



**GREENSPACE BRANDS INC.**

**Management's Discussion and Analysis**

**For the years ended March 31, 2020 and 2019**

# GreenSpace Brands Inc.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**of Financial Condition and Results of Operations**  
**For the year ended March 31, 2020**

This Management's Discussion and Analysis ("MD&A") is a review of the consolidated financial condition and results of operations of GreenSpace Brands Inc. ("the Company") for the year ended March 31, 2020. The MD&A is intended to help readers understand the Company's business and the key factors underlying its financial results. It should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes for the year ended March 31, 2020, which have been filed with applicable regulatory authorities and are available through SEDAR at [www.sedar.com](http://www.sedar.com).

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

This MD&A has been prepared as of October 15, 2020.

**CORPORATE OVERVIEW**

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

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

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

The Company is in the business of developing, marketing and selling premium, convenient, natural foods in Canada and the United States. Our product assortment focuses on satisfying the needs of consumers as they transition through their different need states; from baby and infant to premium snacking and plant-based cheese products. The Company sources natural ingredients largely from ethically operated suppliers and combines these ingredients into tasty and nutritious products.

The Company has acquired or internally developed and brought to market several brands and has sold and discontinued several other brands, all in the natural food space, which include:

**Continuing Businesses:**

**LOVE CHILD**

On October 19, 2015, the Company completed the acquisition of Love Child (Brands) Inc. ("Love Child"), operating as Love Child Organics. Love Child is a Canadian-based developer and producer of 100% organic, natural and nutritionally-rich food products for infants, toddlers and small children.

Love Child always seeks to go "beyond organic" in the products it develops. Specifically, it has a strong focus on using clean, simple ingredients, avoids the use of refined sugars and preservatives, and includes recognized superfood ingredients in many

of its product range. Love Child's core target market is the parents of infants and small children, aged six months to six years, who are increasingly prioritizing organic, nutritious food for their children.

### **CENTRAL ROAST**

On February 25, 2016, the Company completed the 70% share acquisition of Central Roast Inc. ("Central Roast"), a leading natural, functional snack company that produces, markets, and distributes healthy snacks to major retail customers in Canada. On October 7, 2016, as part of finalizing the terms on a new three-year, \$7.5 million revolving senior secured asset-based lending facility ("ABL Facility") the Company acquired the remaining 30% of the issued and outstanding shares of Central Roast.

Central Roast began operations in 2011, and its products can now be found in many of the major grocery retailers across Canada. Its' simple snack foods mainly consist of raw and roasted nuts, seeds and dried fruits in various functional assortments, with a focus on quality, taste and nutrition. Central Roast produces an assortment of branded products in tubs, large and small bags, single-serve bags and scoop bulk bags in a range of product lines.

### **GO VEGGIE**

On January 24, 2018, the Company acquired all the outstanding shares of Galaxy Nutritional Foods, Inc., ("Galaxy Foods") which owns the GO VEGGIE brand.

Over 30 years ago, Galaxy Foods created the cheese alternative category for health-conscious consumers and is proud to remain one of America's leading providers of great-tasting dairy-free/lactose free products. Today, under Galaxy's GO VEGGIE brand, the Company continues to innovate and offer consumers healthier plant-based, lactose-free and lactose and soy-free choices in a wide variety of formats across the United States.

### **Sold, Discontinued Businesses or Inactive Businesses:**

#### **LIFE CHOICES**

Life Choices offered premium convenience meat products to Canadian consumers, featuring grass-fed and/or pasture-raised meat without the use of added hormones and antibiotics. Sales were suspended in the third quarter ended December 31, 2019.

#### **KIJU**

On January 18, 2017, the Company completed the acquisition of Nothing But Nature Inc. ("Nothing But Nature") which owns the Kiju brand. The business assets of Nothing But Nature were sold to Zurban Beverages on May 21, 2019 and the operation was discontinued during the year ended March 31, 2020.

#### **ROLLING MEADOW**

Rolling Meadow Dairy, offered premium quality dairy products, such as milk, yogurt and butter, made with 100% Canadian grass-fed milk. The business assets of Rolling Meadow were sold to Organic Meadow Limited Partnership on January 31, 2019 and the operation is now inactive.

#### **CEDAR**

On August 23, 2017, the Company acquired all the outstanding shares of The Cold Press Corp. which owns the CEDAR brand. Sales were suspended in the fourth quarter ended March 31, 2020.

### **OPERATING STRATEGY**

The Company's operating strategy over the long-term is designed to create value for customers and shareholders through increased distribution of its brands, innovative product development, increased same-store sales volume with customers, market and channel expansion and diversification of the brand and product portfolio.

The Company's immediate-term strategy is to focus on providing its customers with the level of service they demand, while meeting commitments to suppliers and improving the Company's profitability and cash flow.

## YEAR-TO-DATE CONSOLIDATED RESULTS

The following is a table and description of the full-year consolidated operational results for the Company's continuing operations.

### Consolidated Statements of Operations and Comprehensive Loss

(expressed in thousands of Canadian dollars)	For the year ended			
	March 31			
	2020	2019	Inc/(Dec)	Inc/(Dec)
	\$	\$	\$	%
Gross revenue	49,067	68,014	(18,947)	(27.9%)
Less: rebates and discounts	(7,318)	(8,099)	781	(9.6%)
Less: listing fees	(678)	(758)	80	(10.6%)
Net revenue	41,071	59,157	(18,086)	(30.6%)
Cost of goods sold	33,771	46,046	(12,275)	(26.7%)
Gross profit	7,300	13,111	(5,811)	(44.3%)
Gross profit percentage	17.8%	22.2%		
<b>Adjusted gross profit<sup>1</sup></b>	<b>7,978</b>	<b>13,869</b>	<b>(5,891)</b>	<b>(42.5%)</b>
<b>Adjusted gross profit margin</b>	<b>19.1%</b>	<b>23.1%</b>		
General and administrative	5,458	5,436	22	0.4%
Storage and Delivery	4,226	4,575	(349)	(7.6%)
Salaries and benefits	5,145	6,917	(1,772)	(25.6%)
Advertising and promotion	1,457	3,359	(1,902)	(56.6%)
Professional fees	1,111	615	496	80.7%
Stock-based compensation	5	92	(87)	(94.6%)
Amortization of intangible assets	1,355	1,563	(208)	(13.3%)
Net loss before underlying items	(11,457)	(9,446)	(2,011)	21.3%
Interest expense	2,795	1,748	1,047	59.9%
Accretion expense	40	87	(47)	(54.0%)
Gain on sale of Rolling Meadow Dairy	-	(1,376)	1,376	(100.0%)
Loss on goodwill impairment	12,306	392	11,914	3039.2%
Loss on intangible asset impairment	9,230	-	9,230	-
Loss on property, plant and equipment impairment	564	-	564	-
Loss on right of use asset impairment	861	-	861	-
Restructuring expense	195	1,473	(1,278)	(86.8%)
Other income and expense	(596)	98	(694)	(708.0%)
Foreign exchange loss	1,008	500	508	101.6%
Net loss before income taxes	(37,860)	(12,368)	(25,492)	206.1%
Deferred income taxes (recovery)	(3,801)	(683)	(3,118)	456.5%
Net loss from continuing operations	(34,059)	(11,685)	(22,374)	191.5%
Net income (loss) from discontinued operations	357	(2,991)	3,348	(111.9%)
Net loss for the year	(33,702)	(14,676)	(19,026)	129.6%
EBITDA <sup>1</sup>	(9,590)	(8,773)	(817)	9.3%
As a percentage of net revenue	(23.3%)	(14.8%)		
<b>Adjusted EBITDA<sup>1</sup></b>	<b>(7,276)</b>	<b>(5,903)</b>	<b>(1,373)</b>	<b>23.3%</b>
<b>As a percentage of net revenue, excluding listing fees</b>	<b>(17.4%)</b>	<b>(9.9%)</b>		

<sup>1</sup> See non-IFRS measures

## Use of Non-IFRS Measures, Measures of Operating Performance and Reconciliation of Net (Loss) Earnings to Adjusted EBITDA

The Company's consolidated financial statements are prepared in accordance with IFRS. Management uses IFRS, non-IFRS and operating performance measures as key performance indicators to better assess the Company's underlying performance and provides this additional information in this MD&A.

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

**EBITDA** is a non-IFRS measure calculated by adding back certain non-cash items to net income or loss from continuing operations and is used by management to measure operating performance. The Company defines EBITDA as earnings or loss before interest and accretion expense, income taxes expensed or recovered, depreciation and amortization, foreign exchange gains or losses, and other income and expense, including gains or losses on the sale of business or assets and asset and goodwill impairment charges. The Company's method of calculating EBITDA may differ from the method used by other issuers and, accordingly, the Company's EBITDA calculation may not be comparable to similarly titled measures used by other issuers.

**Adjusted EBITDA** is a non-IFRS measure which further adjusts EBITDA by adding back income or expenses of a non-cash, non-recurring, unusual or one-time nature. Adjusted EBITDA is a measure used by management, the food and beverage industry and investors as an indicator of the Company's operating performance and ability to incur and service debt. The Company also uses Adjusted EBITDA as an executive compensation and valuation metric. Management believes Adjusted EBITDA to be an important indicator of normal operating performance since it removes the impact of certain non-recurring items that are not indicative of ongoing operating performance thereby giving investors greater transparency in assessing the Company's results of operations. The Company's method of calculating Adjusted EBITDA may differ from the method used by other issuers and, accordingly, the Company's Adjusted EBITDA calculation may not be comparable to similarly titled measures used by other issuers.

A reconciliation of the Company's Gross Profit to Adjusted gross profit as outlined in the following table:

### Reconciliation of Gross profit to Adjusted Gross Profit (expressed in thousands of Canadian dollars)

	Year ended	
	March 31, 2020	March 31, 2019 Reclassified
	\$	\$
Gross profit	7,300	13,111
<b>Add back non-recurring expenses</b>		
Listing fees	678	758
<b>Adjusted gross profit</b>	<b>7,978</b>	<b>13,869</b>
<b>Adjusted gross profit margin</b>	<b>19.1%</b>	<b>23.1%</b>

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

A reconciliation of the Company's net loss to Adjusted EBITDA is outlined in the following table:

	Year ended	
	March 31, 2020	March 31, 2019
	\$	Reclassified \$
Net loss from continuing operations for the year	(34,059)	(11,685)
Interest and accretion expense	2,835	1,835
Depreciation and amortization	2,062	2,146
Unrealized foreign exchange loss	1,008	500
Other income and expense	(596)	98
Gain on sale of Rolling Meadow Dairy	-	(1,376)
Loss on goodwill impairment	12,306	392
Loss on intangible asset impairment	9,230	-
Loss on property, plant and equipment impairment	564	-
Loss on right of use asset impairment	861	-
Deferred income tax recovery	(3,801)	(683)
<b>EBITDA</b>	<b>(9,590)</b>	<b>(8,773)</b>
<b>Add back non-cash and non-recurring expenses</b>		
Stock based compensation	5	92
Fines and penalties for shorts	1,124	-
Listing fees	678	758
Restructure cost	195	1,473
Meatbar discontinuance	-	241
Professional fees	553	-
Recall expense	(241)	306
<b>Adjusted EBITDA</b>	<b>(7,276)</b>	<b>(5,903)</b>

**Revenue**

Gross revenue for the year ended March 31, 2020, decreased 27.9% (\$18.9 million) and net revenue, which is gross revenue less deductions for rebates, discounts and one-time listing fees, decreased 30.6% (\$18.1 million) over the same period in the prior year. The decrease in revenue was largely attributable to the following:

- a) Cedar, Life Choices and Rolling Meadow Dairy: As part of its restructuring during the year ended March 31, 2020 management decided to suspend sales of the Cedar and Life Choices brands. During the year ended March 31, 2019 the Company sold its Rolling Meadow Dairy business. Taken together, the year-over-year impact of these decisions was to reduce gross and net sales during the year ended March 31, 2020 (as compared to the year ended March 31, 2019) by approximately \$9.5 million and approximately \$9.1 million respectively.
- b) Working Capital: The limited working capital available to the business during the year ended March 31, 2020 negatively impacted sales of continuing brands since the Company did not have required levels of inventory to service customer demand and participate, at historic levels, in customer-driven promotional activity of our brands. Management estimates that the vast majority of the remaining gross and net sales decline is directly related to this working capital shortage.

**Adjusted Gross Margin (see Non-IFRS Measures)**

The Company's adjusted gross margin for the year ended March 31, 2020, decreased to 19.1% compared to 23.1% in the prior year. This 400-basis point decrease is largely attributable to the following:

- a) Cedar, Life Choices and Stock Keeping Unit ("SKU") Rationalization: As part of the Company's restructuring during the year ended March 31, 2020, management decided to suspend sales of the Cedar and Life Choices brands. During this

same period, management also undertook a review of its continuing operations which included a review of profitability by SKU. This resulted in the discontinuance of certain low-margin and/or slow-moving SKU's which, together with suspension of the Cedar and Life Choice brands, and other day-to-day issues, resulted in inventory write-offs proportionately higher than the prior year. Specifically, during the year ended March 31, 2020 the Company recorded inventory provisions totaling \$1.8 million (2019: \$0.4 million) accounting for approximately 280-basis points of the reduction in adjusted gross margin during the year ended March 31, 2020 compared to the prior year. Management does not anticipate that similar provisions for inventory will be required in the foreseeable future.

- b) Fines by customers: As discussed in the Revenue section above, limited working capital during the year adversely impacted the Company's ability to meet customer demand for its products, which in certain cases resulted in fines from customers. Such fines during the year ended March 31, 2020 amounted to more than those received during the year ended March 31, 2019. Given the lower revenue base in 2020 this had the added effect of negatively impacting the adjusted gross margin percentage. As noted in the Outlook section (see below) of this MD&A, it is the Company's intention to undertake a private placement to raise capital with the objective of improving its working capital position. If the private placement is successful and working capital improves sufficiently, management believes that fines for shortages will be discontinued once customer service levels achieve expected thresholds.
- c) Central Roast Manufacturing Overhead: Central Roast is the only brand within the Company's portfolio of brands, which self-manufactures its products. As a consequence of that operation's lower sales during the year ended March 31, 2020, factory overhead costs represented a higher percentage of cost of goods sold than they did in the year ended March 31, 2019, which had the effect of contributing to the reduction in the adjusted gross margin percentage. Further to the discussion of the private placement noted in (b) above, management also believes that a successful private placement and the resulting improvement in inventory will directly and positively impact the sales of Central Roast. As such, management anticipates that should those higher sales levels be achieved, that factory overhead costs of Central Roast are expected to decline as a percentage gross revenue.

#### **Selling, General and Administrative ("SG&A") Expenses (SG&A is a non-IFRS measure)**

Overall, SG&A expenses for the year ended March 31, 2020 were 35.5% of Gross Revenue compared to 30.9% in the prior year. This 460-basis point increase is attributable to the following:

General and Administrative expenses for the year ended March 31, 2020, increased by 0.4% and were 11.1% of gross revenue – a significant increase when compared to the 8.0% of the prior year. This 310-basis point increase accounts for the vast majority of the higher SG&A spending in the year ended March 31, 2020 (as a percentage of Gross Revenue) and is largely attributable to the following:

- a) During the year ended March 31, 2019, General and Administrative expenses benefited from a one-time recovery associated with the write-off of the Cedar earn-out in the amount of approximately \$0.5 million. No such benefit recurred in the year ended March 31, 2020 and management estimates, that this one-time item negatively impacted the General and Administrative margin by approximately 100-basis points in the year ended March 31, 2020 as compared to 2019.
- b) Certain customer fines (in addition to those impacting gross margin) negatively impacted General and Administrative expenses in the year ended March 31, 2020 by approximately \$0.5 million (with no such recurring costs during 2019). Management estimates, that these charges negatively impacted the General and Administrative margin by approximately 100-basis points. As per the discussion in Adjusted Gross Margin, management anticipates that a successful private placement should translate to a positive effect on customer service and relations, which is expected to eliminate these types of costs going forward, once appropriate customers service levels are achieved.
- c) During the year ended March 31, 2020, as the Company restructured its businesses (e.g. suspending sales of Cedar and Life Choices) and rationalized SKU's, which resulted in higher levels of inventory write-offs discussed above. These actions also highlighted the need to address the issue of short-dated products which management actioned by increasing donations to groups in need of food products by \$0.2 million. The effect of this decision was to negatively impact General and Administrative margins by approximately 40-basis points.

Storage and delivery expenses for the year ended March 31, 2020, decreased by 7.6% and were 8.6% of gross revenue compared to 6.7% in the prior year. This 190-basis point increase equates to \$0.9 million for the year and is primarily due to the following:

- a) Go Veggie products have higher storage and distribution costs (when compared to either Love Child or Central Roast) because their products are refrigerated. Go Veggie also has a larger percentage of its business for which it must deliver product to the customer, as compared to the Love Child and Central Roast businesses for which a significant amount of their business is picked-up by customers. The divestitures over the past two years (Nothing But Nature in



the year ended March 31, 2020 and Rolling Meadow Dairy in the year ended March 31, 2019) together with the suspension of the Cedar and Life Choices brands during the year ended March 31, 2020, has meant that the Go Veggie brand's storage and distribution costs now represent a proportionately higher percentage of total storage and distribution cost than they did previously. Management expects this situation will continue given the Go Veggie brand's significance to our business going forward.

- b) In Canada, the majority of customers pick up products at the Company's points of distribution. To the extent that the Company shorted those 'pick-up' customers, their cost of freight increased. During the year ended March 31, 2020 certain customers charged the Company back for these higher costs. Management estimates that this issue negatively impacted the Storage and Delivery margins by approximately 70-basis points. As previously noted, management anticipates that a successful private placement, will lead to improved customer service which should eliminate such expenses going forward, once appropriate customer service levels are achieved.

Salaries and benefits expense for the year ended March 31, 2020, decreased by 25.6% and were 10.5% of gross revenue compared to 10.2% in the prior year. This 30-basis points increase is primarily due to the timing of the Company's restructuring, which was not fully implemented until the final quarter of the year ended March 31, 2020. As previously noted, management anticipates that a successful private placement, will lead to improved customer service which should result in higher levels of sales once inventory reaches appropriate levels. Management anticipates that if sales increase as expected, the Salaries and Benefits margin should improve.

Advertising and promotional expenses for the year ended March 31, 2020, were 3.0% of gross revenue compared to 4.9% in the prior year. This 190-basis point decrease, which primarily results from the Company's working capital constraints, equates to \$0.9 million for the year ended March 31, 2020. As noted above, the lack of adequate working capital for operations adversely impacted the Company's ability to have sufficient levels of inventory to service customer demand and participate, at historic levels, in customer-driven promotional activity of our brands. As such, management decided to curtail advertising and promotional spending, since the Company would be unable to satisfy any additional demand created. Once inventory levels of the Company are restored to appropriate levels, management expects advertising and promotional spending to be progressively increased to support its brands as circumstances dictate.

Professional fees expenses for the year March 31, 2020 were 2.3% of gross revenue as compared to 0.9% in the prior year. This 140-basis point increase equates to \$0.7 million in proportionately higher spending, largely due to fees linked to strategic reviews and financial services consulting.

The Company continues to recognize stock option expenses associated with the option awards granted to employees from time to time. Since the grants are amortized using a graded vesting method, stock-based compensation expense can fluctuate from year to year.

### **Interest Expense**

The Company incurred interest expense of \$2.8 million in the year ended March 31, 2020, as compared to \$1.7 million in the prior year. This increase of \$1.1 million is largely attributable to the following:

- a) The Company entered into a loan agreement with Primary Capital Financing ("Primary") and during the final quarter of the year ended March 31, 2019 borrowed \$3.0 million of the \$4.0 million facility. In the first quarter of the year ended March 31, 2020 the Company borrowed the final \$1.0 million of that facility. Additionally, throughout the year ended March 31, 2020, the Company's borrowings under the ABL facility were also higher than in the prior year. The combined impact of this increased borrowing during the year ended March 31, 2020 (as compared to the prior year) is estimated by management to have increased interest expense by \$0.74 million.
- b) The Company had a vendor take-back loan ("Galaxy VTB") payable of US \$5.72 million associated with the Galaxy Foods acquisition. The Galaxy VTB had an interest rate of 8.5% per annum until July 1, 2019, and 12% per annum thereafter (with extension fees which accrued monthly). These changes, together with the negative effect of foreign exchange (which increased the Canadian dollar amount of the loan balance) had the effect of increasing interest expense by approximately \$0.10 million in the year ended March 31, 2020.
- c) The adoption of the new lease accounting standard under IFRS 16 as of April 1, 2019 increased interest expense compared to the prior year by approximately \$0.16 million.
- d) Bank charges and other interest accounted for the balance of the increase in interest expense.

## Foreign Exchange Loss

During the year ended March 31, 2020 the Company generated a foreign exchange loss of \$1.0 million. This loss had a number of components, including (i) the transaction losses on foreign currency denominated accounts payable (estimated at \$0.1 million); (ii) the revaluation of the USD denominated TD Bank ABL facility (estimated at \$0.6 million); and (iii) the USD denominated Galaxy VTB revaluation (estimated at \$0.3 million).

## Discontinued Operations

On May 21, 2019, the Company completed the sale of the assets within the Nothing But Nature (“NBN”) business and as such, all activities of that business have been recorded as discontinued operations in the year ended March 31, 2020. The classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

## Impairment of Intangible Assets and Goodwill

As a result of annual impairment testing of intangible assets and goodwill, several assets were identified as impaired and written-down in the year ended March 31, 2020. Specifically, two categories of assets were noted:

(a) those relating to businesses that were suspended by March 31, 2020, including Life Choices and Cedar. The assets considered for impairment testing included: (i) purchased intangible assets and goodwill; and (ii) certain product development costs relating to Life Choices; and

(b) those relating to continuing businesses for which write-downs were required under IAS 36. This includes goodwill and intangible assets at Central Roast and Galaxy Foods. No impairment was required for the Love Child business during the year ended March 31, 2020.

## Adjusted EBITDA (see Non-IFRS Measures)

For the year ended March 31, 2020, the Company reported a loss in Adjusted EBITDA of \$7.3 million compared to an Adjusted EBITDA loss of \$5.9 million in the prior year.

The issues which negatively impacted Adjusted EBITDA in the year ended March 31, 2020, were in large part identical to those which impacted the net loss of the Company, including:

- a) Working Capital: Sales of the Company’s continuing brands were negatively impacted by the limited working capital available to the business. This absence of adequate working capital for operations adversely impacted the Company’s ability to maintain sufficient inventory to service customer demand and participate, at historic levels, in customer-driven promotional activity of our brands. Management estimates these issues decreased sales by as much as \$10 million with a proportionate impact on Adjusted EBITDA.
- b) Cedar, Life Choices and Stock Keeping Unit (“SKU”) Rationalization: As part of the Company’s restructuring, management made the decision to suspend sales of the Cedar and Life Choices brands and undertook a review of its continuing operations including a review of profitability by SKU of those operations. As a result, it was decided to discontinue certain low-margin and/or slow-moving SKU’s which, together with the suspension of sales of Cedar and Life Choice brands, and other day-to-day issues, resulted in inventory write-offs proportionately higher than in the prior year. During the year ended March 31, 2020 the Company recorded inventory provisions totaling \$1.8 million, as compared to \$0.4 million in the year ended March 31, 2019. The impact of this change was to reduce Adjusted EBITDA by approximately \$1.4 million in the year ended March 31, 2020 compared to the prior year.
- b) Central Roast Manufacturing Overhead: Central Roast is the only brand within the Company’s portfolio of brands, which self-manufactures its products. As a consequence of that operation’s lower sales, factory overhead costs represented a higher percentage of cost of goods sold in the year ended March 31, 2020, which contributed to the reduction in Adjusted EBITDA.
- d) In the year ended March 31, 2019, General and Administrative expenses benefited from a one-time recovery associated with the write-off of the Cedar earn-out in the amount of \$0.5 million. No such benefit recurred in the year ended March 31, 2020 which negatively impacted Adjusted EBITDA as compared to the prior year.
- e) During the year ended March 31, 2020, as the Company restructured its businesses (e.g. suspending sales of Cedar and Life Choices) and rationalized SKU’s, it incurred higher levels of inventory write-offs and in the process identified issues of short-dated products which lead to increased donations to groups in need of food products of \$0.2 million which also decreased Adjusted EBITDA.

- f) Go Veggie products have higher storage and distribution costs (when compared to either Love Child or Central Roast) because their products are refrigerated. Go Veggie also has a larger percentage of its business for which it must deliver product to the customer, as compared to the Love Child and Central Roast businesses for which a significant amount of their business is picked-up by customers. As a result of the divestitures over the past two years (Nothing But Nature in the year ended March 31, 2020 and Rolling Meadow Dairy in the year ended March 31, 2019) as well as the suspension of the Cedar and Life Choices brands, the Go Veggie brand's storage and distribution costs in the year ended March 31, 2020 represent a proportionately higher percentage of total storage and distribution cost than they did in the prior year. Management expects this situation to continue given the significance of the Go Veggie brand to our business going forward.
- g) Salaries and benefits expense for the year ended March 31, 2020, decreased by 25.6% and were 10.5% of gross revenue compared to 10.2% in the prior year. This 30-basis point decrease is primarily due to the timing of the Company's restructuring, which was not completed until near the end of March 2020. As previously noted, management anticipates that a successful private placement, will lead to improved customer service which, once achieved, should result in higher levels of sales. Management anticipates that if sales increase as expected, that the Salaries and Benefits margin will improve which is expected to positively impact Adjusted EBITDA.
- h) Advertising and promotional expenses for the year ended March 31, 2020, were 3.0% of gross revenue compared to 4.9% in the prior year. This 1.9% decrease equates to \$0.9 million for the year and is primarily a reflection of the Company's working capital constraints. As previously noted, the lack of adequate working capital for operations adversely impacted the Company's ability to have sufficient inventory to service customer demand and participate, at historic levels, in customer-driven promotional activity of our brands. As such, the management decided to curtail advertising and promotional spending, since the Company would be unable to satisfy any additional demand created. Once inventory levels of the Company are restored to appropriate levels, management expects advertising and promotional spending to be progressively increased to support its brands as circumstances dictate.

Looking forward, the overriding consideration and outlook for the business revolves around management's efforts to successfully complete a private placement. Management believes that a successful private placement and the resulting improvement in inventory levels will directly and positively impact the sales and operating results of the Company. As a consequence of restructuring efforts already completed, this anticipated improvement in sales is expected to translate to higher gross profit and with a restructured SG&A infrastructure, translate to meaningful improvement in EBITDA for the organization.

## CASH FLOWS

### Summary Statement of Cash Flows

(thousands of Canadian dollars)

	Year ended March 31	
	2020	2019
		Reclassified
	\$	\$
Cash provided by (used for)		
Operating activities	(9,333)	(396)
Investing activities	6,966	275
Financing activities	2,285	121
FX gain on foreign cash and cash equivalents	82	-
Net increase (decrease) in cash	-	-
Cash - beginning the of the period	-	-
<b>Cash – end of the period</b>	<b>-</b>	<b>-</b>

Cash flow from operations consumed \$9.3 million for the year ended March 31, 2020 (2019 – \$0.4 million). This is primarily due to the negative effects of lower than required levels of working capital in the business, which resulted in lower sales since the Company had insufficient levels of inventory which led to significant customer shortages, fines due to the Company's inability to meet Customer expectations as well as inventory write offs during the year. As noted in the comments above, management expects to be moving ahead with a private placement to raise equity to fund the Company's working capital needs Management believes that a successful private placement and the resulting improvement in inventory levels will directly and positively impact the sales and operating results of the Company.

Cash from investing activities increased by \$7.0 million primarily due to the sale of the Nothing But Nature Inc. business.

The Company concluded the year with \$2.3 million of cash flow from financing activities reflecting the net effect of proceeds from the issuance of shares and repayment of loans payable.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

The Company considers its capital to be share capital and debt. The Company manages capital through forecasting processes whereby working capital and operational cashflow are forecasted to identify any capital shortfall or surplus proactively. The Company's budget is updated periodically, as required and based on experience.

Early in the year ending March 31, 2021, it became clear that the Company needed more working capital if it was to meet customer demands and commitments to suppliers. In recent years, including in the year ended March 31, 2020, the Company had been using its available working capital as a means of financing its ongoing business – or, put another way, some of the historic operating losses were financed by reducing working capital. In so doing, accounts payable levels increased and inventory levels decreased – both of which made it difficult for the business to effectively service its customers.

During the year ended March 31, 2020, certain suppliers began demanding payment with order. This had the effect of reducing cash and increasing prepaid expenses before the Company obtained any inventory. In fact, notionally, inventory was being paid for weeks before, rather than weeks after, it was received. This trend has continued into the year ending March 31, 2021, putting the Company at a significant disadvantage relative to its competitors who are able to obtain more favorable credit terms from suppliers. As noted above in the discussion on Revenue, the lower levels of inventory have resulted in short shipments and fines from customers for failing to meet delivery and other commitments.

In the final quarter of the year ended March 31, 2020, the Company completed a private placement which netted approximately \$6.1 million. Unfortunately, this capital raise was not enough given the severity of the situation. Accordingly, on August 20, 2020, the Company announced its plans for another private placement which is intended to more fully resolve its working capital issues. Management believes that with the appropriate level of working capital, it can return the Love Child, Central Roast and Go Veggie brands to historic levels of sales and with the right attention to operations can produce positive EBITDA and free cash flow to help finance the future growth opportunities available to the Company.

On September 22, 2020, the Company refinanced its: (i) ABL debt facility; (ii) BDC loan payable; and (iii) TD Term Loan, entering into a credit facility with Pivot Financial Inc. The structure of the new debt facility includes a \$3.5 million term loan and up to a \$4.0 million full recourse accounts receivable factoring for a total facility of \$7.5 million. Concurrently, the Company entered into amending agreements to extend the term of the Galaxy VTB and its loans with Primary Capital Inc., which will see both loans mature on September 23, 2021 (See the Subsequent Events section for further information.). With the completion of these agreements, the Company is in full compliance with the terms of its loan agreements.

## **OFF-BALANCE SHEET ARRANGEMENTS**

In October 2016, under its ABL Facility, the Company issued a standby letter of credit for \$0.2 million to one of its Canadian suppliers for extended credit terms and a standby letter of credit for \$0.1 million to the State of Rhode Island. Subsequent to the year end, the letter of credit to the State of Rhode Island was returned and only the supplier standby letter of credit continues under the loan facilities with Pivot Financial Inc (See the Subsequent Events section for further information).

## **TRANSACTIONS BETWEEN RELATED PARTIES**

### ***Loans from Related Parties***

The Galaxy VTB of \$9.040 million is with a principal amount of USD \$5.246 million incurred 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 total outstanding indebtedness owing under this loan was due on or before June 2020. This payment was not made which put the Company in default of this loan. Subsequent to the year end, the terms of this loan were renegotiated, which included extending the maturity date of the loan to September 23, 2021 (See the Subsequent Events section for further information.). Interest expense accrued for the year ended March 31, 2020 was \$0.74 million (F2019 - \$0.63 million).

### **Transactions with Related Parties**

The Company has a lease arrangement for office space with a shareholder of the Company, at market rents. The Company paid rent expense during the year ended March 31, 2020 of \$0.13 million (2019 - \$0.18 million).

The Company has an outstanding balance of \$0.096 million on March 31, 2020 (F2019 - \$0.126 million) due to the former CEO included in accounts payable and accrued liabilities. These amounts relate to unpaid compensation. When incurred by the Company, the unpaid compensation had no specified repayment terms and did not bear interest. (See the Subsequent Events section for further information.)

The Company's former CEO has provided a personal guarantee to BDC. Subsequent to the year end, the BDC loan to which this guarantee related, was repaid in full, eliminating this personal guarantee.

Key management includes the Company's directors and officers. Compensation awarded to key management consists of salary, stock-based compensation and director fees. The following table presents key management compensation (expressed in thousands of Canadian dollars):

	<b>Year ended</b>	
	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Salary and director fees	<b>464</b>	777

### **SUBSEQUENT EVENTS**

#### **Financing - TD Bank/Pivot Financial Inc**

On September 22, 2020, the Company refinanced its: (i) ABL debt facility; (ii) BDC loan payable; and (iii) TD Term loan, by entering into a credit facility with Pivot Financial Inc. The structure of the new debt facility includes a \$3.5 million term loan and up to a \$4.0 million full recourse accounts receivable factoring for a total facility of \$7.5 million.

#### **Financing - Galaxy VTB**

In June 2020, the Company was scheduled to pay the lender of the Galaxy VTB, 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 to MM1 LLC, is subject to the approval of the TSX Venture Exchange.

#### **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 \$0.057 million (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 \$0.019 million (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 and additional extension fee in the amount of \$0.038 million (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.

#### **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 \$6.0 million. As at the date of the issuance of these 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.

#### ***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 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.

#### ***Canadian Emergency Business Account Loan***

In April 2020, the Company applied for and received a \$0.04 million 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.

#### ***PPP US loan***

On May 1, 2020, the Company applied for and received a US\$0.195 million 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.

#### ***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 \$0.491 million 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.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used.

Critical accounting estimates and judgements are described in greater detail in the Company's audited annual consolidated financial statements for the year ended March 31, 2020.

### **CHANGES IN ACCOUNTING POLICIES / FUTURE ACCOUNTING POLICY CHANGES**

The Company's accounting policies are set out in the Company's annual consolidated financial statements for the year ended March 31, 2020 and were consistently applied to all the periods presented, with the exception of IFRS 16 Leases, which was adopted retrospectively without restating comparatives.

## **FINANCIAL INSTRUMENTS**

### **Derivative Liability**

Subsequent to initial recognition, derivative liability is stated at fair value with any gains or losses arising on remeasurement being recognized in the statement of operations and comprehensive loss. Fair value is determined in using a Monte Carlo valuation model.

## **RISKS AND UNCERTAINTIES**

The Company is subject to certain risks and uncertainties that could have a material adverse effect on the Company's results of operations, business prospects, financial condition and the trading price of the common shares. These risks and uncertainties include: cyclicalities, reduction in demand, seasonality, competition, information management, foreign exchange, labour, income tax matters, customer concentration, relationships with suppliers, product liability, capital and liquidity risk, collections from customers, interest rates, distribution agreements, lack of long-term customer sales agreements, dependence on key personnel, and growth challenges.

At this time, the most meaningful risk to the business stems from the lack of appropriate working capital. In recent years, including in the year ended March 31, 2020, the Company had been using its available working capital as a means of financing its ongoing business – or, put another way, some of the historic operating losses were financed by reducing working capital. In so doing, accounts payable levels increased and inventory levels decreased – both of which made it difficult for the business to effectively service its customers.

During the year ended March 31, 2020, certain suppliers began demanding payment with order. This had the effect of reducing cash and increasing prepaid expenses before the Company obtained any inventory. In fact, inventory was being paid for weeks before, rather than weeks after, it was received. This trend has continued into the year ending March 31, 2021 putting the Company at a significant disadvantage relative to its competitors who are able to obtain more favorable credit terms from suppliers. As noted above in the discussion on Revenue, the lower levels of inventory have resulted in short shipments and fines from customers for failing to meet delivery and other commitments.

In the final quarter of the year ended March 31, 2020, the Company completed a private placement which netted approximately \$6.1 million. Unfortunately, this capital raise was not enough given the severity of the situation. Accordingly, on August 20, 2020, the Company announced its plans for another private placement which is intended to more fully resolve its working capital issues. Management believes that with the appropriate level of working capital, it can return the Love Child, Central Roast and Go Veggie brands to historic levels of sales and with the right attention to operations can produce positive EBITDA and free cash flow to help finance the future growth opportunities available to the Company.

## **OUTSTANDING SHARE DATA**

As of March 31, 2020, the Company had 231,333,134 common shares issued and outstanding, no warrants convertible into common shares of the Company and 1,029,376 stock options, convertible into 1,029,376 common shares of the Company. On August 20, 2020, the Company announced its plans to undertake a private placement, which if successful will materially increase the number of common shares outstanding.

## **OUTLOOK**

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

Management believes that there are a number of fundamental trends occurring within both the Global and North American food industries that will continue to support consumer demand for GSB products. Unfortunately, the Company's limited working capital and associated challenges makes it impossible to aggressively pursue opportunities arising from these trends at the present time. However, the Company is not standing still and is taking steps to deal with the current reality and plan for the future.

On April 16, 2020, GSB hired a new CFO with a mandate to strengthen financial operating processes. On July 17, 2020, the Company's CEO and founder left the organization to pursue other opportunities. Shortly thereafter, the Company began a search for a new organizational leader to steer the Company along its new path. The search process is currently on hold until the completion of the Private Placement (announced August 20, 2020). The Board of Directors is optimistic that an appropriate candidate will be identified shortly thereafter.

Finally, the Company has finalized a new credit facility with Pivot Financial Inc. (See Subsequent Events) and has renegotiated the terms of key pieces of its existing lending agreements. Completion of both the Private Placement and these new/revised banking arrangements are expected to put the Company on a more solid financial footing which will allow the entire management

team to focus on operational improvements and, more critically, to re-establish normal business relationships with customers and suppliers.

These financial statements are reporting the results for the year ended March 31, 2020. The Private Placement discussed above is not expected to be completed until sometime during the third quarter ending December 31, 2020. As such, neither of the first two quarters ended June 30, 2020 and ending September 30, 2020 will have had the opportunity to benefit from this Private Placement. Consequently, shareholders should expect results for those quarters to continue to reflect the same negative impacts resulting from the Company's poor working capital position (including lower sales due to customers shortages and fines for failing to meet delivery and other commitments with disappointing bottom line performance) that was the case during the current year.

The Private Placement, if successful, is expected by management to significantly improve the Company's working capital position and allow the business to both service its customers and meet its commitments to suppliers. Management will then be able to focus the organization on generating EBITDA, rebuilding inventory and filling customer orders. The Company believes that in the restructured operating model that now exists, with appropriate levels of working capital, it will be able to generate EBITDA on an ongoing basis and will be operating the business with a view towards optimizing EBITDA versus top line growth.

### **FORWARD-LOOKING STATEMENTS**

Certain statements in this document constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made concerning the Company's objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. . Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements, and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause such differences include the successful completion of the Offering; entering into a definitive agreement with the Lenders; cyclical nature of the construction and agriculture industries; general and market conditions (including equity, commodity, foreign exchange and interest rate); increased funding costs and market volatility due to market illiquidity and competition for funding; operational outcomes (including technology and infrastructure); insurance; environmental conditions; capital adequacy; the general business and economic conditions in the regions in which the Company operates; the ability of the Company to execute on key priorities; the ability to implement business strategies and pursue business opportunities; the failure of third parties to comply with their obligations to the Company or its affiliates; the impact of new and changes to, or application of, current laws and regulations; critical accounting estimates and changes to accounting standards, policies, and methods used by the Company; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; and risks related to COVID-19 including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, nonessential business closures, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, and supply chains, and a deterioration of general economic conditions including a possible national or global recession, and as described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements or levels of dividends and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. . The factors underlying current expectations are dynamic and subject to change. Certain statements included in this press release may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for all purposes. All forward-looking statements in this press release are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this press release, and except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### **ADDITIONAL INFORMATION**

Additional information, including the Company's annual information form, is on SEDAR at [www.sedar.com](http://www.sedar.com).