# GREENSPACE BRANDS INC.

## Management's Discussion and Analysis

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

# GreenSpace Brands Inc.

## Table of Contents


| | |
|---|---|
| CORPORATE OVERVIEW | 3 |
| OPERATING STRATEGY | 4 |
| SECOND QUARTER AND YEAR TO DATE CONSOLIDATED RESULTS | 6 |
| SELECTED QUARTERLY INFORMATION | 8 |
| CASH FLOWS | 9 |
| LIQUIDITY AND CAPITAL RESOURCES | 9 |
| OFF BALANCE SHEET ARRANGEMENTS | 11 |
| TRANSACTIONS BETWEEN RELATED PARTIES | 12 |
| SUBSEQUENT EVENTS | 12 |
| CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS | 13 |
| CHANGES IN ACCOUNTING POLICIES / FUTURE ACCOUNTING POLICY CHANGES | 13 |
| RISKS AND UNCERTAINTIES | 14 |
| NON-IFRS MEASURES | 14 |
| OUTSTANDING SHARE DATA | 16 |
| OUTLOOK | 16 |
| FORWARD-LOOKING STATEMENTS | 17 |
| ADDITIONAL INFORMATION | 17 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# of Financial Condition and Results of Operations
# For the three and nine month periods ended December 31, 2017 and 2016

This Management's Discussion and Analysis ("MD&A") is a review of the consolidated financial condition and results of operations of GreenSpace Brands Inc. ("GreenSpace" or the "Company") as at and for the three and nine month periods ended December 31, 2017 and 2016. The MD&A is intended to help readers understand the Company's business and the key factors underlying its financial results. It should be read in conjunction with the Company's condensed interim consolidated financial statements for the period ended December 31, 2017 along with the Company's annual consolidated financial statements and accompanying notes for the year ended March 31, 2017, which have been filed with applicable regulatory authorities and are available through SEDAR at www.sedar.com.

Additional information is also available on the Company's website at www.greenspacebrands.ca

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

This MD&A has been prepared as of February 14, 2018.

## CORPORATE OVERVIEW

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

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

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

GreenSpace is in the ever expanding business of developing, marketing and selling premium, convenient, natural foods to Canadians. We have a diverse brand portfolio, focused on complimenting the needs of todays consumers. Our product assortment focus on satisfying the needs of consumers as they transition through their different need states; from baby and infant to premium snacking, beverages and dairy products. GreenSpace sources our natural ingredients largely from local, ethically operated suppliers and combine these ingredients into tasty and nutritious products.

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

- All Life Choices beef and pork products feature one common trait: they all contain meat from grass fed and/or pasture raised animals that have not been subject to feedlot conditions. The result is meat that features higher levels of Omega 3 fatty acids and Conjugated Linoleic Acids (“CLAs”). All of Life Choices’ chickens are raised in low density barns with a premium on the ethical treatment of the birds at all times.
- The Rolling Meadow brand offers premium quality, 100% Canadian, grass fed dairy products, such as milk, yogurt, butter and kefir.
- Kiwi Pure is a grass-fed butter imported from New Zealand. Kiwi Pure butter contains 100% grass fed milk, provides improved omega ratios and contains no antibiotics or added hormones.
- Nudge offers snacking and convenience products and currently includes a line of organic macaroni and cheese products as well as fruit based snack bars for kids. Nudge Mac & Cheese is the first product of its kind in Canada to feature grass fed cheese. The Mac & Cheese product is the first of a number of snacking and convenience products expected to be brought to market under the Nudge label.

On October 19, 2015, the Company completed the acquisition of Love Child (Brands) Inc. (“Love Child”). Love Child is a Canadian-based producer of 100% organic food for infants and toddlers. Love Child’s mission is to bring to market only the purest, most natural and nutritionally-rich food, without the addition of any synthetic preservatives, refined sugars or other additives.

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 snack company that manufactures, markets, and distributes healthy snacks to major consumer retail customers in Canada. 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 (“ABL Facility”) the Company acquired the remaining 30% of the issued and outstanding shares of Central Roast.

On January 18, 2017, the Company completed the acquisition of Nothing But Nature Inc. (“Nothing But Nature”) which owns the Kiju brand. Nothing But Nature is a brand leader in the Canadian shelf stable organic juice segment. Nothing But Nature markets and distributes a variety of organic juices through major distributors and consumer retail channels in Canada and to a number of select U.S. customers. The brand focuses on providing consumers with sustainable, healthy drinks without compromising quality and taste.

On August 23, 2017, the Company acquired all the outstanding shares of The Cold Press Corp. which owns the CEDAR brand. The CEDAR brand is a leader in selling a wide variety of premium cold pressed juice based products and probiotic enriched juices and provides unique flavor combinations that deliver premium superfood nutrition through major consumer retail channels in Canada.

GreenSpace aims to continue to grow through a two-pronged growth strategy. First, through continued investments in newbrands and product development to broaden the product offerings within its established brands. Second, through acquisition, by making strategic investments in strong, simple ingredient businesses in the natural and organic food space. By integrating various brands, the Company has proven that it is able to achieve economies of scale and enhanced market penetration.

The Company, as it grows continues to focus on profitability, cash flow management and bringing new innovative products to the marketplace with healthy attributes.

## OPERATING STRATEGY

GreenSpace’s operating strategy is designed to create value for customers and shareholders through innovative product development, market expansion and diversification.

Priorities are to:

i) develop new value-added products for consumers;

ii) cross-sell acquired and developed brands through strong distribution and retail channels;
iii) make selective acquisitions on an opportunistic basis to diversify product offerings and advance our standing in the natural and organic food marketplace; and
iv) maintain high internal operating efficiencies by driving a customer-focused, collaborative culture.

## SECOND QUARTER AND YEAR TO DATE CONSOLIDATED RESULTS

The following is a table and description of the second quarter and year to date consolidated operating results for the Company.

**Consolidated Interim Statements of Operations and Comprehensive Loss**

| (expressed in thousands of Canadian dollars) | For the 3-month period ended December 31, | | | | For the 9-month period ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | **2017** | **2016** | **Inc/(Dec)** | **Inc/(Dec)** | **2017** | **2016** | **Inc/(Dec)** | **Inc/(Dec)** |
| | **$** | $ | **$** | % | $ | $ | $ | % |
| Gross revenue | **16,348** | 10,078 | 6,270 | 62.2 | **45,951** | 29,014 | 16,938 | 58.4 |
| Less: rebates and discounts | **(1,798)** | (985) | (813) | 82.5 | **(5,292)** | (2,591) | (2,701) | 104.2 |
| Less: listing fees | **(284)** | (60) | (224) | 373.3 | **(826)** | (442) | (384) | 86.9 |
| Net revenue | **14,266** | 9,033 | 5,233 | 57.9 | **39,833** | 25,981 | 13,853 | 53.3 |
| Cost of goods sold | **11,202** | 7,009 | 4,193 | 59.8 | **31,333** | 19,880 | 11,453 | 57.6 |
| Gross profit | **3,064** | 2,024 | 1,040 | 51.4 | **8,500** | 6,101 | 2,399 | 39.3 |
| Gross profit percentage | **21.5%** | 22.4% | | | **21.3%** | 23.5% | | |
| **Adjusted gross profit[1]** | **3,348** | 2,084 | 1,264 | 60.7 | **9,326** | 6,543 | 2,783 | 42.5 |
| **Adjusted gross profit percentage** | **23.0%** | 22.9% | | | **22.9%** | 24.8% | | |
| General and administrative | **895** | 425 | 470 | 110.6 | **2,144** | 1,389 | 755 | 54.4 |
| Storage and Delivery | **667** | 564 | 103 | 18.3 | **1,814** | 1,118 | 696 | 62.3 |
| Salaries and benefits | **985** | 693 | 292 | 42.1 | **3,016** | 2,214 | 802 | 36.2 |
| Advertising and promotion | **671** | 59 | 612 | 1037.3 | **1,401** | 684 | 717 | 104.8 |
| Professional fees | **91** | 149 | (58) | (38.9) | **330** | 362 | (32) | (8.8) |
| Stock-based compensation | **49** | 42 | 7 | 16.7 | **124** | 157 | (33) | (21.0) |
| Amortization of intangible assets | **353** | 260 | 93 | 35.8 | **1,059** | 780 | 279 | 35.8 |
| Loss before interest expense, accretion expense, and income taxes. | **(647)** | (168) | (479) | (285.1) | **(1,388)** | (603) | (785) | 130.1 |
| Interest expense | **98** | 113 | (15) | (13.3) | **246** | 394 | (148) | (37.6) |
| Loss before accretion expense and income taxes | **(745)** | (281) | (464) | 165.1 | **(1,634)** | (997) | (637) | 63.9 |
| Accretion expense | **34** | 318 | (284) | (89.3) | **149** | 1,231 | (1,082) | (87.9) |
| Deferred income taxes (recovery) | **(94)** | (69) | 25 | 36.2 | **(281)** | (207) | 74 | 35.7 |
| Loss from continuing operations | **(685)** | (530) | (155) | 29.2 | **(1,502)** | (2,021) | 519 | (25.6) |
| Loss from discontinued operations | **-** | 396 | (396) | (100.0) | **-** | 503 | (503) | (100.0) |
| Net loss and comprehensive loss | **(685)** | (926) | 241 | (26.0) | **(1,502)** | (2,524) | 1,022 | (40.5) |
| EBITDA[1] | **(213)** | 142 | (355) | (250.0) | **(133)** | 316 | (449) | (142.1) |
| As a percentage of net revenue | **(1.5%)** | 1.6% | | | **(0.3%)** | 1.2% | | |
| **Adjusted EBITDA[1]** | **528** | 290 | 238 | 82.1 | **1,418** | 1,051 | 367 | 34.93 |
| **As a percentage of net revenue, excluding listing fees** | **3.6%** | 3.2% | | | **3.5%** | 4.0% | | |

[1] See Non-IFRS Measures

## Revenue

Gross revenue, for the third quarter ended December 31, 2017, was the highest gross revenue amount ever earned by the Company in a single quarter. Gross revenue for the quarter ended December 31, 2017 increased 62.2% and net revenue, which is gross revenue net of deductions for rebates, discounts and one-time listing fees, increased 57.9% over the same period in prior year.

Consistent with previous quarters, the gross and net revenue increases in the quarter were the result of continued strong growth from the internally launched brands, as well as significant growth in the acquired brands of Love Child, Central Roast, Kiju and Cedar.

## Gross Profit and Adjusted Gross Profit (see Non-IFRS Measures)

The Company's adjusted gross profit margin for the three and nine-month period ended December 31, 2017, decreased compared to the adjusted gross profit margin seen over the same period in prior year. Consistent with previous quarters, the decline was primarily due to: i) the Company experiencing a higher percentage of rebates and discounts due to a larger proportion of revenue being earned through the large Canadian retailers; ii) larger proportion of revenue being earned through the Rolling Meadow, Nothing but Nature and Central Roast brands, which have traditionally earned lower profit margins compared to Love Child.

Consistent with prior periods, the listing fees incurred in the current quarter (considered one-time, non-recurring costs to get new products on the shelf) have been added back to gross profit by the Company in calculating Adjusted gross profit. Please see the non-IFRS measures section of the MD&A below for details on these adjustments.

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

Overall, SG&A expenses for the three months ended December 31, 2017 increased from 21.4% of net revenue in the third quarter of fiscal 2017 to 23.5% of net revenue in the current quarter. The increase was primarily due to non-recurring restructuring costs with the discontinuation of the Holistic Choice Brand, partially offset by favourable salaries and benefits and storage and delivery expenses. Fines from retailer partners for out of stock products related to Love Child supply shortages also impacted SG&A expenses.

For the three months ended December 31, 2017 general and administrative expenses is at 6.4% of net revenue compared to 4.7%,over the same period of prior year as a result of the non-recurring restructuring costs with the discontinuation of the Holistic Choice Brand. The Company continues to closely monitor its consolidated fixed costs and improve margins by spreading those fixed costs over a larger revenue base.

For the three months ended December 31, 2017 storage and delivery expenses decreased from 6.2% of net revenue in the third quarter of fiscal 2017 to 4.7% of net revenue in the current quarter. GreenSpace is expecting to see efficiencies in storage and delivery costs through fiscal 2019, as it transfers products from third party warehouses to its self managed warehousing facility.

For the three months ended December 31, 2017 salary and benefits expenses decreased from at 7.7% of net revenue in the third quarter of fiscal 2017 to 6.9% of net revenue in the current quarter.

Advertising and promotional expenses were 4.6% of net revenue for the quarter ended December 31, 2017, which increased from the 0.7% of net revenue in the third quarter of last year. The increase relates to the timing of marketing, trade shows and promotional campaigns. For the nine months ending December 31, 2017, advertising and promotional expenses were 3.5% of net revenue which is in line with historical spend.

Professional fees in the current quarter were 0.6% of net revenue compared to 1.6% over the same period in the prior year. A majority of these fees are non-recurring and would not be considered part of normal on-going operations. As a result, these non-recurring professional fees have been normalized and removed in calculating Adjusted EBITDA. Please see the non-IFRS measures section of the MD&A below for details on these adjustments.

Consistent with previous quarters, the Company continues to recognize stock option expenses associated with the option awards grant by the Company's Board of Directors to all employees. As the grants are amortized using a graded vesting method it is not unusual to see stock based expense fluctuate from quarter to quarter.

### Interest and Accretion Expense

The Company incurred lower interest and accretion charges in the current quarter ended December 31, 2017 compared to the prior year. In the third quarter of fiscal 2018, the Company carried a lower average debt level as a result of a $10.8 million short form prospectus offering of 7.3 million of the Company's common shares at an issue price of $1.48 per share, netting $10.0 million after fees, used primarily to fund working capital (inventory and accounts receivable), the Cold Press Corp (CEDAR) acquisition and to reduce debt.

The accretion expense is much lower in the current quarter compared to the prior year as a result of repayments of related party loans, associated with the Love Child and Central Roast acquisitions, in both the second and third quarters last year. The Company is expecting accretion expense going forward to continue at these lower levels.

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

For the three months ended December 31, 2017, the Company reported higher Adjusted EBITDA of $0.5 million (3.6% of net revenue, excluding listing fees) which compares to an Adjusted EBITDA of $0.3 million (3.2% of net revenue, excluding listing fees) over the same period in prior year. Adjusted EBITDA was lower than expected due to fines from retailers relating to previous Love Child out of stock product and higher than normal advertising costs due to seasonal advertising opportunities.

## SELECTED QUARTERLY INFORMATION FROM CONTINUING OPERATIONS

*(expressed in thousands of Canadian dollars)*

Unaudited quarterly financial data for the first quarter of fiscal 2018, all quarters in fiscal 2017 and the second, third and last quarter of fiscal 2016 are summarized as follows. The sum of the net income per share from continuing operations for each of the four quarters may not equal the net income per share for the full year, as presented, due to rounding.

## SELECTED QUARTERLY INFORMATION

*(expressed in Canadian dollars)*

Unaudited quarterly financial data for the first, second and third quarter of fiscal 2018, fiscal 2017 and the last quarters of fiscal 2016 are summarized as follows. The sum of the net income per share from continuing operations for each of the four quarters may not equal the net income per share for the full year, as presented, due to rounding.

*(Expressed in thousands of Canadian Dollars, except per share amounts)*

| Three months ended | 31-Dec-17 | 30-Sep-17 | 30-Jun-17 | 31-Mar-17 | 31-Dec-16 | 30-Sep-16 | 30-Jun-16 | 31-Mar-16 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Gross revenue | 16,348 | 15,370 | 14,233 | 12,945 | 10,078 | 9,792 | 9,145 | 5,592 |
| Less: rebates and discounts | (1,798) | (1,820) | (1,674) | (1,485) | (985) | (951) | (655) | (409) |
| Less: listing fees | (284) | (412) | (130) | (354) | (60) | (254) | (128) | (979) |
| Net revenue | 14,266 | 13,138 | 12,429 | 11,106 | 9,033 | 8,587 | 8,362 | 4,204 |
| Gross profit | 3,064 | 2,701 | 2,735 | 2,227 | 2,024 | 1,958 | 2,109 | 625 |
| Gross profit % | 21.5% | 20.6% | 22.0% | 20.1% | 22.4% | 22.8% | 25.2% | 14.9% |
| **Adjusted gross profit[1]** | **3,348** | **3,113** | **2,865** | **2,580** | **2,084** | **2,212** | **2,237** | **1,604** |
| **Adjusted gross profit %** | **23.0%** | **23.0%** | **22.8%** | **22.5%** | **22.9%** | **25.0%** | **26.3%** | **31.0%** |
| Net loss from continuing operations | (685) | (507) | (310) | (741) | (530) | (953) | (536) | (1,532) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net loss per share from continuing operations – basic and diluted | (0.01) | (0.01) | (0.00) | (0.01) | (0.01) | (0.03) | (0.01) | (0.06) |
| EBITDA[1] | (213) | (44) | 123 | (278) | 142 | 5 | 162 | (1,242) |
| EBITDA % of net revenue | (1.5%) | (0.3%) | 1.0% | (2.5%) | 1.6% | 0.1% | 1.9% | (29.5%) |
| **Adjusted EBITDA[1]** | **528** | **475** | **415** | **344** | **290** | **394** | **360** | **457** |
| **Adjusted EBITDA, as a percentage of net revenue excluding listing fees** | **3.6%** | **3.5%** | **3.3%** | **3.0%** | **3.2%** | **4.5%** | **4.2%** | **8.8%** |

[1]See Non-IFRS Measures

The results of operations and cash-flows for any particular quarter are not indicative of the results expected for the full fiscal year.

## CASH FLOWS

### Summary Statement of Cash Flows

*(thousands of Canadian dollars)*

| | For the nine month period ended December 31, | |
|---|---|---|
| | **2017** | **2016** |
| Cash provided by (used for) | **$** | $ |
| Operating activities | **(7,772)** | (3,252) |
| Investing activities | **(5,013)** | (323) |
| Financing activities | **12,785** | 3,575 |
| Net increase (decrease) in cash | **-** | - |
| Cash - beginning of period | **-** | - |
| **Cash – end of period** | **-** | - |

Cash flow from continuing operations consumed $7.8 million for the nine months ended December 31, 2017 (2016 - $3.2 million). The negative operating cash-flow was primarily the result of the Company investing in working capital, specifically inventory and accounts receivable. Inventory at December 31, 2017 was particularly high at $10.9 million, primarily due to timing and replenishment of Love Child previous supply shortages and new product for Cedar expected to launch in the fourth quarter. Inventory is expected to reduce to normalized levels by the end of the next quarter. Cash was utilized in investing activities to acquire all the outstanding shares of Cold Press Corp (CEDAR), office furniture, equipment and to invest in product development. During the second quarter of fiscal 2018, the Company closed a $10.8 million short form prospectus offering of 7.3 million of the Company's common shares at an issue price of $1.48 per share, netting $10.0 million after fees, which was used to fund the increased working capital needs, the Cold Press Corp (CEDAR) acquisition and repay debt.

## LIQUIDITY AND CAPITAL RESOURCES

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

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

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

On October 14, 2015, the Company's overdraft facility was amended to allow the Company to borrow up to the lower of: i) $750,000 or ii) 75% of accounts receivable aged less than 90 days plus 15% of inventory up to $150,000. The Bank extended the overdraft facility to allow the Company to borrow up to $0.95 million after June 30, 2016.

On October 19, 2015, the Company completed the first tranche of a private placement whose net proceeds ($1.0 million) were used entirely to complete the acquisition of Love Child. On November 19, 2015, the second tranche of that private placement was closed, contributing net proceeds of $0.9 million to the business. All of these net proceeds were used to repay the Love Child acquired operating line of credit.

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 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.

On February 25, 2016, the Company completed a public equity offering to raise net proceeds of $8.0 million. $7.5 million of those net proceeds made up the cash contribution to acquire 70% of the Central Roast business.

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.

On March 22, 2016, the Company entered into a loan agreement with a syndicate of lenders for gross proceeds of $1.9 million. (the "Bridge Loan"). The Bridge Loan was used to repay a $750,000 promissory note acquired as part of the Love Child acquisition and the remainder was contributed to the Company's balance sheet for working capital purposes.

On September 2, 2016, the Company closed a $7.0 million bought deal short form prospectus offering of 6,210,000 common shares. Proceeds from the offering were primarily used to repay debt and support general working capital during the Company's period of continual revenue growth.

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 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. The ABL Facility is secured by substantially all of the assets of the Company and contains standard financial covenants. 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.

Also in conjunction with the closing the ABL Facility, the principal amount of an existing shareholder loan for $600,000 is now convertible into common shares of the Company at a price of $1.15 per share. After closing the ABL Facility, the Company has now 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 available to finance working capital and capacity is still available to assist in financing future acquisitions.

After closing the ABL Facility, the Company was able to refinance 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 also available to continue to finance working capital and capacity was still available is still available to assist in the financing of future acquisitions.

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.

The net proceeds of $10.0 million from the Offering was used to fund the acquisition of The Cold Press Corp. (CEDAR), working capital needs and general corporate purposes.

Over the next 12 months, the Company may generate additional cash-flow from: (i) operational cash flow improvements; (ii) revenue growth; and (iii) the successful integration of the Love Child, Central Roast, NBN businesses and Cold Press Corp (CEDAR). However, it is expected that additional financing will be obtained through the issue and sale of equity/debt securities and/or the increase in existing, or entering into of new, debt facilities in order to complete future acquisitions and/or increase working capital. Any future equity financing will be dilutive to existing shareholders of the Company and may be dilutive to earnings and cash flow per share.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, taking on debt, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be share capital and long-term debt.

The Company manages capital through forecasting processes whereby working capital and operational cash-flow are forecasted on a weekly basis to proactively identify any capital shortfall or surplus. The Company’s budget is updated on a monthly basis based on actual experience. The annual budget is reforecast quarterly and any updates to the annual budget through the reforecast are reviewed with the Board of Directors.

The Company will continue to make significant up-front investments in research and development, sales and marketing, and general and administrative expenses in order to rapidly develop and expand its business. Because the Company continues to incur significant expenditures for research and development, sales and marketing, and general and administrative expenses, the Company may experience negative cash flow in certain quarters where substantial investments are required until it reaches a higher level of sales with positive gross margins. The inability to generate consistent positive cash flow is a risk to the Company’s business and could lead to the need to obtain additional financing in the future by way of debt or equity

## OFF-BALANCE SHEET ARRANGEMENTS

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 commenced 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 November 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.

## TRANSACTIONS BETWEEN RELATED PARTIES

### *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 $12,000 and $84,000 respectively (2016 - $nil).

The CEDAR VTB of $243,000 is unsecured, non-interest bearing and repayable over twelve equal monthly installments from the closing of the CEDAR acquisition in August 2017.

Cedar Earn-out consideration will be settled in common shares before December 31, 2018. Earn-out amount of $544 discounted at 16% to be $460,000 as of August 23, 2017. Accretion expense recognized for the three and nine month period ended December 31, 2017 is $22,000 and $31,000 (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 $41,000 and $123,000 during the three and nine month period ended December 31, 2017 (2016 – $23,000 and $69,000).

The Company has an outstanding balance of $149,000 at December 31, 2017 (March 31, 2017 - $159,000) 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, $38,000 was owed by the unrelated company controlled by a common shareholder (March 31, 2017 – $38,000). 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:

| *(Expressed in thousands of Canadian dollars)* | Three month period ended | | Nine month period ended | |
|---|---|---|---|---|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| Salary and director fees | $189 | $182 | $504 | $561 |

## 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.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The preparation of these condensed consolidated interim financial statements requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgements, particularly those related to the determination of the estimated recoverable amount of accounts receivable, inventory, provisions, financial instruments and share based compensation. Management bases its estimates on historical experience and on various other assumptions, which are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used. Critical accounting estimates and judgements are described in greater detail in the Company's annual MD&A for the year ended March 31, 2017 and the audited annual consolidated financial statements for the year ended March 31, 2017.

## CHANGES IN ACCOUNTING POLICIES / FUTURE ACCOUNTING POLICY CHANGES

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.

### Future Changes in Accounting Policies

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

**IFRS 9 – Financial Instruments**

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.

**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.

## RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that could have a material adverse effect on the Company's results of operations, business prospects, financial condition and the trading price of the common shares. These risks and uncertainties include: cyclicality, reduction in demand, seasonality, competition, information management, foreign exchange, labour, income tax matters, customer concentration, relationships with suppliers, product liability, capital and liquidity risk, collections from customers, interest rates, distribution agreements, lack of long term customer sales agreements, dependence on key personnel, and growth challenges. All of these factors remain substantially unchanged from those described in the Company's 2017 Annual Information Form and the Company's March 31, 2017 year-end MD&A.

## NON-IFRS MEASURES

### Definitions and Reconciliations

**"Adjusted gross profit"** represents gross profit adjusted to exclude non-recurring, one-time listing fees which would not be considered part of on-going, normal operations. The Company's management believes that in addition to gross profit, adjusted gross profit is a useful supplemental measure of gross profit prior to one-time expense items such as listing fees. Adjusted gross profit allows management to compare the Company's margin over time on a consistent basis. However, adjusted gross profit is not a recognized measure under IFRS. Investors are cautioned that Adjusted gross profit should not be construed as an alternative to gross profit determined in accordance with IFRS. The Company's method of calculating Adjusted gross profit may differ from the method used by other issuers, and accordingly, the Company's Adjusted gross profit calculation may not be comparable to similarly titled measures used by other issuers.

**"EBITDA"** is earnings before interest expense, income taxes, depreciation and amortization. The Company's management believes that in addition to net income or loss, EBITDA is a useful supplemental measure of cash available for distribution prior to debt service, changes in working capital, capital expenditures and income taxes. However EBITDA is not a recognized measure under IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS, or as an indicator of the Company's performance, or as an alternative to cash flows from operating, investing

and financing activities which measure the Company's liquidity and cash flows. The Company's method of calculating EBITDA may differ from the method used by other issuers and, accordingly, the Company's EBITDA calculation may not be comparable to similarly titled measures used by other issuers.

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

### Reconciliation of Gross profit to Adjusted gross profit

*(expressed in thousands of Canadian dollars)*

| | **3-months ended December 31, 2017** | 3-months ended December 31, 2016 | **9-months ended December 31, 2017** | 9-months ended December 31, 2016 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| Gross profit | **3,064** | 2,024 | **8,500** | 6,101 |
| ***Add back non-recurring expenses*** | | | | |
| Listing fees | **284** | 60 | **826** | 442 |
| **Adjusted gross profit** | **3,348** | 2,084 | **9,326** | 6,543 |

**Reconciliation of Net loss from continuing operations to EBITDA and Adjusted EBITDA from continuing operations**
*(expressed in thousands of Canadian dollars)*

| | **3-months ended** | 3-months ended | **9-months ended** | 9-months ended |
|---|---|---|---|---|
| | **December 31, 2017** | December 31, 2016 | **December 31, 2017** | December 31, 2016 |
| | **$** | $ | **$** | $ |
| Net loss and comprehensive loss | **(685)** | (926) | **(1,502)** | (2,524) |
| Interest and accretion expense | **132** | 431 | **395** | 1,625 |
| Depreciation and amortization | **434** | 310 | **1,255** | 919 |
| Deferred income tax recovery | **(94)** | (69) | **(281)** | (207) |
| Loss from discontinued operations | **-** | 396 | **-** | 503 |
| **EBITDA** | **(213)** | 142 | **(133)** | 316 |
| ***Add back non-recurring expenses*** | | | | |
| TSX listing fees associated with Equity Offerings | **-** | - | **41** | 51 |
| Legal expenses associated with the Qualifying Transaction | **-** | 69 | **-** | 69 |
| Auditing expenses associated with the Qualifying Transaction | **-** | 11 | **-** | 11 |
| Auditing expenses associated with Equity offerings and acquisitions | **10** | - | **46** | 41 |
| Legal expenses associated with Equity Offerings and Acquisitions | **9** | 0 | **45** | 65 |
| Listing Fees | **284** | 60 | **826** | 442 |
| Restructuring Costs [1] | **438** | 8 | **593** | 56 |
| **Adjusted EBITDA** | **528** | 290 | **1,418** | 1,051 |

(1) During the quarter, the Company incurred restructuring expenses, which are non-recurring, associated with the discontinuation of the Holistic Choice brand. These costs have been included in the restructuring cost for calculation of Adjusted EBITDA.

## OUTSTANDING SHARE DATA

As of February 14, 2018, the Company had 72,520,372 common shares issued and outstanding, 7,168,972 warrants convertible into 7,168,972 common shares of the Company and 1,730,704 stock options, convertible into 1,730,704 common shares of the Company.

## OUTLOOK

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

GreenSpace continues to believe that there are a number of fundamental trends occurring within both the Global and North American food industries. These trends will continue to drive consumer demand for GSB brands and customers will continue to be attracted by the Company’s innovation within the natural and organic marketplace.

As a result of this the Company continues to be optimistic that anticipated market growth will continue to drive demand for the Company’s acquired and developed brands and provides a lot of opportunity for further expansion into new product offerings. This has been evidenced by several distribution wins announced over the last three quarters. In particular GreenSpace expects that it will continue to execute on a two-pronged growth strategy. Firstly, the Company expects to have a strong and on-going internal brand and product development program. There are currently a number of new product offerings in various stages of development

that the Company expects to release strategically, to fill gaps in the Canadian natural and organic marketplace, over the next few quarters. Secondly, the tripling in size of the Canadian natural and organic food market over the last decade has been driven by a number of new entrants, creating a highly fragmented competitive landscape. The Company hopes to take advantage of this and expects to continue to grow through acquisition by making strategic investments in strong, simple ingredient businesses which would have positive and immediate impacts on revenue, gross margins and profitability.

With its increasing revenue base and numerous new distribution wins, management expects to continue to generate positive adjusted EBITDA margins. The Company continues to feel it is in a strong position to be one of the principle consolidators in the North American natural and organic food market, due to its industry position and accumulated reputational goodwill.

## FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the heading “Outlook” and other statements concerning the Company’s 2018 objectives, strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause such differences include the cyclical nature of the construction and agriculture industries, changes in general economic conditions and interest rates, adverse weather, cost and availability of materials used to manufacture the Company’s products, competitive developments, legislative and government policy changes, as well as other risk factors included in the Company’s Annual Information Form dated July 18, 2017 under the heading “Risks and Uncertainties Related to the Business” and as described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company’s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements or levels of dividends and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Certain statements included in this press release may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for all purposes. All forward-looking statements in this press release are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this press release and except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### ADDITIONAL INFORMATION

Additional information, including the Company’s annual information form, is on SEDAR at www.sedar.com.