
GREENSTAR BIOSCIENCES CORP.

Management Discussion & Analysis

For the three and six months ended February 29, 2020 and February 28, 2019

This management discussion and analysis (“MD&A”) of the financial condition and results of operations of GreenStar Biosciences Corp. and its subsidiaries (“GreenStar” or the “Company”), prepared as at April 27, 2020, is for the three and six months ended February 29, 2020 and February 28, 2019. This MD&A is a supplement to and should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three and six months ended February 29, 2020 and February 28, 2019. The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). All amounts presented herein are stated in Canadian dollars unless otherwise indicated. The first, second, third and fourth quarters of the Company’s fiscal years are referred to as “Q1”, “Q2”, “Q3” and “Q4”, respectively. The six months ended February 29, 2020 and February 28, 2019 are also referred to as “YTD 2020” and “YTD 2019”, respectively. The years ended August 31, 2019 and 2018, are also referred to as “fiscal 2019” and “fiscal 2018”, respectively.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. Additional information regarding GreenStar is available through the SEDAR website at www.sedar.com

Forward Looking Information

This MD&A contains “forward-looking statements” that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Such statements reflect management’s current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and known or unknown risks and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Please see the risk factors discussed under the heading “Risk Factors” in this MD&A.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

1. GREENSTAR BIOSCIENCES CORP.

GreenStar (formerly Bethpage Capital Corp.) was incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The head office, principal address and registered office of the Company are located at 717 – 1030 West Georgia Street, Vancouver, B.C. V6E 2Y3.

On May 30, 2019, the Company completed a reverse takeover with Green Star Biosciences Inc. The transaction was accounted for as a reverse take-over (“RTO”). On May 30, 2019, the Company changed its name to GreenStar. The Company’s common shares are listed under the symbol “GSTR” on the Canadian Securities Exchange and under the symbol “GTSIF” on the OTCQX.

GreenStar is a growth-oriented technology and services company that provides real estate, financial, management, IP and branding support to licensed cannabis businesses. GreenStar also has exclusive licensing arrangements for proprietary technologies that support product development and operational efficiencies for its operations. Based in Vancouver, B.C., GreenStar intends to facilitate growth through acquisitions and development of additional assets, products and technologies in legal cannabis markets by leveraging its capital markets, branding and operational expertise. GreenStar is committed to increasing shareholder value through aggressive expansion initiatives.

The Company seeks to invest in cannabis-related assets and companies for the purpose of creating value by participation in the growth of the cannabis industry. The Company has recognized and believes that the use and application of cannabis, and cannabis based products is an early stage industry that has substantial room for growth, fueled by changes in regulations, the acceptance that cannabidiol (“CBD”) is beneficial for specific ailments, and awareness of the purported health and wellness benefits. The Company owns cannabis related brands and provides management related services and leased real estate to a cannabis producer and processor. Following regulatory changes, management sees an opportunity for growth and expansion in this industry.

2. HIGHLIGHTS

Q2 2020 CONSOLIDATED FINANCIAL HIGHLIGHTS

- Revenue of \$295,737, compared to \$212,958 for Q2 2019.
- Net loss of \$999,202 or \$0.01 per share, compared to \$318,909 or \$0.01 per share for Q2 2019.
- Cash used in operating activities was \$569,046, compared to \$703,592 for Q2 2019.

FEBRUARY 29, 2020 COMPARED TO AUGUST 31, 2019 CONSOLIDATED BALANCE SHEET HIGHLIGHTS

- Cash was \$158,878, compared to \$512,777 at August 31, 2019, a decrease of 60%.
- Total assets were \$6,428,225, compared to \$6,721,072 at August 31, 2019, a decrease of 4%.
- Working capital was \$852,578, compared to \$1,464,432 at August 31, 2019, a decrease of 42%.

3. 2020 BUSINESS DEVELOPMENT AND OVERVIEW

The Company owns acquired brands, owns intellectual property and leases office and production premises to a cannabis processor and retailer. It is a technology and services company that provides real estate, financial, management, IP and branding support to licensed cannabis businesses.

Cowlitz County Cannabis Cultivation, Inc.

The Company owns the property leases and brands of Cowlitz County Cannabis Cultivation Inc. (“Cowlitz”), a licensed cannabis producer and processor located in Washington State. Cowlitz is a leading producer, marketer and vendor in the Washington State recreational cannabis market. Known for sourcing high-quality cannabis sold at affordable prices to a broad and established consumer base, Cowlitz’s portfolio of branded products is available at approximately 20% of cannabis retailers throughout Washington State. Cowlitz is one of the top five tier 2 producer and processor of cannabis in Washington and is the one of the largest independent buyers of dried flower, producing approximately 200,000 pre-rolls monthly. Currently, Cowlitz produces flower, dabs, pre-rolls, a full spectrum of cannabinoid powder, and infused joints under brand categories: “Dab Dudes” – affordably priced vape cartridges, BHO waxes and crystalline, “Hi Guys” – the ‘working man’s weed’, including flower, joints, “Dabsquatch” – affordable priced waxes, and BHO and “Cowlitz Gold” – premium flower, joints, BHO and vape cartridges. Cowlitz branded products are currently available in approximately 20% of the dispensaries in Washington State.

Cowlitz holds a Washington State marijuana processor license as granted by the Washington State Liquor and Cannabis Board which licenses Cowlitz to process, dry, cure, package, and label useable marijuana, marijuana concentrates, and marijuana-infused products for sale at wholesale to marijuana processors and marijuana retailers in the State of Washington.

The principal operations of the Company are located in Washington State and therefore highly regulated under regimes in the United States. Washington State regulations require that every individual with an ownership or equity interest, with a right to receive a percentage of gross or net profits, or who exercises control over a licensed marijuana operator must apply for licensing with the Washington State Liquor and Cannabis Board be approved. This requires applicants to be a Washington State resident. As such, regulations surrounding the Company are subject to change.

Progressive Herbs, Inc.

On February 1, 2019, GreenStar executed a joint venture agreement with Progressive Herbs, Inc. (“Progressive”) an Illinois-based agricultural technology company (the “Progressive JV Agreement”). Progressive and its affiliate, Aggressively Organic, Inc., are the owners of a proprietary technology for a sustainable, easy-to-use, inexpensive, productive growing system known as Micro Dendritic Pods™ (the “Progressive IP”). Pursuant to the Progressive JV Agreement, Progressive and GreenStar have formed a limited liability joint venture corporation, Capri PHGS, LLC (“Capri”), for the purposes of producing, processing, marketing and distributing cannabis, hemp, medicinal and bio pharmaceutical products for consumption worldwide utilizing the Progressive IP.

Progressive has executed an exclusive sublicense agreement with Capri (the “Capri Sublicense”) for the use, reproduction, development, manufacture, commercialization, sublicense and exploitation of the Progressive IP solely in connection with the production, development, manufacture and sale of cannabis, hemp, medicinal and bio pharmaceutical products for consumption.

Capri remains inactive as of the date of this MD&A.

Delta One Consultants LLC

On February 26, 2019, prior to the RTO, Green Star Biosciences Inc. entered into a non-binding letter of intent (“LOI”) for a Partnership Agreement with Delta One Consultants LLC (“Delta1”) whereby the Company is seeking to secure a 51% ownership interest in the Inkster, Michigan (“Inkster”) indoor grow facility. Inkster consists of a 20,800 square foot facility, with access/ownership to up to five (5) class C grow licenses, each license representing the ability to grow in perpetuity 1,500 individual cannabis plants.

In connection with the LOI, the Company paid \$201,435 (USD\$150,000) to Delta1.

4. SUMMARY OF QUARTERLY RESULTS

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	\$295,737	\$176,924	\$189,365	\$178,928
Net income (loss)	\$(999,202)	\$(683,274)	\$(942,952)	\$1,065,106
Comprehensive income (loss)	\$(943,591)	\$(700,772)	\$(1,056,565)	\$1,192,680
Basic and diluted net income (loss) per share	\$(0.01)	\$(0.01)	\$(0.02)	\$0.03
Number of weighted average shares	69,311,359	68,556,287	47,809,947	47,143,302

	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	\$212,958	\$204,955	\$227,022	\$9,408
Net loss	\$(318,909)	\$(557,677)	\$(4,147,792)	\$(477,467)
Comprehensive loss	\$(323,784)	\$(472,241)	\$(4,147,373)	\$(477,467)
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.16)	\$(0.04)
Number of weighted average shares	44,545,806	43,003,177	25,600,769	12,383,729

Comprehensive income of \$1,192,680 for Q3 2019 was a result of the RTO whereby the Company recorded a gain on the derecognition of derivative liability of \$8,647,744 which was partially offset by listing expense of \$1,726,550 and a change in fair value of derivative liability of \$5,188,200. Prior to the RTO, the Company’s function currency was the USD. As the Performance Warrants are exercisable in the Canadian dollar, the Performance Warrants were accounted for as a derivative liability. Pursuant to the RTO, the Company changed its functional currency from USD to Canadian dollars (consistent with the exercise currency) and as such, the Performance Warrants were no longer considered derivative liabilities.

The Licensing Agreement and Lease Agreement with Cowlitz began in Q3 2018. These agreements created a consistent stream of licensing and rental income each quarter.

5. COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

<i>For the three months ended</i>		Q2 2020		Q1 2019
Revenues	\$	295,737	\$	212,958
General and administrative		14,446		38,159
Insurance		25,478		-
Advertising		452,532		15,943
Rent		10,938		59,027
Professional fees		97,261		111,448
Consulting fees		10,295		61,273
Management fees		66,683		63,866
Interest expense		11,370		-
Amortization		52,564		55,946
Depreciation		83,939		42,426
Share-based compensation		471,659		306,203
Foreign exchange		7,305		(12,831)
Other income		(9,531)		(3,462)
Change in fair value of derivative liability		-		(206,131)
Net loss	\$	(999,202)	\$	(318,909)

Revenue

During Q2 2020, the Company recorded revenue of \$295,737 (USD\$223,809), compared to \$212,958 (USD\$149,725) during Q2 2019. Revenues were comprised of license royalties of \$184,637 (USD\$139,496), compared to \$94,901 (USD\$66,597) during Q2 2019, and lease revenue of \$111,100 (USD\$84,313), compared to \$118,057 (USD\$83,128) during Q2 2019. License royalties are earned based on Cowlitz's actual per-unit sales which may vary from period to period. Lease revenue is earned monthly over the lease term which expires in 2022. The increase in license royalties as compared to Q2 2019 is attributable to a non-recurring one-time annual adjustment of \$118,655 (USD\$89,423) to reconcile calendar 2019 license royalties with Cowlitz.

General and administration

During Q2 2020, the Company incurred general and administration expenses of \$14,446, compared to \$38,159 during Q2 2019. The decrease is attributable to management's review of all expenditures and a resulting reduction in discretionary spend.

Insurance

During Q2 2020, the Company incurred insurance expenses of \$25,478, compared to \$nil during Q2 2019. The expense relates to a director and officers insurance policy.

Advertising

During Q2 2020, the Company incurred advertising expenses of \$452,532, compared to \$15,943 during Q2 2019. The increase is attributable the recognition of expenses which were prepaid in Q4 2019.

Rent

During Q2 2020, the Company incurred rent expense of \$10,938, compared to \$59,027 during Q2 2019. The decrease is attributable to the adoption of IFRS 16, *Leases*, which resulted in a reduction in rent expense with a corresponding increase in depreciation expense and interest expense.

Professional fees

During Q2 2020, the Company incurred professional fees of \$97,261, compared to \$111,448 during Q2 2019. The decrease is attributable to management's review of all expenditures and a resulting reduction in discretionary spend.

Consulting fees

During Q2 2020, the Company incurred consulting fees of \$10,295, compared to \$61,273 during Q2 2019. The decrease is attributable to management's review of all expenditures and a resulting reduction in discretionary spend.

Management fees

During Q2 2020, the Company incurred management fees of \$66,683, compared to \$63,866 during Q2 2019. The expense remains consistent as compared to prior period.

Interest expense

During Q2 2020, the Company incurred interest expense of \$11,370, compared to \$nil during Q2 2019. The increase is attributable to interest expense on the lease liability recognized on the adoption of IFRS 16.

Amortization

During Q2 2020, the Company incurred amortization expense of \$52,564, compared to \$55,946 during Q2 2019. The expense represents the amortization of the intangible asset and remains consistent as compared to prior period.

Depreciation

During Q2 2020, the Company incurred depreciation expense of \$83,939, compared to \$42,426 during Q2 2019. The expense represents the depreciation of the lease asset and right of use asset. The increase is attributable to depreciation expense recognized on the right of use asset resulting from the adoption of IFRS 16.

Share-based compensation

During Q2 2020, the Company incurred share-based compensation expense of \$471,659, compared to \$306,203 during Q2 2019. The Company uses the Black-Scholes valuation model for options granted at fair value of shares issued to officers, management and consultants. The increase is primarily the result of stock options being granted to key management personnel during the quarter.

Foreign exchange

During Q2 2020, the Company incurred foreign exchange loss of \$7,305 compared to a foreign exchange gain of \$12,831 during Q2 2019. The amount will fluctuate from period to period with movements in the CAD to USD foreign exchange rates. The loss is due to variances in the value of the CAD relative to the USD in 2020 as compared to 2019.

Other income

During Q2 2020, the Company earned other income of \$9,531 compared to \$3,462 during Q2 2019. The amount represents interest income on the \$707,774 (USD\$500,000) promissory note receivable which was advanced on February 4, 2019.

Change in fair value of derivative liability

During Q2 2020, the Company recorded a gain of change in fair value of derivative liability of \$nil compared to \$206,131 during Q2 2019. The amount represents the revaluation of the Performance Warrants prior to the RTO. Subsequent to the RTO, the warrants are no longer revalued.

COMPARISON OF RESULTS FOR THE SIX MONTHS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

<i>For the six months ended</i>		YTD 2020		YTD 2019
Revenues	\$	472,661	\$	417,913
General and administrative		40,448		61,958
Insurance		66,867		-
Advertising		695,250		154,918
Rent		21,898		113,431
Professional fees		170,981		236,871
Consulting fees		55,302		178,433
Management fees		128,604		122,729
Interest expense		23,728		-
Amortization		105,307		106,477
Depreciation		168,605		81,946
Share-based compensation		682,318		669,948
Foreign exchange		18,546		48,583
Other income		(22,717)		(3,462)
Change in fair value of derivative liability		-		(477,333)
Net loss	\$	(1,682,476)	\$	(876,586)

Revenue

During YTD 2020, the Company recorded revenue of \$472,661 (USD\$357,620), compared to \$417,913 (USD\$306,465) during YTD 2019. Revenues were comprised of license royalties of \$250,083 (USD\$188,994), compared to \$191,048 (USD\$140,100) during YTD 2019, and lease revenue of \$222,578 (USD\$168,626), compared to \$226,865 (USD\$166,365) during YTD 2019. License royalties are earned based on Cowlitz's actual per-unit sales which may vary from period to period. Lease revenue is earned monthly over the lease term which expires in 2022. The increase in license royalties as compared to YTD 2019 is attributable to a non-recurring one-time annual adjustment of \$118,655 (USD\$89,423) to reconcile calendar 2019 license royalties with Cowlitz.

General and administration

During YTD 2020, the Company incurred general and administration expenses of \$40,448, compared to \$58,496 during YTD 2019. The decrease is attributable to management's review of all expenditures and a resulting reduction in discretionary spend.

Insurance

During YTD 2020, the Company incurred insurance expenses of \$66,867, compared to \$nil during YTD 2019. The expense relates to a director and officers insurance policy.

Advertising

During YTD 2020, the Company incurred advertising expenses of \$695,250, compared to \$154,918 during YTD 2019. The increase is attributable to the recognition of expenses which were prepaid in Q4 2019.

Rent

During YTD 2020, the Company incurred rent expense of \$21,898, compared to \$113,431 during YTD 2019. The decrease is attributable to the adoption of IFRS 16 which resulted in a reduction in rent expense with a corresponding increase in depreciation expense and interest expense.

Professional fees

During YTD 2020, the Company incurred professional fees of \$170,981, compared to \$236,871 during YTD 2019. The decrease is attributable to management's review of all expenditures and a resulting reduction in discretionary spend.

Consulting fees

During YTD 2020, the Company incurred consulting fees of \$55,302, compared to \$178,433 during YTD 2019. The decrease is attributable to management's review of all expenditures and a resulting reduction in discretionary spend.

Management fees

During YTD 2020, the Company incurred management fees of \$128,604, compared to \$122,729 during YTD 2019. The expense remains consistent as compared to prior period.

Interest expense

During YTD 2020, the Company incurred interest expense of \$23,728, compared to \$nil during YTD 2019. The increase is attributable to interest expense on the lease liability recognized on the adoption of IFRS 16.

Amortization

During YTD 2020, the Company incurred amortization expense of \$105,307, compared to \$106,477 during YTD 2019. The expense represents the amortization of the intangible asset and remains consistent as compared to prior period.

Depreciation

During YTD 2020, the Company incurred depreciation expense of \$168,605, compared to \$81,946 during YTD 2019. The expense represents the depreciation of the lease asset and right of use asset. The increase is attributable to the depreciation expense recognized on the right of use asset resulting from the adoption of IFRS 16.

Share-based compensation

During YTD 2020, the Company incurred share-based compensation expense of \$682,318, compared to \$669,948 during YTD 2019. The Company uses the Black-Scholes valuation model for options granted at fair value of shares issued to officers, management and consultants. The increase is primarily the result of stock options being granted to key management personnel during the year.

Foreign exchange

During YTD 2020, the Company incurred foreign exchange loss of \$18,546 compared to a foreign exchange loss of \$48,583 during YTD 2019. The amount will fluctuate from period to period with movements in the CAD to USD foreign exchange rates. The loss decreased due to variances in the value of the CAD relative to the USD in YTD 2020 as compared to YTD 2019.

Other income

During YTD 2020, the Company earned other income of \$22,717 compared to \$3,462 during YTD 2019. The amount represents interest income on the \$707,774 (USD\$500,000) promissory note receivable which was advanced on February 4, 2019.

Change in fair value of derivative liability

During YTD 2020, the Company recorded a gain of change in fair value of derivative liability of \$nil compared to \$477,333 during YTD 2019. The amount represents the revaluation of the Performance Warrants prior to the RTO. Subsequent to the RTO, the warrants are no longer revalued.

6. LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

6.1 Liquidity

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations. The Company's strategy for managing liquidity is based on achieving positive cash flows from operations to internally fund operating and capital requirements.

Factors that may affect the Company's liquidity are continuously monitored. These factors include the units sold by Cowlitz, operating costs, capital costs, income tax refunds, foreign currency fluctuations, seasonality, market immaturity and a highly fluid environment related to state and federal law passage and regulations.

In the event that the Company is adversely affected by any of these factors and, as a result, the operating cash flows are not sufficient to meet the Company's working capital requirements there is no guarantee that the Company would be able to raise additional capital on acceptable terms to fund a potential cash shortfall. Consequently, the Company is subject to liquidity risk.

The Company will need to procure additional financing in order to fund its ongoing operation. The Company intends to obtain such financing through equity financing, and there can be no assurance that the Company can raise the required capital it needs to build and expand as expected, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated, these uncertainties cast a significant doubt about the Company's ability to continue as a going concern.

At February 29, 2020, the Company had working capital of \$733,922, as follows:

<i>As at</i>	February 29, 2020		August 31, 2019	
Cash	\$	158,878	\$	512,777
Receivables		515,824		401,590
Prepaid expenses and deposits		24,635		381,396
Promissory note receivable		724,946		696,227
Total current assets		1,424,283		1,991,990
Accounts payable and accrued liabilities		400,492		527,558
Current lease liability		171,213		-
Total current liabilities		571,705		527,558
Working capital	\$	852,578	\$	1,464,432

6.2 Cash Flows

<i>Net cash provided by (used in)</i>	Q2 2020		Q2 2019	
Operating activities	\$	(210,759)	\$	(552,254)
Investing activities		-		-
Financing activities		140,000		(322,977)
Effect of exchange rate changes on cash		(2,939)		2,732
Cash, beginning		271,062		2,194,370
Cash, end	\$	158,878	\$	1,321,871

Review of cash flow for the three months ended Q2 2020 compared to Q2 2019:

Cash used in operating activities during Q2 2020 was \$210,759, compared to cash used in operating activities of \$552,254 during Q2 2019. The decrease in cash used in operating activities is attributable to the following:

- Net loss of \$999,202 compared to \$318,909 due primarily to an increase in advertising expense and share-based compensation combined with a decrease in gain of change in fair value of derivative liability as the warrants are no longer revalued subsequent to the RTO. Included in net loss are non-cash items of \$596,425 for the three months ended February 29, 2020 as compared to \$186,433 for the three months ended February 28, 2019.
- Movements in trade and other receivables decreased cash by \$202,587 compared to decreasing cash by \$18,154 during the three months ended February 28, 2019.
- Movements in prepaid expenses increased cash by \$360,870 compared to decreasing cash by \$112,323 during the three months ended February 28, 2019.
- Movements in trade payables and other liabilities increased cash by \$33,735 compared to decreasing cash by \$289,301 during the three months ended February 28, 2019.

Investing activities used cash of \$nil for the three months ended February 29, 2020 and February 28, 2019.

Cash provided by financing activities for the three months ended February 29, 2020 was \$140,000 as compared to \$322,977 used in the three months ended February 28, 2019. We raised funds through the exercise of warrants and through private placements which was partially offset by lease payments as a result of the adoption of IFRS 16 during the three months ended February 29, 2020 and the advance of note receivable of \$665,072 (USD\$500,000) during the three months ended February 28, 2019.

<i>Net cash provided by (used in)</i>	YTD 2020		YTD 2019	
Operating activities	\$	(569,046)	\$	(703,592)
Investing activities		-		(263,229)
Financing activities		216,845		(197,977)
Effect of exchange rate changes on cash		(1,698)		-
Cash, beginning		512,777		2,486,669
Cash, end	\$	158,878	\$	1,321,871

Review of cash flow for the six months ended February 29, 2020 compared to the six months ended February 28, 2019:

Cash used in operating activities for YTD 2020 was \$569,046, compared to cash used in operating activities of \$703,592 during YTD 2019. The decrease in cash used in operating activities is attributable to the following:

- Net loss of \$1,682,476 compared to \$876,586 due primarily to an increase in advertising expense combined with a decrease in gain of change in fair value of derivative liability as the warrants are no longer revalued subsequent to the RTO. These increases were partially offset by a reduction in general and administrative expenses, professional fee and consulting fees due to management review and reduction of non-essential spend. Included in net loss are non-cash items of \$926,041 for the six months ended February 29, 2020 as compared to \$431,991 for the six months ended February 28, 2019.
- Movements in trade and other receivables decreased cash by \$109,860 compared to decreasing cash by \$58,242 during the six months ended February 28, 2019.
- Movements in prepaid expenses increased cash by \$359,104 compared to decreasing cash by \$114,397 during the six months ended February 28, 2019.

- Movements in trade payables and other liabilities decreased cash by \$61,855 compared to decreasing cash by \$86,358 during the six months ended February 28, 2019.

Investing activities used cash of \$nil for the six months ended February 29, 2020, as compared to \$263,229 (USD\$200,000) used in the six months ended February 28, 2019. Prior year spending related to additional intellectual property purchased from Cowlitz.

Cash provided by financing activities for the six months ended February 29, 2020 was \$216,845 as compared to \$197,977 used in financing activities during the six months ended February 28, 2019. We raised funds through the exercise of warrants and through private placements which was partially offset by lease payments as a result of the adoption of IFRS 16 during the three months ended February 29, 2020 and the advance of note receivable of \$665,072 (USD\$500,000) during the three months ended February 28, 2019.

6.3 Capital Resources

The capital of the Company consists of consolidated equity, net of cash.

<i>As at</i>	February 29, 2020	August 31, 2019
Equity	\$ 5,590,469	\$ 6,193,514
Less: cash	(158,877)	(512,777)
	\$ 5,431,591	\$ 5,680,737

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The Company's board of directors identifies and evaluates the Company's financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated.

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new common shares or adjust the amount of cash.

The Company's investment policy is to invest excess cash in investment instruments at high credit, quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

7. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations or arrangements with respect to any obligations under a variable interest equity arrangement.

8. RELATED PARTY DISCLOSURES

Key management personnel compensation for the three and six months ended February 29, 2020 and February 28, 2019 were as follows:

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Management fees	\$ 76,849	\$ 66,454	\$ 136,321	\$ 125,319
Consulting fees	-	-	16,500	-
Share-based payments	361,118	53,908	361,118	103,594
	\$ 437,967	\$ 120,362	\$ 513,939	\$ 228,913

Share-based payments are the fair value of options granted to key management personnel as at the grant date.

Other related party transactions for the three and six months ended February 29, 2020 and February 28, 2019 were as follows:

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	February 29, 2020	February 28, 2019
Professional fees	\$ 16,635	\$ 63,156	\$ 53,158	\$ 125,843
	\$ 16,635	\$ 63,156	\$ 53,158	\$ 125,843

During the three and six months ended February 29, 2020, the Company incurred \$16,635 and \$16,635, respectively (three and six months ended February 28, 2019 - \$nil and \$nil, respectively) in accounting costs to a firm related to the Chief Financial Officer. The accounting costs are included in professional fees in the consolidated statement of comprehensive loss.

During the three and six months ended February 29, 2020, the Company incurred \$nil and \$36,523, respectively (three and six months ended February 28, 2019 - \$7,648 and \$7,648, respectively) in accounting costs to a firm owned by the former Chief Financial Officer. The accounting costs are included in professional fees in the consolidated statement of comprehensive loss.

During the three and six months ended February 29, 2020, the Company incurred \$nil and \$nil, respectively (three and six months ended February 28, 2019 - \$55,508 and \$118,195, respectively) in legal costs to a law firm in which a former director is a partner. The legal costs are included in professional fees in the consolidated statement of comprehensive loss.

Due to related parties as at February 29, 2020 and August 31, 2019 were as follows:

	February 29, 2020	August 31, 2019
Trade payables and other liabilities	\$ 140,534	\$ 196,442
	\$ 140,534	\$ 196,442

As at February 29, 2020, included in trade payables and other liabilities is \$18,680 (August 31, 2019 - \$nil) payable to a Company owned by the Chief Executive Officer of the Company for management fees. The amount is unsecured, non-interest bearing and due on demand.

As at February 29, 2020, included in trade payables and other liabilities is \$95,209 (August 31, 2019 - \$62,301) payable to a Company owned by the former Chief Executive Officer of the Company for management fees. The amount is unsecured, non-interest bearing and due on demand.

As at February 29, 2020, included in trade payables and other liabilities is \$7,295 (August 31, 2019 - \$63,322) payable to a company owned by the former Chief Financial Officer for professional fees. The amount is unsecured, non-interest bearing and due on demand.

As at February 29, 2020, included in trade payables and other liabilities is \$14,496 (August 31, 2019 - \$29,025) payable to a consulting firm owned by the former Chief Operations Officer for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at February 29, 2020, included in trade payables and other liabilities is \$nil (August 31, 2019 - \$20,794) payable to a company owned by the former President for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at February 29, 2020, included in trade payables and other liabilities is \$4,854 (August 31, 2019 - \$21,000) payable to directors of the Company for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

9. OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of common shares without par value. The Company had the following securities outstanding as at April 27, 2020.

Type of Security	Number Outstanding
Common Shares	66,713,367
Share Purchase Options	6,618,836
Agent Options	445,095
Performance Warrants	4,655,992
Share Purchase Warrants	37,372,064
Fully Diluted	115,805,354

10. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of the Company's annual consolidated financial statements for the years ended August 31, 2019 and 2018, are consistent with new standards and amendments to standards, except for the following:

The Company adopted IFRS 16, *Leases* using the modified retrospective approach on September 1, 2019. Under this method, the cumulative effect of initially applying the standard is recognized in retained earnings at September 1, 2019. There was no retained earnings adjustment as the right of use asset carrying amount was consistent with the lease liability. Accordingly, the comparative information presented for 2019 has not been restated and is presented as previously reported under IAS 17, *Leases* and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

On transition, the Company elected to apply the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as lease under IAS 17. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), lease contracts for which the underlying asset is of low value (low-value assets). The transition and impact are further disclosed in note 3 to the unaudited condensed interim consolidated financial statements for the three and six months ended February 29, 2020 and February 28, 2019.

11. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as the follows:

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Useful lives of property, plant and equipment and intangibles

Property, plant, and equipment and intangible assets are amortized or depreciated over their useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

Impairment

Long-lived assets, including intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “CGU”). Judgments and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

Going concern

The Company’s ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Functional currency

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Foreign currency gains and losses on transactions or settlements are recognized in the statement of loss and comprehensive loss. The functional currency of Green Star Biosciences Inc., Green Star Washington LLC, and Green Star Biosciences Packing LLC is the United States dollar. Assets and liabilities are translated at the period end foreign exchange rate and revenue and expenses are translated at the average rate for the period.

The consolidated financial statements are translated into Canadian dollars with assets and liabilities translated at the current rate on the consolidated financial statements date and revenue and expense items translated at the average rates for the period. Translation adjustments are recorded as accumulated other comprehensive income (loss) in shareholders’ equity.

Trade receivables

The Company accounts for impairment of trade receivables by recording allowances for doubtful accounts on an individual basis, as its sole customer is Cowlitz. The assessment of whether a receivable is collectible involves the use of judgment and requires the use of assumptions about customer defaults that could change significantly. Judgment is required when we evaluate available information about a particular customer’s financial situation to determine whether it is probable that a credit loss will occur, and the amount of such loss is reasonably estimable and thus an allowance for that specific account is necessary. Changes in our estimates about the allowance for doubtful accounts could materially impact reported assets and expenses, and our profit could be adversely affected if actual credit losses exceed our estimates.

Promissory note receivable

The Company accounts for impairment of note receivables by recording allowances. The assessment of whether a note receivable is collectible involves the use of judgment and requires the use of assumptions about the financial situation of who the note was issued. Judgment is required when we evaluate available information about a particular customer’s financial situation to determine whether it is probable that a credit loss will occur on the note receivable, and the amount of such loss is reasonably estimable and thus an allowance for that specific account is necessary. Changes in our estimates about the allowance for doubtful accounts could materially impact reported assets and expenses, and our profit could be adversely affected if actual credit losses exceed our estimates.

Deferred acquisition cost

The Company intends to partner with Delta1 to purchase an interest in an indoor cannabis grow operation. In connection with the LOI, the Company paid \$201,435 (USD\$150,000) to Delta1. Management has used judgement and determined that the amount paid to Delta1 meets the definition of an asset and it is reasonably expected to complete the acquisition of a 51% interest in the Inkster, Michigan facility. If the Company fails to execute a final partnership agreement as outlined in the LOI and complete the acquisition, then \$100,000 of the deposit will be refundable per the LOI.

Identifying whether a contract includes a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, does the Company obtain substantially all of the economic benefits and who has the right to direct the use of that asset.

Estimate of lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

12. RISKS AND UNCERTAINTIES

For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A for the year ended August 31, 2019.