



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

For the years ended March 31, 2020 and 2019

GreenSpace Brands Inc
Consolidated Financial Statements

Table of Contents

For the years ended March 31, 2020 and 2019

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 – 45

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, 2020 and March 31, 2019, 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, 2020 and March 31, 2019, 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 \$33,615,000 during the year ended March 31, 2020 and, as of that date, the Company's had an accumulated deficit of \$72,946,000 and its current liabilities exceeded its current assets by \$8,908,000. 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.

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.

Mississauga, Ontario
October 15, 2020

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

MNP

GreenSpace Brands Inc

Consolidated Financial Statements

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

Consolidated Statements of Financial Position

	March 31 2020 \$	March 31 2019 \$
Assets		
Current assets		
Accounts receivable, net (note 17)	4,621	7,153
HST receivable	339	337
Prepaid expenses	2,620	1,012
Inventory (note 5)	4,353	8,013
Total current assets	11,933	16,515
Property, plant and equipment, net (note 6)	424	1,360
Right-of-use assets (note 8)	532	-
Intangible assets, net (note 7)	8,920	24,057
Goodwill (note 7)	9,286	22,973
Total assets	31,095	64,905
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	6,862	8,204
HST payable	6	160
Lease liability - current (note 8)	172	-
Loans from related parties (note 13)	9,040	8,119
Derivative liability - current (note 9)	-	162
Loans payable (note 11)	4,761	11,376
Total current liabilities	20,841	28,021
Derivative liability - non current (note 9)	-	41
Lease liability - non-current (note 8)	1,302	-
Loans payable - non-current (note 11)	892	956
Deferred tax liabilities (note 20)	-	3,801
Total liabilities	23,035	32,819
Shareholders' equity		
Share capital (note 12)	78,845	69,261
Contributed surplus	1,988	1,983
Accumulated deficit	(72,946)	(39,244)
Accumulated other comprehensive income	173	86
	8,060	32,086
Total liabilities and shareholders' equity	31,095	64,905

Commitments and contingencies (note 14)

Subsequent events (note 25)

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

Approved by the Board:

Paul Henderson
Chairman

Michael LeClair
Director

GreenSpace Brands Inc

Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

Consolidated Statements of Operations and Comprehensive Loss

	Year ended	
	March 31 2020	March 31 2019
		Reclassified (note 24)
	\$	\$
Gross revenue	49,067	68,014
Less: rebates and discounts	(7,318)	(8,099)
Less: listing fees	(678)	(758)
Net revenue	41,071	59,157
Cost of goods sold	33,771	46,046
Gross profit	7,300	13,111
Expenses		
General and administrative (note 6)	5,458	5,436
Storage and delivery	4,226	4,575
Salaries and benefits (note 13)	5,145	6,917
Advertising and promotion	1,457	3,359
Professional fees	1,111	615
Stock-based compensation (note 12)	5	92
Amortization of intangible assets (note 7)	1,355	1,563
Total expenses	18,757	22,557
Loss from operations	(11,457)	(9,446)
Interest expense (note 21)	2,795	1,748
Accretion expense (note 11)	40	87
Foreign exchange loss	1,008	500
Restructuring expense (note 23)	195	1,473
Gain on sale of Rolling Meadow Dairy (note 22)	-	(1,376)
Loss on impairment of goodwill (note 7)	12,306	392
Loss on impairment of intangible assets (note 7)	9,230	-
Loss on impairment of property, plant and equipment (note 6)	564	-
Loss on impairment of right of use assets (note 8)	861	-
Other income and expense	(596)	98
Loss from operations before income taxes	(37,860)	(12,368)
Deferred income tax recovery (note 20)	(3,801)	(683)
Net loss from continuing operations	(34,059)	(11,685)
Net loss from discontinued operations (note 24)	357	(2,991)
Net loss for the year	(33,702)	(14,676)
Other comprehensive income		
Cummulative translation adjustment presentation	87	66
Total net loss and comprehensive loss	(33,615)	(14,610)
Net loss per share		
Net loss per share - basic and diluted - continuing operations	\$ (0.36)	\$ (0.16)
Net loss per share - basic and diluted - Total	\$ (0.36)	\$ (0.20)
Weighted average number of shares - basic and diluted	93,912,947	74,150,588

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GreenSpace Brands Inc

Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

Consolidated Statements of Changes in Shareholders' Equity

	Share Capital			Accumulated		Total Shareholders' Equity
	Number	Amount	Contributed Surplus	Accumulated Deficit	Other Comprehensive Income	
		\$	\$	\$	\$	\$
Balance, March 31, 2018	72,520,372	67,032	1,930	(24,568)	20	44,414
Stock-based compensation (note 12)	-	-	92	-	-	92
Exercise of warrants (note 12)	200,000	271	(31)	-	-	240
Exercise of options (note 12)	20,000	28	(8)	-	-	20
Issuance of shares (note 12)	2,049,180	2,000	-	-	-	2,000
Share issuance costs (note 12)	569,387	(70)	-	-	-	(70)
Net loss for the year	-	-	-	(14,676)	-	(14,676)
Cumulative translation adjustment	-	-	-	-	66	66
Balance, March 31, 2019	75,358,939	69,261	1,983	(39,244)	86	32,086
Stock-based compensation (note 12)	-	-	5	-	-	5
Share issuance for debt settlement (note 12)	54,821,832	3,271	-	-	-	3,271
Share issuance to settle liabilities (note 12)	1,152,363	184	-	-	-	184
Issuance of shares (note 12)	100,000,000	6,129	-	-	-	6,129
Net loss for the year	-	-	-	(33,702)	-	(33,702)
Cumulative translation adjustment	-	-	-	-	87	87
Balance, March 31, 2020	231,333,134	78,845	1,988	(72,946)	173	8,060

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

GreenSpace Brands Inc

Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

Consolidated Statements of Cash Flows

	2020	2019
		Reclassified (note 24)
	\$	\$
Cash flow used in operating activities		
Net loss from continuing operations	(34,059)	(11,685)
Items not affecting cash:		
Loss on disposal of equipment	-	99
Loss on impairment of goodwill (note 7)	12,306	392
Loss on impairment of intangible assets (note 7)	9,230	-
Impairment of property, plant and equipment (note 6)	564	-
Impairment of right of use assets (note 8)	861	-
Estimated credit losses (note 17)	(72)	-
Gain on disposal of assets	-	(1,376)
Depreciation and amortization (note 6 and 7)	2,083	2,146
Deferred income recovery	(3,801)	(683)
Unrealized foreign exchange loss	266	85
Stock-based compensation	5	92
Gain on loan modification (note 13)	(58)	-
Gain on change in FV of derivative (note 9)	(203)	-
Inventory provision (note 5)	1,773	402
Interest expense	-	1,748
Interest incurred on lease liability (note 8)	160	-
Interest incurred on related party loans (note 13)	739	-
Interest accrued on loans payable (note 11)	297	-
Accretion expense (note 11)	40	87
Shares issued to settle liabilities (note 12)	184	-
Gain on shares issued to settle debt (note 12)	(274)	-
Changes in non-cash working capital (note 16)	(423)	7,306
Total cash utilized in continuing operating activities	(10,382)	(1,387)
Total cash utilized in discontinued operating activities (note 24)	1,049	991
Total cash utilized in operating activities	(9,333)	(396)
Cash flow from (used in) investing activities		
Proceeds of disposition	-	23
Proceeds from the sale of Rolling Meadow (note 22)	-	1,612
Additions to property, plant and equipment (note 6)	(111)	(608)
Additions to intangible assets (note 7)	-	(752)
Total cash from (utilized) in continuing investing activities	(111)	275
Total cash from discontinued investing activities (note 24)	7,077	-
Total cash from investing activities	6,966	275
Cash flow from financing activities		
Repayment of loans payable (note 11)	(4,453)	(3,712)
Additions to loans payable (note 11)	1,000	3,000
Interest paid	-	(1,622)
Warrants and options exercised	-	260
Share issuance costs - loans payable (note 12)	(18)	-
Proceeds from issuance of shares, net (note 12)	6,129	1,930
Proceeds from convertible debentures	-	1,000
Lease payments (note 8)	(347)	-
Repayment of loans with related parties, net (note 13)	(26)	(735)
Total cash provided by continuing financing activities	2,285	121
Total cash provided by discontinued financing activities (note 24)	-	-
Total cash provided by financing activities	2,285	121
Foreign exchange gain on foreign cash and cash equivalents	82	-
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

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

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 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 March 31, 2020 include, Love Child Organics, Central Roast 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 consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue to operate 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.

The Company incurred a net loss and comprehensive loss of \$33,615 (2019 - \$14,610) for the year ended March 31, 2020, and, as of that date, had an accumulated deficit of \$72,946 (March 31, 2019 - \$39,244), and its current liabilities exceeded its current assets by \$8,909 (March 31, 2019 – \$11,506). One of the Company’s long-term strategic growth objectives has been 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 current strategy is to grow revenue and at the same time exercise careful cost control to generate profitable operations. 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 may cast 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.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

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 IFRS 16 standard on leases which has been adopted retrospectively (Note 4(m)).

These consolidated financial statements were approved by the Board of Directors on October 15, 2020.

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 thousands of 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., 1706817 Ontario Ltd., The Everyday Fundraising Group, Grandview Farms Sales Ltd., Love Child (Brands) Inc., GSB Investment Corp., Central Roast Inc., 2047480 Ontario Inc. (formerly known as Nothing But Nature Inc.), GSB Beverage Inc., The Cold Press Corp., Roam Eggs Ltd. (formerly known as Rolling Meadows Dairy Ltd.) 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.

Determination of share-based payments

The estimation of share-based payments (including warrants and stock options) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of the Company’s share price over the period of the expected life of the applicable warrants and stock options. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

3. Significant Accounting Judgments, Estimates and Assumptions - Continued

Determination of useful lives and residual values of long-lived assets: Depreciation and amortization of property, plant and equipment, and definite lived intangible assets are dependent upon estimates of useful lives, residual values, and depreciation rates. The depreciation and amortization methods are judgments based on the Company's assessment of the pattern of use of the assets. The estimate of useful lives and residual values are based on the Company's intended use of the assets

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 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.

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 carrying value of the intangible asset is reviewed each reporting period to determine whether there is any indication of impairment. 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"). The Company performed an impairment assessment as of March 31, 2020. (Note 7)

Goodwill impairment: Goodwill is tested for impairment annually or more frequently if there is any indication of impairment. If the carrying amount of a goodwill exceeds its recoverable amount, the goodwill 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.

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 7 for additional details on impairment testing.

Adoption of IFRS 16 – Leases: Estimates and judgments related to the adoption of IFRS 16 – Leases, including measurement of lease liabilities, right-of-use assets, discount rates and lease term expectations used are outlined in note 8.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

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's 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 consolidated 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 consolidated statement of operations and comprehensive loss. 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 statement of operations and comprehensive loss 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.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

4. Significant Accounting Policies – Continued

c) Financial instruments

Classification

Classification determines how financial assets and financial liabilities are accounted for in consolidated 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 operations 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 consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss.

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.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

4. Significant Accounting Policies – Continued

Financial Instruments

The Company's classifies its financial instruments under IFRS 9 as follows:

	Classification	Measurement
Financial Assets		
Accounts receivables	Amortized cost	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans from related parties	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Long term debt	Amortized cost	Amortized cost
Earn out consideration	FVTPL	Fair value
Derivative liability	FVTPL	Fair value

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.

For financial assets carried at amortized cost, 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 24 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 accounts receivable to be in default if they are 60 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.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

4. Significant Accounting Policies – Continued

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 60 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.

As of March 31, 2020, the ECL on accounts receivables was \$1,532 (March 31, 2019 - \$1,604)

d) Prepaid expenses

Prepaid expenses consist of prepaid rent, retainers paid with respect to professional services and prepayments made to certain suppliers of raw materials and contract manufacturing services.

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 provided to the Company's suppliers to produce a finished product, finished products, and packaging.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

4. Significant Accounting Policies – Continued

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 7). 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

Intangibles with indefinite useful lives are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangibles may be impaired.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

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 the statement of operations and comprehensive 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.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

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, 2020 and 2019, 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, were not included in the calculation of diluted loss per share because they are anti-dilutive 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, 2020 and 2019 the majority of the Company's assets and the Company's revenues were located and earned in Canada. For the year ended March 31, 2020, more than 10% (2019 – more than 10%) of revenue was earned in the US (note 19).

m) Accounting for Leases

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 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, 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 operations and comprehensive loss.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

4. Significant Accounting Policies – Continued

As a result, as at April 1, 2019, the Company recognized lease obligations and leased assets under existing operating leases of \$1,661 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 10.2%. Leased assets were recognized as right-of-use 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 operations and comprehensive loss. The right-of-use asset 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 operations 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 Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

4. Significant Accounting Policies – Continued

The following table summarizes the adjustments to the opening balance sheet as at April 1, 2019 resulting from the initial adoption of IFRS 16:

	\$
Assets - increase	
Right of use assets	1,661
Non-current assets	1,661
Total Assets	1,661
Liabilities -(increase)	
Current liabilities:	
Lease liabilities due within one year	(187)
Total current liabilities	(187)
Long-term lease liabilities	(1,474)
Non-current liabilities	(1,474)
Total Liabilities	(1,661)

The Company used its incremental borrowing rate at April 1, 2019 to measure these liabilities. The weighted average incremental borrowing rate was 10.2% as at April 1, 2019. The weighted average lease term remaining as at April 1, 2019 is 7 years.

The following reconciliation is between lease liabilities recognized on April 1, 2019 and operating lease commitments disclosed under IAS 17 as at March 31, 2019, discounted using the weighted average incremental borrowing rate as at the date of initial application:

	\$
Operating lease commitments at March 31, 2019	2,378
Effects of discounting using the Company's incremental borrowing rate	(717)
Lease liabilities recognized as at April 1, 2019	1,661

n) Discontinued operations

Discontinued operations are reported when a component of the Company, representing a separate major line of business or area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. In accordance with *IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"* ("IFRS 5"), discontinued operations are reported as a separate element of net income or loss on the consolidated statement of operations and comprehensive loss for both the current and comparative periods. When a disposal group is classified as held for sale, assets and liabilities are aggregated and presented as separate line items, respectively, on the consolidated statement of financial position. Comparative periods are not restated on the consolidated statement of financial position. Assets held for sale are not depreciated and are measured at the lower of carrying value and fair value less costs to sell.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

5. Inventory

Inventory consists of:

	March 31	March 31
	2020	2019
	\$	\$
Raw materials	597	1,317
Packaging	1,283	1,988
Finished goods	2,473	4,708
Total	4,353	8,013

Included in cost of goods sold for the year ended March 31, 2020 is a provision for inventory in continuing operations amounting to \$1,773 (2019 - \$402) and a recovery in discontinued operations of \$36 (2019 – a provision of \$10). There were no reversals of inventory written down previously in continuing operations (2019 – \$nil)

The amount of inventory recognized as an expense in cost of goods sold for continuing operations was \$31,998 and in discontinued operations was \$811 for the year ended March 31, 2020 (2019 - \$45,644 and \$6,487 respectively)

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

6. Property, Plant and Equipment

	Furniture and Equipment	Leasehold Improvements	Computer Equipment	Software	Fixture at Customer Locations	Printing and Production Plates	Warehouse Equipment	Design	Total
Cost									
Balance, March 31, 2018	406	526	270	32	60	271	601	79	2,245
Additions	71	19	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
Additions	-	-	-	-	50	49	5	7	111
Disposals (note 24)	(13)	-	(14)	-	-	-	-	(50)	(77)
Impairment	(33)	(135)	(5)	-	-	(86)	(302)	(3)	(564)
Foreign exchange difference	-	1	8	-	-	-	-	-	9
Balance, March 31, 2020	189	411	289	32	210	261	669	33	2,094
Accumulated Depreciation									
Balance March 31, 2018	169	106	91	27	23	80	250	28	774
Additions	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
Additions	29	119	64	2	76	59	110	3	462
Disposals (note 24)	(11)	-	(14)	-	-	-	-	(25)	(50)
Foreign exchange difference	-	-	4	-	-	-	-	-	4
Balance, March 31, 2020	133	328	276	31	210	207	454	31	1,670
Net Book Value									
Balance March 31, 2019	120	336	78	3	26	150	622	25	1,360
Balance, March 31, 2020	56	83	13	1	-	54	215	2	424

Depreciation expense charged to the consolidated statements of operations and comprehensive loss for the year ended March 31, 2020 was \$460 in continuing operations and \$2 from discontinued operations (2019 - \$583 and \$12), included in general and administrative expenses.

As a result of impairment testing completed at March 31, 2020, the Company recorded property, plant and equipment impairment of Central Roast Inc. of \$564 (March 31, 2019 – \$nil). Details relating to the impairment assessment conducted as at March 31, 2020 for Central Roast Inc. is disclosed in note 7.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

7. Intangible Assets and Goodwill

Intangibles by Asset	Customer Relationships	Brand	Product Recipes	Non-Compete Agreement	Total
	\$	\$	\$	\$	\$
Cost					
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
Additions	-	-	-	-	-
Impairment and write downs	4,651	5,151	-	160	9,962
Disposals (note 24)	3,060	2,099	-	200	5,359
Balance, March 31, 2020	8,029	3,978	850	680	13,537
Accumulated Amortization					
Balance, March 31, 2018	2,284	-	-	581	2,865
Amortization	1,608	-	-	328	1,936
Balance, March 31, 2019	3,892	-	-	909	4,801
Amortization	1,302	-	-	53	1,355
Impairment and write downs	594	-	-	138	732
Disposals (note 24)	663	-	-	144	807
Balance, March 31, 2020	3,937	-	-	680	4,617
Net Book Value					
Balance, March 31, 2019	11,848	11,228	850	131	24,057
Balance, March 31, 2020	4,092	3,978	850	-	8,920

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

7. Intangible Assets and Goodwill – Continued

Intangibles by CGU	Central Roast Inc.	Love Child (Brands) Inc.	Nothing But Nature Inc.	The Cold Press Corp.	Galaxy Natural Foods, Inc.	Life Choices Natural Food Corp.	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, March 31, 2018	11,160	3,290	5,359	3,750	3,941	606	28,106
Additions	-	-	-	-	-	752	752
Balance, March 31, 2019	11,160	3,290	5,359	3,750	3,941	1,358	28,858
Additions	-	-	-	-	-	-	-
Impairment and write downs	4,854	-	-	3,750	-	1,358	9,962
Disposals (note 24)	-	-	5,359	-	-	-	5,359
Balance, March 31, 2020	6,306	3,290	-	-	3,941	-	13,537
Accumulated Amortization							
Balance, March 31, 2018	1,812	411	435	165	42	-	2,865
Amortization	851	170	372	284	259	-	1,936
Balance, March 31, 2019	2,663	581	807	449	301	-	4,801
Amortization	643	170	-	283	259	-	1,355
Impairment and write downs	-	-	-	732	-	-	732
Disposals (note 24)	-	-	807	-	-	-	807
Balance, March 31, 2020	3,306	751	-	-	560	-	4,617
Net Book Value							
Balance, March 31, 2019	8,497	2,709	4,552	3,301	3,640	1,358	24,057
Balance, March 31, 2020	3,000	2,539	-	-	3,381	-	8,920

Amortization expense charged to the consolidated statements of operations and comprehensive loss for the year ended March 31, 2020 was \$1,355 in continuing operations and \$nil from discontinued operations (2019 - \$1,563 and \$373).

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

7. Intangible Assets and Goodwill – Continued

At March 31, 2020 the Company performed impairment testing that resulted in write-downs of goodwill and intangible assets of Central Roast Inc, Galaxy Nutritional Foods, Inc and The Cold Press Corp.

The sale of Nothing But Nature Inc resulted in a disposal of goodwill and intangible assets recorded as discontinued operations (note 24).

Below is a continuity of goodwill for the years ended March 31, 2020 and 2019:

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
Sale of Nothing But Nature Inc. (note 24)		(1,381)
Impairment of goodwill - The Cold Press Corp.		(2,518)
Impairment of goodwill - Central Roast Inc.		(7,441)
Impairment of goodwill - Galaxy Nutritional Foods, Inc.		(2,347)
Balance, March 31, 2020	\$	9,286

Goodwill by CGUs follows:

	March 31, 2020	March 31, 2019
	\$	\$
Love Child (Brands) Inc.	2,940	2,940
Central Roast Inc.	-	7,441
Nothing But Nature Inc.	-	1,381
The Cold Press Corp.	-	2,518
Galaxy Nutritional Foods, Inc.	6,346	8,693
Total goodwill	9,286	22,973

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% – 15.2% (March 31, 2019 – 14.3% – 17.0%) 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, 2020, the after-tax discount rate used in the recoverable amount calculations was 14.3% – 15.2% (March 31, 2019 – 14.3% – 17.0%). The pre-tax discount rate was 19.5% - 20.7% (March 31, 2019 – 19.5% - 23.1%).

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

7. Intangible Assets and Goodwill – Continued

The Company included five years of cash flows in its discounted cash flow models for each CGU, including revenue growth rates of 3% - 35% (March 31, 2019 – 5% - 29%). The cash flow models were extrapolated beyond five years using estimated average long-term growth rate of 2.4% (March 31, 2019 – 2.4%).

During the year ended March 31, 2020, the Company decided to cease operations of The Cold Press Corp (“Cedar”) and Life Choices Natural Food Corp. (“Life Choices”) businesses. As a result, the carrying values of the intangible assets and goodwill of Cedar and Life Choices have been written down to \$nil as of March 31, 2020 and the Company recorded intangible assets and/or goodwill impairment of \$1,358 on Life Choices (March 31, 2019 - \$nil) and \$5,536 on Cedar (March 31, 2019 - \$nil).

As a result of the impairment testing for Central Roast Inc. completed at March 31, 2020, the Company concluded that the recoverable amount of the CGU was less than the carrying amount. The Company therefore recorded impairment on goodwill of \$7,441 (March 31, 2019 - \$392). As the calculated impairment of the CGU exceeded the carrying value of goodwill, the Company also recorded impairment on intangibles of \$4,854 (March 31, 2019 – \$nil), on property, plant and equipment of \$564 (note 6) and on right of use assets of \$861 (note 8). The Company also recorded goodwill impairment on Galaxy Nutritional Foods, Inc. of \$2,347 (March 31, 2019 – \$nil).

A 1% change in the discount rate for Central Roast Inc. would change the impairment recorded by \$160 (March 31, 2019 – \$666), Galaxy Nutritional Foods Inc. \$649 (March 31, 2019 – \$nil), Life Choices Natural Food Corp. \$nil (March 31, 2019 - \$nil), The Cold Press Corp. \$nil (March 31, 2019 - \$nil) and Love Child (Brands) Inc. \$nil (March 31, 2019 - \$nil).

8. Leases

The Company leases various properties under non-cancellable leases. These leases have varying terms, escalation clauses, renewal options and bases on which rent is payable.

As a result of impairment testing completed at March 31, 2020, the Company recorded right-of-use assets impairment of Central Roast Inc. of \$861 (March 31, 2019 – \$nil).

As of March 31, 2020, changes in the right-of-use assets are as follows:

	\$
Opening balance as at April 1, 2019	1,661
Depreciation	(268)
Impairment	(861)
Closing Balance	532

The weighted average right-of-use amortization term remaining as at March 31, 2020 is 6 years.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

8. Leases - Continued

As of March 31, 2020, changes in the lease liabilities are as follows:

	\$
Opening balance as at April 1, 2019	1,661
Lease payments	(347)
Interest expense on lease payments	160
Closing Balance	1,474
Current	172
Non-Current	1,302
Total	1,474

The weighted average incremental borrowing rate is 10.2% as at April 1, 2019. The weighted average lease term remaining as at March 31, 2020 is 6 years.

The total future minimum rental payable under the Company's leases as at March 31, 2020 are as follows:

Future minimum lease payments	Amount
Due in less than 1 year	172
Due between 1 and 2 years	167
Due between 2 and 3 years	205
Due thereafter	930
Present value of minimum lease payments	1,474

9. Derivative Liability

The conversion feature associated to the Emblem debenture (note 11) was recorded as a derivative liability. During the year ended March 31, 2020 it was determined that the Company would not be able to meet the expected conversion date for milestone 1 (September 30, 2019) and milestone 2 (September 30, 2022) reducing the fair value to \$nil. At year end March 31, 2019, a fair value of \$203 was calculated 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 \$
2019	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 \$
2019	476,554	30-Jun-22	\$ 0.90	\$ 1.05	2.2	1.05	40%	\$ 0.101

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

9. Derivative Liability - Continued

The carrying value of the derivative liability is:

Balance, March 31, 2019	203
Change in fair value	(203)
<hr/>	
Balance, March 31, 2020	-
Current portion	-
Long-term portion	-
<hr/>	

10. Accounts Payable and Accrued Liabilities

	March 31 2020	March 31 2019 Reclassified (note 24)
	\$	\$
Trade payables	5,997	6,397
Accrued Liabilities	741	1,219
Accrued wages and benefits	124	180
Restructuring provision (note 23)	-	408
Total	6,862	8,204

Accrued liabilities include professional fees accrual.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

11. Loans Payable

		March 31	March 31
		2020	2019
		\$	\$
BDC loan payable, interest at BDC's floating base rate plus 3% per annum, repayable 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, repayable in payments of principal of \$1 monthly plus interest (payable monthly), maturing February 23, 2022		30	43
TD Equipment Finance	(b)	13	43
TD Term Loan	(c)	75	175
TD ABL Facility	(d)	3,927	8,229
Convertible debentures issued to Emblem Corp, maturing August 9, 2023	(e)	874	834
Primary Capital financing, maturing December 23, 2020	(f)	734	3,000
		5,653	12,332
Less amounts due within one year		4,761	11,376
Loans payable - non current		892	956

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

	(a)	(b)	(c)	(d)	(e)	(f)	Total
	\$	\$	\$	\$	\$	\$	\$
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
Additions	-	-	-	-	-	1,000	1,000
Repayment	(21)	(30)	(100)	(4,302)	-	-	(4,453)
Settlement to equity	-	-	-	-	-	(3,266)	(3,266)
Accretion	-	-	-	-	40	-	40
Balance, March 31, 2020	30	13	75	3,927	874	734	5,653

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

11. Loans Payable - Continued

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 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 former Chief Executive Officer ("CEO"). (See note 25)

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. (See note 25)

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. In February 2020, the ABL Facility was extended until June 30, 2020 and is presented as current as the bank has not formally extended the ABL facility beyond that date.

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. On March 31, 2020, the Company was not in compliance with the fixed charge coverage ratio. The bank has not provided a waiver for the default as of March 31, 2020. (See note 25).

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

11. Loans Payable – Continued

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. 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 of March 31, 2020, the Company has received the initial principal of \$2,000 and two additional draws of \$1,000 each.

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 346,666 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, 2020, the Company has issued 1,013,333 (March 31, 2019 – 506,667) common shares to the lenders.

The loan matured on December 24, 2019 and was extended to December 23, 2020 on February 18, 2020. As part of this extension, the holder agreed and converted approximately \$3,563 of debt (\$3,266) and interest (\$297) into equity on March 12, 2020 with 54,821,832 shares issued, leaving approximately \$734 in debt at a 12% coupon rate at March 31, 2020. 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. (See note 25).

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

12. Share Capital

- (a) Authorized: Unlimited number of common shares

Common shares issued and fully paid:

	Number	Amount \$
Balance, March 31, 2018	72,520,372	67,032
Exercise of warrants	200,000	271
Exercise of options	20,000	28
Issuance of shares (i)	2,049,180	2,000
Share issue costs (ii)	569,387	(70)
Balance, March 31, 2019	75,358,939	69,261
Share issuance to settle liabilities (iii, iv, vi)	1,152,363	184
Share issuance for debt settlement (v)	54,821,832	3,271
Issuance of shares (vii)	100,000,000	6,129
Balance, March 31, 2020	231,333,134	78,845

- i) 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 a supplier are subject to a nine-month contractual hold period from August 9, 2018.
- ii) The Company incurred \$70 in share issued costs related to the August 9, 2018 private placement. The Company issued 506,667 common shares under the Primary Capital Inc. credit facility (note 12). On January 4, 2019 the Company issued 62,720 common shares for final consideration and settlement of the Cedar earn out (note 13).
- iii) On April 25, 2019 the Company issued 160,000 shares to Primary Capital as part of the second additional standby advance at \$0.375 per share for a total of \$60 with a fair value of \$0.23 per share or \$37 resulting in a gain of \$23 included in other income. On August 15, 2019 the Company issued an additional 346,666 shares to Primary Capital for the six-month anniversary of the original loan at \$0.375 per share for a total of \$130 with a fair value of \$0.215 per share or \$74 resulting in a gain of \$56 included in other income.
- iv) On September 17, 2019 the Company issued 184,159 shares at \$0.244 per share for a total of \$45 to settle accounts payable and accrued liabilities.
- v) On March 12, 2020 the Company issued 54,821,832 shares at \$0.065 per share for a gross total of \$3,563 to convert debt and accrued interest into equity incurring \$18 in share issuance costs. The fair value at the time of issuance was \$0.06 resulting in a gain of \$274 included in other income.
- vi) On March 12, 2020 the Company issued 461,538 shares at \$0.065 per share for a total of \$30 to convert related party transactions included in accounts payable and accrued liabilities (note 13). The fair value at the time of issuance was \$0.06 resulting in a gain of \$2 included in other income.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

12. Share Capital - Continued

- vii) The Company issued 56,724,933 shares as part of the Pender Growth Fund Inc. and PenderFund Capital Management Ltd. (collectively "Pender") transaction in two tranches, 19,018,942 on February 24, 2020 and 37,705,991 on March 27, 2020. Under the terms of the transaction, Pender took a lead position in the Company's private placement, (the "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 resigned and have been replaced by three Pender appointees. The first tranche of their investment of \$1,236 was received on February 26, 2020 with the final balance of \$2,451 received on March 27, 2020. All Shares issued under the Private Placement will be subject to a four-month hold period. Other investors of the Company's Private Placement contributed an aggregate of \$2,813 for 43,275,067 shares between January 02, 2020 and March 27, 2020 and the total share issuance costs associated to the Company's private placement was \$371.

	Number	Amount
		\$
Issuance of shares - Pender	56,724,933	3,477
Issuance of shares - Other	43,275,067	2,652
Total issuance of shares	100,000,000	6,129

- (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 March 31, 2020, the Company had no common shares held in escrow (March 31, 2019 – 3,582,156).

- (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. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

12. Share Capital - Continued

The following table reflects the continuity of stock options:

	Number of Stock Options	Range of Exercise Price (\$)	Weighted Average Exercise Price (\$)
Balance, March 31, 2018	1,740,704	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
Granted	942,481	0.14 – 0.34	0.27
Expired	(531,806)	0.15 – 0.83	0.99
Forfeited	(1,046,700)	0.12 – 0.83	0.59
Balance, March 31, 2020	1,029,376	0.14 – 1.34	0.73

The weighted average share price at the date the options were exercised during the year ended March 31, 2019 was \$1.23 per common share.

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 years ended March 31, 2020 and 2019 were as follows:

2019

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

2020

Options	Grant date	Share price \$	Exercise price \$	Risk-free interest rate %	Expected life (years)	Volatility factor	Fair Value \$
72,000	2/13/2019	0.34	0.34	1.88%	6-7	42.1%	0.15
856,481	7/11/2019	0.27	0.27	1.47%	6-7	44.3%	0.12
14,000	11/14/2019	0.14	0.14	1.40%	6-7	45.4%	0.06

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 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.

This calculation resulted in a charge to the consolidated statement of operations and comprehensive loss of \$5 (2019 - \$92) with the offset recorded in contributed surplus on the consolidated statement of changes in shareholders equity.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

12. Share Capital - Continued

The following table summarizes the outstanding and exercisable options held by directors, officers and employees as of March 31, 2020 and 2019:

2019

Exercise Price Range (\$)	Outstanding			Exercisable	
	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

2020

Exercise Price Range (\$)	Outstanding			Exercisable	
	Number of Options	Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Vested Options	Weighted Average Exercise Price (\$)
0.14 - 0.54	357,340	9.63	0.27	12,000	0.39
0.54 - 0.94	140,877	8.32	0.90	65,661	0.93
0.94 - 1.34	531,159	7.63	0.99	514,239	1.02
	1,029,376	8.42	0.73	591,900	0.99

(d) Warrants:

	Number of warrants	Exercisable warrants	Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
			\$	\$	(year)
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	-	-	-	-	-
Balance as of March 31, 2020	-	-	-	-	-

There were no outstanding warrants at the year ended March 31, 2020.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

13. Related Party Balances and Transactions

The following table summarizes the loans from related parties for the years ended March 31, 2020 and March 31, 2019:

		March 31, 2020	March 31, 2019
		\$	\$
Galaxy VTB	(a)	9,040	8,119
Cedar VTB	(b)	-	-
Cedar earn-out consideration	(c)	-	-
Loans from related parties - current		9,040	8,119
Less current portion		9,040	8,119
Loans from related parties - non-current		-	-

	(a)	(b)	(c)	Total
	\$	\$	\$	\$
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
Gain on loan modification	(58)	-	-	(58)
Interest	739	-	-	739
Foreign Exchange	266	-	-	266
Repayments	(26)	-	-	(26)
Balance, March 31, 2020	9,040	-	-	9,040

- a) The Galaxy VTB of \$9,040 (2019 - \$8,119) is with a remaining principal amount of USD \$5,246 (2019 – USD \$5,221) bearing interest at a rate of 8.5% per annum until July 1, 2019 and 12% thereafter. The loan matured on January 24, 2020 and was extended to December 23, 2020. 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 in June 2020 (note 24). Interest expense accrued for the year ended March 31, 2020 was \$739 (2019 - \$630).
- b) The Cedar VTB is unsecured, non-interest bearing and repayable over twelve monthly installments from the closing of the Cedar acquisition. 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% which represents the time-value of money, \$460 was classified as a loan with related parties in the consolidated statement of financial position. During the year ended March 31, 2018, the Company had accretion expense of \$54 which increased the loan amount to \$514. During the year ended March 31, 2019, as net revenue targets were not met, a gain of \$514 was recorded in general and administrative expenses.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

13. Related Party Balances and Transactions - Continued

Transactions with Related Parties

- i. The Company has a lease arrangement for office space with a shareholder of the Company. The Company paid rent of \$130 during the year ended March 31, 2020 (2019 – \$183).
- ii. The Company has an outstanding balance of \$96 on March 31, 2020 (March 31, 2019 - \$126) due to the former CEO included in accounts payable and accrued liabilities. These amounts relate to unpaid compensation, and as at March 31, 2020, there are no specified repayment terms and this amount does not bear interest. On March 12, 2020 461,538 shares were issued at \$0.065 as consideration totalling \$30 reducing the balance outstanding from prior year.
- iii. The Company's former CEO has provided a personal guarantee to BDC (note 11). Subsequent to the year-end, the BDC loan to which this guarantee related was repaid in full (note 25(i)), eliminating this personal guarantee.
- 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:

	Year ended	
	March 31, 2020	March 31, 2019
Salary and director fees	464	777

14. Commitments and Contingencies

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) In October 2018, under its new ABL Facility, the Company issued a stand-by letter of credit for US\$71 to the State of Rhode Island department of labour for its social benefits.
- c) During the year ended March 31, 2019, the Company issued convertible debentures and shares of \$1,000 (notes 9 and 11) and \$1,000 (note 12), 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, 2020.

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.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

15. Expenses by Nature

The table below summarizes the expenses by nature for continuing operations:

	Year ended	
	March 31, 2020	March 31, 2019
		Reclassified (note 24)
	\$	\$
Raw materials and consumables used	31,998	45,644
Storage and delivery	4,226	4,575
Salaries and benefits	5,145	6,917
Advertising and promotion	1,457	3,359
Professional fees	1,111	615
Stock-based compensation	5	92
Amortization of intangible assets	1,355	1,563
General and administrative	5,458	5,436
Inventory provision	1,773	402
	52,528	68,603

The table below summarizes the expenses by nature for discontinued operations (note 24):

	Year ended	
	March 31, 2020	March 31, 2019
		Reclassified (note 24)
	\$	\$
Raw materials and consumables used	811	6,487
Storage and delivery	229	933
Advertising and promotion	22	194
Amortization of intangible assets	-	373
General and administrative	173	282
Inventory provision (recovery)	(36)	10
	1,199	8,279

16. Changes in Non-Cash Working Capital

The table below summarizes the non-cash working capital for continuing operations:

	Year ended	
	March 31, 2020	March 31, 2019
		Reclassified (note 24)
	\$	\$
HST receivable	(23)	131
Accounts receivable, net	1,860	4,607
Prepaid expenses	(1,759)	(161)
Inventory	614	3,211
Accounts payable and accrued liabilities	(961)	(534)
HST payable	(154)	52
	(423)	7,306

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

16. Changes in Non-Cash Working Capital - Continued

The table below summarizes the non-cash working capital for discontinued operations (note 24):

	Year ended	
	March 31, 2020	March 31, 2019
	\$	\$
HST receivable	21	21
Accounts receivable, net	744	292
Prepaid expenses	151	(102)
Inventory	310	401
Accounts payable and accrued liabilities	42	(9)
HST payable	-	(1)
	1,268	602

17. 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 year ended March 31, 2020, the Company had 1 (2019 - 1) customer representing over 10% of total revenue for an aggregate of approximately 14% (2019 - 26%).

(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 of March 31, 2020, the Company had an expected credit loss provision of \$1,532 (2019 - \$1,604).

	March 31, 2020	March 31, 2019	Expected credit loss range
	\$	\$	
Not past due	3,637	4,258	0.0% - 15.6%
Past due 1 - 30 days	1,050	1,579	0.0% - 15.6%
Past due 31 - 60 days	296	1,212	0.0% - 15.6%
Past due 61 - 90 days	204	224	15.6% - 100%
Past due more than 90 days	966	1,484	15.6% - 100%
	6,153	8,757	
Expected credit loss provision	(1,532)	(1,604)	
Accounts receivable, net	4,621	7,153	

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

Balance as at March 31, 2019 under IFRS 9	\$	1,604
Bad debt expense / (recovery)	\$	(183)
IFRS 9 loss allowance remeasurement	\$	111
Balance as at March 31, 2020 under IFRS 9	\$	1,532

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

17. Financial Risk Management – Continued

(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, 2020 are as follows:

	Carrying value \$	Contractual cash flows \$	Payable in 1 year \$	2-5 years \$	Thereafter \$
Accounts payable and accrued liabilities	6,862	6,862	6,862	-	-
Loans from related parties	9,040	9,040	9,040	-	-
Loans payable	5,653	5,779	4,761	1,018	-
Leases	1,474	1,738	313	1,244	181
	23,029	23,420	20,976	2,262	181

(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 ABL facility and certain of its term loans can fluctuate with the prime rate. It is estimated, based upon the year-end balances of the USD portion of the ABL facility and the BDC loan, that a 1% increase in prime rate, would increase interest expense by approximately \$110 per annum.

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. Additionally, the Galaxy VTB loan and a portion of the TD ABL facility are USD denominated. 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 its requirements and where possible and appropriate, incorporating the forecasted impact of the U.S. and Euro exchange rates fluctuations into customer prices.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

17. Financial Risk Management – Continued

(e) Fair Value

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

- i. Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii. 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).
- iii. 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, loans from related parties and loans payable approximate their fair value due to their short-term nature. The initial fair value of the loans payable, loans from related parties, 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, 2020:

<u>Valuation approach</u>	<u>Key inputs</u>	<u>Inter-relationship between inputs and fair value measurement</u>
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.

(f) Emerging Risk

The recent outbreak of the coronavirus (COVID-19) may affect our business and operations. Since the outbreak of the pandemic in early 2020, management has been closely evaluating the potential impact on the Company's business and has been taking measures to mitigate its effects. As the Company has an elaborate international supply chain, including its own processing and packaging facility, focus has been placed on worker and staff safety and business continuity. However, as the pandemic continues and as official governmental guidelines evolve, the extent of disruption cannot be fully anticipated and its full impact on the business and its financial condition is uncertain.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

18. Capital Management

Management defines capital as the Company's share capital and long-term debt. The Company manages its capital structure and makes adjustments to it, based on the funds available, 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 permitted debt, acquiring cash through acquisitions or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

19. Segmented Information

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

Sales attributed to geographic location for the years ended March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2020	March 31, 2019
	\$	\$
Canada	31,193	47,775
United States	17,874	20,239
	49,067	68,014

All of the Company's assets as of March 31, 2020 and March 31, 2019 are located in Canada and the United States, as detailed below:

Current Assets	March 31, 2020	March 31, 2019
	\$	\$
Canada	7,393	11,431
United States	4,540	5,084
	11,933	16,515

Long-Term Assets	March 31, 2020	March 31, 2019
	\$	\$
Canada	9,434	35,763
United States	9,728	12,627
	19,162	48,390

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

20. Income Taxes

i. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 – 26.5%) to the effective tax rate is as follows:

	March 31	March 31
	2020	2019
	\$	\$
Loss from continuing operations before income taxes	(37,860)	(12,368)
Gain (Loss) from discontinued operations before income taxes	357	(3,090)
Net Income (Loss) before recovery of income taxes - Combined	(37,503)	(15,458)
Expected income tax (recovery) expense	(9,937)	(4,096)
Tax rate change and other adjustments	3	85
Non-deductible expenses	(45)	852
Share issuance costs booked to equity	-	(38)
Impairment of Goodwill	3,261	-
Taxable portion of sale of assets	(576)	-
Change in tax benefits not recognized	3,493	2,415
Income tax (recovery) expense	(3,801)	(782)

The Company's income tax (recovery) is allocated as follows:

	March 31	March 31
	2020	2019
	\$	\$
Deferred tax (recovery) expense	(3,801)	(782)
	(3,801)	(782)

ii. Deferred Taxes

The following table summarizes the components of deferred tax:

	March 31	March 31
	2020	2019
	\$	\$
Deferred tax assets		
Non-capital losses carried forward	2,440	2,526
Deferred tax liabilities		
Intangible assets	(2,440)	(6,327)
Income tax (recovery)	-	(3,801)

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

20. Income Taxes - Continued

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

	March 31 2020 \$	March 31 2019 \$
Balance at the beginning of the year	(3,801)	(4,583)
Recognized in profit/loss	3,801	782
Balance at the end of the year	-	(3,801)

iii. 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 2020 \$	March 31 2019 \$
Non-capital losses carried forward - Canada	31,914	20,156
Non-capital losses carried forward - United States	5,344	7,165
Reserves	2,993	-
Charitable donations carry forward	843	757
Share issuance costs	776	1,557
PPE	752	367
Capital lease obligation	942	-
Convertible debentures	-	87

The Canadian losses carry forward expire as noted in the table below. The United States tax losses expire between 2030 and 2039. Share issue and financing costs will be fully amortized in 2024. Charitable donation carry-forward expires between 2020 and 2025. 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.

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

2035	1,204
2036	3,573
2037	1,981
2038	3,656
2039	8,971
2040	12,529
	<u>31,914</u>

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

21. Interest Expense

	March 31, 2020	March 31, 2019 Reclassified (note 24)
	\$	\$
Interest on loans from related party (note 13)	739	630
Interest on loans payable	1,996	1,091
Bank charges and other interest	60	27
	2,795	1,748

22. Gain on Sale of Rolling Meadow Dairy

On January 31, 2019, the Company completed the sale of the Rolling Meadow Dairy brand and business to 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)
<u>Gain on sale of Rolling Meadows Dairy</u>	<u>1,376</u>

The Company is also entitled to royalty payments from the sale of Rolling Meadow Dairy products over the next 4 years. The Company earned royalties of \$119 during the year ended March 31, 2020 (2019 – \$15) that are recorded as other income and expense.

23. Restructuring

During the year ended March 31, 2020, the Company recorded a restructuring charge (including severance for affected employees) of \$195 related to its operating model, of which \$nil remains in accounts payable and accrued liabilities as at March 31, 2020. 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 was 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.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

24. Discontinued Operations

On May 21, 2019, the Company completed the sale of assets within the Nothing But Nature business relating to the Kiju brand of Organic juice and iced tea, for \$8,000. The acquisition of the business was for gross initial consideration of \$7,500 which comprised of \$7,077 in cash and \$423 in accounts payable reduction, and an additional revenue based earn-out of \$500. Subsequent to year-end, the Company determined that there was no additional amount due on this earn-out. The Kiju branded business represented approximately 3% of the revenue of the Company for the year ended March 31, 2020 (2019 – 10%).

The Company recognized a gain on the sale as follows:

Gross Proceeds	7,500
Less:	
Inventory	(998)
Intangible Assets	(4,552)
Goodwill	(1,381)
Gain on sale of the assets of the Nothing But Nature Inc business	569

As a result of this disposal, the Nothing But Nature business is classified as a discontinued operation in accordance with IFRS 5 for the years ended March 31, 2020 and 2019.

Consolidated statements of operations and comprehensive loss from discontinued operations for the year ended March 31, 2020 and 2019 is comprised of the following:

	2020	2019
	\$	\$
Gross revenue	1,314	9,980
Less: rebates and discounts	(296)	(1,478)
Less: listing fees	(3)	(218)
Net revenue	1,015	8,284
Cost of goods sold	775	6,497
Gross profit	240	1,787
Expenses		
General and administrative	173	282
Storage and delivery	229	933
Advertising and promotion	22	194
Amortization of intangible assets	-	373
Total expenses	424	1,782
Income (loss) from discontinued operations	(184)	5
Interest expense	1	1
Foreign exchange loss	-	11
Gain on disposal of the assets of the Nothing But Nature Inc business	(569)	-
Loss on disposal of property, plant and equipment	27	-
Loss on impairment of goodwill (note 7)	-	3,083
Income (loss) from discontinued operations before income taxes	357	(3,090)
Deferred income tax recovery (note 20)	-	(99)
Net income (loss) from discontinued operations	357	(2,991)

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

24. Discontinued Operations - Continued

Cash flows from discontinued operations for the year ended March 31, 2020 and 2019 is comprised of the following:

	2020	2019
	\$	\$
Cash flow provided by discontinued operating activities		
Net income (loss) from discontinued operations	357	(2,991)
Items not affecting cash:		
Gain on disposal of the assets of the Nothing But Nature Inc business	(569)	-
Loss on impairment of goodwill (note 7)	-	3,083
Loss on disposal of property, plant and equipment	27	-
Depreciation and amortization	2	385
Deferred income tax (recovery)	-	(99)
Inventory provision	(36)	10
Interest expense	-	1
Changes in non-cash working capital (note 16)	1,268	602
Total cash provided by discontinued operating activities	1,049	991
Cash flow provided by discontinued investing activities		
Proceeds from the sale of the assets of the Nothing But Nature Inc business	7,077	-
Total cash provided by discontinued investing activities	7,077	-
Cash flow provided by discontinued financing activities	-	-
Total cash provided by discontinued financing activities	-	-
Change in net cash from discontinued operations	8,126	991

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

25. Subsequent Events

i. Financing - TD Bank/Pivot Financial Inc

On September 22, 2020, the Company refinanced its ABL debt facility, BDC loan, and TD term loan by entering into a credit facility with Pivot Financial Inc. The structure of the new debt facility includes a \$3,500 term loan and up to a \$4,000 full recourse accounts receivable factoring for a total facility of \$7,500.

ii. Financing - Galaxy VTB

In June 2020, the Company was scheduled to pay the Galaxy VTB lender, MW1 LLC 10% of the indebtedness owing at that time. The payment was not made which put the Company in default of that loan. On September 22, 2020, the Company entered into an agreement with MW1 LLC (the "VTB Amending Agreement") whereby the VTB Amending Agreement provides that the terms of the Galaxy VTB are amended to extend the maturity date to September 23, 2021 and requiring a 10% prepayment of the then outstanding indebtedness owing by January 4, 2021. The VTB Amending Agreement further provides that the consideration related to the purchase of Galaxy Nutritional Foods, Inc. shall be increased as follows: (i) the Company shall issue to MW1 LLC 8,333,334 Common Shares at C\$0.06 per Common Share; (ii) the Company shall issue to MW1 LLC 2,777,784 Common Shares at C\$0.06 per Common Share, such Common Shares to be issued only in the event that the Company fails to make a 10% prepayment of the then outstanding indebtedness owing by January 4, 2021; and (iii) at MW1 LLC's option, the Company shall issue to MW1 LLC 5,555,550 Common Shares at C\$0.06 per Common Share, such Common Shares to be issued only in the event that the Company fails to repay the remaining principal and interest remaining on the Galaxy VTB, in full, by the amended maturity date. In the event that this final extension fee is paid, the maturity date of the Galaxy VTB shall be extended for an additional year on the same terms and conditions. The issuance of these shares is subject to the approval of the TSX Venture Exchange.

iii. Financing – Primary Capital Inc.

In June 2020, the Company was scheduled to pay the lender, Primary Capital Inc. ("Primary") 10% of the indebtedness owing at that time. The payment was not made, which put the Company in default of that loan. On September 22, 2020, the Company entered into an agreement with Primary (the "Primary Amending Agreement") whereby the terms of the Primary loan are amended to extend the maturity date to September 23, 2021 and requiring a 10% prepayment of the then outstanding indebtedness owing by January 4, 2021. The Primary Amending Agreement further provides that the consideration for these extension shall be as follows: (i) the Company shall pay to Primary an extension fee in the amount of \$56,572 (which shall be added to the total indebtedness of the Primary loan); (ii) the Company shall pay an additional extension fee in the amount of \$18,857 (which shall be added to the total indebtedness of the Primary loan) in the event that the Company fails to make a 10% prepayment of the outstanding amount of the Primary loan by January 4, 2021; and (iii) at Primary's option, the Company shall pay to Primary an additional extension fee in the amount of \$37,715 (which shall be added to the total indebtedness of the Primary loan) to be paid only in the event that the Company fails to repay the remaining principal and interest remaining on the Primary loan, in full, by September 23, 2021. In the event that this final extension fee is paid, the maturity date of the Primary loan shall be extended for an additional year on the same terms and conditions.

GreenSpace Brands Inc

Notes to the Consolidated Financial Statements

For the years ended March 31, 2020 and 2019

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

25. Subsequent Events - Continued

iv. Private Placement/Equity Raise – announcement

On August 20, 2020, the Company announced that it had entered into an agreement with a syndicate of agents led by PI Financial Corp., (collectively the “Agents”) in connection with a marketed best efforts private placement of units (the “Units”) of the Company (the “Offering”) to raise aggregate gross proceeds of up to C\$6 million. As at the date of the issuance of these consolidated financial statements, this Offering had not yet commenced. Management expects to launch the Offering shortly after the Cease Trading Order (see below) is lifted. A Unit will consist of one common share in the capital of the Company (“Common Shares”) and one common share purchase warrant (a “Warrant”). In addition, the Company has granted the Agents an option, exercisable in whole or in part at any time up to two days prior to closing of the Offering, to offer an additional number of Units representing up to 30% of the Offering, on the same terms as the Offering. The net proceeds of the Offering will be used for working capital and general corporate purposes. The closing of the Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory approvals, including the acceptance of the TSX Venture Exchange. All securities issued under the Offering will be subject to a statutory hold period in Canada expiring four months and one day from the Closing Date.

v. Cease Trade Order

On September 4, 2020, the Company announced that it had determined that it may not be able to file its annual audited consolidated financial statements for the year ended March 31, 2020 and its related Management's Discussion and Analysis and Chief Executive Officer and Chief Financial Officer certifications (the “Required Filings”) by the prescribed filing deadline of September 14, 2020. On September 18, 2020, the Company was informed by the Ontario Securities Commission (the OSC), that a Cease Trade Order (“CTO”) would be imposed effective immediately following the Company’s failure to file its Required Filings. Management intends to file an application to lift the CTO upon filing the Required Filings.

vi. Canadian Emergency Business Account Loan

In April 2020, the Company applied for and received a \$40 loan under the Canadian Emergency Business Account (“CEBA”). Under the terms of the agreement the loan is interest free during the initial term and 5% thereafter. The initial terms end December 31, 2022 and the extended terms ends December 31, 2025. If the Company repays the loan on or before December 31, 2022, 25% (\$10) will be forgiven.

vii. PPP US loan

On May 1, 2020, the Company applied for and received a US\$195 loan under the United States Paycheck Protection Program (“PPP”). Under the terms of agreement, the loan is subject to 1% per annum after the six months. The Company may apply for the loan to be fully forgiven any time after July 1, 2020 and up to ten months after the covered period where by 75% of the loan is used for qualifying expenses.

viii. Leadership Change

On April 30, 2020, the Company announced that Matthew von Teichman was stepping down as the CEO effective July 17, 2020 and as well as stepping down from the Board of Directors effective immediately. Under the terms of the resignation agreement, Matthew von Teichman is entitled to \$491 to be paid over 22 months after the effective date of his separation. This amount will be provided for in the first quarter of F2021.