



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

For the three and nine-month periods ended December 31, 2022 and 2021

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

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GreenSpace Brands Inc

Condensed Consolidated Interim Financial Statements

For the three and nine-month periods ended December 31, 2022 and 2021

(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 December 31 2022 \$	as at March 31 2022 \$
Assets		
Current assets		
Cash	1,098	2,241
Restricted cash (note 14)	222	222
Accounts receivable, net (note 9)	2,565	2,091
HST receivable	180	545
Prepaid expenses	620	556
Inventory, net (note 5)	3,840	3,488
Total current assets	8,525	9,143
Property, plant and equipment, net (note 6)	67	51
Right-of-use assets, net (note 8)	7	14
Intangible assets, net (note 7)	2,071	2,199
Goodwill (note 7)	1,104	1,104
Total assets	11,774	12,511
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	3,242	2,597
Lease liability - current (note 8)	8	9
Loans from related parties (note 13)	1,428	1,093
Loans payable (note 11)	20,080	15,762
Total current liabilities	24,758	19,461
Lease liability - non-current (note 8)	-	5
Loans payable - non-current (note 11)	-	1,174
Total liabilities	24,758	20,640
Shareholders' equity		
Share capital (note 12)	92,286	92,286
Contributed surplus	3,487	3,427
Accumulated deficit	(108,945)	(103,945)
Accumulated other comprehensive income	188	103
Total liabilities and shareholders' equity	11,774	12,511

Commitments and contingencies (note 14)

Discontinued operations (note 23)

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

Approved by the Board:

Paul Henderson
Director

Michael LeClair
Director

GreenSpace Brands Inc

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Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

	Three months ended		Nine months ended	
	December 31	December 31	December 31	December 31
	2022	2021	2022	2021
	\$	\$	\$	\$
Gross revenue	5,387	4,661	15,682	14,205
Less: rebates and discounts	(1,077)	(978)	(3,153)	(2,711)
Less: listing fees	(94)	-	(180)	(15)
Net revenue	4,216	3,683	12,349	11,479
Cost of goods sold	3,343	2,863	9,747	9,354
Gross profit	873	820	2,602	2,125
Expenses				
General and administrative	160	80	546	109
Storage and delivery	389	506	1,424	1,409
Salaries and benefits	699	840	2,124	2,807
Advertising and promotion	39	26	193	167
Professional fees	197	159	467	447
Stock-based compensation	(53)	93	60	195
Amortization of intangible assets (note 7)	43	88	128	266
Total expenses	1,474	1,792	4,942	5,400
Loss from operations	(601)	(972)	(2,340)	(3,275)
Interest expense (note 11)	702	598	2,101	2,130
Accretion expense (note 11)	200	40	758	192
Foreign exchange (gain) loss	(115)	(65)	907	95
Restructuring (gain) loss, net (note 22)	-	26	(9)	(572)
Other income (note 21)	(108)	6	(1,098)	(155)
Loss from operations before income taxes	(1,280)	(1,577)	(4,999)	(4,965)
Net loss from continuing operations	(1,280)	(1,577)	(4,999)	(4,965)
Net income (loss) from discontinued operations (note 23)	-	35	(1)	11
Net loss	(1,280)	(1,542)	(5,000)	(4,954)
Other comprehensive income				
Cumulative translation adjustment	(15)	(2)	85	(10)
Total net loss and comprehensive loss	(1,295)	(1,544)	(4,915)	(4,964)
Net loss per share				
Net loss per share - basic and diluted - continuing operations	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Net loss per share - basic and diluted - Total	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares - basic and diluted	509,392,282	508,305,327	509,392,282	467,883,445

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

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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, 2021	445,074,966	88,703	3,029	(93,725)	146	(1,847)
Stock-based compensation	-	-	195	-	-	195
Stock-based compensation in restructuring (note 22)	-	-	(15)	-	-	(15)
Share issuance to settle liabilities, net (note 12(a)(ii) and 11(c) and (d))	16,362,316	1,181	-	-	-	1,181
Share issuance costs (note 12(a)(i))	-	27	-	-	-	27
Share issuance, net (note 12(a)(iii))	47,955,000	2,375	-	-	-	2,375
Warrant issuance (note 12(c))	-	-	148	-	-	148
Net loss for the period	-	-	-	(4,954)	-	(4,954)
Cumulative translation adjustment	-	-	-	-	(10)	(10)
Balance, December 31, 2021	509,392,282	92,286	3,357	(98,679)	136	(2,900)
Balance, March 31, 2022	509,392,282	92,286	3,427	(103,945)	103	(8,129)
Stock-based compensation	-	-	60	-	-	60
Net loss for the period	-	-	-	(5,000)	-	(5,000)
Cumulative translation adjustment	-	-	-	-	85	85
Balance, December 31, 2022	509,392,282	92,286	3,487	(108,945)	188	(12,984)

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For the three and nine-month periods ended December 31, 2022 and 2021

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Condensed Consolidated Interim Statements of Cash Flows

	Nine months ended	
	December 31, 2022	December 31, 2021
	\$	\$
Cash flow used in operating activities		
Net loss from continuing operations	(4,999)	(4,965)
Items not affecting cash:		
Loss on disposal of property, plant and equipment (note 6)	-	13
Decrease in the provision for estimated credit losses (note 9)	(27)	(536)
Restructuring gain on the disposal of right of use assets	-	(859)
Restructuring gain on sale of property, plant and equipment	-	(384)
Depreciation and amortization (note 6, 7 and 8)	145	334
Unrealized foreign exchange loss on loans payable	846	78
Stock-based compensation	60	195
Stock-based compensation recovery in restructuring (note 22)	-	(15)
Gain on loan modification (note 11)	(802)	-
Increase in the provision for slow moving and obsolete inventories (note 5)	188	(105)
Interest incurred on lease liability (note 8)	1	34
Interest accrued on related party loans (note 13)	108	31
Interest accrued on loans payable (note 11)	1,271	977
Accretion expense (note 11)	758	192
Finance fees (note 11)	(106)	-
Gain (loss) on shares issued to settle liabilities (note 12)	-	1,181
Changes in non-cash working capital (note 16)	(58)	(464)
Total cash utilized in continuing operating activities	(2,615)	(4,293)
Total cash from (utilized) in discontinued operating activities (note 23)	16	(256)
Total cash utilized in operating activities	(2,599)	(4,549)
Cash flow from (used in) investing activities		
Additions to property, plant and equipment (note 6)	(26)	(21)
Proceeds of sales of property, plant and equipment	-	384
Total cash from (utilized) in continuing investing activities	(26)	363
Total cash from (utilized) in investing activities	(26)	363
Cash flow from financing activities		
Repayment of loans payable (note 11)	(14,254)	(13,315)
Additions to loans payable (note 11)	15,658	13,976
Share issuance costs - loans payable (note 11)	-	27
Proceeds from issuance of shares and warrants, net (note 12)	-	2,523
Lease payments (note 8)	(7)	(90)
Total cash provided by continuing financing activities	1,397	3,121
Total cash provided by financing activities	1,397	3,121
Foreign exchange loss (gain) on foreign cash and cash equivalents	85	(10)
Decrease in cash and cash equivalents	(1,143)	(1,075)
Cash and cash equivalents, beginning of the period	2,241	4,030
Cash and cash equivalents, end of the period	1,098	2,955

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1. Nature of Operations and Going Concern

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

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

GreenSpace is an organic and natural food company whose principal business is to create, distribute and sell natural food products and brands into the North American natural food marketplace. The Company’s main brands as of December 31, 2022 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 2087 Dundas Street East, Suite 106, Mississauga, Ontario, Canada L4X 2V7.

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 \$1,295 and \$4,915 for the three and nine-month periods ended December 31, 2022 (2021 – \$1,544 and \$4,964), and as of that date, had an accumulated deficit of \$108,945 (March 31, 2022 – \$103,945), and its current liabilities exceeded its current assets by \$16,233 (March 31, 2022 – \$10,318).

Industry-wide supply chain disruptions have compounded the complexity of capital planning, further impacting customer orders and the Company’s ability to accurately forecast performance, results and cash position. For much of the current fiscal year the Company has been reviewing strategic alternatives to enhance shareholder value and generate cash for the business. Recent operating performance has been lagging expectations and, as a result, the Company has been experiencing a greater than anticipated deterioration of its cash position and associated liquidity. The share trading price has deteriorated, which limits the Company’s ability to raise funds in the capital markets, and current operating leverage has increased. All these factors, taken together, may limit the Company’s ability to access new capital needed to improve its liquidity position and fund its operations going forward. The Company’s ability to realize its assets and discharge its liabilities is dependent upon its ability to continually refinance current obligations and/or raise additional financing and, ultimately, achieve profitable operations.

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1. Nature of Operations and Going Concern - Continued

Management is continuing to carefully monitor its cash position. One of the lenders, Pivot Financial I Limited Partnership, requires (note 11 (d)) a minimum cash balance of \$500 be maintained at all times. While the strategic review has identified a number of opportunities to generate cash, none have been finalized at this time. Management has continued to generate new revenue opportunities and make operating improvements, but these initiatives have not yet sufficiently reduced the cash required to fund current operations. As a result, existing cash balances have been declining. Management's most recent cash flow forecast indicates that, unless the strategic review can generate cash in the near-term and assuming the basis for its cash flow forecast assumptions do not change, the Company will breach the minimum cash balance requirement by mid-March to early April 2023. Management is keeping the lender apprised of this situation and continues to pursue opportunities through its strategic review process. Most existing loans mature June 30, 2023. No renewal discussions have taken place.

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.

2. Statement of Compliance and Basis of Presentation

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 set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 28, 2023.

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., Tend Botanicals Inc., 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.

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3. Significant Accounting Judgments, Estimates and Assumptions

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:

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 condensed consolidated interim 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.

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 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.

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.

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3. Significant Accounting Judgments, Estimates and Assumptions - Continued

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 costs of disposal. The determination of recoverable amount involves management estimates and determination of CGUs.

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.

4. Significant Accounting Policies

The Company's accounting policies as set out in its audited financial statements for the years ended March 31, 2022 and 2021 have been consistently applied to all periods presented unless otherwise noted.

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5. Inventory

Inventory consists of:

	December 31	March 31
	2022	2022
	\$	\$
Raw materials	499	355
Packaging	994	1,413
Finished goods	2,423	1,944
Provision for slow moving and obsolete inventories	(76)	(224)
Total	3,840	3,488

Included in cost of goods sold from continuing operations for the three and nine-month periods ended December 31, 2022 is a provision (recovery) for slow moving and obsolete inventories of \$75 and \$188 respectively (2021 – (\$1) and \$524). During the three and nine-month periods ended December 31, 2022, within continuing operations, the Company disposed of \$52 and \$336 respectively of inventory (2021 – \$200 and \$629) which had been fully provided for within the provision for slow moving and obsolete inventories and, within discontinued operations, disposed of \$nil and \$nil respectively of inventory (2021 – \$nil and \$162) which had been fully provided for within the provision for slow moving and obsolete inventories. By doing so, during the nine-month period ended December 31, 2022 inventory declined by \$336 (2021 – \$791) which also resulted in a \$336 (2021 – \$791) 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 \$3,268 and \$9,559 respectively (2021 – \$2,864 and \$8,830) and in discontinued operations was \$nil and \$nil respectively for the three and nine-month periods ended December 31, 2022 (2021 – (\$36) and (\$19)).

The amount of salaries recognized as an expense in cost of goods sold for continuing operations was \$nil and \$nil respectively for the three and nine-month periods ended December 31, 2022 (2021 – \$8 and \$33).

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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	Design	Total
Cost								
Balance, March 31, 2022	35	14	224	1	49	82	37	442
Additions	-	-	-	-	13	13	-	26
Balance, December 31, 2022	35	14	224	1	62	95	37	468
Accumulated Depreciation								
Balance, March 31, 2022	34	14	224	1	21	60	37	391
Additions	1	-	-	-	6	3	-	10
Balance, December 31, 2022	35	14	224	1	27	63	37	401
Net Book Value								
Balance, March 31, 2022	1	-	-	-	28	22	-	51
Balance, December 31, 2022	-	-	-	-	35	32	-	67

Depreciation expense charged to the condensed consolidated interim statements of operations and comprehensive loss for the three and nine-month periods ended December 31, 2022 was \$3 and \$10 in continuing operations (2021 – \$2 and \$30), and is included in general and administrative expenses.

During the three and nine-month periods ended December 31, 2022, the Company incurred a loss of \$nil and \$nil respectively (2021 – \$2 and \$13) on the disposal of property, plant and equipment which is included in general and administrative expenses.

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7. Intangible Assets and Goodwill

	Customer Relationships	Brand	Product Recipes	Total	
	Love Child (Brands) Inc.	Love Child (Brands) Inc.	Love Child (Brands) Inc.	Love Child (Brands) Inc.	Consolidated
	\$	\$	\$	\$	\$
Cost					
Balance, March 31, 2022	1,360	1,730	200	3,290	3,290
Balance, December 31, 2022	1,360	1,730	200	3,290	3,290

Accumulated Amortization

Balance, March 31, 2022	1,091	-	-	1,091	1,091
Additions	128	-	-	128	128
Balance, December 31, 2022	1,219	-	-	1,219	1,219

Net Book Value

Balance, March 31, 2022	269	1,730	200	2,199	2,199
Balance, December 31, 2022	141	1,730	200	2,071	2,071

Amortization expense charged to the condensed consolidated interim statements of operations and comprehensive loss for the three and nine-month periods ended December 31, 2022 was \$43 and \$128 in continuing operations (2021 – \$88 and \$266).

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7. Intangible Assets and Goodwill – Continued

Goodwill by Cash Generating Unit:

	December 31, 2022	March 31, 2022
	\$	\$
Love Child (Brands) Inc.	1,104	1,104
Total goodwill	1,104	1,104

8. Leases

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

Cost	\$
Balance, March 31, 2022	17
Balance, December 31, 2022	17
Accumulated Depreciation	\$
Balance, March 31, 2022	3
Additions	7
Balance, December 31, 2022	10
Net Book Value	\$
Balance, March 31, 2022	14
Balance, December 31, 2022	7

The right-of-use amortization term remaining as at December 31 2022 is 0-1 years.

Below is a continuity of the lease liabilities for the nine-month period ended December 31, 2022:

	\$
Balance, March 31, 2022	14
Lease payments	(7)
Interest expense on lease payments	1
Balance, December 31, 2022	8

The weighted average incremental borrowing rate is 11.5% as at December 31, 2022. The weighted average lease term remaining as at December 31, 2022 is 0-1 years.

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9. Accounts Receivable

	December 31, 2022	March 31, 2022
	\$	\$
Trade receivable	807	967
Trade receivable subject to factoring arrangement	2,196	1,639
Other receivable	127	77
Expected credit loss (note 17)	(565)	(592)
Total accounts receivable, net	2,565	2,091

The carrying amounts of the accounts receivable include receivables which are subject to a factoring agreement (note 11(e)). Included in general and administrative expenses for the three and nine-month periods ended December 31, 2022 is a charge to (recovery of) expected credit losses from continuing operations of \$8 and (\$27) respectively (2021 – (\$96) and (\$536)). During the three and nine-month periods ended December 31, 2022, within discontinued operations, the Company wrote-off \$nil and \$nil respectively of accounts receivables (2021 – \$nil and \$25) which had been fully provided for within the expected credit loss provision. By doing so, trade receivables declined by \$nil (2021 – \$25) which also resulted in a \$nil (2021 – \$25) reduction in the expected credit loss provision.

10. Accounts Payable and Accrued Liabilities

	December 31, 2022	March 31, 2022
	\$	\$
Trade payables	2,369	1,539
Accrued liabilities	793	1,021
Accrued wages and benefits	80	37
Total	3,242	2,597

Accrued liabilities include accruals for professional fees.

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11. Loans Payable

	Note Reference	December 31, 2022	March 31, 2022
		\$	\$
Convertible debentures issued to Emblem Corp, maturing August 9, 2023	(a)	1,174	1,174
Primary Capital financing, maturing July 1, 2023	(b)	-	214
MW1 LLC - Galaxy VTB, maturing June 30, 2023	(c)	11,347	9,408
Pivot Term Loan, maturing June 30, 2023	(d)	5,948	4,933
Pivot Factor Facility, maturing June 30, 2023	(e)	1,611	1,207
		20,080	16,936
Less amounts due within one year		20,080	15,762
Loans payable - non-current		-	1,174

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, were without interest in the first year of the term and thereafter bear 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 March 31, 2022 the derivative liability had a fair value of \$nil as measured with the Monte Carlo valuation model assuming: share price 0.045, exercise price \$0.94, risk-free rate of 1.49%, expected life of 1-2 years and a volatility of 26.9% (2021 – \$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 December 31, 2022 the Company's expectations of conversion have not changed.

During the three and nine-month periods ended December 31, 2022, the Company recorded accretion expense/(recovery) of (\$69) and (\$45) respectively (2021 – \$9 and \$28) and interest expense of \$15 and \$45 respectively (2021 – \$15 and \$45), with a corresponding increase in the amount of this convertible debenture.

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11. Loans Payable - Continued

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 4, 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.

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11. Loans Payable – Continued

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 I Limited Partnership (formerly 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.

On October 8, 2021, Pender Growth Fund Inc. (“Pender”), a significant shareholder acquired a portion of the Primary loan. As a result of this transaction, Pender purchased \$1,031 of assignment rights and interest within the Primary loan which has been reclassified as a loan from a related party (note 13(a)).

On September 29, 2022, Shawn Warren, President and CEO of the Company acquired a portion of the Primary loan. As a result of this transaction, Shawn Warren purchased \$227 of assignment rights and interest within the Primary loan which has been reclassified as a loan from a related party (note 13(b)). With the completion of this transaction, 100% of the outstanding Primary loan is owned by related parties.

During the three and nine-month periods ended December 31, 2022, the Company recorded interest expense of \$nil and \$13 respectively (2021 – \$44 and \$88), with a corresponding increase in the total indebtedness under this facility.

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

The Galaxy VTB of \$11,338 (March 31, 2022 - \$9,408), has a total outstanding amount of USD \$8,783 (March 31, 2022 – USD \$7,867) 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 issued 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, resulting in a \$125 gain which was recorded as other income for the issuance of shares for the modification of the Galaxy VTB.

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11. Loans Payable - Continued

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, resulting in a \$28 loss which was recorded to other expense on the issuance for shares for the modification of the Galaxy VTB.

On September 9, 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 net cash proceeds of the Company’s September 28, 2021 private placement 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; and (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% of the then outstanding loan balance to MW1 LLC, 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; and (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% of the then outstanding loan balance to MW1 LLC, to be reduced pro rata by amounts prepaid in (i) and (ii) and (iii). At March 31, 2022, this loan modification resulted in a foreign exchange gain of \$1,223, accretion expense of \$1,121, interest expense of \$14 and a gain on modification of \$335.

On October 18, 2021, as required by the VTB Amending Agreement the Company issued 5,555,550 common shares to MW1 LLC at \$0.06 per share for a total consideration of \$333, which was recorded as interest expense. 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, resulting in a \$56 loss, which was recorded to other expense on the issuance for shares for the modification of the Galaxy VTB.

On November 1, 2021, as required by the 2021 VTB Amending Agreement the Company remitted an amount equivalent to \$400 converted into USD \$323 for a principal prepayment towards the Galaxy VTB relating to the net cash proceeds option exercised by MW1 LLC.

On September 27, 2022, the Company entered into an agreement with the lender, MW1 LLC (the “2022 VTB Amending Agreement”) which amended the terms of the 2021 VTB Amending Agreement to extend the maturity date to June 30, 2023. In consideration for the extension, the Company has agreed to a 1% fee, included in interest expense, to be settled by an increase to the total indebtedness and applied to the total indebtedness owed to MW1 LLC on each of the following dates: (i) September 30, 2022, (ii) December 31, 2022, and (iii) March 31, 2023. As a result of the amendment, the Company recognized a loan modification gain of \$802 and is included in other income. Absent further modification, the Company will offset this \$802 loan modification gain with the recognition of accretion expense over the remaining term of the loan.

During the three and nine-month periods ended December 31, 2022, the Company recorded accretion expense of \$244 and \$682 respectively (2021 – \$nil and \$nil) and interest expense of \$433 and \$1,213 respectively (2021 – \$283 and \$844) with a corresponding increase in the total indebtedness under this facility.

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11. Loans Payable – Continued

During the three-month period ended December 31, 2021, the Company recorded an accrued liability of \$72 as interest expense to represent the fee for not prepaying the aggregate \$1,500 required in the 2021 VTB Amending Agreement.

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 ended 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.

On September 9, 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 were reached based on the Company’s condensed consolidated interim financial statements for the three-month period ended December 31, 2021 and the audited consolidated financial statements for the three-month period 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 (on a building basis), with the first test occurring March 31, 2022 and leading to a six-month trailing test occurring June 30, 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.

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11. Loans Payable – Continued

On October 1, 2021, the Company increased the Pivot Term Loan to reach the expanded \$5,000 credit limit by way of a single drawdown in the amount of \$1,500.

On June 6, 2022, the Company entered into an amending agreement with Pivot Financial Inc. where the fixed coverage financial covenant of 1:1 was removed. In consideration for the amendment the Company incurred transaction costs of \$30 which were paid on June 7, 2022 and will be amortized to accretion expense over the remaining term of the loan at the effective interest rate.

On September 27, 2022, the Company entered into an amending agreement with Pivot Financial I Limited Partnership (formerly Pivot Financial Inc.) (the “2022 Pivot Term Loan Amending Agreement”) which amended the terms of the Pivot Term Loan Amending Agreement to extend the maturity date to June 30, 2023. The 2022 Pivot Term Loan Amending Agreement also expands the existing credit facility to \$6,000 and requires a minimum cash balance of \$500 be maintained at all times. In consideration for the extension, the Company incurred transaction costs of \$76, including \$60 paid in cash for renewal fees to Pivot Financial I Limited Partnership, which will be amortized to accretion expense over the remaining term of the loan at the effective interest rate.

On September 28, 2022, the Company increased the Pivot Term Loan to reach the expanded \$6,000 credit limit by way of a single drawdown in the amount of \$1,000. This \$1,000 increase in the Pivot Term Loan may be required to be repaid before June 30, 2023, depending on the outcome of the Company’s ongoing strategic review.

If the Company is not in compliance with the financial covenant with respect to the Pivot Term Loan, then the Company will be required to obtain a waiver from Pivot for its non-compliance. Given the circumstances described in note 1, there is no guarantee that such waivers will be granted and there can be no assurance all covenants under the Pivot Term Loan can be met or necessary waivers obtained in the future.

During the three and nine-month periods ended December 31, 2022, the Company released total transaction costs of \$25 and \$121 respectively, recognized as accretion expense (2021 – \$31 and \$164).

During the three and nine-month periods ended December 31, 2022, the Company incurred and paid interest expense of \$212 and \$563 respectively (2021 – \$176 and \$422).

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11. Loans Payable – Continued

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 9, 2021, the Company entered into an amending agreement with Pivot Financial Inc, whereby the maturity date was extended to September 30, 2022.

On September 27, 2022, the Company entered into an amending agreement with Pivot Financial I Limited Partnership (formerly Pivot Financial Inc.), whereby the maturity date was extended to June 30, 2023.

During the three and nine-month periods ended December 31, 2022, the Company incurred and paid interest expense of \$68 and \$209 respectively (2021 – \$66 and \$236).

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12. Share Capital

(a) Authorized: Unlimited number of common shares

	Number	Amount \$
Balance, March 31, 2022	509,392,282	92,286
Balance, December 31, 2022	509,392,282	92,286

- 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 were 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 (ii) 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 were 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.

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12. Share Capital - Continued

(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 of the Company. 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.

Upon death, the vested 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	Remaining Contractual Life (years)	Range of Exercise Price (\$)	Weighted Average Exercise Price (\$)
Balance, March 31, 2022	24,389,116	9.00	0.06 – 1.34	0.07
Expired	(5,199,352)	8.29	0.06 – 1.06	0.07
Forfeited	(5,559,334)	8.68	0.06 – 0.94	0.07
Balance, December 31, 2022	13,630,430	8.06	0.06 – 1.27	0.07

As of December 31, 2022, the Company had 13,630,430 stock options outstanding, convertible into 13,630,430 common shares of the Company.

(c) Warrants:

The following table reflects the continuity of warrants:

	Number of issued and outstanding warrants	Exercisable warrants	Value \$	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Life (years)
Balance, March 31, 2022	214,885,430	214,885,430	1,018	0.08	0 - 2
Expired - Investor	(150,000,000)	(150,000,000)	-	0.08	-
Expired - Agent	(3,345,000)	(3,345,000)	-	0.08	-
Expired - Broker	(10,192,023)	(10,192,023)	-	0.06	-
Balance, December 31, 2022	51,348,407	51,348,407	1,018	0.09	0 - 1

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12. Share Capital - Continued

When there are acceleration provisions attached to the warrant that are triggered when the weighted average trading price of the common shares on the TSX Venture Exchange exceeds a certain price for a prescribed number of consecutive trading days, management believes that the Binomial Option pricing model is the appropriate model for the measurement of the fair value of the warrants.

When there are no acceleration provisions attached to the warrant, management believes that the Black-Scholes pricing model is the appropriate model for the measurement of the fair value of the warrants.

As of December 31, 2022, the Company had 51,348,407 outstanding warrants convertible into 51,348,407 common shares of the Company.

13. Related Party Balances and Transactions

The following table summarizes the loans from related parties for the nine-month period ended December 31, 2022:

	Note Reference	December 31, 2022	March 31, 2022
		\$	\$
Pender	(a)	1,194	1,093
Shawn Warren	(b)	234	-
Loans from related parties		1,428	1,093
Less current portion		1,428	1,093
Loans from related parties - non-current		-	-

	Pender (a) \$	Shawn Warren (b) \$	Total \$
Balance, March 31, 2022	1,093	-	1,093
Additions from loans payable (note 11(b))	-	227	227
Interest	101	7	108
Balance, December 31, 2022	1,194	234	1,428

- a) On October 8, 2021, Pender, a significant shareholder, acquired a portion of the Company's debt obligation to Primary Capital Inc. As of December 31, 2022, this obligation is payable on or before July 1, 2023. (See note 11(b)) As a result of this transaction, \$1,031 was reclassified as a loan from a related party with the corresponding amount removed from loans payable.

During the three and nine-month periods ended December 31, 2022, the Company recorded interest expense of \$35 and \$101 respectively (2021 – \$31 and \$31), with a corresponding increase in the amount of this related party loan.

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13. Related Party Balances and Transactions - Continued

- b) On September 29, 2022, Shawn Warren, President and CEO of the Company, acquired a portion of the Company's debt obligation to Primary Capital Inc. As of December 31, 2022, this obligation is payable on or before July 1, 2023. (See note 11(b)) As a result of this transaction, \$227 was reclassified as a loan from a related party with the corresponding amount removed from loans payable.

During the three and nine-month periods ended December 31, 2022, the Company recorded interest expense of \$7 and \$7 respectively (2021 – \$nil and \$nil), with a corresponding increase in the amount of this related party loan.

- c) Key management includes the Company's directors and officers. For the three and nine-month periods ended December 31, 2022 key management includes the CEO, the CFO, the Brand President of Love Child, the Vice President of North American Sales and the directors (2021 – 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 Vice President of North American Sales and the directors). Compensation awarded to key management includes salary, severance, directors' fees and share based payments.

The following table presents key management compensation:

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Salary, severance and director fees	211	220	630	958
Share based compensation	(53)	44	54	175

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14. Commitments and Contingencies

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 ended 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 December 31, 2022 (2021 – \$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 statements of financial position as restricted cash.

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. During the three and nine-month period ended December 31, 2022, the Company recorded a provision (recovery) of (\$8) and \$61 respectively (2021 – \$nil and \$nil) with regard to such matters.

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15. Expenses by Nature

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

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Raw materials and consumables used	3,268	2,864	9,559	8,830
Storage and delivery	389	506	1,424	1,409
Salaries and benefits	699	840	2,124	2,807
Advertising and promotion	39	26	193	167
Professional fees	197	159	467	447
Stock-based compensation	(53)	93	60	195
Amortization of intangible assets	43	88	128	266
General and administrative	160	80	546	109
Inventory provision (recovery)	75	(1)	188	524
	4,817	4,655	14,689	14,754

The table below summarizes the expenses by nature for discontinued operations (note 23):

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Raw materials and consumables used	-	(36)	-	(19)
Professional fees	-	-	-	9
	-	(36)	-	(10)

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16. Changes in Non-Cash Working Capital

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

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
HST receivable	(23)	36	348	(176)
Accounts receivable, net	(327)	(35)	(447)	1,086
Prepaid expenses	343	(53)	(64)	1,808
Inventory, net	(297)	1,018	(540)	349
Accounts payable and accrued liabilities	452	(1,352)	645	(3,531)
	148	(386)	(58)	(464)

The table below summarizes the changes in non-cash working capital for discontinued operations (note 23):

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
HST receivable	-	(17)	17	(36)
Accounts payable and accrued liabilities	-	(92)	-	(231)
	-	(109)	17	(267)

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17. Financial Risk Management

(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 nine-month periods ended December 31, 2022, the Company had 3 and 3 respectively (2021 – 2 and 1) customers representing over 10% of total revenue for an aggregate of approximately 50% and 41% respectively (2021 – 23% and 10%).

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risk relates to its accounts receivable. The Company's credit risk is reduced by a broad customer base and a review of customer credit profiles. As at December 31, 2022, the Company had an expected credit loss provision of \$565 (March 31, 2022 - \$592).

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations. 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. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing, loans from related parties and loans payable. Significant commitments in years subsequent to December 31, 2022 are as follows:

	Carrying value \$	Contractual cash flows \$	Payable in 1 year \$	1-5 years \$	Thereafter \$
Accounts payable and accrued liabilities	3,242	3,242	3,242	-	-
Loans from related parties	1,428	1,428	1,428	-	-
Loans payable	20,080	21,511	21,511	-	-
Leases	8	9	9	-	-
	24,758	26,190	26,190	-	-

(d) Market Risk

i. Interest Rate Risk

The Company's liabilities with fixed rates of interest do not expose it to interest rate risk.

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17. Financial Risk Management - Continued

ii. Foreign Currency Risk

At December 31, 2022, the Company is exposed to foreign currency risk as some of its product input costs 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 \$112 (December 31, 2021 – \$94).

(e) Fair Value

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

- i. Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii. Level 2 – Inputs other than quoted prices included with Level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii. Level 3 – Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

Accounts receivable, accounts payable and accrued liabilities and loans payable approximate their fair value due to their short-term nature. The carrying value of lease obligations where interest is charged at a fixed rate is not significantly different than fair value, as the interest rates approximate market rates.

(f) Emerging Risk

Since the outbreak of the COVID-19 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

Management defines capital as the Company's share capital and 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 monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook for 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.

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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 nine-month periods ended December 31, 2022 and 2021 are as follows:

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Canada	4,383	3,371	12,702	9,732
United States	1,004	1,290	2,980	4,473
	5,387	4,661	15,682	14,205

All of the Company's assets as of December 31, 2022 and March 31, 2022 are located in Canada and the United States, as detailed below:

Current Assets	December 31, 2022	March 31, 2022
	\$	\$
Canada	7,437	7,960
United States	1,088	1,183
	8,525	9,143

Long-Term Assets	December 31, 2022	March 31, 2022
	\$	\$
Canada	3,249	3,368
	3,249	3,368

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 proceeds, the Company is entitled to royalty payments from the sale of Rolling Meadow Dairy products for a term of four years. The royalty relates to a non-exclusive license to use the Company's barcode prefix and is subject to a minimum royalty amount of \$110 per year and should not exceed \$1,800 over the four-year term. Royalties are calculated at 3% of sales up to \$5,000 and 8% of sales exceeding \$5,000. During the three and nine-month periods ended December 31, 2022 the Company earned royalties of \$109 and \$186 respectively (2021 – \$44 and \$130) that are recorded as other income.

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21. Other Income

	Note	Three months ended		Nine months ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		\$	\$	\$	\$
Accrued liabilities reversals	10	-	5	111	5
Loans modifications	11	-	-	802	-
Loss on issuance of shares, net	12	-	(55)	-	(95)
Royalty income	20	109	44	186	130
Government grants		-	-	-	115
Gift cards		(1)	-	(1)	-
Total other income		108	(6)	1,098	155

22. Restructuring

On May 12, 2021, the Company announced a restructuring initiative it referred to as Project Fit, designed to reduce costs and enhance shareholder value. During the year ended March 31, 2022, the Company carried out the following actions, the cost or benefits of which were recorded in Restructuring: (a) the Company transitioned its Central Roast operation from self-manufacturing to one of relying on third-party contract manufacturers and warehouses to produce, warehouse and distribute to customers those products in its portfolio. This action led to the Company exiting its long-term lease and selling its production and warehousing equipment – both of which resulted in gains to the business. Additionally, the Company terminated those employees involved in the Company's self-manufacturing and warehousing activities for its Central Roast business and paid severance to terminated employees; (b) the Company reduced its active stock keeping units by 69%, intended to simplify and focus its business going forward. Stock keeping units made inactive that resulted in a loss on disposal were recorded to Restructuring; and (c) the Company resized and reshaped its management structure to reflect the changes made to its manufacturing process and reduced product offerings. As of December 31, 2022, the amount remaining in restructuring provision is \$nil (2021 – \$nil).

The net restructuring (gain) loss consists of:

		Three months ended		Nine months ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		\$	\$	\$	\$
Exit of self manufacturing at Central Roast	(a)	-	6	(9)	(1,085)
Reduction of active stock keeping units	(b)	-	28	-	248
Reorganizational changes	(c)	-	(8)	-	265
Restructuring gain, net		-	26	(9)	(572)

During the three and nine-month periods ending December 31, 2022 and included in (c) above are stock-based compensation recoveries of \$nil and \$nil respectively (2021 – \$47 and \$15).

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23. Discontinued Operations

On May 21, 2019, the Company completed the sale of assets to Zurban Beverages, relating to the Nothing But Nature business of Kiju brand of Organic juice and iced tea. As a result of this sale, the Nothing But Nature business was classified as a discontinued operation in accordance with International Financial Reporting Standards relating to non-current assets held for sale and discontinued operations (“IFRS 5”).

In June 2021, the Company 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 was classified as a discontinued operation in accordance with IFRS 5.

Condensed consolidated interim statements of operations and comprehensive loss from discontinued operations for the three and nine-month periods ended December 31, 2022 and 2021 are comprised of the following:

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cost of goods sold	—	(36)	—	(19)
Gross profit	—	36	—	19
Expenses				
Professional fees	—	—	—	9
Total expenses	—	—	—	9
Income from discontinued operations	—	36	—	10
Foreign exchange (gain) loss	—	—	1	(2)
Net income (loss) from discontinued operations before income taxes	—	35	(1)	11
Net income (loss) from discontinued operations	—	35	(1)	11

Cash flows from discontinued operations for the three and nine-month periods ended December 31, 2022 and 2021 are comprised of the following:

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash flow provided by discontinued operating activities				
Net income (loss) from discontinued operations	—	35	(1)	11
Items not affecting cash:				
Changes in non-cash working capital (note 16)	—	(109)	17	(267)
Total cash provided by discontinued operating activities	—	(74)	16	(256)
Change in net cash from discontinued operations	—	(74)	16	(256)