



**Condensed Consolidated Interim Financial Statements of**

**GREENSPACE BRANDS INC.**

**For the three and six-month periods ended September 30, 2021 and 2020**

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

**GreenSpace Brands Inc**  
**Condensed Consolidated Interim Financial Statements**

**Table of Contents**

*For the three and six-month periods ended September 30, 2021 and 2020*

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Condensed Consolidated Interim Statements of Financial Position	1
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss	2
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	3
Condensed Consolidated Interim Statements of Cash Flows	4
Notes to the Condensed Consolidated Interim Financial Statements	5 – 28

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## Condensed Consolidated Interim Statements of Financial Position

	as at September 30 2021 \$	as at March 31 2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	3,478	4,030
Restricted cash (note 14)	222	222
Accounts receivable, net (note 9)	2,240	2,921
HST receivable	688	457
Prepaid expenses	416	2,277
Inventory, net (note 5)	4,674	4,489
<b>Total current assets</b>	<b>11,718</b>	<b>14,396</b>
Property, plant and equipment, net (note 6)	26	44
Right-of-use assets (note 8)	-	443
Intangible assets, net (note 7)	4,422	4,600
Goodwill (note 7)	2,940	2,940
<b>Total assets</b>	<b>19,106</b>	<b>22,423</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	4,026	6,344
Lease liability - current (note 8)	-	310
Loans payable (note 11)	14,578	15,599
<b>Total current liabilities</b>	<b>18,604</b>	<b>22,253</b>
Lease liability - non-current (note 8)	-	1,010
Loans payable - non-current (note 11)	2,290	1,007
<b>Total liabilities</b>	<b>20,894</b>	<b>24,270</b>
<b>Shareholders' equity</b>		
Share capital (note 12)	91,900	88,703
Contributed surplus	3,311	3,029
Accumulated deficit	(97,137)	(93,725)
Accumulated other comprehensive income	138	146
	(1,788)	(1,847)
<b>Total liabilities and shareholders' equity</b>	<b>19,106</b>	<b>22,423</b>
Commitments and contingencies (note 14)		
Subsequent events (note 23)		

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

### Approved by the Board:

Paul Henderson  
Chairman

Michael LeClair  
Director

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

	Three months ended		Six months ended	
	September 30 2021	September 30 2020 Reclassified (note 21)	September 30 2021	September 30 2020 Reclassified (note 21)
	\$	\$	\$	\$
<b>Gross revenue</b>	<b>4,421</b>	7,382	<b>9,544</b>	17,705
Less: rebates and discounts	(1,021)	(1,560)	(1,733)	(2,935)
Less: listing fees	(15)	(192)	(15)	(332)
<b>Net revenue</b>	<b>3,385</b>	5,630	<b>7,796</b>	14,438
<b>Cost of goods sold</b>	<b>2,691</b>	4,630	<b>6,062</b>	11,531
<b>Gross profit</b>	<b>694</b>	1,000	<b>1,734</b>	2,907
<b>Expenses</b>				
General and administrative (note 6)	(77)	440	29	765
Storage and delivery	432	592	903	1,384
Salaries and benefits (note 13)	832	1,181	1,967	2,691
Advertising and promotion	406	157	530	378
Professional fees	189	665	288	786
Stock-based compensation	49	(3)	102	3
Amortization of intangible assets (note 7)	89	169	178	338
<b>Total expenses</b>	<b>1,920</b>	3,201	<b>3,997</b>	6,345
<b>Loss from operations</b>	<b>(1,226)</b>	(2,201)	<b>(2,263)</b>	(3,438)
Interest expense	954	700	1,532	1,350
Accretion expense (note 11)	74	9	152	18
Foreign exchange (gain) loss	270	(329)	160	(1,257)
Restructuring (gain) loss, net (note 22)	599	-	(558)	-
Other (income) expense	(4)	69	(161)	47
<b>Loss from operations before income taxes</b>	<b>(3,119)</b>	(2,650)	<b>(3,388)</b>	(3,596)
<b>Net loss from continuing operations</b>	<b>(3,119)</b>	(2,650)	<b>(3,388)</b>	(3,596)
Net loss from discontinued operations (note 21)	(10)	(50)	(24)	(47)
<b>Net loss</b>	<b>(3,129)</b>	(2,700)	<b>(3,412)</b>	(3,643)
<b>Other comprehensive income</b>				
Cumulative translation adjustment	45	(74)	(8)	(8)
<b>Total net loss and comprehensive loss</b>	<b>(3,084)</b>	(2,774)	<b>(3,420)</b>	(3,651)
<b>Net loss per share</b>				
Net loss per share - basic and diluted - continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Net loss per share - basic and diluted - Total	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of shares - basic and diluted	450,022,124	231,333,134	447,562,062	231,333,134

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

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

	Share Capital		Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number	Amount				
		\$	\$	\$	\$	\$
Balance, March 31, 2020	231,333,134	78,845	1,988	(72,946)	173	8,060
Stock-based compensation (note 12(b))	-	-	3	-	-	3
Net loss for the period ended	-	-	-	(3,643)	-	(3,643)
Cumulative translation adjustment	-	-	-	-	(8)	(8)
<b>Balance, September 30, 2020</b>	<b>231,333,134</b>	<b>78,845</b>	<b>1,991</b>	<b>(76,589)</b>	<b>165</b>	<b>4,412</b>
Balance, March 31, 2021	445,074,966	88,703	3,029	(93,725)	146	(1,847)
Stock-based compensation	-	-	102	-	-	102
Stock-based compensation in restructuring (note 22)	-	-	32	-	-	32
Share issuance to settle liabilities, net (note 12(a)(ii) and 11(d))	10,806,766	792	-	-	-	792
Share issuance costs (note 12(a)(i))	-	27	-	-	-	27
Share issuance, net (note 12(a)(iii))	47,955,000	2,378	-	-	-	2,378
Warrant issuance (note 12(c))	-	-	148	-	-	148
Net loss for the period ended	-	-	-	(3,412)	-	(3,412)
Cumulative translation adjustment	-	-	-	-	(8)	(8)
<b>Balance, September 30, 2021</b>	<b>503,836,732</b>	<b>91,900</b>	<b>3,311</b>	<b>(97,137)</b>	<b>138</b>	<b>(1,788)</b>

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# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## Condensed Consolidated Interim Statements of Cash Flows

	Six months ended	
	September 30, 2021	September 30, 2020 Reclassified (note 21)
	\$	\$
<b>Cash flow used in operating activities</b>		
Net loss from continuing operations	(3,388)	(3,596)
Items not affecting cash:		
Loss on disposal of property, plant and equipment (note 6)	11	-
Estimated credit losses	(440)	(479)
Gain on the disposal of right of use assets (note 22)	(859)	-
Restructuring gain on sale of property, plant and equipment (note 22)	(384)	-
Depreciation and amortization (note 6, 7 and 8)	243	606
Unrealized foreign exchange (gain) loss	135	(549)
Stock-based compensation	102	3
Stock-based compensation in restructuring (note 22)	32	-
Provision for slow moving and obsolete inventories	96	426
Interest incurred on lease liability (note 8)	33	73
Interest accrued on loans payable (note 11)	673	837
Accretion expense (note 11)	152	18
Shares issued to settle liabilities (note 12)	792	-
Changes in non-cash working capital (note 16)	310	874
<b>Total cash utilized in continuing operating activities</b>	<b>(2,492)</b>	<b>(1,787)</b>
<b>Total cash utilized in discontinued operating activities (note 21)</b>	<b>(182)</b>	<b>(46)</b>
<b>Total cash utilized in operating activities</b>	<b>(2,674)</b>	<b>(1,833)</b>
<b>Cash flow from (used in) investing activities</b>		
Additions to property, plant and equipment (note 6)	(21)	(4)
Proceeds of sales of property, plant and equipment	384	-
<b>Total cash from (utilized) in continuing investing activities</b>	<b>363</b>	<b>(4)</b>
<b>Total cash from investing activities</b>	<b>363</b>	<b>(4)</b>
<b>Cash flow from financing activities</b>		
Repayment of loans payable	(9,166)	(4,045)
Additions to loans payable	8,468	6,560
Recovery of share issuance costs (note 12)	27	-
Proceeds from issuance of shares and warrants, net (note 12)	2,526	-
Lease payments (note 8)	(88)	(174)
<b>Total cash provided by continuing financing activities</b>	<b>1,767</b>	<b>2,341</b>
<b>Total cash provided by financing activities</b>	<b>1,767</b>	<b>2,341</b>
Foreign exchange gain on foreign cash and cash equivalents	(8)	(8)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(552)</b>	<b>496</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>4,030</b>	<b>-</b>
<b>Cash and cash equivalents, end of the period</b>	<b>3,478</b>	<b>496</b>

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

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 1. Nature of Operations and Going Concern

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On April 13, 2015, Aumento Subco, a wholly-owned subsidiary of Aumento Capital IV Corporation (“Aumento” or the “Corporation”) and Life Choices Natural Foods Corp. (“Life Choices”) entered into a definitive agreement (the “Definitive Agreement”). Pursuant to the terms of the Definitive Agreement, on April 30, 2015, Life Choices, Aumento and Aumento Subco completed a three-cornered amalgamation (the “Amalgamation”) whereby Life Choices and Aumento Subco amalgamated to form a new entity named Life Choices Natural Food Corp. (referred to herein as “Amalco”). After the Amalgamation, the property of each of Life Choices and Aumento Subco became the property of Amalco, and Amalco became liable for the obligations of each of Life Choices and Aumento Subco. Amalco continues to carry on the business and operations of Life Choices as a wholly-owned subsidiary of the Corporation.

Prior to closing the Amalgamation, the Corporation’s name was changed to GreenSpace Brands Inc. (“GreenSpace” or the “Company”).

GreenSpace is an organic and natural food company whose principal business is to create, distribute and sell natural food products and brands for sale into the North American natural food marketplace. The Company’s main brands as of September 30, 2021 include, Love Child Organics, Central Roast and Go Veggie.

The Corporation was incorporated under the Ontario Business Corporations Act and domiciled in Ontario, Canada on June 11, 2013.

The head office of the Company is 100 King Street West, Suite 3400, Toronto, Ontario, Canada M5X 1A4.

#### *Going concern*

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

The Company incurred a net loss and comprehensive loss of \$3,084 and \$3,420 for the three and six-month periods ended September 30, 2021 (2020 - \$2,774 and \$3,651), and as of that date, had an accumulated deficit of \$97,137 (March 31, 2021 - \$93,725), and its current liabilities exceeded its current assets by \$6,886 (March 31, 2021 - \$7,857).

Management's current strategy is to grow revenue and at the same time exercise careful cost control and cost reductions to generate profitable operations. In the event that cash flow from operations, together with the proceeds from existing and any future financings are insufficient to cover planned expenditures, management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations. These factors may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the condensed consolidated interim financial statements could be required.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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## 2. Statement of Compliance and Basis of Presentation

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### *Statement of Compliance*

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

The accounting policies referenced below have been applied consistently to all years presented in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 22, 2021.

### *Basis of Presentation*

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

### *Principles of Consolidation*

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Life Choices Natural Food Corp., 1706817 Ontario Ltd., The Everyday Fundraising Group, Grandview Farms Sales Ltd., Love Child (Brands) Inc., GSB Investment Corp., Central Roast Inc., 2047480 Ontario Inc. (formerly known as Nothing But Nature Inc.), GSB Beverage Inc., The Cold Press Corp., Roam Eggs Ltd. (formerly known as Rolling Meadows Dairy Ltd.) and Galaxy Nutritional Foods, Inc. from their respective dates of acquisition. All inter-company balances and transactions have been eliminated.

## 3. Significant Accounting Judgments, Estimates and Assumptions

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

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

### *Determination of share-based payments*

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



# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

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

*Provisions for Inventory:* Management makes estimates of the future customer demand for the Company's products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, the products sold by the Company turn over quickly and inventory on-hand values are lower, thus reducing the risk of material misstatement. Management ensures that systems are in place to highlight and properly value inventory that may be approaching "best before" dates. To the extent that actual losses on inventory differ from those estimated, both inventory and net loss will be affected.

*Intangible assets valuation:* The values associated with intangible assets involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods. The carrying value of intangible assets is reviewed each reporting period to determine whether there is any indication of impairment. The Company assesses impairment by comparing the recoverable amount of an intangible asset with its carrying value. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units ("CGUs"). The recoverable amount is defined as the higher of value in use, or fair value less cost of disposal. The determination of recoverable amount involves management estimates and determination of CGUs.

*Goodwill impairment:* Goodwill is tested for impairment annually or more frequently if there is any indication of impairment. If the carrying amount of a goodwill exceeds its recoverable amount, the goodwill is impaired, and an impairment loss is recognized in the consolidated statement of operations and comprehensive loss. The assessment of fair value requires the use of estimates and assumptions related to future operating performance and discount rates; differences in these estimates and assumptions could have a significant impact on the consolidated financial statements.

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

*Leases:* The Company exercises judgment when contracts are entered into that may give rise to a right-of-use asset that would be accounted for as a lease. Judgment is required in determining the appropriate lease term on a lease-by-lease basis. The Company considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option at inception and over the term of the lease, including investments in major leaseholds, operating performance, and changed circumstances. The periods covered by renewal or termination options are only included in the lease term if the Company is reasonably certain to exercise that option.

The critical assumptions and estimates used in determining the present value of future lease payments require the Company to estimate the incremental borrowing rate. Management determines the incremental borrowing rate on a weighted average basis of the Company's debt structure.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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### 4. Significant Accounting Policies

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The Company's accounting policies as set out in its audited consolidated financial statements for the years ended March 31, 2021 and 2020 have been consistently applied to all the periods presented unless otherwise noted.

### 5. Inventory

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Inventory consists of:

	<b>September 30</b>	March 31
	<b>2021</b>	2021
	\$	\$
Raw materials	<b>357</b>	852
Packaging	<b>1,013</b>	1,321
Finished goods	<b>3,661</b>	2,739
Provision for slow moving and obsolete inventories	<b>(357)</b>	(423)
<b>Total</b>	<b>4,674</b>	4,489

Included in cost of goods sold for the three and six-month periods ended September 30, 2021 is a provision for inventory in continuing operations amounting to \$(50) and \$96 respectively (2020 – \$91 and \$426) and a provision recovery in discontinued operations of \$nil and \$nil respectively (2020 – \$68 and \$128). During the six-month period ended September 30, 2021, within discontinued operations, the Company disposed of \$162 of inventory (2020 - \$nil) which had been fully provided for within the provision for slow moving and obsolete inventories. By doing so, packaging material inventory declined by \$162 which also resulted in a \$162 (2020 - \$nil) reduction in the provision for slow moving and obsolete inventories.

The amount of inventory recognized as an expense in cost of goods sold for continuing operations was \$2,741 and \$5,966 respectively and in discontinued operations was \$nil and \$17 respectively for the three and six-month periods ended September 30, 2021 (2020 - \$4,539 and \$11,105 continuing: \$153 and \$290 discontinued).

The amount of salaries recognized as an expense in cost of goods sold for continuing operations was \$nil and \$25 respectively and in discontinued operations was \$nil and \$nil respectively for the three and six-month periods ended September 30, 2021 (2020 - \$26 and \$84 continuing: \$nil and \$nil discontinued).

## GreenSpace Brands Inc

### Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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## 6. Property, Plant and Equipment

	Furniture and Equipment	Leasehold Improvements	Computer Equipment	Software	Fixture at Customer Locations	Printing and Production Plates	Warehouse Equipment	Design	Total
<b>Cost</b>									
Balance, March 31, 2021	184	411	289	32	210	250	580	37	1,993
Additions	-	-	-	-	1	20	-	-	21
Disposals	(149)	(397)	(65)	(31)	(190)	(190)	(580)	-	(1,602)
<b>Balance, September 30, 2021</b>	<b>35</b>	<b>14</b>	<b>224</b>	<b>1</b>	<b>21</b>	<b>80</b>	<b>-</b>	<b>37</b>	<b>412</b>
<b>Accumulated Depreciation</b>									
Balance, March 31, 2021	164	411	289	31	210	248	559	37	1,949
Additions	7	-	-	-	-	-	21	-	28
Disposals	(139)	(397)	(65)	(30)	(190)	(190)	(580)	-	(1,591)
<b>Balance, September 30, 2021</b>	<b>32</b>	<b>14</b>	<b>224</b>	<b>1</b>	<b>20</b>	<b>58</b>	<b>-</b>	<b>37</b>	<b>386</b>
<b>Net Book Value</b>									
Balance, March 31, 2021	20	-	-	1	-	2	21	-	44
<b>Balance, September 30, 2021</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>26</b>

Depreciation expense charged to the condensed consolidated interim statements of operations and comprehensive loss for the three and six-month periods ended September 30, 2021 was \$23 and \$28 respectively in continuing operations and \$nil and \$nil respectively from discontinued operations (2020 - \$77 and \$157 continuing; \$nil and \$nil discontinued), and is included in general and administrative expenses.

During the three and six-month periods ended September 30, 2021, the Company incurred a loss of \$11 and \$11 respectively (2020 - \$nil and \$nil) on the disposal of property, plant and equipment which is included in general and administrative expenses.

## GreenSpace Brands Inc

### Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 7. Intangible Assets and Goodwill

	Customer Relationships		Brand		Product Recipes		Total		Total
	Love Child (Brands) Inc.	Galaxy Nutritional Foods, Inc.	Love Child (Brands) Inc.	Galaxy Nutritional Foods, Inc.	Love Child (Brands) Inc.	Galaxy Nutritional Foods, Inc.	Love Child (Brands) Inc.	Galaxy Nutritional Foods, Inc.	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>									
Balance, March 31, 2021	1,360	1,850	1,730	502	200	464	3,290	2,816	6,106
<b>Balance, September 30, 2021</b>	<b>1,360</b>	<b>1,850</b>	<b>1,730</b>	<b>502</b>	<b>200</b>	<b>464</b>	<b>3,290</b>	<b>2,816</b>	<b>6,106</b>

### Accumulated Amortization

Balance, March 31, 2021	921	585	-	-	-	-	921	585	1,506
Additions	85	93	-	-	-	-	85	93	178
<b>Balance, September 30, 2021</b>	<b>1,006</b>	<b>678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,006</b>	<b>678</b>	<b>1,684</b>

### Net Book Value

Balance, March 31, 2021	439	1,265	1,730	502	200	464	2,369	2,231	4,600
<b>Balance, September 30, 2021</b>	<b>354</b>	<b>1,172</b>	<b>1,730</b>	<b>502</b>	<b>200</b>	<b>464</b>	<b>2,284</b>	<b>2,138</b>	<b>4,422</b>

Amortization expense charged to the condensed consolidated interim statements of operations and comprehensive loss for the three and six-month periods ended September 30, 2021 was \$89 and \$178 respectively in continuing operations and \$nil and \$nil respectively from discontinued operations (2020 - \$169 and \$338 continuing: \$nil and \$nil discontinued).

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 7. Intangible Assets and Goodwill – Continued

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### Goodwill by Cash Generating Unit:

	September 30, 2021	March 31, 2021
	\$	\$
Love Child (Brands) Inc.	2,940	2,940
Total goodwill	2,940	2,940

## 8. Leases

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

On May 11, 2021 the Company entered into a warehouse lease surrender agreement and exited a long-term lease with an effective surrender and lease exit date of June 30, 2021. As a result, the Company generated a gain of \$859 and recorded it as a restructuring gain during the three-month period ended June 30, 2021 for the disposal of its right-of-use asset and discharge of the associated lease liability (note 22).

The following table reflects the continuity of cost and accumulated depreciation of the Company's right-of-use assets:

<b>Cost</b>	<b>\$</b>
Balance, March 31, 2021	835
Additions	-
Impairment	-
Disposals	(835)
<b>Balance, September 30, 2021</b>	<b>-</b>
<b>Accumulated Depreciation</b>	<b>\$</b>
Balance, March 31, 2021	392
Additions	37
Impairment	-
Disposals	(429)
<b>Balance, September 30, 2021</b>	<b>-</b>
<b>Net Book Value</b>	<b>\$</b>
Balance, March 31, 2021	443
<b>Balance, September 30, 2021</b>	<b>-</b>

The right-of-use amortization term remaining as at September 30, 2021 is nil years.

## GreenSpace Brands Inc

### Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 8. Leases - Continued

Below is a continuity of the lease liabilities for the six-month period ended September 30, 2021:

	\$
Balance, March 31, 2021	1,320
Additions	-
Lease payments	(88)
Interest expense on lease payments	33
Disposals	(1,265)
<b>Balance, September 30, 2021</b>	<b>-</b>

The weighted average incremental borrowing rate is 10.2% as at September 30, 2021. The weighted average lease term remaining as at September 30, 2021 is nil years.

Future cash outflows relating to a renewal option not expected to be exercised amount to \$38. As at September 30, 2021, the Company was continuing its search for new office space (see note 23(c)).

## 9. Accounts Receivable

	September 30, 2021	March 31, 2021
	\$	\$
Trade receivable	792	1,014
Trade receivable subject to factoring arrangement	2,005	3,047
Other receivable	211	93
Expected credit loss (note 17)	(768)	(1,233)
Total accounts receivable, net	2,240	2,921

The carrying amounts of the accounts receivable include receivables which are subject to a factoring agreement (note 11(e)). During the six-month period ended September 30, 2021, within discontinued operations, the Company wrote-off \$25 of accounts receivables (2020 - \$nil) which had been fully provided for within the expected credit loss provision. By doing so, trade receivables declined by \$25 which also resulted in a \$25 (2020 - \$nil) reduction in the expected credit loss provision.

## 10. Accounts Payable and Accrued Liabilities

	September 30, 2021	March 31, 2021
	\$	\$
Trade payables	2,500	4,292
Accrued liabilities	1,491	2,040
Accrued wages and benefits	35	12
Total	4,026	6,344

Accrued liabilities include professional fees accruals.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 11. Loans Payable

	Note Reference	September 30, 2021	March 31, 2021
		\$	\$
Convertible debentures issued to Emblem Corp, maturing August 9, 2023	(a)	1,057	1,008
Primary Capital financing, maturing October 01, 2022	(b)	1,233	1,151
MW1 LLC - Galaxy VTB, maturing September 30, 2022	(c)	9,798	9,102
Pivot Term Loan, maturing September 30, 2022	(d)	3,371	3,363
Pivot Factor Facility, maturing September 30, 2022	(e)	1,409	1,982
		<b>16,868</b>	16,606
Less amounts due within one year		<b>14,578</b>	15,599
Loans payable - non-current		<b>2,290</b>	1,007

#### a) Convertible Debentures

On August 9, 2018, the Company issued \$1,000 in principal amount of unsecured convertible debentures in conjunction with its partnership with Emblem Corp. The debentures, which mature on August 9, 2023, are without interest in the first year of the term and thereafter bears interest at 6% per annum which is due the earlier of interest in the first year of the term and thereafter bears interest at 6% per annum which is due the earlier of conversion date or maturity. The debentures will automatically convert into common shares of the Company upon satisfaction of certain conditions (each, "Milestone" assigned \$500 in principal) at a conversion price equal to the lesser of: (i) \$1.05 and (ii) the twenty (20) day volume-weighted average price of the common shares on the date the applicable Milestone is achieved, provided that the conversion price shall not be less than \$0.94 and that the automatic conversion will be deferred if the market price is less than \$0.752 on the day immediately prior to the date the Milestone is met. Milestone 1 represents commercialization of any cannabis CBD, hemp CBD and hemp non-CBD products. Milestone 2 represents the point in time where the total cumulative sales from the products described in milestone 1 reach \$5,000. The conversion feature was recorded as a derivative liability. As at September 30, 2021 the derivative liability had a fair value of \$nil as measured with the Monte Carlo valuation model assuming: share price 0.065, exercise price \$0.94, risk-free rate of 0.42%, expected life of 1-2 years and a volatility of 36.6% (2020 - \$nil). During the year ended March 31, 2020 it was determined that the Company had a nil% probability of meeting the expected conversion date for Milestone 1 (September 30, 2019) and Milestone 2 (September 30, 2022) reducing the fair value to \$nil. As of September 30, 2021 the Company's expectations of conversion have not changed.

During the three and six-month periods ended September 30, 2021, the Company recorded accretion expense of \$10 and \$19 respectively (2020 - \$9 and \$18) and interest expense of \$15 and \$30 respectively (2020 - \$nil and \$nil), with a corresponding increase in the amount of this convertible debenture.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 11. Loans Payable - Continued

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#### *b) Primary Capital Financing*

On December 24, 2018, the Company entered into a loan agreement with Primary Capital Inc. ("Primary") as administrative and collateral agent for a syndicate of lenders, providing for a \$4,000 term debt facility, comprising an initial principal amount of \$2,000, before transaction costs, and two additional standby tranches of \$1,000 each. In connection with the loan, the Company agreed to issue common shares to the lenders. As of March 31, 2020, the Company had received the initial principal of \$2,000 and two additional draws of \$1,000 each.

The terms of the original loan allowed the Company to prepay at any time at the option of the Company without penalty or premium. The loan carries an initial coupon of 1% per month, increasing to 1.5% per month after six months or if the first \$1,000 on standby was advanced. Once the second \$1,000 was advanced, the interest rate increased to 2% per month. The Loan carried an equity incentive of 346,667 shares to be issued to the lenders upon advance of the initial principal amount, an additional 160,000 shares to be issued to the lenders upon advance of each standby tranche, and 346,666 shares to be issued to the lenders six months after advance of the initial principal amount if any amounts remained outstanding under the loan.

The loan matured on December 24, 2019 and was extended to December 23, 2020 on February 18, 2020. As part of this extension, the holder agreed and converted approximately \$3,563 of debt (\$3,266) and interest (\$297) into equity on March 12, 2020 with 54,821,832 shares issued, leaving approximately \$734 in debt at a 12% coupon rate at March 31, 2020. Under the terms of the extension, the Company may prepay any portion of the debt without notice, penalty or bonus at any time, however, 10% of the debt was due in June 2020 but this payment was not made. Further to a review of the extensions, accrued interest recorded in accounts payable and accrued liabilities has been capitalized to the loan balance such that the loan balance inclusive of capitalized interest was \$964 at June 30, 2020.

On September 18, 2020, the Company entered into an agreement with Primary (the "Primary Amending Agreement") whereby the terms of the Primary loan were amended to extend the maturity date to September 23, 2021 and require a 10% prepayment of the then outstanding indebtedness owing by January 4, 2021. The Primary Amending Agreement further provided that the consideration for these extensions was as follows: (i) the Company shall pay to Primary an extension fee in the amount of \$57 (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 \$19 (which shall be added to the total indebtedness of the Primary loan) in the event that the Company fails to make a 10% prepayment of the outstanding amount of the Primary loan by January 4, 2021; and (iii) at Primary's option, the Company shall pay to Primary an additional extension fee in the amount of \$38 (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.

On September 18, 2020, as required by the Primary Amending Agreement the Company capitalized \$57 to the total indebtedness owed to Primary with a corresponding charge to interest expense.

On January 04, 2021, as required by the Primary Amending Agreement the Company capitalized \$19 to the total indebtedness owed to Primary with a corresponding charge to interest expense.



# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 11. Loans Payable – Continued

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On September 22, 2021, the Company entered into an agreement with Primary (the “2021 Primary Amending Agreement”) whereby the terms of the Primary Amending Agreement were amended to extend the maturity date to be one day following the date on which all obligations are repaid in full to Pivot Financial Inc. In consideration for the extension, the Company has agreed to provide Primary with financial updates, both statutory financial statement updates and performance against plan financial updates, each fiscal quarter. The extension further provides that should the Company not repay the outstanding amount owing to Primary on or before the extended maturity date, the annual interest rate will increase to 18%.

On September 23, 2021, as required by the Primary Amending Agreement the Company capitalized \$38 to the total indebtedness owed to Primary with a corresponding charge to interest expense.

During the three and six-month periods ended September 30, 2021, the Company recorded interest expense of \$3 and \$44 respectively (2020 - \$92 and \$322), with a corresponding increase in the total indebtedness.

c) **MW1 LLC – Galaxy Vendor Take Back (“Galaxy VTB”)**

The Galaxy VTB of \$9,249 (March 31, 2021 - \$9,102) has a total outstanding amount of USD \$7,462 (March 31, 2021 – USD \$7,238) bearing interest at a rate of 8.5% per annum until July 1, 2019 and 12% thereafter. The loan matured on January 24, 2020 and was extended to December 23, 2020. Under the terms of the extension, the Company may prepay any portion of the debt without notice, penalty or bonus, at any time, however, 10% of the debt was due in June 2020 but was not paid.

On September 22, 2020, the Company entered into an agreement with the lender, MW1 LLC (the “VTB Amending Agreement”) which amended the terms of the Galaxy VTB to extend the maturity date to September 23, 2021 and require a 10% prepayment of the then outstanding indebtedness owing by January 4, 2021. In consideration for the extension (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 5, 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.

On October 30, 2020, as required by the VTB Amending Agreement the Company issued 8,333,334 common shares to MW1 LLC at \$0.06 per share for a total consideration of \$500 recorded as interest expense. The fair market value as represented by the closing price of the common shares of the Company on October 30, 2020, was \$0.045 per share for a \$125 gain recorded to other income for the issuance of shares for the modification of the Galaxy VTB.

On January 5, 2021, as required by the VTB Amending Agreement the Company issued 2,777,784 common shares to MW1 LLC at \$0.06 per share for a total consideration of \$167 recorded as interest expense. The fair market value as represented by the closing price of the common shares of the Company on January 5, 2021, was \$0.07 per share for a \$28 loss recorded to other expense on the issuance for shares for the modification of the Galaxy VTB.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 11. Loans Payable - Continued

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On September 09, 2021, the Company entered into an agreement with the lender, MW1 LLC (the “2021 VTB Amending Agreement”) which amended the terms of the VTB Amending Agreement to extend the maturity date to September 30, 2022 and may require prepayment conditions (i) if the September 2021 Private Placement net cash proceeds are in excess of \$2,250, the Company may at MW1 LLC’s option make a prepayment equal to the portion of net cash proceeds received that are in excess of \$2,100 or any lesser agreed upon amount; (ii) on or before February 28, 2022, the Company shall make an additional prepayment equal to the lesser of (a) \$1,500 less the amount of any prepayment made pursuant to (i) above; (b) the amount permitted to be paid pursuant to the subordination agreement with Pivot Financial Inc. If the Company does not prepay, in the aggregate, a minimum of \$1,500, the Company shall pay to MW1 LLC a fee equal to 1%, to be reduced pro rata by amounts prepaid in (i) and (ii) above, and (iii) on or before the earlier of (a) the issuance of the Company’s year ending March 31, 2022 audited financial statements and (b) July 31, 2022, the Company shall make an additional prepayment equal to the lesser of (a) \$1,500 less the amount of any prepayment made pursuant to (i) and (ii) above; (b) the amount permitted to be paid pursuant to the subordination agreement with Pivot Financial Inc. If the Company does not prepay, in the aggregate, a minimum of \$1,500, the Company shall pay to MW1 LLC a fee equal to 1%, to be reduced pro rata by amounts prepaid in (i) and (ii) and (iii).

During the three and six-month periods ended September 30, 2021, the Company recorded interest expense of \$287 and \$561 respectively (2020 - \$292 and \$572), with a corresponding increase in the total indebtedness.

As of September 30, 2021, the Company accrued \$389 as interest expense for 5,555,550 common shares with a fair value of \$0.07 per share that are expected to be issued for the modification of the Galaxy VTB (see note 23(d)).

#### d) Pivot Term Loan

On September 22, 2020, the Company entered into a \$3,500 non-revolving term loan (the “Pivot Term Loan”) facility with Pivot Financial Inc. which was drawn down in full on September 22, 2020. The facility bears interest at 14% per annum, compounded daily and payable monthly with a maturity date of September 22, 2021. The Company incurred \$270 of transaction costs for the issuance of the facility.

Under the terms of the facility, the Company may, at any time before maturity, request an extension from the lender provided that no default or event of default has occurred and is continuing. If an extension is requested, the lender, in its sole discretion, can grant it at an interest rate and duration of their choosing. If extension occurs, the Company will pay the lender 1% (plus HST) of the principal outstanding on or before the extension date. The Company may, after six-months from September 22, 2020, repay to the lender the whole or any part of the outstanding amounts owed (not less than \$50), including interest. If prepayment occurred anytime after six-months but before nine-months from September 22, 2020, the Company would have been required to pay the lender a prepayment fee of 5.0% of the amount being repaid. If prepayment occurred prior to nine-months from September 22, 2020, the Company would have been required to pay the lender a prepayment fee of 2.5% of the amount being repaid. The Pivot Term Loan is secured by substantially all of the assets of the Company, has additional debt restrictions and contains a fixed charge coverage financial covenant of 1:1 which was to be first applied for the Company’s quarter ended December 31, 2020 and builds thereafter each quarter, becoming a rolling 12-month covenant.

On January 7, 2021, the Company entered into an amending agreement with Pivot Financial Inc, whereby the date at which the fixed coverage financial covenant of 1:1 is first applied was modified to the Company’s quarter ending June 30, 2021.

On May 25, 2021, the Company entered into an amending agreement with Pivot Financial Inc whereby the fixed coverage financial covenant of 1:1 was removed.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 11. Loans Payable – Continued

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On September 09, 2021, the Company entered into an agreement with the lender, Pivot Financial Inc (the “Pivot Term Loan Amending Agreement”) which amended the terms of the Pivot Term Loan to extend the maturity date to September 30, 2022 and allow certain prepayments to be made towards MW1 LLC, not to exceed \$1,500, if certain earnings and liquidity milestones are reached based on the Company’s condensed consolidated interim financial statements ending December 31, 2021 and the audited consolidated financial statements for the year ending March 31, 2022. The Pivot Term Loan Amending Agreement also expands the existing credit limit to \$5,000 and requires a Fixed Charge Coverage Ratio of 1:1 as tested at the end of each fiscal quarter, with the first test occurring March 31, 2022. In consideration for the extension the Company incurred \$100 of renewal fees that were settled by a September 28, 2021 issuance of 1,428,572 common shares at an exercise price of \$0.07, incurring \$1 of transaction costs. The fair market value as represented by the closing price of the common shares of the Company on September 28, 2021, was \$0.065 per share for a \$7 gain recorded to other income for the issuance of shares to settle liabilities. In addition to the share consideration mentioned above, other transaction costs incurred relating to the modification of the Pivot Term Loan amounted to \$25.

During the three and six-month periods ended September 30, 2021, the Company released total transaction costs of \$64 and \$133 respectively, recognized as accretion expense (2020 - \$nil and \$nil). During the three and six-month periods ended September 30, 2021, the Company incurred paid interest expense of \$124 and \$246 respectively (2020 - \$12 and \$12).

e) **Pivot Factor Facility**

On September 22, 2020, the Company entered into a factoring facility (the “Pivot Factor Facility”) under which certain accounts receivable may be assigned to the lender for a price consisting of the face value of the account less a fee of 1.0% provided the balance is paid within the first thirty days after it was assigned to the lender. After thirty days the fee increases by 0.033% for each day the account remains outstanding. The specified trade receivables are pledged as security for the arrangement with full recourse against the Company and are subject to a purchase limit of \$4,000, a reserve holdback of 25% and a repurchase requirement for unpaid invoices greater than 90 days.

On May 25, 2021, the Company entered into an amending agreement with Pivot Financial Inc, whereby the purchase limit was increased from \$4,000 to \$5,250 and the repurchase requirement changed from 90 days to 120 days.

On September 09, 2021, the Company entered into an amending agreement with Pivot Financial Inc, whereby the maturity date was extended to September 30, 2022.

During the three and six-month periods ended September 30, 2021, the Company incurred and paid interest expense of \$89 and \$170 respectively (2020 - \$40 and \$40).

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 12. Share Capital

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(a) Authorized: Unlimited number of common shares

	Number	Amount \$
Balance, March 31, 2021	445,074,966	88,703
Share issuance costs	-	27
Share issuance to settle liabilities (note 11(d))	10,806,766	792
Share issuance, net	47,955,000	2,378
<b>Balance, September 30, 2021</b>	<b>503,836,732</b>	<b>91,900</b>

- i) On June 30, 2021 the Company received discounts for historical services rendered from a third-party service provider. Of the discounts received, \$27 relate to costs previously charged to share capital.
- ii) On August 23, 2021, as required by the June 30, 2021 settlement of liabilities agreement, the Company issued 9,378,194 common shares, incurring \$3 of transaction costs, to a third-party service provider to settle \$656 of liabilities. The fair market value as represented by the closing price of the common shares of the Company on August 23, 2021, was \$0.075 per share. The shares had a deemed value of \$0.07 per share for a \$47 loss recorded to other expense and are subject to a four-month plus one day hold period.
- iii) On September 28, 2021, the Company closed a private placement financing of 47,955,000 units at a price of \$0.06 per unit (the "Offering Price") for gross proceeds of \$2,877 (the "Offering"). The Company intends to use the net proceeds of the Offering for working capital, investments in innovation, geographic and channel expansion, and general corporate purposes.

Each unit consists of one common share in the capital of the Company and one-half common share purchase warrant (each whole warrant a "Warrant"). Each Warrant will be exercisable to acquire one common share at an exercise price of \$0.09 (the "Exercise Price") for a period of 24 months from the closing of the Offering (the "Expiry Date"). Each warrant has a relative fair value of \$0.0066 measured using the Black-Scholes pricing model assuming: share price of \$0.065, exercise price of \$0.09, risk-free interest rate of 0.42%, expected life of 1-2 years and volatility of 37.1%.

The Offering was made through lead underwriter PI Financial Corp., and Canaccord Genuity Corp. (collectively, the "Agents"). In connection with the Offering, the Agents received, as compensation: (i) cash commission of \$164; and (iii) 2,728,050 non-transferrable broker warrants 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 2,728,050 common shares. Each broker warrant has a fair value of \$0.0131 as measured using the Black-Scholes pricing model assuming: share price of \$0.065, exercise price of \$0.06, risk-free interest rate of 0.42%, expected life of 1-2 years and volatility of 33.7%. The fair value of the broker warrants was calculated based on the fair value of the equity instruments issued as the value of the services provided could not be reliably measured. 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 \$223.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 12. Share Capital - Continued

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(b) Stock options:

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

Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire one year after termination of employment but only to the extent that such options have vested as at the termination date. During the year ended March 31, 2021, the expiration period was noted to be one year (2020 – 90 days) and as a result 105,793 stock options which were previously deemed to be expired or forfeited have been reinstated.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Company entering into a Qualifying Transaction will be subject to escrow restrictions.

The following table reflects the continuity of stock options:

	Number of Stock Options	Range of Exercise Price (\$)	Weighted Average Exercise Price (\$)
Balance, March 31, 2021	18,706,301	0.05 – 1.34	0.09
Granted	10,600,005	0.06 – 0.07	0.07
Expired	(449,543)	0.27 – 1.34	0.94
Forfeited	(2,684,425)	0.06 – 1.06	0.19
<b>Balance, September 30, 2021</b>	<b>26,172,338</b>	<b>0.05 – 1.34</b>	<b>0.07</b>

On September 15, 2021, the Company issued 10,350,003 incentive stock options to Officers of the Company, convertible to 10,350,003 common shares of the Company at an exercise price of \$0.065 per stock option.

On September 15, 2021, the Company issued a further 250,002 incentive stock options to employees, convertible to 250,002 common shares of the Company at an exercise price of \$0.065 per stock option.

As of September 30, 2021, the Company had 26,172,338 stock options, convertible into 26,172,338 common shares of the Company.

## GreenSpace Brands Inc

### Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 12. Share Capital - Continued

(c) Warrants:

The following table reflects the continuity of warrants:

	Number of warrants	Exercisable warrants	Value \$	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance, March 31, 2021	188,179,880	-	870	0.08	1 - 2
Issued - Investor	23,977,500	174,642,857	115	0.08	1 - 2
Issued - Agent	-	3,345,000	-	0.08	1 - 2
Issued - Broker	2,728,050	10,192,023	33	0.06	1 - 2
<b>Balance, September 30, 2021</b>	<b>214,885,430</b>	<b>188,179,880</b>	<b>1,018</b>	<b>0.08</b>	<b>1 - 2</b>

As of September 30, 2021, the Company had 214,885,430 outstanding warrants convertible into 214,885,430 common shares of the Company.

## 13. Related Party Balances and Transactions

### *Transactions with Related Parties*

- a) The Company leases office space from a shareholder of the Company. The Company paid rent of \$18 and \$36 respectively during the three and six-month periods ended September 30, 2021 (2020 – \$30 and \$60)
- b) Under the terms of employment between the Company and the former Executive Chairman and Interim CEO (“Interim CEO”), the Board of Directors agreed to pay the Interim CEO (i) the additional amount of \$77 for the period up to July 17, 2020 where this amount is unpaid and recognized in accounts payable and accrued liabilities. \$65 of this amount was expensed in the first quarter ended June 30, 2020 and the balance of \$12 was expensed in the second quarter ended September 30, 2020; and (ii) effective July 17, 2020, the Interim CEO’s salary was increased (for the period of time he served in this position) where the amount of this increase is also unpaid and recognized in accounts payable and accrued liabilities, which at March 31, 2021 amounted to \$144. Both amounts set out in (i) and (ii) above shall be paid at such time as the Board of Directors deems it appropriate.

On April 16, 2021 and April 23, 2021, at the instruction of the Board of Directors, the accrued and outstanding payments owed to the Interim CEO, were paid in full.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 13. Related Party Balances and Transactions – Continued

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c) Prior to August 22, 2019, the Company was introduced to Pivot Financial Inc. (“Pivot”) as a potential lender to the Company. At that time, it was made clear to the Company, that the individual who made this introduction would be entitled to a referral fee from Pivot, should the Company use the services of Pivot. Subsequently, that individual became a director of the Company. On September 22, 2020, the Company entered into a lending agreement with Pivot (note 11) and a referral fee in the amount of \$40 was paid to the director by Pivot from the closing fees paid to Pivot by the Company.

d) Key management includes the Company’s directors and officers. For the three and six-month periods ended September 30, 2021 key management includes the CEO, the former Interim CEO, the former CFO, the current CFO, the Brand Presidents of Love Child and Go Veggie, the General Manager of Central Roast, the VP of Sales and the directors (2020 – 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). Compensation awarded to key management includes salary, severance, directors’ fees and share based payments. The following table presents key management compensation and includes the effect of the agreement above:

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Salary, severance and director fees	432	323	737	1,102
Share based compensation	87	1	132	5

### 14. Commitments and Contingencies

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#### *Commitments*

- a) In October 2016, under its former ABL Facility, the Company issued a stand-by letter of credit for \$200 to one of its Canadian suppliers for extended credit terms. During the three-month period ending September 30, 2020 the stand-by letter of credit was replaced by a \$200 cash-backed letter of credit. This \$200 is recorded on the condensed consolidated interim statements of financial position as restricted cash.
- b) During the year ended March 31, 2019, the Company issued convertible debentures and shares of \$1,000 and \$1,000, respectively. As a result, Emblem Corp. will earn a 4% royalty on all hemp-based product sales and a 7% royalty on all cannabidiol (“CBD”) based product sales. The Company has not made any hemp-based product sales or cannabis-based CBD product sales; therefore, no royalties have been paid or accrued as of September 30, 2021 (2020 - \$nil).
- c) In September 2020, the Company secured the available credit limit of the corporate credit cards with \$20 in cash and an additional \$2 in cash for credit reserve against the corporate credit cards. This \$22 is recorded on the condensed consolidated interim statement of financial position as restricted cash.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 14. Commitments and Contingencies - Continued

#### Contingencies

The Company may become involved in certain claims and litigation arising out of the ordinary course and conduct of business where certain claims are made against or by the Company. Management assesses such claims and, if they are considered likely to result in a loss and the amount of loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated or where the litigation may result in a contingent gain.

### 15. Expenses by Nature

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

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		Reclassified (note 21)		Reclassified (note 21)
		\$	\$	\$
Raw materials and consumables used	2,741	4,539	5,966	11,105
Storage and delivery	432	592	903	1,384
Salaries and benefits	832	1,181	1,967	2,691
Advertising and promotion	406	157	530	378
Professional fees	189	665	288	786
Stock-based compensation	49	(3)	102	3
Amortization of intangible assets	89	169	178	338
General and administrative	(77)	440	29	765
Inventory provision (recovery)	(50)	91	96	426
	4,611	7,831	10,059	17,876

The table below summarizes the expenses by nature for discontinued operations (note 21):

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		Reclassified (note 21)		Reclassified (note 21)
		\$	\$	\$
Raw materials and consumables used	-	153	17	290
Storage and delivery	-	4	-	10
Salaries and benefits	-	-	-	4
Advertising and promotion	-	1	-	1
Professional fees	-	-	9	-
General and administrative	-	(23)	-	(90)
Inventory provision (recovery)	-	(68)	-	(128)
	-	67	26	87



# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

### 16. Changes in Non-Cash Working Capital

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

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020 Reclassified (note 21)	September 30, 2021	September 30, 2020 Reclassified (note 21)
	\$	\$	\$	\$
Restricted Cash (note 14 (a) and (c))	-	(222)	-	(222)
HST receivable	(122)	(59)	(212)	(122)
Accounts receivable, net	897	136	1,121	(3)
Prepaid expenses	332	703	1,861	1,364
Inventory	1,365	291	(281)	61
Accounts payable and accrued liabilities	(534)	256	(2,179)	(278)
HST payable	(22)	30	-	74
	<b>1,916</b>	<b>1,135</b>	<b>310</b>	<b>874</b>

The table below summarizes the changes in non-cash working capital for discontinued operations (note 21):

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020 Reclassified (note 21)	September 30, 2021	September 30, 2020 Reclassified (note 21)
	\$	\$	\$	\$
HST receivable	-	(9)	(19)	(21)
Accounts receivable, net	-	22	-	84
Prepaid expenses	-	-	-	4
Inventory	-	(68)	-	(128)
Accounts payable and accrued liabilities	(87)	83	(139)	141
	<b>(87)</b>	<b>28</b>	<b>(158)</b>	<b>80</b>

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 17. Financial Risk Management

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### (a) Concentration Risk

The Company currently has a reliance on a small number of large customers for revenue. Management will continue to monitor this reliance.

For the three and six-month periods ended September 30, 2021, the Company had 1 and nil respectively (2020 – 2 and 2) customers representing over 10% of total revenue for an aggregate of approximately 11% and nil% respectively (2020 – 23% and 23%).

### (b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risk relates to its accounts receivable. The Company's credit risk is reduced by a broad customer base and a review of customer credit profiles. As at September 30, 2021, the Company had an expected credit loss provision of \$768 (March 31, 2021 - \$1,233).

### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing, loans from related parties and loans payable. Significant commitments in years subsequent to September 30, 2021 are as follows:

	Carrying value	Contractual cash flows	Payable in 1 year	2-5 years	Thereafter
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,026	4,026	4,026	-	-
Loans payable	16,868	17,180	14,578	2,602	-
	<b>20,894</b>	<b>21,206</b>	<b>18,604</b>	<b>2,602</b>	-

### (d) Market Risk

#### i. Interest Rate Risk

Interest rate risk was removed because the Company fully repaid the loans payable with variable interest rates in September 2020. The Company's remaining liabilities with fixed rates of interest do not expose the Company to interest rate risk.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 17. Financial Risk Management - Continued

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### ii. Foreign Currency Risk

At September 30, 2021, the Company is exposed to some foreign currency risk as some of its product ingredients are denominated in U.S. dollars and Euros. Additionally, the Galaxy VTB loan and a portion of the Pivot factor facility are USD denominated and the sales by the Company's U.S. subsidiary, Galaxy Nutritional Foods, Inc. are transacted in USD. Accordingly, the Company's results are affected, and may be affected in the future, by exchange rate fluctuations of the U.S. dollar and Euro. Currently the Company manages foreign currency risk by forecasting its requirements and where possible and appropriate, incorporating the forecasted impact of the U.S. and Euro exchange rates fluctuations into customer prices.

A 1% change in the foreign exchange rate would change the foreign exchange gain or loss recorded on the condensed consolidated interim statements of operations and comprehensive loss by \$89 (September 30, 2020 – \$148).

### (e) Emerging Risk

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

## 18. Capital Management

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Management defines capital as the Company's share capital and long-term debt. The Company manages its capital structure and makes adjustments to it, based on the funds available, in order to support its sales, expenses, working capital and any required capital expenditures. The Company is subject to externally imposed capital requirements through the Pivot Term Loan and Pivot Factor Facility (note 11)

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

## GreenSpace Brands Inc

### Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 19. Segmented Information

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

Gross revenue attributed to geographic location for the three and six-month periods ended September 30, 2021 and 2020 are as follows:

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020 Reclassified (note 21)
	\$	\$	\$	\$
Canada	3,142	4,461	6,361	10,247
United States	1,279	2,921	3,183	7,458
	4,421	7,382	9,544	17,705

All of the Company's assets as of September 30, 2021 and March 31, 2021 are located in Canada and the United States, as detailed below:

Current Assets	September 30, 2021	March 31, 2021
	\$	\$
Canada	9,951	11,200
United States	1,767	3,196
	11,718	14,396

  

Long-Term Assets	September 30, 2021	March 31, 2021
	\$	\$
Canada	5,283	5,922
United States	2,105	2,105
	7,388	8,027

## 20. Royalties Income

On January 31, 2019, the Company completed the sale of the Rolling Meadow Dairy brand and business to Organic Meadow Limited Partnership. In addition to the initial sale, the Company is entitled to royalty payments from the sale of Rolling Meadow Dairy products for four years that is subject to a minimum royalty amount of \$110 per year and not to exceed \$1,800 over the four-year term for a non-exclusive license to use the Company's barcode prefix. Royalties are calculated at 3% of sales up to \$5,000 and 8% of sales exceeding \$5,000. During the three and six-month periods ended September 30, 2021 the Company earned royalties of \$44 and \$86 respectively (2020 – \$32 and \$62) that are recorded as other income and expense.

# GreenSpace Brands Inc

## Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 21. Discontinued Operations

On May 21, 2019, the Company completed the sale to Zurban Beverages, of assets within the Nothing But Nature business relating to the Kiju brand of Organic juice and iced tea. As a result of this sale, the Nothing But Nature business is classified as a discontinued operation in accordance with IFRS 5 for the years ended March 31, 2022 and 2021.

In June 2021, the Company has discontinued the operations and disposed of the remaining packaging inventories of the Cold Press Corp business relating to the Cedar brand of cold press juices and kombuchas. As a result of these actions, the Cold Press Corp business is classified as a discontinued operation in accordance with IFRS 5 for the years ended March 31, 2022 and 2021.

Condensed consolidated interim statements of operations and comprehensive loss from discontinued operations for the three and six-month periods ended September 30, 2021 and 2020 are comprised of the following:

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020 Reclassified	September 30, 2021	September 30, 2020 Reclassified
	\$	\$	\$	\$
<b>Gross revenue</b>	—	16	—	39
<b>Net revenue</b>	—	16	—	39
<b>Cost of goods sold</b>	—	85	17	162
<b>Gross profit</b>	—	(69)	(17)	(123)
<b>Expenses</b>				
General and administrative	—	(23)	—	(90)
Storage and delivery	—	4	—	10
Salaries and benefits	—	4	—	4
Advertising and promotion	—	(3)	—	1
Professional fees	9	—	9	—
<b>Total expenses</b>	9	(18)	9	(75)
<b>Loss from discontinued operations</b>	(9)	(51)	(26)	(48)
Interest expense	—	(2)	—	(2)
Foreign exchange (gain) loss	1	1	(2)	1
<b>Gain (Loss) from discontinued operations before income taxes</b>	(10)	(50)	(24)	(47)
<b>Gain (Loss) from discontinued operations</b>	(10)	(50)	(24)	(47)

Cash flows from discontinued operations for the three and six-month periods ended September 30, 2021 and 2020 are comprised of the following:

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020 Reclassified	September 30, 2021	September 30, 2020 Reclassified
	\$	\$	\$	\$
<b>Cash flow provided by discontinued operating activities</b>				
Loss from discontinued operations	(10)	(50)	(24)	(47)
Items not affecting cash:				
Estimated credit losses	—	22	—	91
Provision for slow moving and obsolete inventories	—	(68)	—	(128)
Depreciation and amortization	—	—	—	(42)
Changes in non-cash working capital (note 16)	(87)	28	(158)	80
<b>Total cash provided by discontinued operating activities</b>	(97)	(68)	(182)	(46)
<b>Change in net cash from discontinued operations</b>	(97)	(68)	(182)	(46)

## GreenSpace Brands Inc

### Condensed Consolidated Interim Financial Statements

For the three and six-month periods ended September 30, 2021 and 2020

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

## 22. Restructuring

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On May 12, 2021, the Company announced a restructuring initiative it referred to as Project Fit, designed to reduce costs and enhance shareholder value.

The net restructuring gain consists of:

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Exit of self manufacturing at Central Roast	66	-	(1,091)	-
Reduction of active stock keeping units	260	-	260	-
Reorganizational changes	273	-	273	-
Restructuring (gain) loss, net	599	-	(558)	-

## 23. Subsequent Events

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**a) Pivot Term Loan**

On October 01, 2021, the Company increased the Pivot Term Loan by way of a single drawdown in the amount of \$1,500 (see note 11(d)).

**b) Related Party Debt**

On October 05, 2021, Pender Growth Fund Inc. ("Pender"), a significant shareholder of the Company, announced that it had entered into a purchase and sale agreement to acquire a portion of the Company's debt, resulting in an indirect related party liability through the Company's debt obligations to Primary. On October 08, 2021, Pender completed this purchase and as a result of this transaction, Pender has purchased \$1,031 of assignment rights and interest within the Primary loan (see note 11(b)).

**c) Lease Agreement – Office Space**

On October 06, 2021, the Company entered into a lease agreement for administrative use office space commencing on November 01, 2021 for a 12-month term ending on October 31, 2022 for an annual net rent of \$10. The lease carries with it one 12-month renewal at the Company's option.

**d) MW1 LLC Share Issuance**

On October 18, 2021, as required by the VTB Amending Agreement (see note 11(c)), the Company issued 5,555,550 common shares to MW1 LLC. The fair market value as represented by the closing price of the common shares of the Company on October 18, 2021, was \$0.07 per share for the modification of the Galaxy VTB.

**e) MW1 LLC Prepayment**

On November 01, 2021, as required by the 2021 VTB Amending Agreement (see note 11(c)), the Company remitted an amount equivalent to \$400 converted into \$USD323 for a principal prepayment towards the Galaxy VTB relating to the net cash proceeds option exercised by MW1 LLC.