interest (payable monthly), maturing February 23, 2022	**78**	81
Bridge Loan (net fees)	**1,660**	1,578
TD Equipment Finance	**123**	131
	1,955	1,892
Less amounts due within one year	**1,731**	1,649
Loans payable - non-current	**224**	243

Bridge Loan

On March 22, 2016, the Company entered into a loan agreement with a syndicate of lender for gross proceeds of $1.9 million. (the "Bridge Loan"). The Bridge Loan is primarily secured by a general security agreement over the assets of the Love Child operating division. The Bridge Loan bears interest at a rate of 12% per annum and the loan is repayable on or before March 23, 2017.

In connection with the Bridge Loan, the Company incurred transaction costs totaling $0.1 million, issued 126,667 common shares in the Company at a price of $0.70 per share and an aggregate of 1,520,000 non-transferable warrants ("Bridge Loan Warrants"). The Bridge Loan Warrants entitle the holders to acquire one common share of the Company at a price of $0.85 per share for a period of one year. The transaction costs and costs associated with the issuance of the common shares and Bridge Loan Warrants totalled $0.3 million and these costs are being amortized as interest expense over the one-year term of the facility. Interest expense on these capitalized costs of $83 was recognized within the consolidated statement of operations and comprehensive loss for the three month period ended June 30, 2016 (2015: $nil).

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

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.

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 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:

2017	1,731
2018	71
2019	64
2020	42
2021	32
Thereafter	15
	1,955

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

11. Share Capital

(a) Authorized: Unlimited number of common shares

Common shares issued and fully paid:

	Number	Amount $
Balance at March 31, 2015	3,369,415	3,616
Share Split (note 5)	11,336,470	-
Share issuance in RTO (note 5)	804,650	1,094
Shares issued for business combinations (note 6)	4,523,809	3,993
Shares issued upon private placement (i)	5,771,467	7,138
Shares issued from short form prospectus (ii)	9,917,184	8,164
Shares issued from debt financing (note 11)	126,667	89
Share issuance costs (iii)	-	(1,611)
Balance at March 31, 2016 and June 30, 2016	35,849,662	22,483

(i) On April 30, 2015, in closing its Qualifying Transaction, Life Choices completed a private placement of 3,897,059 common shares at a purchase price of $1.36 per share, for gross proceeds of $5.3 million.

On October 19, 2015, in closing its Acquisition of Love Child, the Company completed its first tranche of a private placement of 1,010,456 units. Each unit had a value of $1.05 per unit and consisted of one common share and one quarter of one common share purchase warrant. The Company raised gross proceeds of $1.0 million through the first tranche of the private placement. In addition, the Company issued 252,616 warrants as part of its first tranche of private placement. These warrants are exercisable at a price of $1.20 per share for a period of 24 months. These warrants were fair valued at $0.08 million (see note 11(d)).

On November 20, 2015, the Company completed its second tranche of private placement for an additional 863,952 units. Through the second tranche the Company raised gross proceeds of $0.9 million. In addition, the Company issued 215,989 warrants as part of its second tranche of private placement. These warrants are exercisable at a price of $1.20 per share for a period of 24 months. These warrants were fair valued at $0.05 million (see note 11(d)).

(ii) On February 25, 2016, in closing its Acquisition of 70% of the shares of Central Roast Inc., the Company completed a short form prospectus of 9,917,184 units of GreenSpace at a purchase price of $0.90 per unit. Each unit consists of one common share and one half of one common share purchase warrant, for gross proceeds of $8.9 million. Each whole Warrant entitles the holder to purchase one Common Share at a price of $1.20 per share until February 25, 2019. The warrants were fair valued at $0.8 million (see note 11(d)).

(iii) On April 30, 2015, in closing its Qualifying Transaction, the Company incurred cash transaction costs of \$0.4 million and also issued 262,501 agent options which were fair valued at \$0.2 million (see note 11(c)(iii) below).

On October 19, 2015, in closing its first tranche of private placement, the Company incurred cash transaction costs of \$0.07 million and also issued 20,556 broker warrants which were fair valued at \$6 (see note 11(d))

On November 20, 2015, in closing its second tranche of private placement, the Company incurred cash transaction costs of \$72 and also issued 7,244 warrants which were fair valued at \$2 (see note 11(d))

On February 25, 2016, in consideration for the services of the Underwriters in connection with the Offering, GreenSpace paid a cash commission of \$0.5 million and issued 487,321 broker warrants fair valued at \$0.09 million (see note 11(d)), with each broker warrant exercisable by the holder thereof into one Common Share at a price of \$0.90 until February 25, 2018. In addition, 45,878 Units fair valued at \$4 (see note 11(d)) were issued as part of an advisory fee owing in relation to the Offering and cash commissions of \$83, of which \$41 was a payable as of March 31, 2016. In closing its short form prospectus, the Company incurred professional fees for \$0.4 million, of which \$0.2 million was settled with units.

(b) Escrowed Shares:

On April 30, 2015, immediately prior to completing its Qualifying Transaction, the Company had 10,032,837 issued and outstanding common shares held in escrow pursuant to the requirements of a Tier 1 TSX Venture Exchange issuer, 25% of the escrowed securities were released on April 30, 2015, at the time of the Final Exchange Bulletin announcing the Qualifying Transaction and 25% of the escrowed securities will continue to be released in 6 month increments thereafter.

On June 30, 2016, the Company had 2,508,209 issued and outstanding common shares held in escrow.

(c) Stock options:

The Company has established a stock option plan for its directors, officers 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.

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

The following table reflects the continuity of stock options:

	Number of stock options	Exercisable stock options	Weighted average exercise price ($)	Weighted average contractual life remaining
Balance, March 31, 2015	-	-	-	-
Aumento Management Options (i)	80,464	80,464	$1.20	0.08
Aumento Agent Options (ii)	50,715	50,715	$1.20	-
Granted Broker Options (iii)	262,501	262,501	$1.36	1.08
Granted to Directors (iv)	482,353	-	$0.96	9.15
Granted to Management (v)	548,826	-	$0.92 - $0.99	9.55 – 9.31
Expiry of Aumento Agent Options (ii)	(50,715)	(50,715)	$1.20	-
Granted Agent Options (vi)	55,000	55,000	$1.24	2.55
Balance, March 31, 2016	1,429,144	397,965	$1.06	6.94
Expiry of Aumento Management Options (i)	(80,464)	(80,464)	$1.20	-
Granted Employees Options (vii)	236,000	-	$0.96	9.23
Balance, June 30, 2016	1,584,680	317,501	$1.00	7.53

(i) On September 16, 2013, the Corporation granted options to members of Aumento management. After the Qualifying Transaction and Share Consolidation, members of Aumento management had 80,464 options transferred over to the Company. The options transferred were fully vested and were exercisable over a period of one year at an exercise price of $1.20 per share. The options were revalued on April 30, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 0.7%, expected volatility of 100% and an expected life of one year. The value attributed to the 80,464 options was $46 recognized in contributed surplus. These options expired on April 30, 2016 with none of the options exercised.

(ii) On September 16, 2013, the Corporation granted Agent options to its IPO Agent. After the Qualifying Transaction and Share Consolidation, Aumento's IPO Agent had 50,175 options transferred over to the Company, which were exercisable before September 16, 2015 at an exercise price of $1.20 per share. The options were revalued on April 30, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 0.7%, expected volatility of 100% and an expected life of 0.4 years. The value attributed to the 50,715 options was $20 recognized in contributed surplus. These options expired on September 16, 2015 with none of the options exercised.

(iii) On April 30, 2015, the Agent of the Life Choices private placement were granted 262,501 broker options to acquire common shares at an exercise price of $1.36 per share for a period of 24 months. All options fully vested on the date of grant. The options were valued on April 30, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 0.7%, expected volatility of 100% and an expected life of 2 years. The value attributed to the 262,501 broker options was $187 recognized in contributed surplus.

(iv) On May 15, 2015, the Company granted 482,353 options to acquire common shares to its Board of Directors. The Board options vested over a period of three years, have an exercise price of $0.96 per share and are exercisable within ten years from the date of grant. The options were valued on May 15, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.25%, expected volatility of 41.1% and an expected life of 5 to 7 years. The value attributed to the 482,353 Board options was $276 and these options are being expensed using a graded vesting method over the three-year vesting period.

(v) On May 15, 2015, the Company granted 381,250 options to acquire common shares to its management team. The management options vested over a period of five years, have an exercise price of $0.96 per share and are exercisable within ten years from the date of grant. The options were valued on May 15, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates between 1.25%, expected volatility of 42.9% and an expected life of 5 to 8 years. The value attributed to the 381,250 management options was $231 and these options are being expensed using a graded vesting method over the five-year vesting period.

On July 22, 2015, the Company granted 24,194 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 $0.99 per share and are exercisable within ten years from the date of grant. The options were valued on July 22, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates of 1.5%, expected volatility of 42% and an expected life of 5 to 8 years. The value attributed to the 24,194 management options was $15 and these options are being expensed using a graded vesting method over the five-year vesting period.

On October 19, 2015, the Company granted 106,618 options to acquire common shares to its new employees that recently joined from the acquisition of Love Child (note 7). These options vested over a period of five years, have an exercise price of $0.92 per share and are exercisable within ten years from the date of grant. The options were valued on October 19, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates of 1.22%, expected volatility of 42% and an expected life of 5 to 8 years. The value attributed to the 106,618 management options was $61 and these options are being expensed using a graded vesting method over the five-year vesting period.

On November 25, 2015, the Company granted 36,764 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 $0.96 per share and are exercisable within ten years from the date of grant. The options were valued on November 25, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates of 1.5%, expected volatility of 42% and an expected life of 5 to 8 years. The value attributed to the 36,764 management options was $19 and these options are being expensed using a graded vesting method over the five-year vesting period.

(vi) On October 19, 2015, Agent of the Company were granted 55,000 agent options to acquire common shares at an exercise price of $1.24 per share for a period of 36 months. The options were valued on

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October 19, 2015, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 0.5%, expected volatility of 43% and an expected life of 2 to 3 years. The value attributed to the 55,000 agent options was $15 recognized in contributed surplus.

(vii) On June 21, 2016, the Company's Board of Directors granted 236,000 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 $0.96 per share and are exercisable within ten years from the date of grant. The options were valued on June 21, 2016, using the Black-Scholes option-pricing model with the following assumptions: dividend yield 0%, risk-free interest rates of 1.04%, expected volatility of 41% and an expected life of 5 to 8 years. The value attributed to the 236,000 options was $102 and these options are being expensed using a graded vesting method over the five-year vesting period.

(d) Warrants:

There is no activity to the warrants issued by the Company during the three month period ended June 30, 2016:

	Number of warrants	Exercisable warrants	Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
			$	$	(year)
March 31, 2015	-	-	-	-	-
Warrants issued to complete private placement (i)	468,605	468,605	131	1.20	1.34
Warrants issued to brokers (ii)	27,800	27,800	8	1.20	1.53
Warrants issued for acquisition (iii)	2,380,952	1,666,666	488	1.15	2.25
Vendor take back warrants (iv)	225,000	225,000	72	1.00	0.74
Warrants issued from short form prospectus (v)	5,468,853	5,468,853	859	1.17	2.56
Warrants issued from debt financing (vi)	1,520,000	1,520,000	134	0.85	0.73
March 31, 2016 and June 30, 2016	**10,091,210**	**9,376,924**	**1,692**	**1.12**	**2.11**

(i) In October 19, 2015, the Company issued 252,616 warrants as part of its first tranche of private placement. These warrants are exercisable at a price of $1.20 per share for a period of 24 months. The warrants were valued at $78 using the Black-Scholes pricing model with the following assumptions: expected life of 2 years, risk-free rate of 0.54%, expected dividend yield of 0% and expected volatility of 50.4%.

On November 19, 2015, the Company issued 215,989 warrants as part of its second tranche of private placement. These warrants are exercisable at a price of $1.20 per share for a period of 24 months. The warrants were valued at $53 using the Black-Scholes pricing model with the following assumptions: expected life of 2 years, risk-free rate of 0.54%, expected dividend yield of 0% and expected volatility of 50.4%.

(ii) On October 19, 2015, the Company issued 20,556 broker warrants as part of its first tranche of private placement. These warrants are exercisable at a price of $1.20 per share for a period of 24 months. The warrants were valued at $6 using the Black-Scholes pricing model with the following assumptions: expected life of 2 years, risk-free rate of 0.54%, expected dividend yield of 0% and expected volatility of 50.4%.

On November 19, 2015, the Company issued 7,244 warrants as part of its second tranche of private placement. These warrants are exercisable at a price of $1.20 per share for a period of 24 months. The warrants were valued at $2 using the Black-Scholes pricing model with the following assumptions: expected life of 2 years, risk-free rate of 0.54%, expected dividend yield of 0% and expected volatility of 50.4%.

(iii) On October 19, 2015, the Company issued 714,286 Earn-out Warrants as part of its acquisition of Love Child (note 6). These warrants are exercisable at a price of $1.05 per share for a period of 24 months. The warrants were valued at $232 using the Black-Scholes pricing model with the following assumptions: expected life of 2 years, risk-free rate of 0.54%, expected dividend yield of 0% and expected volatility of 50.4%.

On February 25, 2016, the Company issued 1,666,666 warrants as part of its acquisition of Central Roast (note 6). These warrants are exercisable at a price of $1.20 per share for a period of 3 years. The warrants were valued at $256 using the Black-Scholes pricing model with the following assumptions: expected life of 3 years, risk-free rate of 0.43%, expected dividend yield of 0% and expected volatility of 42.7%.

(iv) On October 19, 2015, the Company issued 225,000 VTB Warrants as part of its acquisition of Love Child (note 6). These warrants are exercisable at a price of $1.00 per share for a period of 12 months. The warrants were valued at $72, using the Black-Scholes pricing model with the following assumptions: expected life of 1 year, risk-free rate of 0.54%, expected dividend yield of 0% and expected volatility of 50.4%.

(v) On February 25, 2016, in closing its short form prospectus, the Company issued:

a. 4,981,532 warrants exercisable at a price of $1.20 per share for a period of 3 years. The warrants were valued at $765 using the Black-Scholes pricing model with the following assumptions: expected life of 3 years, risk-free rate of 0.43%, expected dividend yield of 0% and expected volatility of 42.7%.

b. 487,321 warrants exercisable at a price of $0.90 per share for a period of 2 years. The warrants were valued at $94 using the Black-Scholes pricing model with the following assumptions: expected life of 2 years, risk-free rate of 0.43%, expected dividend yield of 0% and expected volatility of 44.0%.

(vi) On March 23, 2016, the Company issued 1,520,000 warrants as part of its debt financing agreement (note 10). These warrants are exercisable at a price of $0.85 per share for a period of 1 year. The warrants were valued at $134 using the Black-Scholes pricing model with the following assumptions: expected life of 1 year, risk-free rate of 0.49%, expected dividend yield of 0% and expected volatility of 41.3%.

12. Related Party Balances and Transactions

The Company has a lease arrangement for office space with a shareholder of the Company. The Company paid rent expense of $23 and $5 for the three-month period ended June 30, 2016 and 2015.

The Company has an outstanding balance of $0.2 million at June 30, 2016 (March 31, 2016 - $0.2 million) 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 June 30, 2016, $0.8 million (March 31, 2016 - $0.2 million) was due to that meat broker. The balance was included in accounts payable and accrued liabilities. For the three months ended June 30, 2016 total purchases from that meat broker amounted to $0.6 million (2015 - $0.1 million). These purchases of raw materials are on an arm's length commercial terms and do not bear interest.

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

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 June 30, 2016, $38 was owed by the unrelated company controlled by a common shareholder (March 31, 2016 – $38). 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 shareholder for proceeds of $0.5 million. The promissory note bore interest at 12.0% per annum and matures the earlier of May 30, 2015 or 5 business days subsequent to the completion of the Qualifying Transaction private placement. The principal promissory note and accrued interest were repaid on May 5, 2015 subsequent to the completion of the private placement associated with the Qualifying Transaction.

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. The promissory note bears interest at 10.0% per annum, had a 1% placement fee and will mature on April 1, 2017.

As part of the acquisition of Central Roast (see note 6(ii)), the Company acquired two loans totaling $0.9 million to the former shareholders of Central Roast who, through the acquisition, became shareholders in the Company. These shareholder loans bear interest at 8% per annum, payable monthly and mature on April 1, 2017. These two acquired loans have been secured against assets of the Company along a personal guarantee from the Company's Chief Executive Officer ("CEO").

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 ended June 30, 2016	**Three months ended June 30, 2015**
Salary and director fees	$179	$165

13. Commitments and Contingencies

Commitments
The Company has a non-material vehicle lease agreement expiring in January 2019.

On June 23, 2015, the Company also issued a stand-by letter of credit for $0.2 million U.S. dollars from a Canadian financial institution to one of its U.S. suppliers as security. On October 26, 2015, the stand-by letter of credit was returned by the U.S supplier and cancelled by the Canadian financial institution.

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

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

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.

14. Expenses by Nature

	Three months ended June 30, 2016	Three months ended June 30, 2015
Raw materials and consumables used	**6,196**	1,238
Storage and delivery	**237**	77
Salaries and benefits	**956**	323
Advertising and promotion	**241**	88
Professional fees	**84**	121
Stock-based compensation	**63**	38
Reverse take-over listing Fee	**-**	991
Other expenses	**576**	126
	8,353	3,002

15. Changes in Non-Cash Working Capital

	Three months ended June 30, 2016	Three months ended June 30, 2015
HST receivable	**159**	(41)
Accounts receivable	**(629)**	(288)
Prepaid expenses	**187**	(2)
Inventory	**(778)**	(120)
Accounts payable and accrued liabilities	**470**	(527)
HST payable	**54**	-
	(537)	(978)

16. 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 new customers have been obtained from across Canada. Management will continue to monitor and reduce this reliance.

For the three months ended June 30, 2016, the Company had one (2015 - four) customer representing over 10% of total revenue for an aggregate of approximately 30% (2015 – 65%) 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 June 30, 2016, $218 (March 31, 2016 - $402) 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.

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

Significant commitments in years subsequent to June 30, 2016 are as follows:

	Carrying value	Contractual cash flows	Payable in period from July 1, 2016 to February 28, 2017	Payable in March 2017	Payable in April 1, 2017 to June 30, 2017	1-5 years
	$	$	$	$	$	$
Bank overdraft	1,650	1,650	1,650	-	-	-
Accounts payable and accrued liabilities	6,195	6,195	6,195	-	-	-
Loans from related party	8,417	6,631	269	3,600	2,762	-
Loans payable	1,956	2,195	47	1,906	18	224
	18,218	16,671	8,161	5,506	2,780	224

(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.

17. 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 2017 remain the same as those of the previous fiscal year.