Condensed Consolidated Interim Financial Statements of

GREENSPACE BRANDS INC.

For the three and nine month periods ended December 31, 2018 and 2017

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

GreenSpace Brands Inc.

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For the three and nine month periods ended December 31, 2018 and 2017

GreenSpace Brands Inc.

Condensed Consolidated Interim Statements of Financial Position

(unaudited)

(Expressed in thousands of Canadian dollars)

	December 31 2018 $	March 31 2018 $
Assets		
Current assets		
Accounts receivable, net of allowance for doubtful accounts of $46 (March 31, 2018 - $418)	**13,431**	12,106
HST receivable	**486**	489
Prepaid expenses	**991**	749
Inventory (note 6)	**9,866**	12,037
Total current assets	**24,774**	25,381
Property, plant and equipment (note 7)	**1,418**	1,472
Intangible assets (note 5 and 8)	**33,820**	35,279
Goodwill and other intangible assets (note 5)	**27,184**	27,184
Total assets	**87,196**	89,316
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**11,741**	8,748
HST payable	**105**	109
Loans to related parties (note 5 and 13)	**-**	616
Derivative liability - current (note 9)	**168**	-
Loans payable (note 10)	**13,738**	167
	25,752	9,640
Loans to related parties - non-current (note 5 and 13)	**7,707**	7,412
Derivative liability - non current (note 9)	**41**	-
Loans payable - non-current (note 10)	**608**	273
Long term debt (note 11)	**733**	11,720
Deferred tax liabilities (note 5)	**7,326**	7,910
Total liabilities	**42,167**	36,955
Shareholders' equity		
Share capital (note 12)	**70,586**	68,335
Contributed surplus (note 5, 12)	**1,995**	1,930
Accumulated deficit	**(27,554)**	(17,924)
Accumulated other comprehensive income	**2**	20
	45,029	52,361
Total liabilities and shareholders' equity	**87,196**	89,316

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

Approved by the Board:

Matthew von Teichman-Logischen
Chairman

James Haggarty
Director

GreenSpace Brands Inc.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

For the three and nine month periods ended December 31, 2018 and 2017

(unaudited)

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

	Three months ended		Nine months ended	
	December 31 2018	December 31 2017	**December 31 2018**	December 31 2017
	$	$	**$**	$
Gross revenue	**19,228**	16,348	**61,869**	45,951
Less: rebates and discounts	**(2,282)**	(1,798)	**(6,975)**	(5,292)
Less: listing fees	**(452)**	(284)	**(785)**	(826)
Net revenue	**16,494**	14,266	**54,109**	39,833
Cost of goods sold	**12,793**	11,202	**41,653**	31,333
Gross profit	**3,701**	3,064	**12,456**	8,500
Expenses				
General and administrative	**2,219**	895	**5,254**	2,144
Storage and delivery	**1,271**	667	**4,098**	1,814
Salaries and benefits	**2,087**	985	**5,767**	3,016
Advertising and promotion	**832**	671	**2,745**	1,401
Professional fees	**52**	91	**439**	330
Stock-based compensation (note 12 (c))	**37**	49	**104**	124
Amortization of intangible assets	**701**	353	**2,102**	1,059
Total expenses	**7,199**	3,711	**20,509**	9,888
Net loss before interest expense, accretion expense and changes in foreign exchange and other income and expense	**(3,498)**	(647)	**(8,053)**	(1,388)
Interest expense	**404**	98	**1,207**	246
Accretion expense	**15**	34	**73**	149
Foreign exchange (gain) loss	**697**	-	**788**	-
Other income and expense	**-**	-	**98**	-
Loss from operations before income taxes	**(4,614)**	(779)	**(10,219)**	(1,783)
Deferred income tax (recovery)	**(195)**	(94)	**(586)**	(281)
Net loss for the period	**(4,419)**	(685)	**(9,633)**	(1,502)
Other comprehensive income (loss)				
Unrealized gain (loss) on revaluation of convertible debentures	**(8)**	-	**(8)**	-
Unrealized gain (loss) on translation of Canadian dollar presentation	**(22)**	-	**(9)**	-
Total comprehensive loss for the period	**(4,449)**	(685)	**(9,650)**	(1,502)
Net loss per share				
Basic and diluted from continuing operations	**(0.06)**	(0.01)	**(0.13)**	(0.02)
Weighted average number of shares basic and diluted	**74,789,552**	64,773,987	**73,782,997**	60,375,360

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				Accumulated	
					Other	Total
			Contributed	Accumulated	Comprehensive	Shareholders'
	Number	Amount	Surplus	Deficit	Income (Loss)	Equity
		$	$	$		$
March 31, 2018	72,520,372	68,334	1,930	(17,924)	19	52,360
Issuance of share options	-	-	104	-	-	104
Exercise of warrants	200,000	271	(31)	-	-	240
Execise of options	20,000	28	(8)	-	-	19
Issuance of share for capital investment	2,049,180	2,000	-	-	-	2,000
Share issuance costs	-	(47)				(47)
Net loss and comprehensive loss	-	-	-	(9,630)	(17)	(9,647)
December 31, 2018	**74,789,552**	**70,586**	**1,995**	**(27,554)**	**2**	**45,029**
March 31, 2017	54,787,510	43,185	2,186	(13,404)	-	31,967
Issuance of share options	-	-	124	-	-	124
Exercise of warrants	1,143,488	1,484	(211)	-	-	1,273
Exercise of options	262,501	544	(187)	-	-	357
Shares issued for repayment of loan from related parties	1,013,714	1,178	-	-	-	1,178
Shares issued through short form prospectus	7,300,000	10,804	-	-	-	10,804
Shares issued for business combination	695,270	1,029	-	-	-	1,029
Share issuance costs	-	(803)	-	-	-	(803)
Net loss and comprehensive loss	-	-	-	(1,502)	-	(1,502)
December 31, 2017	**65,202,483**	**57,421**	**1,912**	**(14,906)**	**-**	**44,427**

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

GreenSpace Brands Inc.

Condensed Consolidated Interim Statements of Cash Flows

For the nine month periods ended December 31, 2018 and 2017

(unaudited)

(Expressed in thousands of Canadian dollars)

	2018	2017
	$	$
Cash flow from operating activities		
Net loss	**(9,633)**	(1,502)
Items not affecting cash:		
Loss on disposal of equipment	**99**	-
Depreciation and amortization	**2,484**	1,255
Deferred income tax recovery	**(586)**	(281)
Unrealized foreign exchange gain/loss	**383**	-
Stock-based compensation	**104**	124
Inventory provision	**307**	12
Interest expense	**1,207**	246
Accretion expense	**73**	149
Changes in non-cash working capital (note 16)	**2,751**	(7,775)
Total cash utilized in operating activities	**(2,811)**	(7,772)
Cash flow from investing activities		
Cash used for business combination	-	(4,113)
Proceeds of disposition	**22**	-
Additions to property, plant and equipment	**(445)**	(664)
Additions to indefinite life intangible assets	**(644)**	(236)
Total cash utilized in investing activities	**(1,067)**	(5,013)
Cash flow from financing activities		
Proceeds from issuance of shares, net	**1,953**	10,001
Proceeds from convertible debentures	**1,000**	-
Warrants exercised	**240**	1,273
Options exercised	**19**	357
Repayment of advances from related parties, net	**(699)**	245
Advances from (repayment of) loans payable	**2,060**	1,113
Interest paid	**(695)**	(204)
Total cash provided by financing activities	**3,878**	12,785
Increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of the period	-	-
Cash and cash equivalents, end of the period	-	-

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

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 continues 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" or the "Company").

GreenSpace Brands Inc. 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 as of December 31, 2018 include Life Choices Natural Foods, Rolling Meadow Dairy, Kiwi Pure, Love Child Organics, Central Roast, Kiju, Cedar, Meatbar and Go Veggie. Refer to Note 5 for further details on acquisitions completed during the years ended March 31, 2018 and 2017.

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. Statement of Compliance, Going Concern and Basis of Presentation

Statement of Compliance
These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"), under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended March 31, 2018. 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, 2018.

The accounting policies set out below have been applied consistently to all years presented in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 20th, 2019.

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

As at December 31, 2018, the Company had a negative working capital balance of ($978) (March 31, 2018 – $15,741), an accumulated deficit of $27,554 (March 31, 2018: $17,924). One of the Company`s long-term strategic growth objectives is to be a consolidator in the Canadian natural and organic marketplace, and further expand its US operations. In order to do so, the strategic decision was made by management to invest in infrastructure to support those objectives.

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

Basis of Presentation
These condensed consolidated interim financial statements are prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value. All amounts in these condensed consolidated interim financial statements are expressed in Canadian dollars, unless otherwise noted.

Principles of Consolidation
These condensed consolidated interim 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

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

Everyday Fundraising Group, Grandview Farms Sales Ltd., Love Child (Brands) Inc., GSB Investment Corp., Central Roast Inc., Nothing But Nature Inc., GSB Beverage Inc., The Cold Press Corp., and Galaxy Nutritional Foods, Inc. from their respective dates of acquisition. All inter-company balances and transactions have been eliminated.

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Intangible assets valuation: The values associated with intangible assets involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods. The Company assesses impairment by comparing the recoverable

3. Significant Accounting Judgments, Estimates and Assumptions - Continued

amount of an intangible asset with its carrying value. The recoverable amount is defined as the higher of value in use, or fair value less cost to sell. The determination of recoverable amount involves management estimates.

Goodwill impairment: Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangible assets with definite lives (customer relationships and non-compete agreement) and equipment is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in the condensed consolidated statement of operations and comprehensive loss. The assessment of fair value requires the use of estimates and assumptions related to future operating performance and discount rates; differences in these estimates and assumptions could have a significant impact on the condensed consolidated interim financial statements. During the quarter ended December 31, 2018, the Company recognized no write-down of intangibles or impairment of goodwill.

4. Significant Accounting Policies

The Company's accounting policies are set out in the Company's annual consolidated financial statements for the year ended March 31, 2018 and were consistently applied to all the periods presented unless otherwise noted below.

a) Financial instruments

<u>Derivative Liability</u>
Subsequent to initial recognition, derivative liability is stated at fair value with any gains or losses arising on remeasurement being recognized in the statement of loss and comprehensive loss. Fair value is determined in a manner described in Note 9.

b) 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:

<u>IFRS 16 – Leases</u>
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. Business Combinations

(i) Acquisition of The Cold Press Corp. ("Cedar")

On August 23, 2017, the Company completed a share acquisition of 100% of the outstanding common shares of Cedar. Cedar is the brand leader in the cold pressed juice category and has recently developed a line of probiotic drinks within their cold pressed juice business that compliments the Company's strategy of launching products in the 'gut health' space. The Company intends to grow the distribution of Cedar and launch new products under the Cedar brand.

The aggregate purchase price for Cedar was comprised of:

- $4,113 cash;
- $1,029 in GreenSpace common shares ("Share Consideration"), each common share issued at a price of $1.48 per share;
- $243 vendor take back note ("Cedar VTB"). The Cedar VTB is unsecured, non-interest bearing and repayable over twelve monthly installments from the closing of the Cedar acquisition. The Cedar VTB was classified as a loan with related parties on the consolidated statements of financial position;
- Earn-out consideration was valued at up to $1,000 ("Earn-out Consideration"). The Earn-out Consideration was contingent on the annualized net revenue for the twelve-month period ended December 31, 2018 exceeding certain revenue thresholds. The Earn-out Consideration was to be settled in common shares valued at the 20-day volume weighted average price 5 days before December 31, 2018. At August 23, 2017, the probability of Cedar achieving those net revenue targets was determined to be likely with a value of $544. Discounted at a rate of 16%, which represents time value of money, $460 was classified as loan with related parties on the consolidated statements of financial position. Subsequent to December 31, 2018, the Company announced that it issued an aggregate of 62,720 common shares of the Company in satisfaction of the earn-out payable. The earn-out shares are subject to a four-month hold period in accordance with applicable Canadian securities laws which will expire on May 5, 2019.

  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:

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

5. Business Combinations - Continued

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

Fair Value of assets acquired and liabilities assumed:		
Cash	$	(39)
Accounts receivable		560
Inventory		152
Prepaid expenses		6
Property, plant and equipment		26
Accounts payable and accrued liabilities		(370)
Income taxes payable		(14)
HST payable		(92)
Total net assets acquired and liabilities assumed		229
Fair value of intangible assets		
Customer relationships (note 9)		2,300
Brand (note 9)		1,290
Non-compete (note 9)		160
Deferred tax liability		(652)
Fair value of goodwill	$	2,518

The Company finalized its assessment of the purchase price allocation during the quarter ended December 31, 2018. This resulted in an adjustment being booked to the previously presented March 31, 2018 consolidated statement of financial position between goodwill and intangible assets. The allocation of the consideration paid remains consistent with the initial valuation. Intangible assets of customer relationships, brand, non-compete and goodwill have been separately accounted for. Customer relationships is being amortized over a useful life of 10 years, non-compete is being amortized over a useful life of 3 years and brand were identified as an indefinite life intangible asset. The acquired goodwill is primarily related to personnel and value attributed to acquiring a company that is experiencing accelerated growth. A deferred tax liability of $652 was set up to account for the temporary differences on amortization of the identified intangible assets using an expected tax rate of 26.5%. This was also adjusted in the previously presented March 31, 2018 consolidated statement of financial position.

The prior period net loss was adjusted for additional amortization expense of $20 related to the purchase price allocation to intangible assets and income tax recovery of $5 for the reduction of deferred tax liabilities due to amortization of intangible assets.

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

5. Business Combinations - Continued

(ii) Acquisition of Galaxy Nutritional Foods, Inc. ("Galaxy")

On January 24, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Galaxy Nutritional Foods, Inc. ("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.

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	$ 5,814
Share Consideration	10,746
Galaxy VTB	7,051
Total purchase price	23,611
Fair Value of assets acquired and liabilities assumed:	
Cash	$ 164
Accounts receivable	2,052
Inventory	1,885
Prepaid expenses	153
Property, plant and equipment	145
Accounts payable and accrued liabilities	(1,212)
Total net assets acquired and liabilities assumed	3,187
Fair value of intangible assets	
Customer relationships (note 9)	8,185
Brand (note 9)	5,155
Non-compete (note 9)	866
Deferred tax liability	(2,985)
Fair value of goodwill	$ 9,203

The goodwill and other intangible assets relate to Galaxy's brand, customer relationships, and assembled workforce. As of December 31, 2018, 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 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

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

5. Business Combinations - Continued

completion of the valuation of the acquisition. It is expected that the customer relationships will be amortized over a period of 10 years, which Management considers reasonable useful lives.

6. Inventory

Inventory consists of:

	December 31 2018 $	March 31 2018 $
Raw materials	**1,282**	1,447
Packaging	**1,703**	1,905
Finished goods	**6,881**	8,685
Total	**9,866**	12,037

Included in cost of goods sold is a provision for inventory amounting to $84 for the three month period ended December 31, 2018 (2017 - $177) and $303 for the nine month period ended December 31, 2018 (2017 - $189).

The amount of inventory recognized as an expense in cost of goods sold was $12,709 for the three month period ended December 31, 2018 (2017 - $11,025) and $41,350 for the nine month period ended December 31, 2018 (2017 - $31,144).

7. Property, Plant and Equipment

	Furniture and Equipment	Leasehold Improvements	Computer Equipment	Software	Fixture at Customer Locations	Printing and Production Plates	Warehouse Equipment	Design	Total
Cost									
Balance March 31, 2018	406	526	270	32	60	271	601	79	2,245
Additions	71	19	24	-	-	9	322	-	445
Disposals	(242)	-	-	-	-	-	-	(4)	(246)
Foreign exchange difference	-	2	11	-	-	-	-	-	13
Balance December 31, 2018	**235**	**547**	**305**	**32**	**60**	**280**	**923**	**75**	**2,457**
Accumulated Amortization									-
Balance March 31, 2018	169	106	91	27	23	80	250	28	774
Amortization	84	77	107	1	7	21	63	21	381
Disposals	(120)	-	-	-	-	-	-	-	(120)
Foreign exchange difference	-	-	5	-	-	-	-	-	4
Balance December 31, 2018	**133**	**183**	**203**	**28**	**30**	**101**	**313**	**49**	**1,039**
Net Book Value									
As at March 31, 2018	237	420	179	5	37	191	351	51	1,471
As at December 31, 2018	**102**	**364**	**102**	**4**	**30**	**179**	**610**	**26**	**1,418**

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

7. Property, Plant and Equipment - Continued

Depreciation expense charged to the condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended December 31, 2018 was $137 and $381 respectively (2017: $82 and $196).

8. Intangible Assets

	Customer Relationship	Brand	Technology	Non-Compete Agreement	Total
Cost					
Balance March 31, 2018	21,335	14,931	200	1,906	38,372
Additions	-	644	-	-	644
Disposals	-	-	-	-	-
Balance December 31, 2018	**21,335**	**15,575**	**200**	**1,906**	**39,016**
Accumulated Amortization					
Balance March 31, 2018	2,446	-	-	647	3,093
Amortization	1,626	-	-	477	2,103
Balance December 31, 2018	**4,072**	**-**	**-**	**1,124**	**5,196**
Net Book Value					
As at March 31, 2018	18,889	14,931	200	1,259	35,279
As at December 31, 2018	**17,263**	**15,575**	**200**	**783**	**33,820**

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

9. Derivative Liability

In August 2018, the Company issued $1 million in principal amount of unsecured convertible debentures in conjunction with its partnership with Emblem Corp, which has now been acquired by Aleafia. The debentures will mature on August 9, 2023 and will automatically convert into common shares of the Company upon satisfaction of certain conditions (each, a “Milestone”) at a conversion price equal to the lesser of: (i) $1.05 and (ii) the twenty (20) day volume-weighted average price of the common shares on the date the applicable Milestone is achieved, provided that the conversion price shall not be less than $0.94 and that the automatic conversion will be deferred if the market price is less than $0.752 on the day immediately prior to the date the Milestone is met.

The conversion feature has been recorded as a derivative liability. The fair value of the derivative upon issuance was $223 as valued using a Black Scholes model.

Milestone 1

Options	Grant Date	Share Price $	Exercise Price $	Risk-free interest Rate %	Expected life (years)	Volatility Factor	Fair Values $
531,915	31-Mar-19	$0.90	$0.94	2.11	4.3	43%	0.324

Milestone 2

Options	Grant Date	Share Price $	Exercise Price $	Risk-free interest Rate %	Expected life (years)	Volatility Factor	Fair Values $
476,554	30-Jun-22	$0.90	$1.05	2.2	1.05	40%	0.101

At December 31, 2018 the fair value of the derivative was re-valued with a grant date of June 30, 2019 and September 30, 2022 for Milestones 1 and 2, respectively. The revaluation of the derivative was recognized in the statement of loss and comprehensive loss.

	December 31, 2018	December 31, 2017
	$	$
Face value of convertible debenture upon issuance	**1,000**	-
Less: fair value of derivative liability	**(209)**	-
Book value of convertible debenture on initial recognition	**791**	-
Accretion expense during the year	**43**	-
Convertible debentures payable	**834**	-

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

10. Loans Payable

	December 31 2018 $	March 31 2018 $
BDC Loans		
BDC loan payable, interest at BDC's floating base rate plus 1% per annum, repayable in payments of princial of $1,040 monthly plus interest (payable monthly), maturing November 2018.	**-**	8
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, repayble in payments of princial of $1,675 monthly plus interest (payable monthly), maturing February 23, 2019	**13**	28
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, repayble in payments of princial of $1,050 monthly plus interest (payable monthly), maturing February 23, 2022	**46**	56
TD Equipment Finance	**51**	72
TD Term Loan	**200**	275
TD ABL Facility	**13,216**	-
Convertible debentures issued to Emblem Corp, maturing August 9, 2023	**820**	-
	14,346	439
Less amounts due within one year	**13,738**	167
Loans payable - non current	**608**	272

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 $3, includes interest calculated at 3.85% and matures on August 15, 2020.

TD Term Loan
To finance the acquisition of an HVAC system at the Central Roast warehouse, the Company entered into a term loan with TD for $300. The term loan is repayable in monthly principal instalments of $8, plus interest calculated at prime plus 1%. The loan matures in December 2020.

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

10. Loans Payable - Continued

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 $150. The first loan payable was for $50 bearing interest at the BDC's floating base rate plus 1% per annum and matures in November 2018. The second loan payable was for $100 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, the Company acquired two additional BDC loans. The first acquired BDC loan was for $100 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 $100 bearing interest at BDC's floating base rate plus 3% per annum, interest payable monthly and the loan matures on February 23, 2022. The loans are presently secured by a personal guarantee from the Company's Chief Executive Officer ("CEO").

Convertible Debentures

	December 31, 2018	December 31, 2017
	$	$
Face value of convertible debenture upon issuance	**1,000**	-
Less: fair value of derivative liability	**(209)**	-
Book value of convertible debenture on initial recognition	**791**	-
Accretion expense during the year	**43**	-
Convertible debentures payable	**834**	-

TD ABL Financing

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

The Company incurred a total of $100 in transaction costs related to the ABL Facility. All transaction costs are being amortized to net earnings as interest expense over the three-year term. The maximum availability under the ABL facility is subject to a borrowing base calculation determined as a percentage of the Company's accounts receivable, inventory less priority payables and availability reserves.

After closing the ABL Facility, the Company refinanced the majority of its short-term loan obligations under a long-term, cost effective borrowing facility. Remaining initial proceeds from the new ABL Facility were used to finance working capital.

During the year ended March 31, 2018, the ABL Facility revolving commitment increased from $7.5 million to $10 million upon inclusion of assets from The Cold Press Corp., and from $10 million to $12 million upon inclusion of assets from Galaxy Nutritional Foods, Inc. In May 2018, the revolving commitment increased from $12 million to $13 million and to $15 million at the Company's request due to anticipated growth in the coming year.

The ABL Facility is secured by substantially all of the assets of the Company and contains a standard fixed charge coverage financial covenant of 1.1:1. Effective March 31, 2017, the fixed charge coverage covenant was amended to

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

10. Loans Payable - Continued

allow the Company to add back unfinanced capital expenditures, debt repayments or listing fees that were financed with equity in calculating the covenant. At December 31, 2018, the Company was not in compliance with the fixed charge coverage ratio, however the bank has provided a waiver for the default as of December 31, 2018. The debt is presented as current portion of long term debt as the three-year term matures on October 7, 2019.

The required future principal repayments are as follows:

2019	13,738
2020	139
2021	11
2022	8
2023	450
	14,346

11. Long Term Debt

Primary Capital Financing
As of December 31, 2018 the Company entered into a loan agreement with Primary Capital Inc. as administrative and collateral agent for a syndicate of lenders, providing for a $4 million term debt facility. The Loan is comprised of an initial principal amount of $2 million, before transaction costs, and an additional $2 million available on standby which may be drawn at any time within the first six months of the Loan at the option of the Company, in two tranches of $1 million each.

The Loan matures one year from the date of the Loan Agreement and may be prepaid at any time at the option of the Company without penalty or premium. The Loan carries an initial coupon of 1% per month, increasing to 1.5% per month after six months or if the first $1 million on standby is advanced. If the second $1 million on standby is advanced, the Loan will bear interest at a rate of 2% per month. The Loan carries an equity incentive of 346,667 shares to be issued to the Lenders upon advance of the initial principal amount, an additional 160,000 shares to be issued to the Lenders upon advance of each standby tranche, and 346,667 shares to be issued to the Lenders six months after advance of the initial principal amount if any amounts remain outstanding under the Loan.

As of December 31, 2018 the Company had received $0.35 million of funds in advance of the closing of the deal.
On January 8, 2019 the Company finalized the agreement.

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

12. Share Capital

(a) Authorized: Unlimited number of common shares

Common shares issued and fully paid:

	Number	Amount
		$
Balance at March 31, 2018	72,520,372	68,335
Exercise of options	20,000	28
Exercise of warrants	200,000	271
Issuance of shares for capital investment (i)	2,049,180	2,000
Share issuance costs	-	(48)
Balance at December 31, 2018	**74,789,552**	**70,586**

On August 9, 2018, the Company closed a $2 million investment from Emblem Corp. ("Emblem Investment") and entered into a five-year exclusive cannabis supply agreement. It consists of $1 million in common shares at a price of $0.976 per share and $1 million in principal amount of unsecured convertible debentures. The debentures will mature on August 9, 2023 and will automatically convert into common shares of the Company upon the satisfaction of certain conditions (each, a "Milestone") at a conversion price equal to the lesser of: (i) $1.05; and (ii) the twenty day volume-weighted average price of the common shares on the TSX Venture Exchange (the "Exchange") on the date the applicable Milestone is achieved, provided that the conversion price shall not be less than $0.94 and that the automatic conversion will be deferred if the market price is less $0.752 on the Exchange at closing on the day immediately prior to the date the Milestone is met. Emblem Corp. will earn a 4% royalty on all hemp-based product sales and a 7% royalty on all cannabis-based CBD product sales. In addition to the Emblem Investment, the Company also completed a $1 million strategic equity investment from a key supplier.

The common shares issued to both Emblem and the strategic supplier are subject to a nine month contractual hold period from August 9, 2018.

(b) Escrowed Shares:

On January 24, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Galaxy Nutritional Foods ("Galaxy"). The Company issued 7.16 million Common shares at $1.37 per share as part of the transaction. The Share Consideration was subject to lock-up and escrow pursuant to which approximately 45% of the Share Consideration was locked up for 12 months from the closing date, 5% of the Share Consideration was to be in escrow for 13 months from the closing date and the remaining 50% was to be locked-up for 18 months from the closing date, subject to certain exemptions.

As of December 31, 2018, 7,164,313 common shares were held in escrow.

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

12. Share Capital - Continued

(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.

The following table reflects the continuity of stock options:

	Number of stock options	Range of Exercise Price ($)	Weighted average exercise price ($)
Balance, March 31, 2018	1,700,472	0.92 – 1.34	1.03
Granted	656,000	0.48 – 0.94	0.89
Exercised	(20,000)	0.96	0.96
Cancelled	(236,669)	0.96 – 1.07	1.05
Balance, December 31, 2018	**2,034,803**	**0.92 – 1.34**	**1.13**

The fair value of each tranche is measured at the date of grant using the Black-Scholes pricing model. The model inputs for options granted during the quarter ended December 31, 2018 were as follows:

Options	Grant Date	Share Price $	Exercise Price $	Risk-free interest Rate %	Expected life (years)	Volatility Factor	Fair Values $
65,000	November 14, 2018	0.48	0.48	2.41	5 – 8	40.6% - 42.3%	0.14 – 0.19

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

12. Share Capital - Continued

The following table summarizes the outstanding and exercisable options held by directors, officers and employees as at December 31, 2018:

	Outstanding			Exercisable	
Exercise Price Range ($)	Number of options	Remaining Contractual Life (years)	Weighted Average Exercise Price ($)	Vested Options	Weighted Average Exercise Price ($)
0.92 – 0.96	1,512,472	7.53	0.95	770,148	0.96
0.99 – 1.24	283,472	8.52	1.04	54,405	1.03
1.27 – 1.34	173,859	8.11	1.32	34,772	1.32
	2,069,803	7.85	0.98	859325	0.98

d) Warrants:

The following table reflects the continuity of warrants:

	Number of warrants	**Exercisable warrants**	**Value**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**
			$	**$**	**(year)**
Balance as of March 31, 2018	6,081,326	6,081,326	923	1.18	0.77
Warrants exercised	(200,000)	(200,000)	(240)	1.20	-
Balance as of December 31, 2018	**5,881,326**	**5,881,326**	**683**	**1.18**	**0.42**

13. Related Party Balances and Transactions

Loans from Related Parties

The Galaxy VTB of $7,707 is with a principal amount of USD$5,714 bears interest at a rate of 8.5% per annum. The loan matures on January 24, 2020 with no set repayment schedule. Interest expense accrued for the three month and nine month period ended December 31, 2018 is $158 and $470, respectively (2017 - $nil and $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 $46 and $138 during the three and nine month period ended December 31, 2018 (2017 – $42 and $126).

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

13. Related Party Balances and Transactions - Continued

The Company has an outstanding balance of $126 at December 31, 2018 (March 31, 2018 - $149) 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.

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

	Three months period ended		**Nine months period ended**	
	December 31, 2018	December 31, 2017	**December 31, 2018**	December 31, 2017
Salary and director fees	**$186**	$189	$535	$511

14. Commitments and Contingencies

Commitments

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

On July 4, 2016, the Company entered into a 10-year lease agreement for a 50,000 square foot warehouse facility. The lease agreement 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 leased facility has an annual rent of $0.4 million.

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

Contingencies

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

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

15. Expenses by Nature

	3 month ended December 31, 2018	3 months ended December 31, 2017	**9 month ended December 31, 2018**	9 months ended December 31, 2017
Raw materials and consumables used	**12,709**	11,025	**41,350**	31,144
Storage and delivery	**1,271**	667	**4,098**	1,814
Salaries and benefits	**2,087**	985	**5,767**	3,016
Advertising and promotion	**832**	654	**2,745**	1,401
Professional fees	**52**	91	**439**	330
Stock-based compensation	**37**	49	**104**	124
Amortization of intangible assets	**701**	353	**2,102**	1,059
Other expenses	**2,174**	1,090	**5,427**	2,333
	19,863	14,914	**62,033**	41,221

16. Changes in Non-Cash Working Capital

	9 month ended December 31, 2018	9 months ended December 31, 2017
HST receivable	**3**	(105)
Accounts receivable	**(1,325)**	(2,106)
Prepaid expenses	**(242)**	(326)
Income taxes recoverable	**-**	8
Inventory	**1,870**	(5,590)
Accounts payable and accrued liabilities	**2,449**	363
HST payable	**(4)**	(19)
	2,751	(7,775)

17. Financial Risk Management

(a) Concentration Risk

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

For the three months ended December 31, 2018, the Company had zero (2017 – one) customers representing over 10% of total revenue (2017 – 32%) of total revenue. For the nine months ended December 31, 2018 the company had one (2017 – one) customer representing over 10% of total revenue for an aggregate of approximately 22% (2017 – 29%) of total revenue.

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

17. Financial Risk Management - Continued

(b) Credit Risk

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

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

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

The Company's maximum credit exposure is represented by the balance of accounts receivable at each reporting date. As at December 31, 2018, $682 (March 31, 2018 - $647) 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. Significant commitments in years subsequent to December 31, 2018 are as follows:

	Carrying value $	Contractual cash flows $	Payable in 1 year $	2-5 years $
Accounts payable and accrued liabilities	11,741	11,741	11,741	-
Loans from related party	7,707	7,707	-	7,707
Loans payable	14,346	14,346	13,738	608
Long term debt	733	733	-	733
	34,527	34,527	25,479	9,048

(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

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

17. Financial Risk Management - Continued

change in market interest rates. The interest rates that it pays on the line of credit and loan payable can fluctuate with the prime rate.

ii. Foreign Currency Risk

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

18. Capital Management

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

The 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.

19. Segmented Information

The Company markets its services primarily in Canada and the United States.

Sales attributed to geographic location for the three and nine months ended December 31, 2018 are as follows:

	3 months ended December 31, 2018 3 months	3 months ended December 31, 2017 3 months	**9 months ended December 31, 2018 6 months**	9 months ended December 31, 2017 6 months
	$	$	**$**	$
Canada	**14,212**	16,348	**46,613**	45,951
United States	**5,016**	-	**15,256**	-
	19,228	16,348	**61,869**	45,951

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

19. Segmented Information - Continued

All of the Company's assets as at December 31, 2018 are located in Canada and the United States, as detailed below:

Current Assets

	December 31, 2018	March 31, 2018
	$	$
Canada	**20,988**	21,250
United States	**3,865**	4,131
	24,853	25,381

Long-Term Assets

	December 31, 2018	March 31, 2018
	$	$
Canada	**1,358**	1,360
United States	**60**	111
	1,418	1,471

20. Subsequent Events

Restructuring of Operating Model
On January 31, 2019, the Company announced the restructuring of its operating model, placing less emphasis on the shared services platform, while increasing the focus on individual brand performance.

These changes were required to ensure better alignment of the infrastructure with the needs of the business, to foster an existing strength of being nimble and first to market with innovation, and as part of the company's focus on a return to profitability. A restructuring charge will be recorded in Q4 and is expected to save the Company approximately $850 on an annual basis.

Rolling Meadow Dairy Brand Sale
On January 31, 2019 the Company announced the sale of the Rolling Meadow Dairy brand and business to Agrifoods' subsidiary, Organic Meadow Limited Partnership.

The acquisition of the business is for consideration of $1.8 million, including working capital, in addition to a royalty based on revenue over 4 years. The transaction represents guaranteed consideration of approximately 0.6x sales, with an opportunity for total consideration of approximately 1x sales, including the royalty.