Consolidated Financial Statements of

GREENSPACE BRANDS INC.

For the years ended March 31, 2019 and 2018

GreenSpace Brands Inc.

Table of Contents

For the years ended March 31, 2019 and 2018

Independent Auditor’s Report	
Consolidated Statements of Financial Position	1
Consolidated Statements of Operations and Comprehensive Loss	2
Consolidated Statements of Changes in Shareholders' Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 42

Independent Auditor's Report

To the Shareholders of GreenSpace Brands Inc.:

Opinion

We have audited the consolidated financial statements of GreenSpace Brands Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and March 31, 2018, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and comprehensive loss of approximately $14,610,000 during the year ended March 31, 2019 and, as of that date, had an accumulated deficit of approximately $39,244,000, and current liabilities exceeded its current assets by approximately $11,506,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to Note 26 of the consolidated financial statements, which explains that certain comparative information presented for the year ended March 31, 2018 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sean Patrick Crewe.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

July 29, 2019 — Licensed Public Accountants

MNP

GreenSpace Brands Inc.

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	March 31 2019 $	March 31 2018 $ Restated (note 26)
Assets		
Current assets		
Accounts receivable	**7,153**	12,106
HST receivable	**337**	489
Prepaid expenses	**1,012**	749
Inventory (note 6)	**8,013**	12,037
Total current assets	**16,515**	25,381
Property, plant and equipment (note 7)	**1,360**	1,471
Intangible assets (note 5 and 8)	**24,057**	25,241
Goodwill (note 5 and 8)	**22,973**	26,448
Total assets	**64,905**	78,541
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	**8,204**	8,747
HST payable	**160**	109
Loans from related parties (note 5 and 14)	**8,119**	616
Derivative liability - current (note 9)	**162**	-
Loans payable (note 11)	**11,376**	167
Total current liabilities	**28,021**	9,639
Loans from related parties - non-current (note 5 and 14)	**-**	7,912
Derivative liability - non current (note 9)	**41**	-
Loans payable - non-current (note 11)	**956**	273
Long term debt (note 12)	**-**	11,720
Deferred tax liabilities (note 21)	**3,801**	4,583
Total liabilities	**32,819**	34,127
Shareholders' equity		
Share capital (note 13)	**69,261**	67,032
Contributed surplus (note 13)	**1,983**	1,930
Accumulated deficit	**(39,244)**	(24,568)
Accumulated other comprehensive income	**86**	20
	32,086	44,414
Total liabilities and shareholders' equity	**64,905**	78,541

The accompanying notes are an integral part of these consolidated financial statements. See note 1 for assessment of going concern.

Approved by the Board:

Matthew von Teichman-Logischen
Chairman

James Haggarty
Director

Consolidated Statements of Operations and Comprehensive Loss

For the years ended March 31, 2019 and 2018

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

	2019 $	2018 $ Restated (note 26)
Gross revenue	**77,994**	65,082
Less: rebates and discounts	**(9,577)**	(7,408)
Less: listing fees	**(976)**	(1,369)
Net revenue	**67,441**	56,305
Cost of goods sold	**52,543**	44,871
Gross profit	**14,898**	11,434
Expenses		
General and administrative (note 14)	**5,718**	3,404
Storage and delivery	**5,508**	2,926
Salaries and benefits (note 14)	**6,917**	4,392
Advertising and promotion	**3,553**	2,059
Professional fees	**615**	459
Stock-based compensation (note 13)	**92**	172
Amortization of intangible assets (note 8)	**1,936**	1,620
Total expenses	**24,339**	15,032
Loss from operations	**(9,441)**	(3,598)
Interest expense (note 22)	**1,749**	518
Accretion expense (note 11)	**87**	171
Foreign exchange loss	**511**	317
Restructuring expense (note 24)	**1,473**	-
Gain on sale of Rolling Meadow Dairy (note 23)	**(1,376)**	-
Loss on impairment of goodwill (note 5 and 8)	**3,475**	6,789
Other income and expense	**98**	-
Loss from operations before income taxes	**(15,458)**	(11,393)
Deferred income tax recovery (note 21)	**(782)**	(283)
Net loss for the year	**(14,676)**	(11,110)
Other comprehensive income (loss)		
Unrealized gain on translation of Canadian dollar presentation	**66**	20
Total net loss and comprehensive loss for the year	**(14,610)**	(11,090)
Net loss per share		
Net loss per share - basic and diluted	**$ (0.20)**	$ (0.18)
Weighted average number of shares - basic and diluted	**74,150,588**	62,885,478

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

Consolidated Statements of Changes in Shareholders' Equity

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

	Share Capital				Accumulated	
	Number	Amount	Contributed Surplus	Accumulated Deficit	Other Comprehensive Income	Total Shareholders' Equity
		$	$	$	$	$
March 31, 2017	**54,787,510**	**43,185**	**2,186**	**(13,404)**	**-**	**31,967**
Stock-based compensation	-	-	172	-	-	172
Exercise of warrants (note 13)	1,297,064	1,652	(241)	-	-	1,411
Exercise of options (note 13)	262,501	544	(187)	-	-	357
Shares issued for repayment of loan from related parties (note 13)	1,013,714	1,178	-	-	-	1,178
Shares issued through short form prospectus (note 13)	7,300,000	10,804	-	-	-	10,804
Shares issued for business combination (note 5)	7,859,583	11,775	-	-	-	11,775
Share issuance costs (note 13)	-	(803)	-	-	-	(803)
Net loss for the year	-	-	-	(4,443)	-	(4,443)
Cumulative translation adjustment	-	-	-	-	20	20
March 31, 2018, as previously reported	**72,520,372**	**68,335**	**1,930**	**(17,847)**	**20**	**52,438**
Restatement (note 26)	-	(1,303)	-	(6,667)	-	(7,970)
Transition adjustment - IFRS 9 (note 4 c)	-	-	-	(54)	-	(54)
March 31, 2018, as restated	**72,520,372**	**67,032**	**1,930**	**(24,568)**	**20**	**44,414**
Stock-based compensation	-	-	92	-	-	92
Exercise of warrants (note 13)	200,000	271	(31)	-	-	240
Exercise of options (note 13)	20,000	28	(8)	-	-	20
Shares for capital investments (note 13)	2,049,180	2,000	-	-	-	2,000
Share issuance costs (note 13)	569,387	(70)	-	-	-	(70)
Net loss for the year	-	-	-	(14,676)	-	(14,676)
Cumulative translation adjustment	-	-	-	-	66	66
March 31, 2019	**75,358,939**	**69,261**	**1,983**	**(39,244)**	**86**	**32,086**

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

Consolidated Statements of Cash Flows

For the years ended March 31, 2019 and 2018

(Expressed in thousands of Canadian dollars)

	2019 $	2018 $ Restated (note 26)
Cash flow used in operating activities		
Net loss	**(14,676)**	(11,110)
Items not affecting cash:		
Loss on disposal of equipment	**99**	-
Loss on impairment of goodwill	**3,475**	6,789
Gain on sale of Rolling Meadows Dairy (note 23)	**(1,376)**	-
Depreciation and amortization (note 7 and 8)	**2,531**	1,930
Deferred income tax (recovery)	**(782)**	(283)
Unrealized foreign exchange loss	**85**	212
Stock-based compensation	**92**	172
Inventory provision	**412**	469
Interest expense	**1,749**	518
Accretion expense	**87**	171
Changes in non-cash working capital (note 17)	**7,908**	(7,933)
Total cash utilized in operating activities	**(396)**	(9,065)
Cash flow from (used in) investing activities		
Cash used for business combinations (note 5)	**-**	(9,666)
Cash acquired through business combinations (note 5)	**-**	125
Proceeds of disposition, property, plant and equipment (note 7)	**23**	-
Proceeds from the sale of Rolling Meadows Dairy (note 23)	**1,612**	-
Additions to property, plant and equipment (note 7)	**(608)**	(827)
Additions to intangible assets (note 8)	**(752)**	(321)
Total cash from (utilized) in investing activities	**275**	(10,689)
Cash flow from financing activities		
Proceeds from issuance of shares, net of issue costs (note 13)	**1,930**	10,001
Proceeds from convertible debentures, net (note 11)	**1,000**	-
Warrants and options exercised (note 13)	**260**	1,767
Repayment of loans from related parties, net (note 14)	**(735)**	(506)
Advances from long-term debt	**-**	8,619
Advances from loans payable (note 11)	**3,000**	300
Repayment of loans payable (note 11)	**(3,712)**	(71)
Interest paid	**(1,622)**	(356)
Total cash provided by financing activities	**121**	19,754
Increase in cash and cash equivalents	**-**	-
Cash and cash equivalents, beginning of the year	**-**	-
Cash and cash equivalents, end of the year	**-**	-

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

1. Nature of Operations and Going Concern

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 March 31, 2019 include Life Choices Natural Foods, 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 year ended March 31, 2018.

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.

The Company incurred a net loss and comprehensive loss of $14,610 (2018 - $11,090) for the year ended March 31, 2019 and, as of that date, had an accumulated deficit of $39,244 (March 31, 2018 - $24,568 (restated – note 26)), and current liabilities exceeded its current assets by $11,506 (March 31, 2018 – current assets exceeds current liabilities of $15,742). 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 significant doubt about the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the consolidated financial statements could be required.

These 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 consolidated financial statements. This is further substantiated by the subsequent events described in note 25, including the sale of Nothing But Nature Inc. (subsidiary) and the drawing of the additional standby advance.

2. Statement of Compliance and Basis of Presentation

Statement of Compliance
The Company has prepared these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the adoption of IFRS 15 – revenue from contracts with customers and IFRS 9 – financial instruments.

These consolidated financial statements were approved by the Board of Directors on July 29, 2019.

Basis of Presentation
These consolidated 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 consolidated financial statements are expressed in Canadian dollars, unless otherwise noted.

Principles of Consolidation
These consolidated financial statements include the accounts of the Company and its wholly- owned subsidiaries, Life Choices Natural Food Corp., Rolling Meadow Dairy Ltd., 1706817 Ontario Ltd., the Everyday Fundraising Group, Grandview Farms Sales Ltd., Love Child (Brands) Inc., GSB Investment Corp., Central Roast Inc., Nothing But Nature Inc., GSB Beverage Inc., 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 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 consolidated 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 consolidated financial statements in future periods could be significant. Accounts specifically affected by estimates in these consolidated financial statements are:

Expected credit loss: Management assesses the credit worthiness and the financial position of all customers to arrive at and provide for an expected credit loss 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.

3. Significant Accounting Judgments, Estimates and Assumptions - Continued

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

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

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 consolidated statement of operations and comprehensive loss. The assessment of fair value requires the use of estimates and assumptions related to future operating performance and discount rates; differences in these estimates and assumptions could have a significant impact on the consolidated financial statements. The Company performed an impairment assessment as at March 31, 2019 and recognized impairment of \$3,083 in Nothing But Nature (2018 - \$0), \$nil in Galaxy Nutritional Foods (2018 - \$6,789 (restated – note 26)) and \$392 in Central Roast (2018 - \$0) (note 8).

For the purpose of the annual impairment test, the Company applied the value in use method in completing its analysis. Using a five year (and related terminal value) discounted future cash flow model, the Company created a range of outcomes in determining the recoverable amount. The key assumptions used to calculate the value in use are those regarding discount rates, growth rates and expected changes in margins. See note 8 for additional details on impairment testing.

4. Significant Accounting Policies

The Company's accounting policies are consistently applied to all the periods presented unless otherwise noted below.

a) Functional currency and foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the Company functional currency. Each entity within the consolidated group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency. All of the Company and its subsidiaries functional currency is Canadian dollar, except for Galaxy Nutritional Foods, Inc., which uses United States dollar as the functional currency.

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the statement of financial position date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the income statement. Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the reporting date exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income (loss) and recorded in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the income statement and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian dollars at the reporting date rate.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss) in the translation reserve.

b) Revenue recognition

The Company recognizes gross revenue from the sale of goods when significant risks and rewards of ownership of the goods are transferred to the customer, it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably, which generally arises on delivery or in accordance with specific terms and conditions agreed with customers. Consideration given to customers such as value incentives, rebates, early payment discounts, one-time listing fees and other discounts are recorded as reductions in revenue.

4. Significant Accounting Policies – Continued

IFRS 15 – Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers (IFRS 15), which covered principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 was effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. This policy did not have a material impact on the Company.

c) Financial instruments

IFRS 9 - Financial Instruments was issued by the IASB to establish principles for the financial reporting of financial assets and financial liabilities, including requirements for classification and measurement, impairment, and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Company has elected not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 were recognized in accumulated deficit as at April 1, 2018. Accordingly, the information presented for March 31, 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39. The Company recognized an opening transition adjustment for expected credit losses for accounts receivables of $54 to accumulated deficit based on the simplified approach under IFRS 9. As at March 31, 2019, the allowance for expected credit losses on accounts receivables was $1,604 (March 31, 2018 - $704).

The adoption of IFRS 9 resulted in changes in accounting policies which are described below.

Classification
Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 approach for the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements. The new model also results in a single impairment model being applied to all financial instruments.

Financial Assets
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (loss) (“FVOCI”), and fair value through profit or loss (“FVTPL”).

Financial assets at amortised cost
The Company’s financial assets at amortised cost includes accounts receivable. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated as fair value through profit or loss
Financial assets measured at FVTPL include financial assets management intends to sell and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of operations and comprehensive loss.

4. Significant Accounting Policies – Continued

Fair value through other comprehensive income (loss)
Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income (loss). Income arising in the form of interest, dividends, or similar, is recognized through profit and loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Financial Liabilities
Financial liabilities are classified as measured at amortized cost or FVTPL. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition).

Other financial liabilities
This category includes all other financial liabilities, all of which are recognized at amortized cost.

Summary of IFRS 9 Adoption Impact
The following table summarizes the classifications of the Company's financial instruments as previously established under IAS 39 as at March 31, 2018, and the new IFRS 9 classifications established as at April 1, 2018.

The Company's financial instruments consist of the following:

	March 31, 2019		March 31, 2018	
	IFRS 9		IAS 39	
	Classification	Measurement	Classification	Measurement
Financial Assets				
Accounts receivables	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Financial Liabilities				
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Loans from related parties	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Loans payable	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Long term debt	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Earn out consideration	FVTPL	Fair value	Fair value	Fair value
Derivative liability	FVTPL	Fair value	n/a	n/a

Impairment of Financial Assets
The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Company recognizes expected credit losses ("ECL") for accounts receivable based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the accounts receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Accounts receivable are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

4. Significant Accounting Policies – Continued

For financial assets carried at amortized cost (due from related parties), the Company recognizes loss allowances for ECLs on such financial assets measured at amortized cost. ECLs are a probability-weighted estimate of credit losses. The Company applies a three-stage approach to measure ECLs. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans receivable if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1), at an amount equal to lifetime expected losses on loans receivable that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The Company considers a significant increase in credit risk to have occurred if contractual payments are more than 30 days past due and considers the loans receivable to be in default if they are 90 days past due. A significant increase in credit risk or default may have also occurred if there are other qualitative factors (including forward looking information) to consider; such as borrower specific information (i.e. change in credit assessment). Such factors include consideration relating to whether the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

Significant increases in credit risk are assessed based on changes in probability of default of a financial asset subsequent to initial recognition. The Company uses past due information to determine whether credit risk has increased significantly since initial recognition. Financial assets are considered to have experienced a significant increase in credit risk and are reclassified to Stage 2 if a contractual payment is more than 30 days past due as at the reporting date.

The Company defines default as the earlier of when a contractual loan payment is more than 90 days past due or when a loan becomes insolvent as a result of customer bankruptcy. Loans that have experienced a default event are considered to be credit-impaired and are reclassified as Stage 3 loans.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

d) Prepaid expenses

Prepaid expenses consist of prepaid rent, retainers paid with respect to professional services and prepayments made to suppliers.

4. Significant Accounting Policies - Continued

e) Inventory

Inventory is valued at the lower of average cost and net realizable value. Net realizable value is the estimated selling price, in the ordinary course of business, less appropriate selling costs. Inventory consists of raw materials, mainly raw meat provided to the Company's suppliers to produce a finished product, finished products, and packaging.

f) Property, plant and equipment

Property, plant and equipment is recorded at cost. Depreciation is provided annually at rates and methods over their estimated useful lives as follows, except in the year of acquisition, when one half of the rate is used. Management reviews the estimates of useful lives of the assets every year and adjusts them on a prospective basis, if needed.

Asset category	**Depreciation method**	**Estimated useful life**
Printing and production plates	Declining balance	5 years
Furniture and equipment	Declining balance	5 years
Warehouse equipment	Declining balance	5 years
Computer equipment	Declining balance	3 years
Software	Declining balance	5 years
Leasehold improvement	Straight line	3 – 7 years
Fixtures at customer locations	Straight line	4 years
Design	Straight line	5 years

g) Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses (note 8), if any. Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value, based on an allocation of the purchase price. The intangible assets are amortized on a straight-line basis over their estimated useful lives. The amortization method, estimated useful lives and residual values are reviewed each financial year-end or more frequently if required, and are adjusted as appropriate.

A summary of useful lives is as follows:

Customer relationships	8 - 10 years
Brand	Indefinite
Product recipes	Indefinite
Non-compete agreement	3 years

The Company tests intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows.

4. Significant Accounting Policies - Continued

h) Accounting for business combinations

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

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

i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect both accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

4. Significant Accounting Policies - Continued

j) Loss per share

The loss per share calculation is based on the weighted average number of common shares issued and outstanding during the year. The diluted loss per share is calculated using the treasury stock method. The treasury stock method assumes that outstanding stock options, warrants, broker units and similar instruments with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the year.

The if-converted method, which applies to convertible securities, assumes that all such instruments have been converted in determining diluted earnings per share if they are in-the-money except where such conversion would be anti-dilutive. As at March 31, 2019 and 2018, potential dilutive instruments such as exercise of warrants, exercise of stock options, conversion of debt to equity that could potentially dilute basic loss per share in the future, but were not included in the calculation of diluted loss per share because they are antidilutive as the Company is in a net loss position.

k) Stock-based compensation

The Company measures equity-settled stock-based payments to employees and others, providing similar services, at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is calculated using the Black-Scholes option valuation model and is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of equity instruments that will be expected to vest and is credited to contributed surplus.

l) Segment reporting

The Company's CEO was identified as the chief operating decision maker. The CEO evaluates the performance of the Company and allocates resources based on the information provided by the Company's management system.

The Company has determined that it only has one operating segment, which is creating natural food products and brands for sale into the Canadian and US natural food industry. For the years ending March 31, 2019 and 2018 the majority of the Company's assets and the Company's revenues were located and earned in Canada. For the year ended March 31, 2019, more than 10% of revenue was earned in the US (note 20).

<u>Future Accounting Pronouncements</u>

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 – Leases (IFRS 16), its new leases standard that required lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 would have a single accounting model for all leases, with certain exemptions. Lessor accounting was substantially unchanged. The new standard was effective from January 1, 2019 with limited early application permitted.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease.

4. Significant Accounting Policies - Continued

Future Accounting Pronouncements - continued

The date of initial application of IFRS 16 is April 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening accumulated deficit at the beginning of the 2020 fiscal year.

The Company leases a warehouse facility, which extends to November 1, 2026 and a vehicle lease, which extends to October 2021 (note 15).

On transition to IFRS 16, the Company will elect to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases will not be reassessed for whether a lease exists. The Company will elect to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. Accordingly, the Company does not expect significant adjustments to opening accumulated deficit at the beginning of the 2020 fiscal year.

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”), 695,270 common shares valued at the quoted market price on the date of issuance of $1.48 per common 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 loan from related parties on the consolidated statements of financial position. As at March 31, 2019, the Cedar VTB has been repaid in full.

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 March 31, 2019 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 March 31, 2019. 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.

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

5. Business Combinations - Continued

In accordance with IFRS 3 Business Combinations, the acquisition was accounted for using the purchase method. The purchase price was allocated as follows:

	As previously reported	Adjustment	Final purchase price allocation
Purchase price:			
Cash	$ 4,113	$ -	$ 4,113
Share consideration (note 13)	1,029	-	1,029
Cedar VTB (note 14)	243	-	243
Earn-out consideration (note 14)	460	-	460
Total consideration	5,845	-	5,845
Less:			
Fair value of net assets acquired	229	-	229
Fair value of intangible assets			
Customer relationships (note 8)	2,045	255	2,300
Brand (note 8)	1,403	(113)	1,290
Non-compete (note 8)	134	26	160
Deferred tax liability (note 21)	(949)	297	(652)
Goodwill (note 8)	$ 2,983	(465)	$ 2,518

The Company finalized its assessment of the purchase price allocation during the year ended March 31, 2019 and restated fair values allocated to intangible assets, deferred tax liability and goodwill (note 26). This resulted in an adjustment being booked to the previously presented March 31, 2018 consolidated statement of financial position between goodwill, intangible assets and deferred tax liability. 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 was 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. None of the goodwill arising on this acquisition is deductible for tax purposes.

Fair value of the net assets acquired include the following:

Accounts receivable	$ 560
Inventory	152
Prepaid expenses	6
Property, plant and equipment (note 7)	26
Cash	(39)
Accounts payable and accrued liabilities	(384)
HST payable	(92)
Total fair value of net assets acquired	229

5. Business Combinations - Continued

During the year ended March 31, 2018, Cedar had gross revenue of $2,886 and generated a net loss of $614. If the acquisition had occurred on April 1, 2017, management estimates that gross revenue would have been $4,557 and net loss for the year would have been $634. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on April 1, 2017. Acquisition related costs amounting to $30 are not included as part of the consideration transferred and have been recognized in the consolidated statements of operations and comprehensive loss.

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 (“Galaxy VTB”), carrying an 8.5% coupon. The Company issued 7.16 million Common shares at $1.50 per share as part of the transaction based on the market price of the common shares.

The Share Consideration is subject to lock-up and escrow pursuant to which approximately 45% of the Share Consideration were locked up for 12 months from the closing date, 5% of the Share Consideration were in escrow for 13 months from the closing date and the remaining 50% are locked-up for 18 months from the closing date, subject to certain exemptions. The Share Consideration was recorded at fair value using the quoted market price on the date of the transaction of $1.50, less fair value of put option estimated using the Black Scholes model with the following inputs; stock price and exercise price of $1.50, volatility of 30% based on potential comparable companies, terms of twelve, thirteen and eighteen months, and risk free rate of 1.620% to 1.715% (restated – note 26). The Galaxy VTB bears interest at 8.5%, interest payable at maturity and is due no later than 24 months after date of issuance. The Galaxy VTB was discounted at a market rate of debt of 4.1% (restated – note 26).

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

5. Business Combinations - Continued

In accordance with IFRS 3 Business Combinations, the acquisition was accounted for using the purchase method. The purchase price was allocated as follows:

		Purchase price allocation (restated - note 26)
Purchase price:		
Cash	$	5,553
Share consideration (note 13)		9,443
Galaxy VTB (note 14)		7,613
Total consideration		22,609
Less:		
Fair value of net assets acquired		3,187
Fair value of intangible assets		
Customer relationships (note 8)		2,590
Brand (note 8)		700
Product recipes (note 8)		650
Non-compete (note 8)		-
Deferred tax liability (note 21)		-
Goodwill on acquisition (note 8)	$	15,482
Impairment of goodwill (note 8)		(6,789)
Goodwill (note 8)	$	8,693

The Company finalized its assessment of the purchase price allocation during the year ended March 31, 2019 and restated the purchase price consideration components for correction of errors and fair values allocated to intangible assets, deferred tax liability and goodwill on acquisition (note 26). The Company amended the fair value of consideration paid resulting from appropriate foreign exchange translation of cash; discounting for the value of common shares placed into escrow; and discounting the Galaxy VTB at an appropriate market rate of interest. Intangible assets of customer relationships, brand, product recipes and goodwill have been separately accounted for. Customer relationships is being amortized over a useful life of 10 years, brand and product recipes have been 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. None of the goodwill arising on this acquisition is deductible for tax purposes. Goodwill was tested for impairment immediately as at acquisition and impairment of goodwill of $6,789 was recorded in consolidated statements of operations and comprehensive loss for the year ended March 31, 2018. Amortization expense recorded in the consolidated statements of operations and comprehensive loss for the year ended March 31, 2018 was reduced by $122 due to the change in fair value allocated to the intangible assets.

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

5. Business Combinations - Continued

Fair value of the net assets acquired include the following:

Cash	$	164
Accounts receivable		2,052
Inventory		1,885
Prepaid expenses		153
Property, plant and equipment (note 7)		145
Accounts payable and accrued liabilities		(1,212)
Total fair value of net assets acquired		3,187

During the year ended March 31, 2018, Galaxy had revenue of $3,577 and generated a net loss of $7,034, which includes an impairment of goodwill of $6,789. If the acquisition had occurred on April 1, 2017, management estimates that gross revenue would have been $16,399 and net loss for the year would have been $7,614. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on April 1, 2017. Acquisition related costs amounting to $14 are not included as part of the consideration transferred and have been recognized in the consolidated statements of operations and comprehensive loss.

6. Inventory

Inventory consists of:

	March 31 2019	March 31 2018
	$	$
Raw materials	**1,317**	1,447
Packaging	**1,988**	1,905
Finished goods	**4,708**	8,685
Total	**8,013**	12,037

Included in cost of goods sold is a provision for inventory amounting to $412 for the year ended March 31, 2019 (2018 - $469).

The amount of inventory recognized as an expense in cost of goods sold was $52,131 for the year ended March 31, 2019 (2018 - $44,402).

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

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, 2017	351	58	86	31	37	146	487	44	1,240
Acquired through business combination (note 5)	1	12	136	1	-	21	-	-	171
Additions	54	455	42	-	23	104	114	35	827
Foreign exchange difference	-	1	6	-	-	-	-	-	7
Balance March 31, 2018	406	526	270	32	60	271	601	79	2,245
Additions	71	19	26	-	100	27	365	-	608
Disposals	(242)	-	-	-	-	-	-	-	(242)
Foreign exchange difference	-	-	4	-	-	-	-	-	4
Balance March 31, 2019	**235**	**545**	**300**	**32**	**160**	**298**	**966**	**79**	**2,615**
Accumulated Amortization									
Balance, March 31, 2017	90	37	54	24	14	58	186	-	463
Depreciation for the year	79	69	36	3	9	22	64	28	310
Foreign exchange difference	-	-	1	-	-	-	-	-	1
Balance March 31, 2018	169	106	91	27	23	80	250	28	774
Amortization	66	103	125	2	111	68	94	25	595
Disposals	(120)	-	-	-	-	-	-	-	(120)
Foreign exchange difference	-	-	6	-	-	-	-	-	6
Balance March 31, 2019	**115**	**209**	**222**	**29**	**134**	**148**	**344**	**53**	**1,255**
Net Book Value									
As at March 31, 2018	237	420	179	5	37	191	351	51	1,471
As at March 31, 2019	**120**	**336**	**78**	**3**	**26**	**150**	**622**	**25**	**1,360**

Depreciation expense charged to the consolidated statements of operations and comprehensive loss for the year ended March 31, 2019 was $595 (2018 - $310), included in general and administrative.

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

8. Intangible Assets and Goodwill

	Customer Relationships $	Brand $	Product Recipes $	Non-Compete Agreement $	Total (restated - note 26) $
Cost					
Balance, March 31, 2017	10,850	8,165	200	880	20,095
Acquired through business combinations (note 5) (restated - note 26)	4,890	1,990	650	160	7,690
Additions	-	321	-	-	321
Balance March 31, 2018	15,740	10,476	850	1,040	28,106
Additions	-	752	-	-	752
Balance March 31, 2019	**15,740**	**11,228**	**850**	**1,040**	**28,858**
Accumulated Amortization					
Balance, March 31, 2017	988	-	-	257	1,245
Amortization (restated - note 26)	1,296	-	-	324	1,848
Balance March 31, 2018	2,284	-	-	581	3,093
Amortization	1,608	-	-	328	1,936
Balance March 31, 2019	**3,892**	-	-	**909**	**4,801**
Net Book Value					
As at March 31, 2018 (restated - note 26)	13,456	10,476	850	459	25,241
As at March 31, 2019	**11,848**	**11,228**	**850**	**132**	**24,057**

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

8. Intangible Assets and Goodwill - continued

Below is a continuity of goodwill for the years ended March 31, 2019 and 2018:

Balance, March 31, 2017	$	15,237
Acquisition of The Cold Press Corp. (note 5)		2,518
Acquisition of Galaxy Nutritional Foods, Inc. (note 5)		15,482
Impairment of goodwill - Galaxy Nutritional Foods, Inc.		(6,789)
Balance, March 31, 2018	$	26,448
Impairment of goodwill - Nothing But Nature Inc.		(3,083)
Impairment of goodwill - Central Roast Inc.		(392)
Balance, March 31, 2019	**$**	**22,973**

For impairment test purposes, the carrying value of goodwill has been allocated as follows:

		March 31, 2019		March 31, 2018
Love Child (Brands) Inc.	**$**	**2,940**	$	2,940
Central Roast Inc.		**7,441**		7,833
Nothing But Nature Inc.		**1,381**		4,464
The Cold Press Corp.		**2,518**		2,518
Galaxy Nutritional Foods, Inc.		**8,693**		8,693
Total goodwill	**$**	**22,973**	$	26,448

The key assumptions used to calculate the value in use are those regarding discount rates, growth rates and expected changes in margins. The values of these assumptions reflect past experience.

The after tax weighted average cost of capital was determined to be 14.3% – 17.0% (March 31, 2018 – 15.3% - 16.0%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on the Company's financing arrangements and the capital structure of comparable publicly traded companies.

Cash flow projections have been discounted using rates of return derived from the Company's after-tax weighted average cost of capital considering specific risks related to each CGU. At March 31, 2019, the after-tax discount rate used in the recoverable amount calculations was 14.3% – 17.0% (March 31, 2018 – 15.3% - 16.0%). The pre-tax discount rate was 19.5% - 23.1% (March 31, 2018 – 20.8% - 21.8%).

The Company included five years of cash flows in its discounted cash flow models for each CGU, including revenue growth rates of 5% - 29%. The cash flow models were extrapolated beyond five years using estimated average long-term growth rate of 2.4% (March 31, 2018 – 2.0%).

As a result of the impairment testing completed at March 31, 2019, the Company recorded an impairment of Central Roast of $392 and Nothing But Nature of $3,083. A 1% change in the discount rate for Central Roast would change the impairment recorded by $666. The impairment on Nothing But Nature was based on the subsequent sale price for the business (note 25). As a result of the impairment testing completed at March 31, 2018, no impairment was recorded. The Company recognized impairment of $6,789 for the year ended March 31, 2018 from the acquisition of Galaxy (note 5 and 26).

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

9. Derivative Liability

The conversion feature has been recorded as a derivative liability. The fair value of the derivative has been determined on the date of issuance using a Monte Carlo valuation model with the following assumptions:

Milestone 1 - $500

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 - $500

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 March 31, 2019, the fair value of the derivative was re-valued with expected conversion dates of September 30, 2019 and September 30, 2022 for Milestones 1 and 2, respectively. The revaluation did not result in any significant change in fair value, see continuity below:

Initial valuation, August 9, 2018	**$**	**203**
Change in fair value		**-**
Closing, March 31, 2019	**$**	**203**
Current portion		**162**
Long-term portion	**$**	**41**

10. Accounts Payable and Accrued Liabilities

	March 31, 2019	March 31, 2018
	$	$
Trade payables	**6,523**	7,787
Accrued liabilities	**1,219**	777
Accrued wages and benefits	**54**	183
Restructuring provision (note 24)	**408**	-
	8,204	8,747

Accrued liabilities include professional fees accrual and bonus accrual.

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

11. Loans Payable

As at March 31, 2019, the Company held the following loans and borrowings:

		March 31, 2019	March 31, 2018
		$	$
BDC Loans			
BDC loan payable, interest at BDC's floating base rate plus 1% per annum (March 31, 2019 - 7.05%), repayable in payments of principal of $1 monthly plus interest (payable monthly), maturing November 2018.		**-**	8
BDC loan payable, interest at BDC's floating base rate plus 3% per annum (March 31, 2019 - 9.05%), repayable in payments of principal of $1 monthly plus interest (payable monthly), maturing February 23, 2019	(a)	**8**	28
BDC loan payable, interest at BDC's floating base rate plus 3% per annum (March 31, 2019 - 9.05%), repayable in payments of principal of $1 monthly plus interest (payable monthly), maturing February 23, 2022		**43**	56
TD Equipment Finance	(b)	**43**	73
TD Term Loan	(c)	**175**	275
TD ABL Facility	(d)	**8,229**	-
Convertible debentures issued to Emblem Corp, maturing August 9, 2023	(e)	**834**	-
Primary Capital financing, maturing December 24, 2019	(f)	**3,000**	-
		12,332	440
Less amounts due within one year		**11,376**	167
Loans payable - non current		**956**	273

The changes in the carrying value of loans and borrowing are as follows:

	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance, March 31, 2017	138	100	-	-	-	-	238
Additions	-	-	300	-	-	-	300
Repayment	(46)	-	(25)	-	-	-	(71)
Balance, March 31, 2018	92	73	275	-	-	-	440
Additions	-	-	-	-	1,000	3,000	4,000
Transferred from long-term debt	-	-	-	11,720	-	-	11,720
Fair value of derivative liability	-	-	-	-	(203)	-	(203)
Repayment	(41)	(30)	(100)	(3,541)	-	-	(3,712)
Accretion	-	-	-	50	37	-	87
Balance, March 31, 2019	**51**	**43**	**175**	**8,229**	**834**	**3,000**	**12,332**

11. Loans Payable - continued

a) 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, the Company repaid 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 matured on February 23, 2019. The second acquired BDC loan was for $100 bearing interest at BDC's floating base rate plus 3% per annum, blended principal and 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").

b) 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.

c) 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.

d) TD ABL Financing

On October 7, 2016, the Company finalized the terms on a $7,500 revolving senior secured asset-based lending facility with The Toronto-Dominion Bank ("ABL Facility"). The ABL Facility has a three-year term and bears interest at bank prime plus 3%.

The Company incurred a total of $100 in transaction costs related to the ABL Facility. All transaction costs are being amortized to net loss as accretion 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 $7,500 to $10,000 upon inclusion of assets from The Cold Press Corp., and from $10,000 to $12,000 upon inclusion of assets from Galaxy Nutritional Foods, Inc. In May 2018, the revolving commitment increased from $12,000 to $13,000 and may further be increased to $15,000 at the request of the Company.

11. Loans Payable - continued

The ABL Facility is secured by substantially all of the assets of the Company and contains a standard fixed charge coverage financial covenant of 1.1:1. Effective March 31, 2017, the fixed charge coverage covenant was amended to allow the Company to add back unfinanced capital expenditures, debt repayments or listing fees that were financed with equity in calculating the covenant. At March 31, 2019, the Company was not in compliance with the fixed charge coverage ratio, however, subsequent to period end the bank has provided a waiver for the default as of March 31, 2019. The ABL Facility is presented as current, as it matures on October 7, 2019.

e) Convertible Debentures

On August 9, 2018, the Company issued $1,000 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, bears interest at 6% per annum which is due the earlier of conversion date or maturity and will automatically convert into common shares of the Company upon satisfaction of certain conditions (each, a “Milestone” assigned $500 in principal) 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 is considered a derivative liability and recorded at fair value (note 9).

f) Primary Capital Financing

On December 24, 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 $4,000 term debt facility. The Loan is comprised of an initial principal amount of $2,000, before transaction costs, and an additional $2,000 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 $1,000 each. In connection with the loan, the Company has agreed to issue common shares to the lenders. As at March 31, 2019, the Company has received the initial principal of $2,000 and additional draw of $1,000.

The loan matures on December 24, 2019 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 $1,000 on standby is advanced. If the second $1,000 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 at March 31, 2019, the Company has issued 569,387 common shares to the lenders.

12. Long Term Debt

As at March 31, 2018, the long-term debt included the ABL Facility described in note 11(d). The balance of long-term debt of $11,720 was transferred to loans payable as a current liability as the ABL Facility has a maturity date of October 7, 2019. During the year ended March 31, 2018, the Company received advances under the ABL facility of $8,619 and the closing balance as at March 31, 2018 was $11,720. See note 11(d) for transactions during the year ended March 31, 2019.

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

13. Share Capital

(a) Authorized: Unlimited number of common shares

Common shares issued and fully paid:

	Number	Amount $
Balance, March 31, 2017	54,787,510	43,185
Shares issued from Short Form Prospectus (i)	7,300,000	10,804
Shares issued for repayment of loan from related parties (ii)	1,013,714	1,178
Acquisition of The Cold Press Corp. (note 5)	695,270	1,029
Acquisition of Galaxy Nutritional Foods, Inc. (note 5) (restated - note 26)	7,164,313	9,443
Exercise of options	262,501	544
Exercise of warrants	1,297,064	1,652
Share issue costs (i)	-	(803)
Balance, March 31, 2018	72,520,372	67,032
Exercise of warrants	200,000	271
Exercise of options	20,000	28
Issuance of shares for capital investment (iii)	2,049,180	2,000
Share issue costs (iv)	569,387	(70)
Balance, March 31, 2019	**75,358,939**	**69,261**

i) 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. In connection with the financing, the Company paid cash commissions and share issue costs of $803.

ii) During the year ended March 31, 2018, the Company issued 1,013,714 common shares at a market price of $1.16 per common share to settle loans due to related parties with a fair value of $1,178. No gain or loss recognized as common shares issued at quoted market price.

iii) On August 9, 2018, the Company closed a private placement from a strategic investor (Emblem Corp.) and a supplier for gross proceeds of $2,000. The Company issued 2,049,180 common shares at a subscription price of $0.976 per share, the market price of the common shares on the date of closing. The common shares issued to both Emblem and supplier are subject to a nine-month contractual hold period from August 9, 2018.

iv) The Company incurred $70 in share issued costs related to the August 9, 2018 private placement. The Company issued 569,387 common shares under the Primary Capital Inc. credit facility (note 11(f)).

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

13. Share Capital - continued

(b) Escrowed Shares:

On January 24, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Galaxy Nutritional Foods, Inc. ("Galaxy"). The Company issued 7,164,313 common shares which are subject to lock-up and escrow pursuant to which approximately 45% of the common shares were locked up for 12 months from the closing date, 5% of the common shares were to be in escrow for 13 months from the closing date and the remaining 50% were to be locked-up for 18 months from the closing date, subject to certain exemptions.

As of March 31, 2019, the Company had 3,582,156 common shares held in escrow.

(c) Stock options:

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

Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company 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. Unless otherwise stated, the options fully vest when granted.

The following table reflects the continuity of stock options:

	Number of stock options	Range of Exercise Price ($)	Weighted average exercise price ($)
Balance, March 31, 2017	1,736,317	0.92 – 1.36	1.01
Granted	433,445	1.02 – 1.27	1.09
Exercised	(262,501)	1.36	1.36
Forfeited	(166,557)	0.96 – 1.34	1.11
Balance, March 31, 2018	1,740,704	0.92 – 1.34	1.03
Granted	656,000	0.48 – 0.94	0.89
Exercised	(20,000)	0.96	0.96
Expired	(95,232)	1.20 – 1.24	1.22
Forfeited	(616,071)	0.90 – 1.27	0.99
Balance, March 31, 2019	**1,665,401**	**0.48 – 1.34**	**0.98**

The weighted average share price at the dates the options were exercised during the year ended March 31, 2019 was $1.23 per common share (March 31, 2018 - $1.55).

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

13. Share Capital - continued

(c) Stock options - continued:

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 year ended March 31, 2019 were as follows:

Options	Grant date	Share price $	Exercise price $	Risk-free interest rate %	Expected life (years)	Volatility factor	Fair Value $
511,000	7/24/2018	0.94	0.94	2.02%	5-8	41.0%	0.41
80,000	8/22/2018	0.90	0.90	2.25%	5-8	41.0%	0.40
65,000	11/14/2018	0.48	0.48	2.47%	5-8	41.6%	0.22

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of the time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

The following table summarizes the outstanding and exercisable options held by directors, officers and employees as at March 31, 2019:

	Outstanding			Exercisable	
Exercise Price Range ($)	Number of options	Remaining Contractual Life (years)	Weighted Average Exercise Price ($)	Vested Options	Weighted Average Exercise Price ($)
0.25 – 0.70	40,000	9.63	0.48	-	-
0.70 – 1.15	1,450,365	7.33	0.96	761,115	0.96
1.15 – 1.60	175,036	7.99	1.32	63,456	1.33
	1,665,401	7.48	0.98	824,571	0.99

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

13. Share Capital - continued

d) Warrants:

The following table reflects the continuity of warrants:

	Number of warrants	Exercisable warrants	Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
			$	$	(year)
Balance as of March 31, 2017	8,312,460	7,598,174	1,478	1.12	2.36
Warrants exercised	(1,297,064)	(1,297,064)	(241)	1.08	-
Warrants expired	(196,844)	(196,844)	-	1.17	-
Balance as of March 31, 2018	6,818,552	6,818,552	1,237	1.18	1.08
Warrants exercised	(200,000)	(200,000)	(240)	1.20	-
Warrants expired	(6,618,552)	(6,618,552)	-	1.18	-
Balance as of March 31, 2019	-	-	-	-	-

The weighted average share price at the dates the warrants were exercised during the year ended March 31, 2019 was $1.25 per common share (March 31, 2018 - $1.45).

14. Related Party Balances and Transactions

The following table summarizes the loans from related parties for the years ended March 31, 2019 and 2018:

		March 31, 2019	March 31, 2018 (restated - note 26)
		$	$
Galaxy VTB	(a)	**8,119**	7,912
Cedar VTB	(b)	**-**	102
Cedar earn-out consideration	(c)	-	514
Total loans from related parties		**8,119**	8,528
Less current portion		**-**	616
Loans from related parties - non-current		**8,119**	7,912

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

14. Related Party Balances and Transactions - continued

The changes in the carrying value of loans from related parties are as follows:

	(a)	(b)	(c)	(d)	Total
	$	$	$	$	$
Balance, March 31, 2017	-	-	-	1,391	1,391
Additions	7,613	243	460	-	8,316
Foreign exchange	664	-	-	-	664
Accretion expense	-	-	54	117	171
Settlement of debt	-	-	-	(330)	(330)
Common shares issued for settlement	-	-	-	(1,178)	(1,178)
Repayments	(365)	(141)	-	-	(506)
Balance, March 31, 2018	7,912	102	514	-	8,528
Change in fair value	-	-	(514)	-	(514)
Foreign exchange	840	-	-	-	840
Repayments	(633)	(102)	-	-	(735)
Balance, March 31, 2019	**8,119**	**-**	**-**	**-**	**8,119**

a) The Galaxy VTB of $8,119 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 year ended March 31, 2019 is $630 (2018 - $114).

b) The Cedar VTB is unsecured, non-interest bearing and repayable over twelve monthly installments from the closing of the Cedar acquisition (note 5). During the year ended March 31, 2019, the Cedar VTB was repaid in full.

c) On the acquisition of Cedar, the Company agreed to pay earn-out consideration contingent on the annualized net revenue for the twelve-month period ended March 31, 2019 exceeding certain revenue thresholds up to $1,000. As at the date of acquisition, 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%. During the year ended March 31, 2019, net revenue targets were not met.

d) During the year ended March 31, 2018, the Company issued 1,013,714 common shares with a fair value of $1.16 per common share based on the quoted market price with a total fair value of $1,178 to settle the Central Roast VTB and Love Child VTB. A gain of $330 was record in general and administrative expenses upon settlement for the year ended March 31, 2018.

Transactions with Related Parties

The Company has a monthly lease arrangement for office space with a shareholder of the Company. The Company paid rent expense of $183 during the year ended March 31, 2019 (2018 – $166) included in general and administrative expenses.

The Company has an outstanding balance of $126 at March 31, 2019 (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.

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

14. Related Party Balances and Transactions - continued

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 (included in salaries and benefits):

	Year ended	
	March 31, 2019	March 31, 2018
Salary and director fees	**777**	693

15. Commitments and Contingencies

Commitments

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

b) 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 $400.

c) In October 2016, under its new ABL Facility, the Company issued a stand-by letter of credit for $200 to one of its Canadian suppliers for extended credit terms.

d) The Company issued convertible debentures and shares of $1,000 and $1,000, respectively. As a result, Emblem Corp. will earn a 4% royalty on all hemp-based product sales and a 7% royalty on all cannabidiol ("CBD") based product sales. The Company has not made any hemp-based product sales or cannabis-based CBD product sales; therefore, no royalties have been paid or accrued as of March 31, 2019.

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)

16. Expenses by Nature

Expenses by nature below include cost of goods sold and total expenses:

	2019	2018 (restated - note 26)
Raw materials and consumables used	**52,131**	44,402
Storage and delivery	**5,508**	2,926
Salaries and benefits	**6,917**	4,392
Advertising and promotion	**3,553**	2,059
Professional fees	**615**	459
Stock-based compensation	**92**	172
Amortization of intangible assets	**1,936**	1,620
Expected credit loss and allowance (note 18)	**1,399**	286
Other expenses	**4,731**	3,587
	76,882	59,903

17. Changes in Non-Cash Working Capital

	2019	2018
HST receivable	**152**	(224)
Accounts receivable	**4,899**	(3,032)
Prepaid expenses	**(263)**	(314)
Inventory	**3,612**	(5,321)
Accounts payable and accrued liabilities	**(543)**	1,137
HST payable	**51**	(179)
	7,908	(7,933)

18. 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 year ended March 31, 2019, the Company had one (2018 – one) customers representing over 10% of total revenue for an aggregate of approximately 26% (2018 – 26%) of total revenue.

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

18. Financial Risk Management - continued

(b) Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and trade receivables. The maximum exposure of credit risk is generally represented by the carrying amount of these items reported on the statements of financial position. Overall, management does not believe that any single industry or geographic region represents a significant credit risk to the Company.

The Company establishes an allowance for expected credit losses that corresponds to the specific credit risk of its customers and economic circumstances. The Company recognized an opening transition adjustment for expected credit losses for trade receivables of $54 to accumulated deficit based on the simplified approach under IFRS 9. As at March 31, 2019, the allowance for expected credit losses was $1,604.

	2019	**2018**	**Expected credit loss range**
Not past due	4,258	9,106	0.4% - 15.6%
Past due 1 - 30 days	1,579	1,942	0.4% - 15.6%
Past due 31 - 60 days	1,212	386	0.4% - 15.6%
Past due 61 - 90 days	224	210	15.6% - 100%
Past due more than 90 days	1,484	1,166	15.6% - 100%
	8,757	12,810	
Expected credit loss provision	**(1,604)**	(704)	
Accounts receivable	**7,153**	12,106	

The impact of the movement of the expected credit loss provision is shown below:

Balance as at March 31, 2018 under IAS 39	$	647
Adjustment on initial application of IFRS 9		54
Balance as at April 1, 2018 under IFRS 9	**$**	**704**
Bad debt expense		(499)
IFRS 9 loss allowance remeasurement		1,399
Balance as at March 31, 2019 under IFRS 9		1,604

The expect credit loss adjustment is recorded in general and administrative expenses.

(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 March 31, 2019 are as follows:

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

18. Financial Risk Management - continued

	Carrying value	Contractual cash flows	Payable in 1 year	2-5 years
	$	$	$	$
Accounts payable and accrued liabilities	8,204	8,204	8,204	-
Loans from related parties	8,119	8,119	8,119	-
Loans payable	12,332	12,332	11,376	956
	28,655	**28,655**	**27,699**	**956**

(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 interest rates that it pays on long term debt, loans from related parties, and loan payable can fluctuate with the prime rate. A 1% appreciation (depreciation) in the interest rate would result in a change in interest expense of approximately $123 (2018 - $122).

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. Accordingly, the Company's results are affected, and may be affected in the future, by sudden exchange rate fluctuations of the U.S. dollar. Currently the Company manages foreign currency risk by forecasting need and incorporating forecasted U.S. foreign exchange rates into customer prices. As at March 31, 2019, the Company held financial assets of $3,131 and financial liabilities of $2,988. A 1% change in the foreign exchange rate would have an impact of $1.

e) Fair Value

Fair value measurements and disclosures use the following hierarchy definitions in determining its classifications:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included with Level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

Accounts receivable, accounts payable and accrued liabilities, on-demand loans and current borrowings approximate their fair value due to their short-term nature. The initial fair value of the loans payable, loans from related parties, long-term debt, earn out consideration and derivative liability has been measured using level 3 valuation methods and the following summarizes the key assumptions used to estimate fair value as at March 31, 2019:

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

18. Financial Risk Management - continued

Valuation approach	Key inputs	Inter-relationship between inputs and fair value measurement
The fair value of the derivative liability was driven by the expected conversion date, share price, exercise price, risk-free rate, and volatility.	See note 9 for disclosure on key inputs.	As the share price exceeds the exercise price, the fair value will increase. The higher the risk-free and volatility, the fair value will increase.
The fair value of the earn out consideration was driven by the Company's expectations of Cedar revenue for the twelve-month period ended March 31, 2019 exceed certain thresholds.	Probabilities of achieving revenue in excess of earn out threshold. Discount rate – 16%	As the probability of achieving revenue in excess of the threshold increases, the fair value increase. As the discount rate decreases, the fair value increases.

19. 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 subject to externally imposed capital requirements through the TD ABL Facility (note 11).

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.

20. Segmented Information

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

Sales attributed to geographic location for the twelve months ended March 31, 2019 are as follows:

	March 31, 2019	March 31, 2018
	$	$
Canada	**57,755**	61,209
United States	**20,239**	3,873
	77,994	65,082

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

20. Segmented Information – continued

All of the Company's assets as at March 31, 2019 are located in Canada and the United States, as detailed below:

Current Assets	**March 31, 2019**	March 31, 2018
	$	$
Canada	**11,431**	21,196
United States	**5,084**	4,185
	16,515	25,381

Long-Term Assets	**March 31, 2019**	March 31, 2019 (restated - note 26)
	$	$
Canada	**37,470**	40,694
United States	**12,627**	12,466
	50,097	53,160

21. Income Taxes

a) Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 – 26.5%):

	March 31, 2019	March 31, 2018 (restated - note 26)
Loss from operations before income taxes	**(15,458)**	(11,393)
Expected income tax (recovery) expense	**(4,096)**	(3,019)
Non-deductible expenses	**852**	2,577
Tax rate changes and other adjustments	**85**	-
Share issuance costs booked to equity	**(38)**	-
Tax effect of acquired intangibles	**-**	(468)
Change in tax benefits not recognized	**2,415**	627
Income tax (recovery) expense	**(782)**	(283)

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

21. Income Taxes – continued

b) Deferred Taxes

The following table summarizes the components of deferred tax:

	March 31, 2019	March 31, 2018 (restated - note 26)
Deferred tax assets		
Non-capital losses carried forward	**2,526**	2,055
Deferred tax liabilities		
Intangible assets	**(6,327)**	(6,638)
Deferred tax liabilities	**(3,801)**	(4,583)

c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	March 31, 2019	March 31, 2018 (restated - note 26)
Non-capital losses carried forward - Canada	**20,156**	9,409
Non-capital losses carried forward - United States	**7,165**	8,676
Share issuance costs	**1,557**	2,223
Charitable donations carry forward	**757**	718
PPE	**367**	136
Convertible debentures	**87**	-

The Canadian losses carry forward expire as noted in the table below. The United States tax losses expire between 2029 and 2038. Share issue and financing costs will be fully amortized in 2023. Charitable donation carry-forward expires between 2019 and 2024. The remaining deductible differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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

21. Income Taxes - continued

The Company’s non-capital income tax losses expire as follows:

2027	112
2028	679
2029	302
2030	439
2031	164
2032	818
Thereafter	23,785
	26,299

22. Interest Expense

	2019	2018
	$	$
Interest on loans from related party	**633**	115
Interest on loans payable	**1,091**	85
Interest on long term debt	**-**	243
Bank charges and other interest	**25**	75
	1,749	518

23. Gain on Sale of Rolling Meadow Dairy

On January 31, 2019, the Company completed the sale of the Rolling Meadow Dairy brand and business (excluding the egg business) to Agrifoods’ subsidiary, Organic Meadow Limited Partnership. The Company received gross proceeds of $1,612 from the sale of the business, intellectual property and inventory. The Company recognized a gain on the sale as follows:

Gross proceeds	**1,612**
Less:	
Inventory	**(182)**
Transaction costs	**(54)**
Gain on sale of Rolling Meadows Dairy	**1,376**

The Company is also entitled to royalty payments from the sale of Rolling Meadow Dairy products over the next 4 years.

24. Restructuring

During the year ended March 31, 2019, the Company recorded a restructuring charge of $1,473 related to its operating model and closure of the Galaxy office in the United States, of which $408 remains in accounts payable and accrued liabilities at March 31, 2019. The restructuring charge and remaining provision includes severance for affected employees and remaining lease payments on the United States office.

25. Subsequent Events

Nothing But Nature Divestiture
On May 21, 2019, the Company announced the sale of the Kiju brand and business to Zurban Beverages. The sale of the business is for consideration of $7.5 million upfront cash consideration and a revenue based earn out of $0.5 million, representing a transaction value of approximately 1x net sales of $8.3 million. The use of proceeds from the transaction were used for general working capital purposes and to pay down debt, specifically the $1.8 million addition to the TD ABL. As a result, the ABL was amended to reduce the collateral base from $15 million to $10 million.

Additional Standby Advance – Primary Capital
On April 25, 2019, the Company closed the additional standby advance of $1 million pursuant to the previously disclosed loan agreement dated December 24, 2018. In connection with the additional standby advance, the Company has issued to the lenders an aggregate of 160,000 common shares.

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

26. Restatement of Comparative Figures

Certain comparative figures have been restated as a result of certain errors noted in the purchase price allocation for the acquisition of Galaxy. The restatements to the purchase price allocations at the acquisition date are described in note 5.

Additionally, the provisional values of intangible assets recognized for the acquisition of Cedar were finalized within the measurement period. The restatements to the purchase price allocations at the acquisition date are described in note 5.

The below line items in the previous year comparative consolidated statement of financial position as at March 31, 2018 were also restated:

	As previously reported	Adjustment	As restated
	$	$	$
Assets			
Intangible assets	35,217	(9,976)	25,241
Goodwill	27,278	(830)	26,448
Total assets	89,347	(10,806)	78,541
Liabilities			
Loans from related parties - non-current	7,412	500	7,912
Deferred tax liabilities	7,865	(3,282)	4,583
Total liabilities	36,909	(2,782)	34,127
Shareholders' equity			
Share capital	68,335	(1,303)	67,032
Accumulated deficit	(17,847)	(6,721)	(24,568)
Total liabilities and shareholder's equity	89,347	(10,806)	78,541

The previous year comparative consolidated statement of operations and comprehensive loss for the year ended March 31, 2018 was restated as follows:

	As previously reported	Adjustment	As restated
	$	$	$
Amortization of intangible assets	1,742	(122)	1,620
Total expenses	15,154	(122)	15,032
Loss from operations	(3,720)	122	(3,598)
Loss on impairment of goodwill	-	6,789	6,789
Loss from operations before income taxes	(4,726)	(6,667)	(11,393)
Net loss for the year	(4,443)	(6,667)	(11,110)
Total net loss and comprehensive loss for the year	(4,423)	(6,667)	(11,090)
Net loss per share - basic and diluted	(0.07)	(0.11)	(0.18)

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

26. Restatement of Comparative Figures - continued

The previous year comparative consolidated statement of cash flows for the year ended March 31, 2018 was restated as follows:

	As previously reported	**Adjustment**	**As restated**
	$	**$**	**$**
Net loss	(4,443)	(6,667)	(11,110)
Loss on impairment of goodwill	-	6,789	6,789
Depreciation and amortization	2,052	(122)	1,930
Unrealized foreign exchange	459	(247)	212
Total cash utilized in operating activities	(8,818)	(247)	(9,065)
Cash used for business combinations	(9,788)	122	(9,666)
Cash acquired through business combinations	-	125	125
Total cash utilized in investing activities	(10,936)	247	(10,689)
Advances from loans payable	202	98	300
Repayment of loans payable	-	(71)	(71)
Interest paid	(329)	(27)	(356)

The details of the adjustments are disclosed in Note 5.