



GREENSPACE BRANDS INC.

Management's Discussion and Analysis

For the three and nine-month periods ended December 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 three and nine-month periods ended December 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 three-month period ended December 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 condensed interim consolidated financial statements and accompanying notes for the three and nine-month periods ended December 31, 2020 along 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.

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 "**Use of Non-IFRS Measures, Measures of Operating Performance and Reconciliation of Net (Loss) Earnings to Adjusted EBITDA**" for further information.

This MD&A has been prepared as of February 25, 2021.

CORPORATE OVERVIEW

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.

Throughout its history 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. Brands reflected in these condensed interim consolidated financial statements 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

Central Roast began operations in 2011 and was acquired by the Company in two transactions in 2016. 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

Over 30 years ago, Galaxy Nutritional Foods Inc. ("Galaxy") 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. The Company acquired all of the outstanding shares of Galaxy on January 24, 2018. 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 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

Nothing But Nature Inc. ("Nothing But Nature") 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.

CEDAR

The Cold Press Corp. 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.

THIRD QUARTER CONSOLIDATED RESULTS

The following is a table and description of the three and nine-month period ending December 31, 2020 consolidated operational results for the Company's continuing operations.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(expressed in thousands of Canadian dollars)	For the three-month period ended				For the nine-month period ended			
	December 31				December 31			
	2020	2019	Inc/(Dec)	Inc/(Dec)	2020	2019	Inc/(Dec)	Inc/(Dec)
		Reclassified				Reclassified		
	\$	\$	\$	%	\$	\$	\$	%
Gross revenue	6,889	11,285	(4,396)	(39.0%)	24,633	39,239	(14,606)	(37.2%)
Less: rebates and discounts	(1,315)	(1,516)	201	(13.3%)	(4,099)	(5,138)	1,039	(20.2%)
Less: listing fees	-	(120)	120	(100.0%)	(332)	(170)	(162)	95.3%
Net revenue	5,574	9,649	(4,075)	(42.2%)	20,202	33,931	(13,729)	(40.5%)
Cost of goods sold	5,124	6,742	(1,618)	(24.0%)	16,676	25,022	(8,346)	(33.4%)
Gross profit	450	2,907	(2,457)	(84.5%)	3,526	8,909	(5,383)	(60.4%)
Gross profit percentage	8.1%	30.1%			17.5%	26.3%		
Adjusted gross profit¹	450	3,027	(2,577)	(85.1%)	3,858	9,079	(5,221)	(57.5%)
Adjusted gross profit margin	8.1%	31.0%			18.8%	26.6%		
General and administrative	679	224	455	203.1%	1,646	3,956	(2,310)	(58.4%)
Storage and delivery	596	471	125	26.5%	1,990	2,644	(654)	(24.7%)
Salaries and benefits	1,113	1,077	36	3.3%	3,808	3,405	403	11.8%
Advertising and promotion	171	378	(207)	(54.8%)	550	1,058	(508)	(48.0%)
Professional fees	394	194	200	103.1%	1,180	636	544	85.5%
Stock-based compensation	20	21	(1)	(4.8%)	23	60	(37)	(61.7%)
Amortization of intangible assets	168	608	(440)	(72.4%)	506	1,854	(1,348)	(72.7%)
Net loss before underlying items	(2,691)	(66)	(2,625)	3977.3%	(6,177)	(4,704)	(1,473)	31.3%
Interest expense	1,144	592	552	93.2%	2,492	1,933	559	28.9%
Accretion expense	9	-	9		27	14	13	92.9%
Restructuring expense	-	-	-		-	195	(195)	(100.0%)
Other (income) /expense	(204)	(68)	(136)	200.0%	(157)	(94)	(63)	67.0%
Foreign exchange (gain) loss	(418)	(125)	(293)	234.4%	(1,674)	60	(1,734)	(2890.0%)
Net loss before income taxes	(3,222)	(465)	(2,757)	592.9%	(6,865)	(6,812)	(53)	0.8%
Deferred income tax recovery	-	(171)	171	(100.0%)	-	(537)	537	(100.0%)
Net loss from continuing operations	(3,222)	(294)	(2,928)	995.9%	(6,865)	(6,275)	(590)	9.4%
Net loss from discontinued operations	-	-	-		-	357	(357)	(100.0%)
Net loss	(3,222)	(294)	(2,928)	995.9%	(6,865)	(5,918)	(947)	16.0%
EBITDA ¹	(2,423)	749	(3,172)	(423.5%)	(5,345)	(2,570)	(2,775)	108.0%
As a percentage of net revenue	(43.5%)	7.8%			(26.5%)	(7.6%)		
Adjusted EBITDA¹	(2,193)	953	(3,146)	(330.1%)	(3,680)	(947)	(2,733)	288.6%
As a percentage of net revenue, excluding listing fees	(39.3%)	9.8%			(17.9%)	(2.8%)		

¹ 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 condensed consolidated interim 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)

	Three-months ended		Nine-months ended	
	December 31, 2020	December 31, 2019 Reclassified	December 31, 2020	December 31, 2019 Reclassified
	\$	\$	\$	\$
Gross profit	450	2,907	3,526	8,909
Add back non-recurring expenses				
Listing fees	-	120	332	170
Adjusted gross profit	450	3,027	3,858	9,079
Adjusted gross profit margin	8.1%	31.0%	18.8%	26.6%

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:

	Three-months ended		Nine-months ended	
	December 31, 2020	December 31, 2019 Reclassified	December 31, 2020	December 31, 2019 Reclassified
	\$	\$	\$	\$
Net loss from continuing operations for the year	(3,222)	(294)	(6,865)	(6,275)
Interest and accretion expense	1,153	592	2,519	1,947
Depreciation and amortization	268	747	832	2,235
Foreign exchange (gain) loss	(418)	(125)	(1,674)	60
Other income and expense	(204)	-	(157)	-
Deferred income tax recovery	-	(171)	-	(537)
EBITDA	(2,423)	749	(5,345)	(2,570)
Add back non-cash and non-recurring expenses				
Stock based compensation	20	21	23	60
Fines and penalties for shorts	55	240	253	790
Listing fees	-	120	332	170
Restructure expense	-	-	-	195
Professional fees	155	64	644	408
Executive severance	-	-	413	-
Recall expense	-	(241)	-	-
Adjusted EBITDA	(2,193)	953	(3,680)	(947)

Revenue

Gross revenue during the three-month period ended December 31, 2020, decreased 39.0% (\$4.4 million) and net revenue, which is gross revenue less deductions for rebates, discounts, and one-time listing fees, decreased 42.2% (\$4.08 million) as compared to the same three-month period in the prior year. The decrease in revenue was largely attributable to the following:

- a) Working Capital: Management estimates that most of the gross and net sales decline is directly related to a shortage of working capital during the three-month period ended December 31, 2020. Specifically:
 - a. The limited working capital available to the business negatively impacted sales 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 continuing brands; and
 - b. These working capital limitations and the resulting negative impact on customer service led to the decision by a limited number of customers to stop doing business with the Company.
- b) Suspension of the Sales of the Cedar and Life Choices Brands: As part of its restructuring during the year ended March 31, 2020 management decided to suspend sales of the Cedar and Life Choices brands. Taken together, the year-over-year impact of these decisions was to reduce both gross sales and net sales during the three-month period ended December 31, 2020 (as compared to the three-month period ended December 31, 2019) by approximately \$0.41 million and \$0.36 million respectively.

Gross revenue and net revenue during the three-month period ended December 31, 2020, were 93% and 96% respectively of the of the gross and net revenue levels achieved by the Company for the three-month period ended September 31, 2020, reflecting a consistency of performance as measured by revenue.

Management anticipates that the successful private placement of December 23, 2020 which raised net cash of \$7.1 million, will lead to higher levels of inventory and to improved levels of customer service and will provide a starting basis for improved relationships with its suppliers. Management also believes that with demonstrable improvement in customer service, it may be possible to re-engage lost customers, which if achieved, would result in higher levels of gross and net revenue.

Adjusted Gross Profit (see “Use of Non-IFRS Measures, Measures of Operating Performance and Reconciliation of Net (Loss) Earnings to Adjusted EBITDA”)

The Company’s adjusted gross profit margin for the three-month period ended December 31, 2020, declined to 8.1% compared to 31.0% in the same three-month period of the prior year. This decline is largely attributable to the following:

- a) Inventory provisions and write-offs: Inventory charges for provisions and write-offs recorded in cost of goods sold during the three-month period ended December 31, 2020 aggregated to \$1.04 million. This level of expense is not expected to recur going forward.
- b) Increase in Rebates and Discounts: Rebates and discounts have increased from 13.4% of Gross Revenue in the three-month ended December 31, 2019 to 19.1% of Gross Revenue in the three-month ended December 31, 2020. This increase in rebates and discounts is primarily attributable to the Manufacturer Charge Back (“MCBs”) from prior years. Certain large Canadian retailers have adopted a practice of hiring third parties to audit their MCBs related to 2 or 3 years prior. Often, the audits lead to additional deductions by those retailers which may or may not be valid. During the quarter ended December 31, 2020, the Company received and recorded as an expense for such charges from Canadian retailers amounting to \$0.23 million. The Company has yet to receive the particulars related to these charges and therefore has no basis for determining their appropriateness. These MCBs are unrelated to the current period and may, at some point in the future, be recovered depending on the validity of the deduction.

Were it not for these unusual inventory charges and the prior year’ MCBs, adjusted gross margin for the quarter would have been 29.6%, which is largely in line with the adjusted gross margin of the prior year.

Selling, General and Administrative (“SG&A”) Expenses (SG&A is a non-IFRS measure)

Overall, SG&A expenses for the third quarter ended December 31, 2020 were 42.9% of gross revenue compared to 20.8% in the prior year. This increase is attributable to the following:

General and administrative (“G&A”) expenses for the third quarter ended December 31, 2020, increased by 203% and were 9.9% of gross revenue. This increase in G&A expenses of \$0.46 million is primarily driven by the recovery for expected credit losses in the third quarter ended December 31, 2019 (amounting to \$0.46 million). In contrast, the expected credit losses expense in the third quarter ended December 31, 2020 was \$0.02 million.

Storage and delivery expenses for the third quarter ended December 31, 2020 at 8.7% of gross revenue are only marginally unfavourable to the 8.1% of gross revenue achieved for the nine-month period ended December 31, 2020 (2019 – 6.7%). The increase in spending as a percentage of gross revenue during the nine-month period (as compared to the same period in the prior year) is primarily attributable to the impact of the Go Veggie products which 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.

Salaries and benefits expense for the third quarter ended December 31, 2020 have broadly remained consistent with last year increasing marginally by 3.3% or \$0.04 million.

Advertising and promotional expenses for the third quarter period ended December 31, 2020, declined 54.8% and were 2.5% of gross revenue compared to 3.3% in the same quarter period of the prior year. As previously noted, 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 working capital targets are attained and 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 quarter ended December 31, 2020 increased \$0.20 million and 5.7% of gross revenue as compared to 1.7% in the same quarter period of the prior year. This increase is primarily due to (i) \$0.11 million in legal costs associated with negotiation of the Pivot term loan and factoring facility; (ii) \$0.03 million associated with the refinancing of the Company’s debt.

Interest and Accretion Expense

The Company incurred interest and accretion expense of \$1.15 million during the quarter ended December 31, 2020, as compared to \$0.59 million during the same three-month period in the prior year. This increase is primarily attributable to the costs recognised as a result of the share issuance to MW1 LLC amounting to \$0.5 million representing the negotiated cost of extending the MW1 LLC loan amount to September 23, 2021.

Foreign Exchange Gain

During the three-month period ended December 31, 2020 the Company generated a foreign exchange gain of \$0.42 million as compared to \$0.13 million during the same quarter in the prior year which is in large part attributable to the appreciation of the Canadian dollar during the three-month period ended December 31, 2020. This gain is mainly attributable to the USD denominated Galaxy VTB revaluation (estimated at \$0.42 million).

Discontinued Operations

On May 21, 2019, the Company completed the sale of the assets within the Nothing But Nature (“NBN”) business and for the year ended March 31, 2020, the Company accounted for all activities of that business as a discontinued operation.

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

For the third quarter ended December 31, 2020, the Company reported negative Adjusted EBITDA of \$2.2 million compared to Adjusted EBITDA of \$0.95 million in the same period in the prior year.

Looking forward, the overriding consideration and outlook for the business’s revenue improvement revolves around management’s efforts to rebuild inventory levels, regain customer confidence, and restore industry standard supplier payment terms after the successful December 23, 2020 private placement. In addition, as a consequence of restructuring efforts already completed and an increased focus on financial discipline, this anticipated improvement in sales is expected to translate to higher gross profit and with an optimized SG&A infrastructure, translate to improvement in EBITDA for the organization.

CASH FLOWS

Summary Statement of Cash Flows

(thousands of Canadian dollars)

	Nine-months ended December 30	
	2020	2019
		Reclassified
	\$	\$
Cash provided by (used for)		
Operating activities	(2,781)	(6,115)
Investing activities	(226)	(282)
Financing activities	9,345	(1,435)
FX gain on foreign cash and cash equivalents	(89)	(295)
Net increase (decrease) in cash	6,249	(8,127)
Cash - beginning the of the period	-	-
Cash – end of the period	6,249	(8,127)

Cash flow from continuing operations consumed \$2.8 million for the nine-month period ended December 31, 2020 (2019 – \$6.1 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 as well as fines and penalties from customers due to the Company’s inability to meet Customer expectations. As noted in the comments above, management believes that the December 23, 2020 successful private placement and the resulting improvement in inventory levels will directly and positively impact the sales and operating results of the Company.

Cash consumed in continuing investing activities for the nine-month period ended December 31, 2020 was \$0.226 million (2019 - \$0.282 million). This primarily reflects the restricted cash for the cash-backed letter of credit with a key supplier.

Cash flow from continuing financing activities generated \$9.3 million for the nine-month period ended December 31, 2020 primarily on account of (i) successful private placement as on December 23, 2020 generating net cash inflow of \$7.1 million; and (ii) net increase in loans amounting to \$2.1 million which includes capitalised interest and the refinancing completed in the quarter ended September 30, 2020.

LIQUIDITY AND CAPITAL RESOURCES

The Company monitors its capital structure and makes adjustments necessary to meet its objectives having regard for market conditions and for 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 assesses its capital requirements utilizing 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.

Throughout this current fiscal year, it was clear to management 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, and now, into the nine-month period ended December 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, prepaid expenses 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, as a consequence of the Company's failure to pay its bills when due, certain suppliers began demanding payment with order. This had the effect of reducing the Company's cash and increasing its prepaid expenses. In fact, notionally, inventory was being paid for weeks before, rather than weeks after, it was received. This trend continued into the third quarter ended December 31, 2020 (and subsequently, including up to the date of this Management Discussion and Analysis), 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 and General and Administrative expenses, the lower levels of inventory have resulted in short shipments and fines and penalties from customers for failing to meet delivery and other commitments. In certain cases, it also resulted in the loss of customers.

In the final quarter of the year ended March 31, 2020, the Company completed an initial private placement which netted approximately \$6.1 million. 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 was intended to further improve its working capital. On December 23, 2020, the Company raised a net of \$7.1 million in cash through this private placement which has moved the Company closer to its working capital targets. The Company has started using these proceeds to rebuild its inventory through pre-payments to suppliers as well as settling a portion of its past-due payables.

Management believes that with the appropriate level of working capital and continued reevaluation of various operating models for its sourcing and supply chain activities, it can improve its levels of sales and with further improvements to its operations, it can produce positive EBITDA and free cash flow to help finance the future growth opportunities available to the Company.

OFF-BALANCE SHEET ARRANGEMENTS

In October 2016, the Company issued a standby letter of credit for \$0.2 million to one of its Canadian suppliers for extended credit terms. During the three-month period ended September 30, 2020 the stand-by letter of credit was replaced by a \$0.2 million cash-backed letter of credit. During this same three-month period, the Company secured the available credit limit of the corporate credit cards with \$0.022 with cash. The cash associated with the 'cash-backed' letter of credit and the corporate credit cards are recorded on the Condensed Consolidated Interim Statement of Financial Position as restricted cash.

In October 2018, the Company issues a standby letter of credit for \$0.1 million (US\$0.071 million) to the State of Rhode Island department of labour for its social benefits. During the three-month period ending September 30, 2020 this standby letter of credit was returned and cancelled.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company has a lease arrangement for office space with a shareholder of the Company. The Company paid rent of \$0.02 million and \$0.08 million respectively, during the three and nine-month period ended December 31, 2020 (2019 – \$0.03 million and \$0.1 million)

The Company has an outstanding balance of \$nil on December 31, 2020 (March 31, 2020 - \$0.096 million) due to the former CEO related to unpaid compensation, which was included in accounts payable and accrued liabilities.

The Company's former CEO had provided a personal guarantee to the Business Development Bank of Canada ("BDC") for the BDC loan outstanding to the Company. During the three-month period ended September 30, 2020, the BDC loan to which this guarantee related was repaid in full, eliminating this personal guarantee.

On April 30, 2020, the Company's then CEO announced that he was stepping down as the CEO effective July 17, 2020 and as well was stepping down from the Board of Directors effective immediately. Under the terms of the resignation agreement between the Company and this former CEO, the former CEO is entitled to \$0.413 million to be paid over 22 months after the effective date of his separation. This amount was provided for in the first quarter ended June 30, 2020.

Under the terms of employment between the Company and the Executive Chairman and Interim CEO ("Interim CEO"), the Board of Directors agreed to pay the Interim CEO (a) the additional amount of \$0.077 million for the period up to July 17, 2020 where this amount is unpaid and recognized in accounts payable and accrued liabilities. \$0.065 million of this amount was expensed in the first quarter ended June 30, 2020 and the balance of \$0.012 million was expensed in the second quarter ended September 30, 2020; and (b) effective July 17, 2020, the Interim CEO's salary was increased (for the period of time he serves in this

position) where the amount of this increase is also unpaid and recognized in accounts payable and accrued liabilities, which at December 31, 2020 amounted to \$0.09 million. Both amounts set out in (a) and (b) above shall be paid at such time as the Board of Directors deems it appropriate.

Key management includes the Company's directors and officers. For the three and nine-month periods ended December 31, 2020 key management includes the former CEO, the Interim CEO, the CFO, the Controller, the Brand Presidents of Love Child and Go Veggie, the General Manager of Central Roast and the directors (2019 – the former CEO, the Interim CFO for Q1, and the former COO for Q1 and Q2 and the directors). Compensation awarded to key management includes salary, severance, stock-based compensation and director fees. The following table presents key management compensation and includes the effect of the agreement above:

(expressed in thousands of Canadian dollars)

	Three-months ended		Nine-months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Salary and director fees	325	99	1,427	380

SUBSEQUENT EVENTS

MW1 LLC Share Issuance

On January 5, 2021, as required by the VTB Amending Agreement (see note 10(g) of the Condensed Consolidated Interim Financial Statements), the Company issued 2,777,784 common shares to MW1 LLC at \$0.06 per share for a total consideration of \$0.17 million.

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 condensed consolidated interim financial statements, which have been prepared in accordance with IFRS unless otherwise noted.

The preparation of these condensed consolidated interim 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 consistently applied to all the periods presented unless otherwise noted below.

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 its common shares. These risks and uncertainties include: COVID-19, cyclicality, 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.

Currently, the most meaningful risk to the business stems from the historic lack of appropriate working capital and the damage done to relationships with customers and suppliers as a result. In recent years, including in the year ended March 31, 2020 and now, into the nine-month period ended December 31, 2020 (and subsequently, including up to the date of this Management Discussion and Analysis), 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 increased and inventory levels decreased– both of which made it difficult for the business to effectively service its customers or pay its suppliers in agreed upon terms.

During the year ended March 31, 2020, as a consequence of the Company's failure to pay its bills when due, certain suppliers began demanding payment with order. This had the effect of reducing the Company's cash and increasing its prepaid expenses. In fact, by pre-paying for inventory, inventory was being paid for weeks before, rather than weeks after, it was received. This trend has continued into the nine-month period ended December 31, 2020 (and subsequently, including up to the date of this Management Discussion and Analysis) 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 and General and Administrative expenses, the lower levels of inventory have resulted in short shipments and fines from customers for failing to meet delivery and other commitments. In certain cases, it also resulted in the loss of customers.

In the final quarter of the year ended March 31, 2020, the Company completed an initial private placement which netted approximately \$6.1 million. 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 resolve its working capital issues more fully. On December 23, 2020, the Company raised a net of \$7.1 million in cash through this private placement which has gone a long way toward enabling the Company to meet its working capital targets. The Company has started applying these proceeds to rebuilding its inventory through pre-payments to suppliers as well as settling a portion of its past-due payables.

Management believes that with the appropriate level of working capital and continued reevaluation of various operating models for its sourcing and supply chain activities, it can improve its levels of sales and with further improvements to its operations, it can produce positive EBITDA and free cash flow to help finance the future growth opportunities available to the Company.

OUTSTANDING SHARE DATA

As of December 31, 2020, the Company had:

- 393,011,468 common shares issued and outstanding;
- 153,345,000 share purchase warrants convertible into 153,345,000 common shares of the Company (see below);
- 7,084,880 Agent options, convertible into 7,084,880 common shares of the Company (see below); and
- 18,863,694 Compensation Stock Options, convertible into 18,863,694 common shares of the Company.

During the period ended December 31, 2020 the Company closed the private placement financing of 150,000,000 units (the "Units") at a price of \$0.05 per Unit (the "Offering Price") for gross proceeds of \$7.5 million (the "Offering"). The Company intends to use the net proceeds of the Offering for working capital and general corporate purposes.

Each Unit consists of one common share in the capital of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable to acquire one common share at an exercise price of \$0.08 (the "Exercise Price") for a period of 24 months from the closing of the Offering (the "Expiry Date"), subject to acceleration provisions. If at any time between the date that is four months and one day from the closing of the Offering and the Expiry Date, the daily volume weighted average trading price of the common shares on the TSX Venture Exchange is greater than \$0.15 for the preceding ten consecutive trading days, the Company has the option to accelerate the exercise of the Warrants at the Exercise Price by delivering a notice to holders of the Warrants (the "Acceleration Notice"). In such instance, the Warrants will be exercisable only until the 30th day following the delivery of the Acceleration Notice.

The Offering was made through a syndicate of agents led by PI Financial Corp., and including Canaccord Genuity Corp. and Richardson Wealth Limited (collectively, the "Agents"). In connection with the Offering, the Agents received, as compensation: (i) cash commission of \$0.187 million; (ii) an aggregate of 3,345,000 Units (in lieu of cash consideration amounting to \$0.167 million); and (iii) 7,084,880 non-transferrable compensation options exercisable at any time between the date that is four months and one day from the closing of the Offering to 18 months from the closing of the Offering to acquire an aggregate of 7,084,880 common shares at an exercise price of \$0.05. All securities issued or issuable under the Offering will be subject to a statutory hold period lasting four months and one day following the closing of the Offering.

In addition to the cash commission mentioned above, other expenses incurred relating to the issuance of shares amounted to \$0.225 million.

The estimation of Warrants and agent 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 for the valuation of warrants and agent stock options are as follows:

- Warrants are valued using the Binomial Option Pricing Model at the date of the grant. Due to an accelerator attached to the Warrant which is triggered when the weighted average trading price of the common shares on the TSX Venture Exchange is greater than \$0.15 for the preceding ten consecutive trading days, management believes that the Black Scholes Valuation Model would not be the appropriate model for the measurement of the fair value of the Warrants, and that the Binomial Option Pricing Model accurately reflects the fair value of Warrants; and
- Agent options are valued using the Black-Scholes valuation model at the date of the grant.

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. The Company's limited working capital and associated challenges has made 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 July 17, 2020, the Company's CEO and founder left the organization to pursue other opportunities. Following the Company's announcement in on August 20, 2020 with respect to undertaking a private placement, the Board of Directors put its CEO search on hold. With the December 23, 2020 announcement of a successful \$7.5 million private placement, the Board of Directors revived the search for a CEO. The Board of Directors is optimistic that an appropriate candidate will be identified shortly thereafter.

Given that the Private Placement was completed on December 23, 2020 as discussed above, and given the time required to rebuild inventories through the upcoming quarter, it is not expected that the three-month period ending March 31, 2021 will have the opportunity to materially benefit from this Private Placement. Consequently, shareholders should expect results for the three-month period ending March 31, 2021, 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 three-month period ended December 31, 2020.

However, once the working capital situation improves -as is expected- the business will be better positioned to both service its customers and meet its past and ongoing commitments to suppliers. Management will then be able to focus the Company on generating EBITDA, rebuilding inventory, filling customer orders and striving to recover sales losses.

Management believes that with the appropriate level of working capital and continued reevaluation of various operating models for its sourcing and supply chain activities, it can improve its levels of sales and with further improvements to its operations, it can produce positive EBITDA and free cash flow to help finance the future growth opportunities available to the Company.

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.