



GREENSPACE BRANDS INC.

Management's Discussion and Analysis

For the three and six month periods ended September 30, 2019 and 2018

GreenSpace Brands Inc.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations
For the three and six month periods ended September 30, 2019 and 2018

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 six month periods ended September 30, 2019 and 2018. The MD&A is intended to help readers understand the Company's business and the key factors underlying its financial results. It should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six month periods ended September 30, 2019 along with the Company's annual consolidated financial statements and accompanying notes for the year ended March 31, 2019, which have been filed with applicable regulatory authorities and are available through SEDAR at www.sedar.com. Additional information is also available on the Company's website at www.greenspacebrands.ca.

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

This MD&A has been prepared as of November 13, 2019.

CORPORATE OVERVIEW

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

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

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

The Company is in the business of developing, marketing and selling premium, convenient, natural foods to Canadians. We have a diverse brand portfolio, focused on complimenting the needs of today's consumers. Our product assortment focuses on satisfying the needs of consumers as they transition through their different need states; from baby and infant to premium snacking, beverages and dairy products. The Company sources natural ingredients largely from local, ethically operated suppliers and combines these ingredients into tasty and nutritious products.

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

Life Choices

Life Choices offers premium convenience meat products to Canadian consumers, featuring grass-fed and/or pasture-raised meat that is raised without the use of added hormones and antibiotics. Life Choices sources its natural ingredients from ethically operated farms and combines those ingredients into tasty and nutritious products. All of Life Choices beef and pork products feature one

common trait: they all contain meat from pasture-raised animals that have not been subject to feedlot conditions. The result is meat that features higher levels of Omega 3 fatty acids and Conjugated Linoleic Acid's. Life Choices places a premium on chickens raised in low-density barns and the ethical treatment of the birds.

Love Child

On October 19, 2015, the Company completed the acquisition of Love Child (Brands) Inc. ("Love Child"). Love Child is a Canadian-based producer of 100% organic food for infants and toddlers. Love Child's mission is to bring to market only the purest, most natural and nutritionally-rich food, without the addition of any synthetic preservatives, refined sugars or other additives.

Love Child develops and sells organic, nutritionally-focused food products targeted at infants, toddlers and small children. Love Child always seeks to go "beyond organic" in the products it develops: specifically, it has a strong focus on using clean, simple ingredients, avoids the use of refined sugars and preservatives, and includes recognized superfood ingredients in the majority of its product range. Love Child's core target market is the parents of infants and small children, aged nine months to six years, who are increasingly prioritizing organic, nutritious food for their children.

Central Roast

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

Central Roast is a leading all-natural functional snacking company in Canada, producing and distributing all-natural, simple snack foods mainly consisting of raw and roasted nuts, seeds and dried fruits in various functional assortments, with a focus on quality, taste and nutrition. Central Roast began operations in 2011, and since inception increased its product distribution to be in most of the major grocery retailers across Canada. Central Roast produces an assortment of branded and private label products in tubs, branded bags, single-serve bags and scoop bulk bags in a range of product lines.

Kiju

On January 18, 2017, the Company completed the acquisition of Nothing But Nature Inc. ("Nothing But Nature") which owns the Kiju brand. Nothing But Nature is a brand leader in the Canadian shelf-stable organic juice segment. Nothing But Nature markets and distributes a variety of organic juices through major distributors and consumer retail channels in Canada and to several select U.S. customers. The brand focuses on providing consumers with sustainable, healthy drinks without compromising quality and taste.

Nothing But Nature develops and sells the Kiju organic juice and iced tea. Kiju Organic 100% juices are premium, certified organic juice blends with no added sugar. The juices are grown and processed naturally for maximum health and great taste: that means no artificial colours, flavours or preservatives. The juices are non-GMO project verified. Kiju Organic Iced Teas are blends of health-promoting teas infused with fruits, flowers and just a hint of sweetness. They are 100% certified organic with real brewed teas. Nothing But Nature was sold to Zurban Beverages on May 21, 2019.

CEDAR

On August 23, 2017, the Company acquired all the outstanding shares of The Cold Press Corp. which owns the CEDAR brand. The CEDAR brand is a leader in selling a wide variety of premium cold-pressed juice-based products and probiotic enriched juices and provides unique flavour combinations that deliver premium superfood nutrition through major consumer retail channels in Canada.

The Cold Press Corp. develops and sells the CEDAR cold press juice. CEDAR juice uses fresh fruits and vegetables to make the juices and undergoes a High-Pressure Processing ("HPP") method to maximize the living enzymes, nutrients and vitamins from the juices. This process is unlike traditional pasteurized products that uses heat to extend shelf life of drinks, which kills the nutrients and vitamins. CEDAR has recently expanded their product lines to spreads (snacks) and kombucha (gut health drink).

GO VEGGIE

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

Over 40 years ago, Galaxy Nutritional Foods Inc. created the cheese alternative category for health-conscious consumers and is proud to remain America's leading provider of great-tasting cheese-free products. Today, under Galaxy's GO VEGGIE brand, the company continues to innovate and offer consumers more healthy dairy-free choices. Across its portfolio – Vegan, Lactose-Free, and Lactose & Soy Free – GO VEGGIE offers over 45 products across the United States in a wide variety of formats.

Riot Eats

In September 2018, the Company announced the launch of Riot Eats, a new plant-based dairy brand whose products feature plant-based cheeses, butters and spreads. Riot Eats will launch as the only USDA Organic shredded and sliced cheese alternative brand in the North American market, and will defy category standards and limitations by providing higher quality products with superior taste. The Company expects the rollout to both natural and conventional grocery channels in early 2020.

OPERATING STRATEGY

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

Over the last four years, The Company has consistently executed against its operating strategy to strengthen and grow its brands, particularly as it relates to distribution and launching innovative new products. The Company has been focused on taking advantage of opportunities to win shelf space with its retail partners. The Company has taken advantage of opportunities to obtain additional shelf space, to launch new products with key retailers and to launch new brands that meet market demands. The Company believes the value of the business is based in large part on the shelf space dedicated to its brands, as that is an indication not only of the success of the operating strategy, but the attractiveness and authenticity of the brand portfolio.

The Company's key operating priorities are:

- i) Always do the right thing for our consumers;
- ii) Be the best partner possible for our retail customers;
- iii) Be the innovation leader in all the categories in which we compete;
- iv) Ensure that our products are widely distributed so more people have access to better quality products;
- v) Launch new brands or make selective acquisitions on an opportunistic basis to diversify product offerings; and
- vi) Maintain high internal operating efficiencies by maintaining a customer-focused, collaborative culture.

The Company has grown rapidly, increasing revenue by over 10x since going public in May 2015.

FIRST QUARTER AND YEAR TO DATE CONSOLIDATED RESULTS

The following is a table and description of the first quarter and year to date consolidated operational results for the Company.

Consolidated Interim and Annual Statements of Operations and Comprehensive Loss

(expressed in thousands of Canadian dollars)	For the 3-month period ended September 30				For the 6-month period ended September 30			
	2019	2018	Inc/(Dec)	Inc/(Dec)	2019	2018	Inc/(Dec)	Inc/(Dec)
	\$	\$	\$	%	\$	\$	\$	%
Gross revenue	12,831	21,656	(8,825)	(40.8%)	29,268	42,641	(13,373)	(31.4%)
Less: rebates and discounts	(1,518)	(2,349)	831	(35.4%)	(3,918)	(4,693)	775	(16.5%)
Less: listing fees	-	(262)	262	(100.0%)	(53)	(333)	280	(84.1%)
Net revenue	11,313	19,045	(7,732)	(40.6%)	25,297	37,615	(12,318)	(32.7%)
Cost of goods sold	8,073	14,605	(6,532)	(44.7%)	19,055	28,860	(9,805)	(34.0%)
Gross profit	3,240	4,440	(1,200)	(27.0%)	6,242	8,755	(2,513)	(28.7%)
Gross profit percentage	28.6%	23.3%			24.7%	23.3%		
Adjusted gross profit¹	3,240	4,703	(1,463)	(31.1%)	6,295	9,117	(2,822)	(31.0%)
Adjusted gross profit percentage	28.6%	24.4%			24.8%	24.0%		
General and administrative	1,461	628	833	132.6%	1,973	3,035	(1,062)	(35.0%)
Storage and Delivery	1,112	1,383	(271)	(19.6%)	2,402	2,827	(425)	(15.0%)
Salaries and benefits	878	1,795	(917)	(51.1%)	2,191	3,680	(1,489)	(40.5%)
Advertising and promotion	260	1,106	(846)	(76.5%)	702	1,913	(1,211)	(63.3%)
Professional fees	(2)	184	(186)	(101.1%)	442	387	55	14.2%
Stock-based compensation	24	39	(15)	(38.5%)	39	67	(28)	(41.8%)
Amortization of intangible assets	607	701	(94)	(13.4%)	1,246	1,401	(155)	(11.1%)
Net income (loss) before underlying items	(1,100)	(1,396)	296	(21.2%)	(2,753)	(4,555)	1,802	(39.6%)
Interest expense	739	412	327	79.4%	1,342	804	538	66.9%
Accretion expense	-	28	(28)	(100.0%)	14	58	(44)	(75.9%)
Restructuring expense	-	-	-	-	195	-	195	-
Other income and expense	(11)	98	(109)	-	(26)	98	(124)	-
Foreign exchange loss	141	(143)	284	(198.6%)	185	91	94	103.3%
Net loss before income taxes	(1,969)	(1,791)	(178)	9.9%	(4,463)	(5,606)	1,143	(20.4%)
Deferred income taxes (recovery)	(171)	(195)	24	(12.3%)	(366)	(391)	25	(6.4%)
Net loss	(1,798)	(1,596)	(202)	12.7%	(4,097)	(5,215)	1,118	(21.4%)
EBITDA ¹	(316)	(672)	356	(53.0%)	(1,396)	(3,008)	1,612	(53.6%)
As a percentage of net revenue	(2.8%)	(3.5%)			(5.5%)	(8.0%)		
Adjusted EBITDA¹	48	(984)	1,032	(104.9%)	(215)	(1,368)	1,153	(84.3%)
As a percentage of net revenue, excluding listing fees	0.4%	(5.1%)			(0.8%)	(3.6%)		

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, non-IFRS and operating performance measures as key performance indicators to better assess the Company's underlying performance and provides this additional information in this MD&A.

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

EBITDA is a non-IFRS measure calculated by adding back non-cash expenses to operating income and is used by management to measure operating performance. The Company defines EBITDA as earnings before interest, taxes, depreciation, amortization and goodwill impairment charges.

Adjusted EBITDA is a non-IFRS measure and excludes finance costs, interest income, income tax expense or recovery, depreciation and amortization and income or expenses of a 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, ability to incur and service debt, and as a valuation metric. The Company uses Adjusted EBITDA to evaluate the operating performance of its business as well as an executive compensation metric. While Adjusted EBITDA is a non-IFRS measure, management believes that it is an important indicator of operating performance because it excludes the effect of financing and investing activities by eliminating the effects of interest and depreciation and removes the impact of certain non-recurring items that are not indicative of our ongoing operating performance. Therefore, management believes Adjusted EBITDA gives 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.

Selling, General and Administrative ("SG&A") Expenses is a non-IFRS measure and excludes amortization of intangible assets.

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

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

	3-months ended		6-months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Gross profit	3,240	4,440	6,242	8,755
Add back non-recurring expenses				
Listing fees	-	262	53	333
Loss on discontinued product	-	28	-	29
Adjusted gross profit	3,240	4,730	6,295	9,117
Adjusted gross profit percentage	28.6%	24.4%	24.8%	24.0%

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:

	3-months ended		6-months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Net loss	(1,798)	(1,596)	(4,097)	(5,215)
Interest and accretion expense	739	440	1,356	862
Depreciation and amortization	773	822	1,526	1,645
Unrealized foreign exchange loss	141	(143)	185	91
Deferred income tax recovery	(171)	(195)	(366)	(391)
EBITDA	(316)	(672)	(1,396)	(3,008)
Add back non-cash and non-recurring expenses				
Stock based compensation	24	39	39	67
Fines and penalties for shorts	303	-	550	-
Restructure cost	-	107	195	484
Professional fees	37	-	344	-
Listing fees	-	262	53	333
Recall expense	-	(720)	-	756
Adjusted EBITDA	48	(984)	(215)	(1,368)

Revenue

Gross revenue for the second quarter ended September 30, 2019 decreased 40.8% and net revenue, which is gross revenue excluding deductions for rebates, discounts and one-time listing fees, decreased 40.6% over the same period in the prior year. The decrease in revenue was primarily due to the exclusion of Rolling Meadow Dairy and Kiwi Butter revenue from the portfolio as they were sold to Agrifoods Cooperative Subsidiary on January 31, 2019, as well the exclusion of Nothing But Nature revenue from the portfolio as it was sold to Zurban Beverages Inc. on May 21, 2019. Additionally, the Company continued to experience slight short shipments in the quarter as a result of tight working capital.

Gross Profit and Adjusted Gross Profit (see Non-IFRS Measures)

The Company's adjusted gross profit margin for the second quarter ended September 30, 2019 increased by 4.2% compared to the same period in the prior year. The increase in the quarter was primarily due to the higher volume of sales from brands with higher as well as the discontinuation or sale of lower margin brands.

Selling, General and Administrative ("SG&A") Expenses

Overall, SG&A expenses for the second quarter ended September 30, 2019 increased from 23.7% of gross revenue in the second quarter of fiscal 2019 to 29.1% of gross revenue in the current quarter. The increase in SG&A expenses as a percentage of revenue is primarily due to the inclusion of bad debt expense resulting from IFRS 9, a new impairment allowance model that was not adopted in the prior period. Additionally, the Company incurred fines and penalties for shorts in the quarter. These were offset by increased cost savings and efficiencies across the brands, as well as realized savings from the previous restructuring initiatives.

General and administrative expenses for the second quarter ended September 30, 2019 increased by 8.5% of gross revenue over the comparable period last year, from 2.9% of gross revenue in the second quarter of fiscal 2019 to 11.4% of gross revenue in the current quarter. The overall increase was primarily due to the adoption of IFRS 9 to which the Company recognized significantly more bad debt expense, as well as fines and penalties from short shipments. The bad debt expense amounted to \$1 million due to the need to make a provision for balance of receivables over 60 days in its entirety. The Company believes that the majority of this amount will be collectible in the near future. These were slightly offset by cost savings from the previously announced restructuring initiatives.

Storage and delivery expenses for the second quarter ended September 30, 2019 increased by 2.3% of gross revenue over the comparable period last year, from 6.4% of gross revenue in the second quarter of fiscal 2019 to 8.7% of gross revenue in the current quarter. This is primarily due to GO VEGGIE continuing to run at a higher rate relative to other brands in the portfolio,

especially after the discontinuation or sale of brands that carried lower storage and delivery charges historically. Additionally, storage and delivery expenses were higher as the Company continues to ship smaller quantities of product across all major brands to key customers through the challenging shortage periods experienced in the quarter.

Salaries and benefits expense for the second quarter ended September 30, 2019 decreased by 1.4% of gross revenue over the comparable period last year, from 8.3% of gross revenue in the second quarter of fiscal 2019 to 6.8% of gross revenue in the current quarter. The Company expects salaries and benefits as a percentage of revenue to continue to decrease as the revenue base grows and as the cost rationalization of the business continues to take effect.

Advertising and promotional expenses for the second quarter ended September 30, 2019 decreased by 3.1% of gross revenue over the comparable period last year, from 5.1% of gross revenue in the second quarter of fiscal 2019 to 2.0% of gross revenue in the current quarter. The decrease was primarily due to timing of marketing initiatives as well as reduced innovation costs compared to the prior year comparable period.

Professional fees expenses for the second quarter ended September 30, 2019 decreased by 0.9% of gross revenue over the comparable period last year, from 0.8% of gross revenue in the second quarter of fiscal 2019 to nil in the current quarter. The majority of these fees are non-recurring, relating strategic initiatives undertaken by the Company.

Consistent with previous quarters, the Company continues to recognize stock option expenses associated with the option awards granted by the Company's Board of Directors to all employees. As the grants are amortized using a graded vesting method, stock-based compensation expense often fluctuates from quarter to quarter. The Company has also approved and implemented a PSU plan for employees and is instituting a Director Share Unit (DSU) plan.

Interest Expense

The Company incurred interest and accretion charges of \$0.7 million in the second quarter ended September 30, 2019 compared to \$0.4 million in the prior period. At the end of the second quarter, the Company had a vendor take-back loan ("VTB") payable of \$8.3 million associated with the Galaxy acquisition, which was completed in the fourth quarter of fiscal 2018. The VTB has an interest rate of 8.5% per annum until July 1, 2019 and 12% per annum thereafter. The Company also finished the second quarter with \$6.1 million outstanding on its asset-based credit facility.

Foreign Exchange Loss

Unrealized foreign exchange loss of \$(0.1) million was recorded due to the revaluation of the VTB from the Galaxy Foods acquisition. The US\$5.72 million VTB amount is re-valued at each of the period end date using the period end date spot rate.

Adjusted EBITDA (see Non-IFRS Measures)

For the quarter ended September 30, 2019, the Company reported a gain in Adjusted EBITDA of \$0.05 million (0.4% of net revenue, excluding listing fees) compared to an Adjusted EBITDA of \$(1.0 million) ((5.1%) of net revenue, excluding listing fees) over the same period in prior year. Adjusted EBITDA improved compared to the prior period due to a decrease in operating expenses as discussed above.

SELECTED QUARTERLY INFORMATION FROM CONTINUING OPERATIONS

(expressed in Canadian dollars)

Unaudited quarterly financial data for fiscal 2020, fiscal 2019 and fiscal 2018 are summarized as follows. The sum of the net income per share from continuing operations for the four quarters in both fiscal 2019 and fiscal 2018 may not equal the net income per share for the full year, as presented, due to rounding.

(expressed in thousands of Canadian dollars, except per share amounts)

Three months ended	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18 (Restated)	31-Dec-17	30-Sep-17
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross revenue	12,831	16,437	16,125	19,228	21,656	20,985	19,132	16,348	15,370
Less: rebates and discounts	(1,518)	(2,400)	(2,602)	(2,282)	(2,349)	(2,344)	(2,116)	(1,798)	(1,820)
Less: listing fees	-	(53)	(191)	(452)	(262)	(70)	(543)	(284)	(412)
Net revenue	11,313	13,984	13,332	16,494	19,044	18,571	16,473	14,266	13,138
Gross profit	3,240	3,002	2,442	3,701	4,440	4,315	2,935	3,064	2,701
Gross profit %	28.6%	21.5%	18.3%	22.4	23.3%	23.2%	17.8%	21.5%	20.6%
Adjusted gross profit¹	3,240	3,055	2,633	4,153	4,703	4,413	3,478	3,348	3,113
Adjusted gross profit %	28.6%	21.8%	19.5%	24.5%	24.4%	23.7%	20.4%	23.0%	23.0%
Net loss from continuing operations	(1,798)	(2,299)	(5,043)	(4,419)	(1,596)	(3,613)	(9,664)	(734)	(588)
Net loss per share from continuing operations – basic and diluted	(0.02)	(0.03)	(0.06)	(0.06)	(0.02)	(0.05)	(0.13)	(0.01)	(0.01)
EBITDA ¹	(316)	(1,081)	(2,716)	(2,659)	(672)	(2,335)	(1,530)	(213)	(44)
EBITDA % of net revenue	(2.8%)	(7.7%)	(20.4%)	(16.1%)	(3.5%)	(12.6%)	(9.3%)	(1.5%)	(0.3%)
Adjusted EBITDA¹	48	(264)	(2,980)	(948)	(984)	(388)	(262)	528	475
Adjusted EBITDA, as a percentage of net revenue excluding listing fees	0.4%	(1.9%)	(22.0%)	(5.6%)	(5.1%)	(2.1%)	(1.5%)	3.6%	3.5%

¹See Non-IFRS Measures

The results of operations and cash-flow for any particular quarter are not indicative of the results expected for the full fiscal year.

CASH FLOWS

Summary Statement of Cash Flows

(thousands of Canadian dollars)

	For the six month period ended September 30	
	2019	2018
Cash provided by (used for)	\$	\$
Operating activities	(3,492)	(1,854)
Investing activities	4,521	(1,014)
Financing activities	(1,030)	2,868
Net increase (decrease) in cash	-	-
Cash - beginning the of the period	-	-
Cash – end of the period	-	-

Cash flow from continuing operations consumed \$3.5 million for the period ended September 30, 2019 (2018 – (\$1.9) million). This was due to investment in the US business and new product launches, offset by the collection of receivables throughout the fiscal year as well as reductions in inventory and management of working capital. Specifically, there were collections of accounts receivable from key customers that were previously fully provided for in the expected credit loss provision.

Cash from investing activities increased due to the sale Nothing But Nature to Zurban Beverages on May 21, 2019, offset by activities to acquire equipment and invest in product development. The Company financed its working capital and investing cash needs by additional debt financing.

The Company drew upon the remaining \$1.0 million from the loan agreement with Primary Capital Inc. The loan was comprised of an initial principal amount of \$2 million, before transaction costs, and an additional \$2 million available on standby which could be drawn at any time within the first six months of the Loan at the option of the Company, in two tranches of \$1 million each. As of September 30, 2019, the Company had drawn both of the additional \$1.0 million tranches for a total outstanding liability of \$4.0 million. The Company also paid off the advance on its ABL facility of \$1.8 million which was used to finance working capital in the prior quarter.

LIQUIDITY AND CAPITAL RESOURCES

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, taking on 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.

The Company considers its capital to be share capital and long-term debt.

The Company manages capital through forecasting processes whereby working capital and operational cashflow are forecasted weekly to proactively identify any capital shortfall or surplus. The Company's budget is updated regularly based on actual experience. The annual budget is re-forecast quarterly.

The Company will continue to make significant up-front investments in research and development, sales and marketing, and general and administrative expenses in order to rapidly develop and expand its business. Because the Company continues to incur significant expenditures for research and development, sales and marketing, and general and administrative expenses, the Company may experience negative cash flow in certain quarters where substantial investments are required until it reaches a higher level of sales with positive gross margins. The inability to generate consistent positive cash flow is a risk to the Company's business and could lead to the need to obtain additional financing in the future by way of debt or equity.

At September 30, 2019, the Company was not in compliance with its fixed charge coverage covenant with its lender, however subsequent to quarter end the lender has provided a waiver for the default.

OFF-BALANCE SHEET ARRANGEMENTS

On July 4, 2016, the Company entered into a 10-year lease agreement for a 50,000 square foot warehouse facility. The lease agreement commenced on November 1, 2016 and the Company believes the space will be sufficient to accommodate the current year inventory build as a result of new revenue opportunities, and the new facility also gives the Company adequate space for growth. The new leased facility has an annual rent of \$0.4 million.

In October 2016, under its new ABL Facility, the Company issued a stand-by letter of credit for \$0.2 million to one of its Canadian suppliers for extended credit terms.

TRANSACTIONS BETWEEN RELATED PARTIES

Loans from Related Parties

The Galaxy VTB of \$8.3 million is with a principal amount of USD\$5.72 million and bears interest at a rate of 8.5% per annum until July 1, 2019 and 12.0% thereafter. The loan matures on January 24, 2020 with no set repayment schedule. Interest expense accrued for the quarter ended September 30, 2019 is approximately \$0.2 million (2018 - \$0.2 million).

Transactions with Related Parties

The Company has a lease arrangement for office space with a shareholder of the Company, at market rents. The Company paid rent expense during the quarter of \$0.03 million (2018 - \$0.04 million).

The Company has an outstanding balance of \$0.126 million at September 30, 2019 (September 30, 2018- \$0.149 million) due to the CEO included in accounts payable and accrued liabilities. These amounts relate to unpaid compensation, accordingly, there are no specified repayment terms and this amount does not bear interest.

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

	3 months ended		6 months ended	
	September 30,	September 30,	September 30,	September 30,
	2019	2018	2019	2018
Salary and director fees	117	193	281	346

SUBSEQUENT EVENTS

TD Bank ABL Extension

On October 16, 2019, the Company finalized and completed an ABL facility extension with TD Bank to February 28th, 2020. The terms and conditions of the loan extension are similar to the original ABL structure.

Stock Option Grant

On November 13, 2019, the Board of Directors approved the granting of incentive stock options (the "Options") pursuant to the terms of the Corporation's stock option plan to a number of employees to acquire up to an aggregate of 14,000 common shares of the Company. All options granted to the employees are exercisable for a period of ten years at a price of \$0.14 per common share. These options vest over a five-year period with 20.0% of the Options vesting one year after the date of the grant and the remainder vesting thereafter at a rate of 20.0% per year

Galaxy VTB

On October 1, 2019, The Company was scheduled to repay a portion of the USD \$5.72M VTB. The Company and the holder are in discussion to extend this payment.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Critical accounting estimates and judgements are described in greater detail in the Company's audited annual consolidated financial statements for the year ended March 31, 2019.

CHANGES IN ACCOUNTING POLICIES / FUTURE ACCOUNTING POLICY CHANGES

The Company's accounting policies are set out in the Company's annual consolidated financial statements for the year ended March 31, 2019 and were consistently applied to all the periods presented.

Financial Instruments

Derivative Liability

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

Future Changes in Accounting Policies

The Company is currently evaluating the adoption of the following new and revised standards. Any changes will be made in accordance with the applicable transitional provisions.

IFRS 16 – Leases

Effective April 1, 2019, the Company adopted IFRS 16, Leases, replacing IAS 17, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in the standard, IFRS 16 was adopted retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at April 1, 2019. The Company also utilized certain practical expedient elections whereby (i) there is no need to reassess whether an existing contract is a lease, or contains an embedded lease if previously determined under IAS 17, (ii) short term and low-value leases are treated as operating leases, and (iii) there is no need to reassess the previous assessments in respect of onerous contracts that confirmed there were no existing onerous lease contracts. Under IFRS 16, most leases are now recognized on the balance sheet for lessees, essentially eliminating the distinction between a finance lease and an operating lease under IAS 17, where operating leases were reflected in the consolidated statements of earnings (loss).

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

RISKS AND UNCERTAINTIES

The Company is subject to certain risks and uncertainties that could have a material adverse effect on the Company's results of operations, business prospects, financial condition and the trading price of the common shares. These risks and uncertainties include: cyclicalities, reduction in demand, seasonality, competition, information management, foreign exchange, labour, income tax matters, customer concentration, relationships with suppliers, product liability, capital and liquidity risk, collections from customers, interest rates, distribution agreements, lack of long term customer sales agreements, dependence on key personnel, and growth challenges. All of these factors remain substantially unchanged from those described in the Company's 2019 Annual Information Form and the Company's March 31, 2019 year-end MD&A.

OUTSTANDING SHARE DATA

As of September 30, 2019, the Company had 76,049,764 common shares issued and outstanding, no warrants convertible common shares of the Company and 1,602,019 stock options, convertible into 1,602,019 common shares of the Company.

OUTLOOK

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

The Company continues to believe that there are a number of fundamental trends occurring within both the Global and North American food industries that will continue to drive consumer demand for GSB brands and customers will continue to be attracted by the Company’s innovation within the natural and organic marketplace.

As a result of this the Company continues to be optimistic that anticipated market growth will continue to drive demand for the Company’s acquired and developed brands and provides a lot of opportunity for further expansion into new product offerings. This has been evidenced by several distribution wins announced over the last three quarters. In particular, the Company expects that it will continue to execute on a two-pronged growth strategy. Firstly, the Company expects to have a strong and on-going internal product development program. There are currently a number of new product offerings in various stages of development that the Company expects to release strategically, to fill gaps in the Canadian natural and organic marketplace, over the next few quarters. Secondly, the tripling in size of the Canadian natural and organic food market over the last decade has been driven by a number of new entrants, creating a highly fragmented competitive landscape. The Company hopes to take advantage of this and expects to continue to grow through acquisition by making strategic investments in strong, simple ingredient businesses which would have positive and immediate impacts on revenue, gross margins and profitability. The Company also expects to divest, in whole or in part, of certain brands and assets over time as it feels those assets have reached a level of maturity where they would be better positioned to grow with a different company.

With its revenue base, rationalized operating structure and numerous new distribution wins, management expects to return to positive adjusted EBITDA margins in the coming quarters. The Company continues to feel it is in a strong position to be one of the principle consolidators in the North American natural and organic food market, due to its industry position and accumulated reputational goodwill.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, statements made under the heading “Outlook” and other statements concerning the Company’s 2019 objectives, strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause such differences include the cyclical nature of the construction and agriculture industries, changes in general economic conditions and interest rates, adverse weather, cost and availability of materials used to manufacture the Company’s products, competitive developments, legislative and government policy changes, as well as other risk factors included in the Company’s Annual Information Form dated November 13, 2019 under the heading “Risks and Uncertainties Related to the Business” and as described from time to time in the reports and disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company’s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements or levels of dividends and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. Certain statements included in this press release may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for all purposes. All forward-looking statements in this press release are qualified by these cautionary statements. The forward-looking statements contained herein are made as of the date of this press release and except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ADDITIONAL INFORMATION

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