



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

**For the three-month and nine-month periods ended December 31, 2019 and 2018**

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

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

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# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

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

### Condensed Consolidated Interim Statements of Financial Position

	December 31	March 31
	2019	2019
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Accounts receivable, net	6,325	7,153
HST receivable	615	337
Prepaid expenses	1,478	1,012
Inventory (note 6)	6,915	8,013
<b>Total current assets</b>	<b>15,333</b>	<b>16,515</b>
Property, plant and equipment (note 7)	1,068	1,360
Right-of-use assets (note 13)	957	-
Intangible assets (note 5 and 8)	19,076	24,057
Goodwill (note 5)	20,145	22,973
<b>Total assets</b>	<b>56,579</b>	<b>64,905</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	7,171	8,204
HST payable	117	160
Lease liability - current (note 13)	49	-
Loans from related parties (note 5 and 12)	8,564	8,119
Derivative liability - current (note 9)	145	162
Loans payable (note 10)	10,387	11,376
<b>Total current liabilities</b>	<b>26,433</b>	<b>28,021</b>
Derivative liability - non current (note 9)	4	41
Lease liability - non-current (note 13)	980	-
Loans payable - non-current (note 10)	544	956
Deferred tax liabilities	3,264	3,801
<b>Total liabilities</b>	<b>31,225</b>	<b>32,819</b>
<b>Shareholders' equity</b>		
Share capital (note 11)	69,261	69,261
Contributed surplus (note 11)	2,044	1,983
Accumulated deficit	(45,731)	(39,244)
Accumulated other comprehensive income	(220)	86
<b>Total liabilities and shareholders' equity</b>	<b>56,579</b>	<b>64,905</b>

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

#### Approved by the Board:

Matthew von Teichman-Logischen  
Chairman

Michael LeClair  
Director

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2019 and 2018

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

## Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

	Three months ended		Nine months ended	
	December 31	December 31	December 31	December 31
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Gross revenue</b>	<b>11,285</b>	19,228	<b>40,553</b>	61,869
Less: rebates and discounts	(1,516)	(2,282)	(5,434)	(6,975)
Less: listing fees	(120)	(452)	(173)	(785)
<b>Net revenue</b>	<b>9,649</b>	16,494	<b>34,946</b>	54,109
<b>Cost of goods sold</b>	<b>6,742</b>	12,793	<b>25,797</b>	41,653
<b>Gross profit</b>	<b>2,907</b>	3,701	<b>9,149</b>	12,456
<b>Expenses</b>				
General and administrative	224	2,219	4,156	5,254
Storage and delivery	471	1,271	2,873	4,098
Salaries and benefits	1,077	2,087	3,405	5,767
Advertising and promotion	378	832	1,080	2,745
Professional fees	194	52	636	439
Stock-based compensation (note 11)	21	37	60	104
Amortization of intangible assets	608	701	1,854	2,102
<b>Total expenses</b>	<b>2,973</b>	7,199	<b>14,064</b>	20,509
<b>Loss from operations</b>	<b>(66)</b>	(3,498)	<b>(4,915)</b>	(8,053)
Interest expense	592	404	1,934	1,207
Accretion expense	-	15	14	73
Foreign exchange loss / (gain)	(125)	697	60	788
Restructuring expense	-	-	195	-
Other income and expense	(68)	-	(94)	98
<b>Loss from operations before income taxes</b>	<b>(465)</b>	(4,614)	<b>(7,024)</b>	(10,219)
Deferred income tax recovery	(171)	(195)	(537)	(586)
<b>Net loss</b>	<b>(294)</b>	(4,419)	<b>(6,487)</b>	(9,633)
<b>Other comprehensive income (loss)</b>				
Unrealized gain (loss) on revaluation of convertible debentures	-	(8)	-	(8)
Unrealized gain (loss) on translation of Canadian dollar presentation	(147)	(22)	(306)	(9)
<b>Total net loss and comprehensive loss</b>	<b>(441)</b>	(4,449)	<b>(6,793)</b>	(9,650)
<b>Net loss per share</b>				
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.06)	\$ (0.09)	\$ (0.13)
Weighted average number of shares - basic and diluted	75,696,316	74,789,552	75,717,653	73,782,997

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

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

For the nine month periods ended December 31, 2019 and 2018

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

### Consolidated Statements of Changes in Shareholders' Equity

	Share Capital			Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number	Amount \$	Contributed Surplus \$			
March 31, 2018	72,520,372	67,032	1,930	(24,568)	20	44,414
Issuance of share options	-	-	104	-	-	104
Exercise of warrants	200,000	271	(31)	-	-	240
Exercise of options	20,000	28	(8)	-	-	19
Issuance of shares for capital investment	2,049,180	2,000	-	-	-	2,000
Share issuance costs	-	(47)	-	-	-	(47)
Net loss	-	-	-	(9,633)	(17)	(9,650)
<b>December 31, 2018</b>	<b>74,789,552</b>	<b>69,284</b>	<b>1,995</b>	<b>(34,201)</b>	<b>3</b>	<b>37,080</b>
March 31, 2019	75,358,939	69,261	1,983	(39,244)	86	32,086
Stock-based compensation	-	-	61	-	-	61
Share issuance	690,825	-	-	-	-	-
Net loss	-	-	-	(6,487)	-	(6,487)
Cumulative translation adjustment	-	-	-	-	(306)	(306)
<b>December 31, 2019</b>	<b>76,049,764</b>	<b>69,261</b>	<b>2,044</b>	<b>(45,731)</b>	<b>(220)</b>	<b>25,354</b>

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

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

For the nine month periods ended December 31, 2019 and 2018

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

### Condensed Consolidated Interim Statements of Cash Flows

	2019	2018
	\$	\$
<b>Cash flow used in operating activities</b>		
Net loss	(6,487)	(9,633)
Items not affecting cash:		
Loss on disposal of equipment	-	99
Depreciation and amortization	2,170	2,484
Deferred income tax (recovery)	(537)	(586)
Unrealized foreign exchange loss	(306)	383
Stock-based compensation	60	104
Inventory provision	228	307
Interest expense	1,934	1,207
Accretion expense	14	73
Changes in non-cash working capital (note 15)	(122)	2,751
<b>Total cash utilized in operating activities</b>	<b>(3,046)</b>	<b>(2,811)</b>
<b>Cash flow from (used in) investing activities</b>		
Proceeds of disposition	4,776	22
Additions to property, plant and equipment	(60)	(445)
Additions to intangible assets	(221)	(644)
<b>Total cash from (utilized) in investing activities</b>	<b>4,495</b>	<b>(1,067)</b>
<b>Cash flow from financing activities</b>		
Repayment of loans payable	2	-
Interest paid	(1,451)	(695)
Warrants and options exercised	-	259
Proceeds from issuance of shares, net	-	1,953
Proceeds from convertible debentures	-	1,000
Repayment of loans with related parties, net	-	(699)
Advance from long term debt, net	-	2,060
<b>Total cash provided by financing activities</b>	<b>(1,449)</b>	<b>3,878</b>
<b>Increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, end of the year</b>	<b>-</b>	<b>-</b>

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

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2019 and 2018

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

### 1. Nature of Operations and Going Concern

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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 is an organic and natural food company whose principal business is to create natural food products and brands for sale into the North American natural food marketplace. The Company’s main brands as of December 31, 2019 include Life Choices Natural Foods, Love Child Organics, Central Roast, Cedar and Go Veggie.

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.

#### *Going concern*

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

The Company incurred a net loss and comprehensive loss of \$441 and \$6,793 for the three and nine months ended December 31, 2019, respectively (2018 - \$4,449 and \$9,650) and, as of that date, had an accumulated deficit of \$45,731 (March 31, 2019 - \$39,244), and current liabilities exceeded its current assets by \$11,100 (March 31, 2019 - \$11,506). 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 continued strategy is to stay focused on increasing revenue and at the same time exercise careful cost control to generate profitable operations in the near term. In the event that cash flow from operations, together with the proceeds from existing and any future financings are insufficient to cover planned expenditures, management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations. These factors raise some doubt about the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the condensed interim consolidated financial statements could be required.

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2019 and 2018

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

## 2. Statement of Compliance and Basis of Presentation

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### *Statement of Compliance*

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”), under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended March 31, 2019. The condensed interim consolidated financial statements do not include all of the disclosures included in the annual audited consolidated financial statements and the notes thereto included in the Company’s audited consolidated financial statements for the year ended March 31, 2019.

The accounting policies set out below have been applied consistently to all years presented in these condensed consolidated interim financial statements except for IFRS 16 standard on leases which has been adopted retrospectively (note 4).

These condensed consolidated interim financial statements were approved by the Board of Directors on March 02, 2020.

### *Basis of Presentation*

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

### *Principles of Consolidation*

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Life Choices Natural Food Corp., 1706817 Ontario Ltd., the Everyday Fundraising Group, Grandview Farms Sales Ltd., Love Child (Brands) Inc., GSB Investment Corp., Central Roast Inc., 2047480 Ontario 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

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

*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 the product life of inventory and the profitability of recent sales of inventory. In many cases, the products sold by the Company turns



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### Condensed Consolidated Interim Financial Statements

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### 3. Significant Accounting Judgments, Estimates and Assumptions - Continued

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over quickly and inventory on-hand values are lower, thus reducing the risk of material misstatement. Management ensures that systems are in place to highlight and properly value inventory that may be approaching “best before” dates. To the extent that actual losses on inventory differ from those estimated, both inventory and net loss will be affected.

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

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

### 4. Significant Accounting Policies

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#### Accounting standard adopted on April 1, 2019

Effective April 1, 2019, the Company adopted IFRS 16, Leases, replacing IAS 17, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in the standard, IFRS 16 was adopted retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at April 1, 2019. The Company also utilized certain practical expedient elections whereby (i) there is no need to reassess whether an existing contract is a lease, or contains an embedded lease if previously determined under

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

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

### 4. Significant Accounting Policies - Continued

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IAS 17, (ii) short term and low-value leases are treated as operating leases, and (iii) there is no need to reassess the previous assessments in respect of onerous contracts that confirmed there were no existing onerous lease contracts. Under IFRS 16, most leases are now recognized on the balance sheet for lessees, essentially eliminating the distinction between a finance lease and an operating lease under IAS 17, where operating leases were reflected in the consolidated statements of earnings (loss).

As a result, as at April 1, 2019, the Company recognized lease obligations and leased assets under existing operating leases of \$1,059 with no impact on total shareholders' equity. Each lease obligation was measured at the present value of the remaining lease payments, discounted using the Company's estimated weighted average incremental borrowing rate of 10.0%. Leased assets were recognized as right-of-use assets in property, plant and equipment and were measured at the amount equal to the lease obligations. Leases previously classified as finance leases and recognized in the carrying amounts of the Company's lease obligations and leased assets are now recognized in the carrying amounts of the lease obligations and the right-of-use assets as at April 1, 2019.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date. As a lessee, the Company recognizes a lease obligation and a right-of-use asset in the consolidated statements of financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the consolidated statements of loss and comprehensive loss. The right-of-use asset is included in property, plant and equipment and is depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate. Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- rehabilitation costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statements of loss and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise primarily small equipment.

# GreenSpace Brands

## Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2019 and 2018

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

### 5. Business Combinations

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#### (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 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 a 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 five 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 the time value of money, \$460 was classified as a loan with related parties on the consolidated statements of financial position. The earn-out consideration was settled in January 2019.

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### Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2019 and 2018

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

## 5. Business Combinations - Continued

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

		<b>Final purchase price allocation</b>
Purchase price:		
Cash	\$	4,113
Share consideration		1,029
Cedar VTB		243
Earn-out consideration		460
<b>Total consideration</b>		<b>5,845</b>
Less:		
Fair value of net assets acquired		229
Fair value of intangible assets		
Customer relationships		2,300
Brand		1,290
Non-compete		160
Deferred tax liability		(652)
<b>Goodwill</b>	<b>\$</b>	<b>2,518</b>

Fair values of the net assets acquired include the following:

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

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. Intangible assets of customer relationships, brand, non-compete and goodwill have been separately accounted for. Customer relationships are being amortized over a useful life of ten years, non-compete is being amortized over a useful life of three years and the 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.

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## Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2019 and 2018

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

### 5. Business Combinations - Continued

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The fair value of the net assets acquired include the following:

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

#### 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 \$17,800 USD, comprised of \$4,500 million USD in cash, \$7.62 million USD in common shares (“Share Consideration”), and a two-year vendor take back loan of \$5,720 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 was 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% were 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%. The Galaxy VTB bears interest at 8.5%, interest payable at maturity and is due no later than 24 months after the date of issuance. The Galaxy VTB was discounted at a market rate of debt of 4.1%.

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### Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended December 31, 2019 and 2018

(unaudited and 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:

		<b>Purchase price allocation</b>
<b>Purchase price:</b>		
Cash	\$	5,553
Share consideration		9,443
Galaxy VTB		7,613
Total consideration		22,609
Less:		
Fair value of net assets acquired		3,187
Fair value of intangible assets		
Customer relationships		2,590
Brand		700
Product recipes		650
Non-compete		-
Deferred tax liability		-
Goodwill on acquisition	\$	15,482
Impairment of goodwill		(6,789)
Goodwill	\$	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. The Company amended the fair value of the 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 are being amortized over a useful life of ten 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.

The 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		145
Accounts payable and accrued liabilities		(1,212)
Total fair value of net assets acquired		3,187

## GreenSpace Brands

### Condensed Consolidated Interim Financial Statements

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## 6. Inventory

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Inventory consists of:

	<b>Dec 31</b>	March 31
	<b>2019</b>	2019
	\$	\$
Raw materials	<b>699</b>	1,317
Packaging	<b>1,936</b>	1,988
Finished goods	<b>4,280</b>	4,708
Total	<b>6,915</b>	8,013

Included in cost of goods sold is a provision for inventory amounting to \$174 and \$228 for the three and nine month periods ended December 31, 2019, respectively (2018 - \$84 and \$303).

The amount of inventory recognized as an expense in cost of goods sold was \$6,568 and \$25,569 for the three and nine month periods ended December 31, 2019, respectively (2018 - \$12,709 and \$41,350)

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## 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
<b>Cost</b>									
Balance March 31, 2019	235	545	300	32	160	298	966	79	2,615
Additions	-	-	-	-	-	49	5	7	61
Disposals	(13)	-	(14)	-	-	-	-	(50)	(77)
Foreign exchange difference	-	-	(2)	-	-	-	-	-	(2)
<b>Balance Dec 31, 2019</b>	<b>222</b>	<b>545</b>	<b>284</b>	<b>32</b>	<b>160</b>	<b>347</b>	<b>971</b>	<b>36</b>	<b>2,597</b>
<b>Accumulated Amortization</b>									
Balance March 31, 2019	115	209	222	29	134	148	344	53	1,254
Additions	22	91	41	3	26	49	83	1	316
Disposals	(11)	-	(14)	-	-	-	-	(25)	(50)
Foreign exchange difference	-	-	9	-	-	-	-	-	9
<b>Balance Dec 31, 2019</b>	<b>126</b>	<b>300</b>	<b>258</b>	<b>32</b>	<b>160</b>	<b>197</b>	<b>427</b>	<b>29</b>	<b>1,529</b>
<b>Net Book Value</b>									
Balance March 31, 2019	120	336	78	3	26	150	622	25	1,360
<b>As at Dec 31, 2019</b>	<b>96</b>	<b>245</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>150</b>	<b>544</b>	<b>7</b>	<b>1,068</b>

Depreciation expense charged to the condensed interim consolidated statements of loss and comprehensive loss for the three and nine month periods ended December 31, 2019 was \$106 and \$316, respectively (2018 - \$137 and \$381).



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## 8. Intangible Assets

	Customer Relationships	Brand	Product Recipes	Non-Compete Agreement	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, March 31, 2019	15,740	11,228	850	1,040	28,858
Additions	-	221	-	-	221
Disposals	(2,397)	(1,991)	-	(56)	(4,444)
<b>Balance Dec 31, 2019</b>	<b>13,343</b>	<b>9,458</b>	<b>850</b>	<b>984</b>	<b>24,635</b>
<b>Accumulated Amortization</b>					
Balance, March 31, 2019	3,892	-	-	909	4,801
Amortization	1,421	-	-	432	1,853
Disposal	(720)	-	-	(375)	(1,095)
<b>Balance Dec 31, 2019</b>	<b>4,593</b>	<b>-</b>	<b>-</b>	<b>966</b>	<b>5,559</b>
<b>Net Book Value</b>					
Balance, March 31, 2019	11,848	11,228	850	131	24,057
<b>Balance Dec 31, 2019</b>	<b>8,750</b>	<b>9,458</b>	<b>850</b>	<b>18</b>	<b>19,076</b>

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## 9. Derivative Liability

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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 December 31, 2019 the fair value of the derivative was re-valued with expected conversion dates of June 30, 2020 and June 30, 2023 for Milestones 1 and 2, respectively. See continuity below:

March 31, 2019	<b>203</b>
Change in fair value	<b>(54)</b>
Closing, Dec 31, 2019	<b>149</b>
Current portion	<b>145</b>
Long-term portion	<b>4</b>

## GreenSpace Brands

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## 10. Loans Payable

		<b>December 31 2019</b>	March 31 2019
		\$	\$
<b><u>BDC Loans</u></b>			
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, payable in payments of principal of \$1 monthly plus interest (payable monthly), maturing August 30, 2019	(a)	-	8
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, payable in payments of principal of \$1 monthly plus interest (payable monthly), maturing February 23, 2022		<b>34</b>	43
TD Equipment Finance	(b)	<b>21</b>	43
TD Term Loan	(c)	<b>100</b>	175
TD ABL Facility	(d)	<b>5,928</b>	8,229
Convertible debentures issued to Emblem Corp, maturing August 9, 2023	(e)	<b>848</b>	834
Primary Capital Inc	(f)	<b>4,000</b>	3,000
		<b>10,931</b>	12,332
Less amounts due within one year		<b>10,387</b>	11,376
Loans payable - non current		<b>544</b>	956

### a) BDC Loans

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 August 30, 2019. The second acquired BDC loan is 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.

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### 10. Loans Payable - Continued

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#### 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. The 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. In August 2019, the revolving commitment decreased to \$8,000. In October 2019, the ABL Facility was extended until February 28, 2020 and is presented as current as the bank has not formally extended the ABL facility.

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 December 31, 2019, the Company was not in compliance with the fixed charge coverage ratio. The bank has not provided a waiver for the default as of December 31, 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).

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## 10. Loans Payable – Continued

### 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 December 31, 2019, the Company has received the initial principal of \$2,000 and additional draws of \$2,000.

The loan matured on December 24, 2019 and was extended to December 23, 2020 on February 18, 2020 (note 19). The terms of the original loan allowed the Company to prepay 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 December 31, 2019, the Company has issued 529,387 common shares to the lenders.

## 11. Share Capital

### (a) Authorized: Unlimited number of common shares

Common shares issued and fully paid:

	Number	Amount
		\$
Balance at March 31, 2019	75,358,939	69,261
Share issuance	690,825	-
<b>Balance at December 31, 2019</b>	<b>76,049,764</b>	<b>69,261</b>

### (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 were 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 December 31, 2019, the Company had no common shares held in escrow.

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### 11. Share Capital – Continued

(c) Stock options:

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

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

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

The following table reflects the continuity of stock options:

	Number of stock options	Range of Exercise Price (\$)	Weighted average exercise price (\$)
Balance, March 31, 2019	1,665,401	0.48 – 1.34	0.98
Cancelled	(63,382)	0.94 – 1.27	1.04
<b>Balance, December 31, 2019</b>	<b>1,602,019</b>	<b>0.48 – 1.34</b>	<b>1.14</b>

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

Exercise Price Range (\$)	Outstanding			Exercisable	
	Number of options	Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Vested Options	Weighted Average Exercise Price (\$)
0.92 – 0.96	1,162,239	6.48	0.95	823,584	0.96
0.99 – 1.24	193,126	7.89	1.05	71,386	1.03
1.27 – 1.34	146,654	7.40	1.33	59,986	1.33
	<b>1,602,019</b>	<b>6.75</b>	<b>1.00</b>	<b>954,955</b>	<b>0.99</b>

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## 12. Related Party Balances and Transactions

The following table summarizes the loans from related parties for the period ended December 31, 2019:

	December 31, 2019	March 31, 2019
	\$	\$
Galaxy VTB	8,564	8,119
Loans from related parties - current	8,564	8,119

The Galaxy VTB of \$8,564 is with a principal amount of USD \$5,714 bears interest at a rate of 8.5% per annum until July 1, 2019 and 12.0% thereafter. The loan matures on January 24, 2020 with no set repayment schedule. Interest expense accrued for the three and nine month periods ended is \$243 and \$646, respectively (2018 - \$158 and \$470). On February 18, 2020 the Galaxy VTB was extended to December 23, 2020 (note 19).

### Transactions with Related Parties

- i. The Company has a lease arrangement for office space with a shareholder of the Company. The Company paid rent expense of \$32 and \$104 during the three and nine month periods ended December 31, 2019, respectively (2018 – \$46 and \$138).
- ii. The Company has an outstanding balance of \$126 at December 31, 2019 (March 31, 2019 - \$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.
- iii. The Company's CEO has provided a personal guarantee to BDC (note 10(a)).
- iv. Key management includes the Company's directors and officers. Compensation awarded to key management includes a salary, stock-based compensation and director fees. The following table presents key management compensation:

	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Salary and director fees	99	186	380	535

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## 13. Commitments and Contingencies

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### *Commitments*

- a) 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.
- b) On July 4, 2016, the Company entered into a ten 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.

<b>Future minimum lease payments</b>	<b>Amount</b>
Due in less than 1 year	278
Due between 1 and 2 years	281
Due between 2 and 3 years	310
Due thereafter	1,215
Interest	(1,055)
<b>Present value of minimum lease payments</b>	<b>1,029</b>
Current portion	49
Non-current portion	980

- c) 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 December 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.



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## 14. Expenses by Nature

	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Raw materials and consumables used	6,514	12,709	25,569	31,144
Storage and delivery	471	1,271	2,873	1,814
Salaries and benefits	1,077	2,087	3,405	3,016
Advertising and promotion	378	832	1,080	1,401
Professional fees	194	52	636	330
Stock-based compensation	21	37	60	124
Amortization of intangible assets	608	701	1,854	1,059
Other expenses	452	2,174	4,384	2,333
	9,715	19,863	39,861	41,221

## 15. Changes in Non-Cash Working Capital

	Nine months ended	
	Dec 31, 2019	Dec 31, 2018
HST receivable	(278)	3
Accounts receivable, net	828	(1,325)
Prepaid expenses	(466)	(242)
Inventory	870	1,870
Accounts payable and accrued liabilities	(1,033)	2,449
HST payable	(43)	(4)
	(122)	2,751

## 16. Financial Risk Management

### (a) Concentration Risk

The Company currently has a reliance on a small number of large customers for revenue. The Company continues to expand its customer base to reduce this reliance. Management will continue to monitor this reliance.

For the three month period ended December 31, 2019, the Company had 1 (2018 - 0) customer representing over 10% of total revenue for an aggregate of approximately 16%. For the nine month period ended December 31, 2019, the Company had 1 (2018 - 1) customer representing over 10% of total revenue for an aggregate of approximately 20% (2018 - 10% and 22%) of total revenue.

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## 16. Financial Risk Management – Continued

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### (b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risk relates to its accounts receivable. The Company's credit risk is reduced by a broad customer base and a review of customer credit profiles. As at December 31, 2019 the Company had an expected credit loss provision of \$3,248.

### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing, loans from related parties and loans payable. Significant commitments in years subsequent to December 31, 2019 are as follows:

	Carrying value \$	Contractual cash flows \$	Payable in 1 year \$	2-5 years \$
Accounts payable and accrued liabilities	7,171	7,171	7,171	-
Loans from related parties	8,564	8,564	8,564	-
Loans payable	10,931	10,931	10,387	544
	<b>26,666</b>	<b>26,666</b>	<b>26,122</b>	<b>544</b>

### (d) Market Risk

#### i. Interest Rate Risk

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

#### ii. Foreign Currency Risk

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

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## 17. Capital Management

Management defines capital as the Company's share capital and long-term debt. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its sales, expenses, working capital and any required capital expenditures. The Company is subject to externally imposed capital requirements through the TD ABL Facility (note 10).

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.

## 18. Segmented Information

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

Sales attributed to geographic location for the three and nine month periods ended December 31, 2019 are as follows:

	Three months ended		Nine months ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	\$	\$	\$	\$
Canada	6,874	14,212	26,386	46,613
United States	4,411	5,016	14,167	15,256
	11,285	19,228	40,553	61,869

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

Current Assets	December 31, 2019	December 31, 2018
	\$	\$
Canada	11,904	12,650
United States	3,429	3,865
	15,333	16,515

Long-Term Assets	December 31, 2019	December 31, 2018
	\$	\$
Canada	34,523	48,330
United States	6,723	60
	41,246	48,390

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## 19. Subsequent Events

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### *Primary Loan*

On December 24, 2019, the Company was scheduled to repay \$4,000 to Primary Capital Inc. On February 18, 2020 the maturity date was extended to December 23, 2020. As part of this extension, the holder has agreed to convert approximately \$3,560 of debt and interest into equity, leaving approximately \$800 in debt at a 12% coupon rate. Under the terms of the extension, the Company may prepay any portion of the debt without notice, penalty or bonus at any time however 10% of the debt is due June 2020.

### *Galaxy VTB*

The holder of the Galaxy VTB has agreed to extend the maturity date from January 24, 2020 to December 23, 2020. Under the extension, the Company may prepay any portion of the debt without notice, penalty or bonus, at any time however 10% of the debt is due June 2020.

### *Pender Investment Agreement*

On February 26, 2020, Pender Growth Fund Inc. and Pender Fund Capital Management Ltd (collectively "Pender") took a lead position in the Company's a private placement, of up to 100 million common shares (the "Shares") for \$0.065 per share for aggregate gross proceeds of \$6,500. In connection with the transaction, five members of the Company's current Board of Directors will resign and be replaced by three Pender appointees. The completion of the Private Placement, including the Board of Directors changes, is subject to the Company obtaining the approval of shareholders and the approval of TSX Venture Exchange authorizing Pender to take a control position in the Company. Initially, Pender will take up to a 19.99% equity stake in the Company. The first tranche of their investment of \$1,200 was received on February 27, 2020. If shareholder approval is granted, the Private Placement and the appointment of the Pender Nominees will constitute a Change of Control of the Company under the policies of the TSX Venture Exchange. The Private Placement is expected to close in tranches and is expected to be fully completed no later than April 15, 2020. All Shares issued under the Private Placement will be subject to a four-month hold period.