



GREENSPACE BRANDS INC.

Management's Discussion and Analysis

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

GreenSpace Brands Inc.

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MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Condition and Results of Operations

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

This Management's Discussion and Analysis ("MD&A") is a review of the consolidated financial condition and results of operations of GreenSpace Brands Inc. ("the Company") for the three and nine-month periods ended December 31, 2022 and 2021. The MD&A is intended to help readers understand the Company's business and the key factors underlying its financial results. It should be read in conjunction with the Company's annual consolidated financial statements and accompanying notes for the years ended March 31, 2022 and 2021 which have been filed with applicable regulatory authorities and are available on SEDAR at www.sedar.com.

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

This MD&A has been prepared as of February 28, 2022.

CORPORATE OVERVIEW

The Company is in the business of developing, marketing, and selling premium, convenient, organic, plant-based and natural foods in Canada and the United States. Consumers are increasingly focused on healthier choices when it comes to their eating habits, looking for clean labels, organic products and plant-based products that better fit their healthier lifestyles. The Company's product assortment focuses on satisfying the needs of consumers as they transition through their different need states and life-stages, with a focus on organic and plant-based foods and snacks. The Company sources natural ingredients largely from ethically operated suppliers and combines these ingredients into tasty and nutritious food and snack products.

Throughout its history the Company has acquired or internally developed and brought to market several brands and has sold and discontinued several other brands, all in the natural food space. Brands reflected in these consolidated financial statements include:

LOVE CHILD ORGANICS

On October 19, 2015, the Company completed the acquisition of Love Child (Brands) Inc. ("Love Child"), operating as LOVE CHILD ORGANICS. LOVE CHILD ORGANICS is a Canadian-based developer and producer of 100% organic, natural and nutritionally rich food products for infants, toddlers and small children. LOVE CHILD ORGANICS always seeks to go "beyond organic" in the products it develops. Specifically, it has a strong focus on using clean, simple ingredients, avoids the use of refined sugars and preservatives, and includes recognized superfood ingredients in the majority of its product range. LOVE CHILD ORGANICS' core target market is the parents of infants, toddlers and small children, aged six months to six years, who are increasingly prioritizing organic, nutritious food for their children.

CENTRAL ROAST

CENTRAL ROAST began operations in 2011 and was acquired by the Company in two transactions in 2016. Its products can now be found in a number of retailers across Canada. CENTRAL ROAST offers its products in various functional categories each consisting of different mixes of nuts, seeds, popcorns and other snacks. During the year ended March 31, 2021, CENTRAL ROAST was engaged in the production and sale of branded products which included tubs, large and small bags, single-serve bags, and scoop bulk bags in a range of product lines. During the year ended March 31, 2022, Management adopted a third-party manufacturing model and rationalised its SKU offerings to focus on its best-selling resealable large bags as part of its Project FIT (see below) simplification initiatives.

GO VEGGIE

Galaxy Nutritional Foods, Inc. ("Galaxy") created the cheese alternative category for health-conscious consumers 50 years ago and is proud to remain one of America's leading providers of great-tasting dairy-free/lactose-free products. The Company acquired all the outstanding shares of Galaxy on January 24, 2018. Today, under Galaxy's GO VEGGIE brand, the Company continues to innovate and offer consumers healthier plant-based, lactose-free and soy-free choices in a wide variety of formats across the United States and for export markets.

LIFE CHOICES, CEDAR and KIJU

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

2047480 Ontario Ltd. formerly known as Nothing But Nature Inc. ("Nothing But Nature") owned the Kiju brand. The business assets of Nothing But Nature (including the Kiju brand) were sold to Zurban Beverages Inc. on May 21, 2019 and the operation was discontinued for accounting purposes, during the year ended March 31, 2020.

The Cold Press Corp. owns the CEDAR brand which was engaged in the development and selling of the CEDAR cold press juices. Sales of the CEDAR brand were suspended in the fourth quarter of the year ended March 31, 2020. During the quarter ended June 30, 2021 operations of The Cold Press Corp. were discontinued for accounting purposes.

OPERATING STRATEGY

With its more focused brand portfolio, the Company implemented a new Strategic Plan and set a new **Vision** of "**We make organic and plant-based snacks more delicious**". The Strategic Plan is intended to enable the Company to better align its efforts towards expanding within the fast-growing and profitable organic and plant-based snack industry. Approximately two-thirds of the Company's current revenue comes from healthy snack categories. Over time the Company will focus efforts on profitably growing these healthy snack categories and snack occasions where consumer and retailer momentum and interest are building rapidly.

Aligned with its Vision and to enable the achievement of its profitable growth ambitions, the Strategic Plan articulates a "**Focused Growth Strategy**" that consists of the following seven foundational tenets:

- Focus on Core Brand Snacking
- Reduce Costs and Complexity
- Improve Gross Profit Percentages
- Invest in Margin-Accretive Innovation
- Invest in Route-to-Market Excellence
- Invest in a Lean and Capable Organization
- Improve Financial Flexibility

Management has prioritized aggressive actions to reduce costs and complexity as part of its multi-year transformation agenda. Reductions in complexity are expected to yield savings in variable and fixed costs and improve gross profit percentages. Over time this is expected to enable investments into margin-accretive innovation, expansion within current and new distribution channels (utilizing anticipated route-to-market excellence) and enable smart investments to build a lean and capable organization. Management believes that this Focused Growth Strategy will result in significantly improved business performance over time. Significant steps have been undertaken and announced by Management to improve business performance in congruence with its Focused Growth Strategy.

YEAR TO DATE CONSOLIDATED RESULTS

The following is a table and description of the three and nine-month periods ended December 31, 2022 and 2021 consolidated operational results for the Company's continuing operations.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(expressed in thousands of Canadian dollars)	For the three months ended				For the nine months ended			
	December 31				December 31			
	2022	2021	Inc/(Dec)	Inc/(Dec)	2022	2021	Inc/(Dec)	Inc/(Dec)
	\$	\$	\$	%	\$	\$	\$	%
Gross revenue	5,387	4,661	726	15.6%	15,682	14,205	1,477	10.4%
Less: rebates and discounts	(1,077)	(978)	(99)	10.1%	(3,153)	(2,711)	(442)	16.3%
Less: listing fees	(94)	-	(94)		(180)	(15)	(165)	1100.0%
Net revenue	4,216	3,683	533	14.5%	12,349	11,479	870	7.6%
Cost of goods sold	3,343	2,863	480	16.8%	9,747	9,354	393	4.2%
Gross profit	873	820	53	6.5%	2,602	2,125	477	22.4%
Gross profit percentage	20.7%	22.3%			21.1%	18.5%		
Adjusted gross profit¹	967	820	147	17.9%	2,782	2,140	642	30.0%
Adjusted gross profit percentage	22.4%	22.3%			22.2%	18.6%		
General and administrative	160	80	80	100.0%	546	109	437	400.9%
Storage and delivery	389	506	(117)	(23.1%)	1,424	1,409	15	1.1%
Salaries and benefits	699	840	(141)	(16.8%)	2,124	2,807	(683)	(24.3%)
Advertising and promotion	39	26	13	50.0%	193	167	26	15.6%
Professional fees	197	159	38	23.9%	467	447	20	4.5%
Stock-based compensation	(53)	93	(146)	(157.0%)	60	195	(135)	(69.2%)
Amortization of intangible assets	43	88	(45)	(51.1%)	128	266	(138)	(51.9%)
Loss before underlying items	(601)	(972)	371	(38.2%)	(2,340)	(3,275)	935	(28.5%)
Interest expense	702	598	104	17.4%	2,101	2,130	(29)	(1.4%)
Accretion expense	200	40	160	400.0%	758	192	566	294.8%
Restructuring (gain) loss, net	-	26	(26)	(100.0%)	(9)	(572)	563	(98.4%)
Other income (expense)	(108)	6	(114)	(1900.0%)	(1,098)	(155)	(943)	608.4%
Foreign exchange (gain) loss	(115)	(65)	(50)	76.9%	907	95	812	854.7%
Loss before income taxes	(1,280)	(1,577)	297	(18.8%)	(4,999)	(4,965)	(34)	0.7%
Net loss from continuing operations	(1,280)	(1,577)	297	(18.8%)	(4,999)	(4,965)	(34)	0.7%
Net income (loss) from discontinued operations	-	35	(35)	(100.0%)	(1)	11	(12)	(109.1%)
Net loss	(1,280)	(1,542)	262	(17.0%)	(5,000)	(4,954)	(46)	0.9%
EBITDA ¹	(552)	(881)	329	(37.3%)	(2,195)	(2,941)	746	(25.4%)
As a percentage of net revenue	(13.1%)	(23.9%)			(17.8%)	(25.6%)		
Adjusted EBITDA¹	(495)	(782)	287	(36.7%)	(1,939)	(2,851)	912	(32.0%)
As a percentage of net revenue, excluding listing fees	(11.5%)	(21.2%)			(15.5%)	(24.8%)		

¹ See non-IFRS measures

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

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

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

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

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

Reconciliation of Gross Profit to Adjusted Gross Profit

(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Gross profit	873	820	2,602	2,125
Add back non-recurring expenses				
Listing fees	94	-	180	15
Adjusted gross profit	967	820	2,782	2,140
Adjusted gross profit percentage	22.4%	22.3%	22.2%	18.6%

Reconciliation of Net loss from continuing operations to EBITDA and Adjusted EBITDA from continuing operations

(expressed in thousands of Canadian dollars)

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

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Net loss from continuing operations for the year	(1,280)	(1,577)	(4,999)	(4,965)
Interest and accretion expense	902	638	2,859	2,322
Depreciation and amortization	49	91	145	334
Foreign exchange loss	(115)	(65)	907	95
Other income	(108)	6	(1,098)	(155)
Restructuring (gain) loss, net	-	26	(9)	(572)
EBITDA	(552)	(881)	(2,195)	(2,941)
Add back non-cash and non-recurring expenses				
Stock based compensation	(53)	93	60	195
Fines and penalties for shorts	16	6	16	(140)
Listing fees	94	-	180	15
Professional fees	-	-	-	20
Adjusted EBITDA	(495)	(782)	(1,939)	(2,851)

Gross Revenue

Gross Revenue from continuing operations for the three-month period ended December 31, 2022 increased by \$0.7 million or 15.6% to \$5.4 million when compared to the same period in the prior year and grew by \$0.2 million or 4.1% when compared with the three-months ended September 30, 2022. For the nine-month period ended December 31, 2022, Gross Revenue from continuing operations increased by \$1.5 million or 10.4% to \$15.7 million compared to the same period in the prior year. For the

three-month period ended December 31, 2022, the increase in Gross Revenue, compared to the same period in the prior year, was due to the following:

- The Company's **Love Child Organics** brand expanded its product assortment with customers and introduced several new products which positively impacted Gross Revenue.
- Price increases implemented by the Company, in response to higher costs positively impacted Gross Revenue.
- The positive impact of these factors on Gross Revenue were partially mitigated by: (a) temporary supply chain disruptions for selected SKUs during October 2022; and (b) loss of sales associated with discontinued SKUs.

Gross Profit Percentage

The Company's Gross Profit Percentage for the three-month period ended December 31, 2022, was 20.7% of net revenue, a decrease of 1.6 percentage points from 22.3% in the same period in the prior year and a decrease of 1.5 percentage points from 22.2% in the prior three-months ended September 30, 2022. For the three-month period ended December 31, 2022, the Company's gross profit percentage was negatively impacted by: (a) increased listing fees associated with new product launches and expanded distribution within existing customers for **Love Child Organics**; (b) an increase in the Company's provision for slow moving and obsolete inventory; and (c) the impact of inflation on the Company's input costs, which offset previously implemented price increases and which will necessitate further price increases in the near term to compensate.

For the nine-month period ended December 31, 2022, the Company's Gross Profit Percentage improved 2.6 percentage points to 21.1% of net revenue from 18.5% in the same period in the prior year. This Gross Profit Percentage improvement is due to: (a) price increases in response to higher costs; (b) lower provisions and discounts for slow moving and obsolete inventory due to better supply chain planning; the benefits of which were partially offset by (c) higher listing fees; and (d) input cost increases due to continuing inflation. Excluding listing fees incurred during the nine-month period ended December 31, 2022, the Company's Adjusted Gross Profit Percentage was 22.2%, an increase of 3.6 percentage points compared to the same period in the prior year.

The Company has announced additional price increases and optimized promotional investments with customers going forward in response to industry-wide inflationary pressures. These actions are expected to mitigate the effect of cost increases which occurred prior to these price increases being announced. Furthermore, the Company continues to progress its Project FIT cost savings initiatives which are expected to help achieve its Gross Profit Percentage targets.

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

SG&A expenses for the three-month period ended December 31, 2022 decreased by 16.0% to \$1.4 million compared to \$1.7 million in the same period in the prior year. SG&A expenses for the nine-month period ended December 31, 2022 have decreased by 6.2% to \$4.8 million compared to \$5.1 million in the same period in the prior year. The change in SG&A expenses for the three-month period ended December 31, 2022 compared to the same period in the prior year is primarily attributable to the following:

- General and administrative expenses, increased by \$0.1 million to \$0.2 million primarily as a result of the bad debt expense recognized in the current year as compared to the prior year recovery.
- Storage and delivery expense, decreased by \$0.1 million or 23.1% to \$0.4 million, primarily as a result of: (a) having a lower quantity of inventory subject to storage expenses;; partially offset by (b) increased fuel surcharges within delivery costs due to fuel-cost inflation.
- Salaries and benefits expense, decreased by \$0.1 million or 16.8% to \$0.7 million, primarily as a result of streamlining the organization as part of the ongoing Project FIT initiative. There were 20 full-time employees at the end of the period ended December 31, 2022, as compared to 31 full-time employees at the beginning of the same period in the prior year.
- Stock-based compensation expense (recovery), decreased by \$0.1 million or 157.0% to (\$0.05 million), primarily as a result of terminated or expired options.

Interest and Accretion Expense

Interest and accretion expense for the three-month period ended December 31, 2022 increased by \$0.3 million or 41.4% to \$0.9 million primarily due to (a) higher accretion expense than in the same period in the prior year; and (b) higher interest expense due to the Company's higher level of debt. Similarly, during the nine-month period ended December 31, 2022 interest and accretion expense increased by \$0.5 million or 23.1% to \$2.9 million reflecting higher accretion expense compared to the same period in the prior year.

Restructuring (Gain) Expense

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 impacts of this initiative, which included exiting self-manufacturing at Central Roast, portfolio simplification and organizational optimization accounted for the restructuring activity during the year ended March 31, 2022.

Other Income

During the three and nine-month periods ended December 31, 2022, the Company realized other income of \$0.1 million and \$1.1 million respectively (2021 - \$nil and \$0.2 million). The increase compared to prior year is primarily due to the gain of \$0.8 million (2021 - \$nil million) on loan modifications recognized during the three-month period ended September 30, 2022. Absent further modification, this \$0.8 million loan modification gain will be offset by increased accretion expense over the remaining term of the loan.

Foreign Exchange (Gain) Loss

During the three and nine-month periods ended December 31, 2022 the Company incurred a foreign exchange gain of \$0.1 million and a loss of \$0.9 million respectively (2021 – \$0.1 million gain and \$0.1 million loss). The foreign exchange gains and losses are primarily attributable to changes in the value of the US dollar compared to the Canadian dollar which require a revaluation of the US dollar denominated Galaxy Vendor Take Back loan.

Net Loss

During the three and nine-month periods ended December 31, 2022 the Company reported a net loss from continuing operations of \$1.3 million and \$5.0 million respectively (2021 - \$1.6 million and \$5.0 million).

EBITDA

For the three and nine-month periods ended December 31, 2022, the Company reported negative EBITDA of \$0.6 million and \$2.2 million respectively (2021 – \$0.9 million and \$2.9 million) representing improvements of 37.3% and 25.4% respectively when compared to the same periods in the prior year. The EBITDA improvement for the three-month period ended December 31, 2022 compared to prior year is largely due to the improved Net Loss, as well as the add-backs of higher accretion expense and higher other income, as explained above.

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

Adjusted EBITDA for the three and nine-month periods ended December 31, 2022, of negative \$0.5 million and negative \$1.9 million respectively (2021 - negative \$0.8 million and negative \$2.9 million) represent improvements of 36.7% and 32.0% respectively when compared to the same periods in the prior year. For the three-month period ended December 31, 2022, the Adjusted EBITDA improvement is primarily due to better EBITDA, together with the add-backs of recovered stock-based compensation expense, and higher listing fees as explained above.

CASH FLOWS

Summary Statement of Cash Flows

(expressed in thousands of Canadian dollars)

	Nine months ended December 31,	
	2022	2021
	\$	\$
Cash provided by (used for)		
Operating activities	(2,599)	(4,549)
Investing activities	(26)	363
Financing activities	1,397	3,121
FX gain on foreign cash and cash equivalents	85	(10)
Net increase (decrease) in cash	(1,143)	(1,075)
Cash - beginning the of the period	2,241	4,030
Cash – end of the period	1,098	2,955

Cash flow from operating activities consumed \$2.6 million for the nine-month period ended December 31, 2022 (2021 – \$4.5 million). The current year activity primarily reflects the net loss from continuing operations adjusted for accrued loan interest, accretion expenses, unrealized foreign exchange, amortization, gain on loan modifications, finance fees, changes in the provisions for estimated credit losses and for slow moving and obsolete inventories and changes in non-cash working capital which do not affect cash. The prior year includes these items as well as restructuring gains and the gain on shares issued to settle liabilities, which were not recurring in the current year.

Cash flow from investing activities consumed \$nil for the nine-month period ended December 31, 2022 (2021 – generated \$0.4 million). The current year activity reflects nominal additions to property, plant, and equipment while in the prior year it primarily reflects the net gain from asset sales regarding Central Roast.

Cash flow from financing activities generated \$1.4 million for the nine-month period ended December 31, 2022 (2021 - \$3.1 million). The current year activity primarily reflects the net change to loans payable, while the prior year primarily reflects private placement proceeds.

LIQUIDITY AND CAPITAL RESOURCES

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

The Company assesses its capital requirements forecasting its working capital and operational cash flow to identify any likely capital shortfall or surplus. The Company's budget is updated periodically, as required.

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.

The Company's ongoing cash and liquidity needs are being considered within the ongoing strategic review. Although management is assessing various opportunities within its ongoing strategic review, including debt or equity financing and/or refinancing, and has continued to pursue cash-generating sales opportunities to increase profitability, there are no assurances that the Company will be successful and there may be an adverse effect on the financial position of the Company should these efforts be unsuccessful.

During the three-month period ended September 30, 2022, the Company was able to extend its debt maturities through to June 30, 2023. As a part of this process, the Company and Pivot Financial I Limited Partnership (“Pivot”) increased the Pivot term loan by \$1 million, but this may be required to be repaid before June 30, 2023, depending upon the outcome of the Company’s ongoing strategic review. The Pivot loan also contains minimum cash thresholds that must be exceeded at all times. If the Company is not in compliance with the financial covenant with respect to the Pivot loan, then the Company will be required to obtain a waiver from Pivot for its non-compliance. There is no guarantee that such waiver will be granted and there exists a material uncertainty that casts significant doubt about the Company’s ability to realize its assets and discharge its liabilities in the normal course of business. There can be no assurance all covenants under the Pivot loan can be met or necessary waivers obtained in the future.

Management is carefully monitoring this requirement and is in regular contact with Pivot. Improved operating performance and successful conclusion to the strategic review process remain critical to this process. At present there can be no certainty that existing debt arrangements will be extended beyond their current maturity date or that this can be done with appropriate terms and conditions.

During the year ended March 31, 2022, the Company was able to renegotiate improved payment terms with a number of suppliers and has continued with these efforts during the nine-month period ended December 31, 2022. As the Company conserves its cash and liquidity position, pending an outcome of the ongoing strategic review efforts, some payment terms may change with certain suppliers, there is no assurance that the Company will be able to renegotiate payment terms with suppliers in the future.

OFF-BALANCE SHEET ARRANGEMENTS

In October 2016, the Company issued a standby letter of credit for \$0.2 million to one of its Canadian suppliers for extended credit terms. In September 2020, the stand-by letter of credit was replaced by a \$0.2 million cash-backed letter of credit. During the same month, the Company secured the available credit limit of the corporate credit cards with \$0.022 million in cash. The cash associated with the ‘cash-backed’ letter of credit and the corporate credit cards are recorded on the consolidated statement of financial position as restricted cash.

TRANSACTIONS BETWEEN RELATED PARTIES

On October 8, 2021, Pender Growth Fund Inc. (“Pender”), a significant shareholder, acquired a portion of the Company’s debt obligation to Primary Capital Inc. (“Primary”). As of September 30, 2022, this obligation is payable on or before July 1, 2023. As a result of this transaction, \$1.031 million of the Primary loan was reclassified to 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 \$0.035 million and \$0.101 millions respectively (2021 - \$0.031 million and \$0.031 million), with a corresponding increase in the amount of this related party loan.

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 September 30, 2022, this obligation is payable on or before July 1, 2023. As a result of this transaction, \$0.227 million 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 \$0.007 million and \$0.007 million respectively (2021 - \$nil and \$nil).

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 with year-over-year cost reductions due to the organization optimization efforts within the Project FIT initiative:

(expressed in thousands of Canadian dollars)

	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

FIRST AND SECOND QUARTER FINANCIAL ADJUSTMENT

(expressed in thousands of Canadian dollars)	For the three months ended				For the three months ended				For the six months ended			
	June 30				September 30				September 30			
	Filed	Adj	Revised		Filed	Adj	Revised		Filed	Adj	Revised	
	2022	2022	2022	2021	2022	2022	2022	2021	2022	2022	2022	2021
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Gross revenue	5,121	-	5,121	5,123	5,174	-	5,174	4,421	10,295	-	10,295	9,544
Less: rebates and discounts	(871)	-	(871)	(712)	(1,205)	-	(1,205)	(1,021)	(2,076)	-	(2,076)	(1,733)
Less: listing fees	(86)	-	(86)	-	-	-	-	(15)	(86)	-	(86)	(15)
Net revenue	4,164	-	4,164	4,411	3,969	-	3,969	3,385	8,133	-	8,133	7,796
Cost of goods sold	3,315	-	3,315	3,412	3,089	-	3,089	3,079	6,404	-	6,404	6,491
Gross profit	849	-	849	999	880	-	880	306	1,729	-	1,729	1,305
Gross profit percentage	20.4%	-	20.4%	22.6%	22.2%	-	22.2%	9.0%	21.3%	-	21.3%	16.7%
Adjusted gross profit¹	935	-	935	999	880	-	880	321	1,815	-	1,815	1,320
Adjusted gross profit percentage	22.0%	-	22.0%	22.6%	22.2%	-	22.2%	9.4%	22.1%	-	22.1%	16.9%
General and administrative	122	-	122	106	264	-	264	(77)	386	-	386	29
Storage and delivery	547	-	547	471	488	-	488	432	1,035	-	1,035	903
Salaries and benefits	739	-	739	1,135	686	-	686	832	1,425	-	1,425	1,967
Advertising and promotion	90	-	90	83	64	-	64	58	154	-	154	141
Professional fees	82	-	82	99	188	-	188	189	270	-	270	288
Stock-based compensation	60	-	60	53	53	-	53	49	113	-	113	102
Amortization of intangible assets	42	-	42	89	43	-	43	89	85	-	85	178
Loss before underlying items	(833)	-	(833)	(1,037)	(906)	-	(906)	(1,266)	(1,739)	-	(1,739)	(2,303)
Interest expense	595	-	595	578	804	-	804	954	1,399	-	1,399	1,532
Accretion expense	461	(206)	255	78	528	(225)	303	74	989	(431)	558	152
Restructuring (gain) expense	-	-	-	(1,157)	(9)	-	(9)	559	(9)	-	(9)	(598)
Other income	(150)	-	(150)	(157)	(840)	-	(840)	(4)	(990)	-	(990)	(161)
Foreign exchange (gain) loss	104	210	314	(110)	487	221	708	270	591	431	1,022	160
Loss before income taxes	(1,843)	(4)	(1,847)	(269)	(1,876)	4	(1,872)	(3,119)	(3,719)	-	(3,719)	(3,388)
Net loss from continuing operations	(1,843)	(4)	(1,847)	(269)	(1,876)	4	(1,872)	(3,119)	(3,719)	-	(3,719)	(3,388)
Net gain (loss) from discontinued operations	-	-	-	(14)	(1)	-	(1)	(10)	(1)	-	(1)	(24)
Net loss	(1,843)	(4)	(1,847)	(283)	(1,877)	4	(1,873)	(3,129)	(3,720)	-	(3,720)	(3,412)
EBITDA ¹	(785)	-	(785)	(915)	(858)	-	(858)	(1,145)	(1,643)	-	(1,643)	(2,060)
As a percentage of net revenue	(18.9%)	-	(18.9%)	(20.7%)	(21.6%)	-	(21.6%)	(33.8%)	(20.2%)	-	(20.2%)	(26.4%)
Adjusted EBITDA¹	(639)	-	(639)	(842)	(805)	-	(805)	(1,227)	(1,444)	-	(1,444)	(2,069)
As a percentage of net revenue, excluding listing fees	(15.0%)	-	(15.0%)	(19.1%)	(20.3%)	-	(20.3%)	(36.1%)	(17.6%)	-	(17.6%)	(26.5%)

Accretion expense was overstated in the six-month period ended September 30, 2022 by \$0.43 million while foreign exchange losses were understated by \$0.43 million. The net result of these adjustments is an overall \$nil change to the reported net loss, negative EBITDA and negative Adjusted EBITDA.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Critical accounting estimates and judgements are described in greater detail in the Company's audited annual consolidated financial statements for the years ended March 31, 2022 and 2021.

CHANGES IN ACCOUNTING POLICIES / FUTURE ACCOUNTING POLICY CHANGES

The Company's accounting policies are consistently applied to all the periods presented unless otherwise noted below.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that could have a material adverse effect on the Company's results of operations, business prospects, financial condition, and the trading price of its common shares. The most significant risk relates to liquidity and capital resources which has been explained in detail above. However, this is not the only risk facing the Company. Other risks and uncertainties include: COVID-19, inflationary pressure including the risk of increased commodity prices, raw material and packaging availability, supply chain disruptions, cyclicalities, reduction in demand, seasonality, competition, information management, foreign exchange, labour, income tax matters, customer concentration, relationships with suppliers, product liability, capital and liquidity risk, collections from customers, interest rates, distribution agreements, lack of long-term customer sales agreements, dependence on key personnel, and growth challenges.

Presently, the most significant risk to the Company, is to finance its cash and liquidity needs (see discussion in the "Liquidity and Capital Resources" section above).

In the prior two years, as a consequence of capital constraints, the Company was compelled to reduce its inventory below the levels it would regard as adequate to effectively service its customers. As an outcome of raising additional capital, the Company improved its cash position and Management has rebuilt required levels of relevant inventory which enabled the Company to improve customer service levels across all three of its branded businesses. During the year ended March 31, 2022, the Company resumed promotional activities with certain strategic retailers which is expected to improve gross revenue going forward and, as a result, has regained some distribution. In addition, the Company has accelerated its new channel growth across a number of important e-commerce platforms. Aligned with this Focused Growth Strategy, Management has prioritized improvements in profitability through better product mix, price increases and enhanced cost management. Currently, one of the most meaningful operating risks to the business is the inability to successfully implement this Focused Growth Strategy. While Management remains confident with respect to these initiatives, there can be no certainty in this regard.

The Company has been able to rebuild credibility with much of its supplier base and renegotiate payment terms with many key suppliers across its inventory and manufacturing network. In addition, Management has successfully been able to implement a number of price increases across its customer base. While rebuilding customer sales momentum may take time after the working capital challenges of the years ended March 31, 2020 and March 31, 2021, Management believes that the foundational elements are being established to deliver improvements in both topline performance and profitability. Management believes that the implementation of its Focused Growth Strategy will drive improvements in the operation over time, though there can be no certainty in this regard.

Throughout North America, businesses are experiencing inflationary increases in their costs of goods and services. The Company, like other industry participants, has been the recipient of such cost increases in the recent past and Management expects this to continue until such time as inflation becomes less pronounced than is currently the case. Upon receipt of any such cost increases, the Company takes steps, as appropriate, to recover increased costs through price increases to its customers. To the extent that the Company is unable to fully recover cost increases through price increases or if the timing of price increases does not effectively match the timing of the cost increases, the Company's gross profit and gross profit percentage will be adversely impacted. While Management strives to mitigate the effect of this issue there can be no certainty that they will be successful in the timing or the magnitude of required price increases.

OUTSTANDING SHARE DATA

As of December 31, 2022, the Company had:

- 509,392,282 common shares issued and outstanding;
- 51,348,407 share purchase warrants convertible into 51,348,407 common shares of the Company; and
- 13,630,430 compensation stock options, convertible into 13,630,430 common shares of the Company.

OUTLOOK

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

Management believes that there are several fundamental trends occurring within both the North American food and snack landscapes that will continue to support consumer demand for the Company's brands and products. Organic food and snack options are leading the growth in their respective categories, driving significant consumer and retail customer interest. They represent tremendous growth potential for the Company as consumers' food and snack choices evolve. Consumers are increasingly seeking out food and snack options that deliver health, convenience, quality and authenticity. Management believes that its portfolio of brands is well-positioned to meet these consumer needs. In addition, changes in shopping behaviours and snacking behaviours have accelerated as a result of the COVID-19 pandemic, presenting new opportunities for the business that Management is actively pursuing.

On June 2, 2022, the Company announced that it had initiated a review of strategic alternatives to enhance shareholder value which would consider a range of potential strategic alternatives. The Company engaged financial advisors to assist in the review and no formalized timetable was established for the completion of the strategic review (see the "Liquidity and Capital Resources" section, including its discussion on associated risks to the Company in that regard).

Management believes that its new Vision, Strategic Plan and the implementation of its Focused Growth Strategy are contributing to improvements in Adjusted EBITDA as well as to more effective and efficient business operations. These improvements, which Management believes will continue to benefit future periods, include:

- **Simplification of the business** including a 77% reduction in the number of active stock-keeping units sold by the Company, thereby increasing its focus on higher-margin and higher-velocity items. On an ongoing basis, these simplification initiatives are expected to materially improve the Company's cost base and use of cash.
- **Streamlining the organizational model** as part of Project FIT resulted in the reduction of FTEs from 43 to 20 by the period ended December 31, 2022. Salary and benefit costs during the year ended March 31, 2022 declined by \$1.6 million and further declined by an additional \$0.7 million during the nine-month period ended December 31, 2022 as compared to prior year. Project FIT initiatives are ongoing.
- **Implementation of price increases** contributed to the improvement in the Gross Profit Percentage during the nine-month period ended December 31, 2022 and the year ended March 31, 2022. Additional price increases and optimization of trade investments have been announced to customers and these are expected to offset industry-wide inflationary pressures and absent additional cost increases, are expected to increase the Company's Gross Profit Percentage to targeted levels.
- **Expanded distribution with large retailers** of the Company's core product portfolio, as well as new margin-accretive innovations, are delivering improved topline performance that Management expects will continue into subsequent periods.

Management believes that as a result of these initiatives, the Company's cost structure is now better positioned to achieve profitability once its higher gross revenue targets are achieved. While Management remains optimistic about its ability to increase the Company's gross revenue to targeted levels through these initiatives within its Focused Growth Strategy, there can be no certainty in that regard.

Throughout North America, businesses are experiencing supply chain disruptions and inflationary increases in their costs of goods and services. The Company, like other industry participants, has been the recipient of such supply chain disruptions and cost increases in the recent past and Management expects this to continue until such time as inflation becomes less pronounced than it currently is on the world stage. While the Company has taken steps to better diversify its supplier base to reduce the impact of supply chain disruptions, such disruptions did occur temporarily on a limited number of items in the first month of the Company's third quarter ending December 31, 2022. Also, upon receipt of any cost increase, the Company expects to take steps, as appropriate, to recover increased costs through price increases to its customers. To the extent that the Company is unable to fully recover cost increases through price increases or if the timing of price increases does not effectively match the timing of the cost increases, the Company's gross profit and gross profit percentage will be adversely impacted. While Management strives to mitigate the effect of this issue there can be no certainty that they will be successful in the timing or the magnitude of required price increases.

The Board and Management, working closely with advisors, continue to evaluate and progress strategic alternatives to maximize prospects for all stakeholders in the pursuit of long-term value creation. However, there can be no assurances that the Company will be successful in this regard.

FORWARD-LOOKING STATEMENTS

This document includes certain information and contains statements that may constitute "forward-looking information" and "forward-looking statements", respectively, under applicable securities law. Forward-looking statements can be identified by words such as: "anticipate", "intend", "plan", "goal", "believe", "project", "estimate", "expect", "strategy", "likely", "may", "should", "will", and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding guidance relating to fiscal year 2023, expected operating results, projections, such as earnings growth and profitability, the Company's liquidity needs, and expectations of the effect on our financial condition of external forces, such as inflation. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based upon a number of estimates and assumptions made by management that, while considered reasonable, are subject to known and unknown risks, uncertainties, certain of which are beyond the control of GreenSpace, including, but not limited to: the failure of third parties to comply with their obligations to the Company or its affiliates; the impact of new and changes to, or application of, current laws and regulations; critical accounting estimates and changes to accounting standards, policies, and methods used by the Company; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; inflation; the Company's ability to access to capital; the adequacy of our cash flow and earnings and other conditions which may affect our ability to service our debt as they come due; strategic actions, including acquisitions and dispositions, that may result from the ongoing strategic review; and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks identified in the Company's disclosure documents. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking statements contained in this press release are given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. Except as required by applicable securities laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

ADDITIONAL INFORMATION

Additional information, including the Company's annual information form dated July 20, 2021, is on SEDAR at www.sedar.com.