

# GSRX INDUSTRIES INC.

## **FORM 10-Q** (Quarterly Report)

Filed 02/16/21 for the Period Ending 09/30/20

Telephone	(808) 214-8649
CIK	0001381240
Symbol	GSRX
SIC Code	5400 - Retail-Food Stores
Industry	Pharmaceuticals
Sector	Healthcare
Fiscal Year	12/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Quarter ended September 30, 2020

Commission File Number: 333-141929

**GSRX INDUSTRIES INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State of organization)

14-1982491

(I.R.S. Employer Identification No.)

5477 Nittany Valley Drive  
Mill Hall, Pennsylvania 17751  
(Address of principal executive offices)

(214) 808-8649  
Registrant's telephone number, including area code

Former address if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]  
Non-accelerated filer [ ] Smaller reporting company [X]  
(Do not check if smaller reporting company) Emerging growth company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

As of February 12, 2021, the registrant had 81,799,286 shares of common stock, par value \$0.001 per share, outstanding.

## TABLE OF CONTENTS

<u>PART I - FINANCIAL INFORMATION</u>		
ITEM 1.	<u>INTERIM FINANCIAL STATEMENTS</u>	3
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS</u>	19
ITEM 3	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	25
ITEM 4	<u>CONTROLS AND PROCEDURES</u>	25
<u>PART II - OTHER INFORMATION</u>		
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	26
ITEM 1A.	<u>RISK FACTORS</u>	26
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES</u>	26
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	27
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	27
ITEM 5.	<u>OTHER INFORMATION</u>	27
ITEM 6.	<u>EXHIBITS</u>	27
<u>SIGNATURES</u>		28

# PART I – FINANCIAL INFORMATION

## ITEM 1. INTERIM FINANCIAL STATEMENTS

### GSRX Industries Inc. Consolidated Balance Sheets September 30, 2020 and December 31, 2019

	September 30, 2020 <i>“Unaudited”</i>	December 31, 2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ -	\$ 75,704
Cash, held in escrow (Note 9)	528,570	528,570
Accounts Receivable	9,810	21,146
Inventory	611,887	442,316
Prepaid Inventory	-	371,263
<b>Total Current Assets</b>	<b>1,150,267</b>	<b>1,438,999</b>
<b>Fixed Assets</b>		
Furniture, Fixtures and Equipment	388,750	406,729
Building, Land and Leasehold Improvements	992,007	1,009,505
Accumulated Depreciation	(409,865)	(264,583)
<b>Total Net Fixed Assets</b>	<b>970,892</b>	<b>1,151,651</b>
<b>Other Assets</b>		
Advance to Parent and Affiliate, net of reserve	-	1,170,386
Licenses	812,300	812,300
Deposits	244,164	275,810
Investments, fair value (Note 2)	258,132	232,247
Investments, cost method (Note 2)	70,000	70,000
Right of Use (Note 2)	1,553,155	2,155,738
Construction in Progress (Note 5)	526,582	739,473
<b>Total Other Assets</b>	<b>3,464,333</b>	<b>5,455,954</b>
<b>Total Assets</b>	<b>\$ 5,585,492</b>	<b>\$ 8,046,604</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,432,547	\$ 876,227
Accrued Expenses	136,766	362,903
Lease Liability - current (Note 2)	343,743	594,936
<b>Total Current Liabilities</b>	<b>1,913,056</b>	<b>1,834,066</b>
<b>Long Term Liabilities</b>		
Lease Liability - non current (Note 2)	1,089,945	1,751,237
<b>Total Long Term Liabilities</b>	<b>1,089,945</b>	<b>1,751,237</b>
<b>Total Liabilities</b>	<b>3,003,001</b>	<b>3,585,303</b>
<b>Commitments and Contingencies (Note 8)</b>		
<b>Stockholders' Equity (Note 3)</b>		
Preferred Stock, convertible, \$.001 par value; 1,000 shares authorized; 1,000 issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	1	1
Common Stock \$.001 par value 100,000,000 authorized; 81,799,286 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	81,800	81,800
Additional paid-in capital	83,111,254	83,111,254
Retained Deficit	(80,265,868)	(78,579,239)
Equity Attributable to GSRX Industries Inc.	2,927,187	4,613,816
Non-Controlling Interest	(344,696)	(152,515)

Total Stockholders' Equity	2,582,491	4,461,301
Total Liabilities and Stockholders' Equity	\$ 5,585,492	\$ 8,046,604

*The accompanying footnotes are an integral part of these consolidated financial statements.*

**GSRX Industries Inc.**  
**Consolidated Statements of Operations**  
**For the Six Months Ended September 30, 2020 and 2019**

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<i>“Unaudited”</i>	<i>“Unaudited”</i>	<i>“Unaudited”</i>	<i>“Unaudited”</i>
<b>Revenues</b>				
Revenues	\$ 2,745,958	\$ 2,757,158	\$ 8,186,907	\$ 9,062,462
Cost of Goods Sold	1,240,586	1,431,656	4,064,517	4,910,120
<b>Gross Profit</b>	<b>1,505,372</b>	<b>1,325,502</b>	<b>4,122,390</b>	<b>4,152,342</b>
<b>Operating Expenses</b>				
Consulting Fees	238,973	458,233	733,237	1,324,969
General and Administrative	3,112,438	1,414,838	4,507,854	4,648,194
Abandonment of Option to Purchase Building	-	-	-	200,000
Impairment of leasehold improvements and rent deposits	-	-	-	654,426
Impairment of fixed assets and construction in progress	300,631	-	388,874	-
Professional Fees	60,374	155,375	266,668	703,408
Depreciation Expense	59,143	56,977	155,451	158,146
Stock Based Compensation (Note 3)				
Consulting Fees	-	16,547,800	-	17,182,907
Share Exchange and Ancillary Rights Agreement	-	-	-	1,166,700
Director Fees	-	47,000	-	77,087
Professional Fees	-	282,000	-	690,000
Total Stock based compensation	-	16,876,800	-	19,116,694
Total Operating Expenses	3,771,559	18,962,223	6,052,084	26,805,837
<b>Loss from Operations</b>	<b>(2,266,187)</b>	<b>(17,636,721)</b>	<b>(1,929,694)</b>	<b>(22,653,495)</b>
<b>Other Income (Expenses)</b>				
Rent Income	-	31,500	-	88,756
Option Fee	-	-	25,000	-
Unrealized gain on investments	(128,337)	(6,442,370)	25,885	(7,244,476)
<b>Total Other Income (Expenses)</b>	<b>(128,337)</b>	<b>(6,410,870)</b>	<b>50,885</b>	<b>(7,155,720)</b>
<b>Loss From Operations Before Provision for Income Taxes</b>	<b>(2,394,524)</b>	<b>(24,047,591)</b>	<b>(1,878,809)</b>	<b>(29,809,215)</b>
<b>Provision for Income Taxes (Note 4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Loss	(2,394,524)	(24,047,591)	(1,878,809)	(29,809,215)
<b>Net Loss Attributable to Non-Controlling Interest</b>	<b>(155,744)</b>	<b>(34,001)</b>	<b>(192,182)</b>	<b>(512,819)</b>
<b>Net Loss Attributable to GSRX Industries Inc.</b>	<b>\$ (2,238,780)</b>	<b>\$ (24,013,590)</b>	<b>\$ (1,686,627)</b>	<b>\$ (29,296,396)</b>
Basic and diluted loss per share	\$ (0.03)	\$ (0.33)	\$ (0.02)	\$ (0.49)
Weighted average number of common shares outstanding – basic and diluted	81,799,286	73,793,792	81,799,286	59,764,667

*The accompanying footnotes are an integral part of these consolidated financial statements.*

**GSRX Industries Inc.**  
**Consolidated Statement of Changes in Stockholders' Equity**  
**For the Nine Months Ended September 30, 2020 and 2019**

	<u>Shares</u>		<u>Preferred</u>	<u>Common</u>	<u>Additional</u>		<u>Non -</u>	
	<u>Preferred</u>	<u>Common</u>	<u>Stock</u>	<u>Stock</u>	<u>Paid-in</u>	<u>Retained</u>	<u>Controlling</u>	<u>Total</u>
	<u>Stock</u>	<u>Stock</u>	<u>Amount</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>	<u>Interest</u>	
<b>Balance as of December 31, 2018</b>	<b>1,000</b>	<b>46,035,303</b>	<b>\$ 1</b>	<b>\$ 46,036</b>	<b>\$ 49,750,533</b>	<b>\$ (42,322,236)</b>	<b>\$ 401,789</b>	<b>\$ 7,876,143</b>
Issuance of Shares and Warrants for Cash	-	1,433,600	-	1,434	1,181,566	-	-	1,183,000
Issuance of Shares for Services	-	21,717,241	-	21,717	16,731,476	-	-	16,753,193
Issuance of Shares for Cash, Not issued as of Statement Date	-	-	-	-	-	-	-	-
Shares issued in Share Exchange and Ancillary Agreement		11,666,998		11,667	12,822,031	-	-	12,833,698
Reduction of warrant exercise price	-	-	-	-	1,196,800	-	-	1,196,800
Capital Contributed by Non-Controlling Interests	-	-	-	-	1,391,198	-	59,287	1,504,363
Net Loss	-	-	-	-	-	(29,296,396)	(512,819)	(29,809,215)
<b>Balance as of September 30, 2019</b>	<b>1,000</b>	<b>80,853,142</b>	<b>1</b>	<b>80,854</b>	<b>83,073,624</b>	<b>(71,618,632)</b>	<b>2,135</b>	<b>\$ 11,537,982</b>
<b>Balance as of December 31, 2019</b>	<b>1,000</b>	<b>81,799,286</b>	<b>\$ 1</b>	<b>\$ 81,800</b>	<b>\$ 83,111,254</b>	<b>\$ (78,579,239)</b>	<b>\$ (152,515)</b>	<b>\$ 4,461,301</b>
Net Loss	-	-	-	-	-	(1,686,629)	(192,181)	(1,878,810)
<b>Balance as of September 30, 2020</b>	<b>1,000</b>	<b>81,799,286</b>	<b>\$ 1</b>	<b>\$ 81,800</b>	<b>\$ 83,111,254</b>	<b>\$ (80,265,868)</b>	<b>\$ (344,696)</b>	<b>\$ 2,582,491</b>

*The accompanying footnotes are an integral part of these consolidated financial statements.*

**GSRX Industries Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Nine Months Ended September 30, 2020 and 2019**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<i>"Unaudited"</i>	<i>"Unaudited"</i>
<b>Cash Flow from Operating Activities</b>		
Net Loss	\$ (1,878,809)	\$ (29,809,215)
<b>Adjustments to Reconcile Net Loss to Net Cash used in Operating Activities</b>		
Issuance of Common Stock for Services	-	17,919,894
Reduction of warrant exercise price	-	1,196,800
Depreciation Expense	155,451	158,146
Abandonment of Option to Purchase Building	-	200,000
Impairment of leasehold improvements and rent deposits	273,327	654,426
Reserve for collection of Advance to Parent and Affiliate	1,798,580	-
Amortization of right of use asset	(309,902)	295,810
Unrealized (gain) loss on investments	(25,885)	7,244,476
<b>Changes in Operating Assets and Liabilities:</b>		
Accounts Receivable	11,336	(37,799)
Inventory	(169,571)	(73,822)
Prepaid Inventory	371,263	157,647
Prepaid Expenses	-	2,500
Accounts Payable	556,320	10,132
Accrued Expenses	(226,137)	108,547
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>555,973</b>	<b>(1,972,458)</b>
<b>Cash Flow from Investing Activities</b>		
Deposit	-	(284,909)
Purchase of Fixed Assets	-	(72,879)
Advance to Parent and Affiliate	(1,055,798)	-
Proceeds from Advance to Parent and Affiliate	427,604	-
Patent Application Costs incurred	-	(135,546)
Investments, cost method	-	(70,000)
Construction in Progress	(3,483)	(355,077)
<b>Net Cash Used in Investing Activities</b>	<b>(631,677)</b>	<b>(918,411)</b>
<b>Cash Flow from Financing Activities</b>		
Issuance of Common Stock for Cash	-	1,183,000
Cash Contributed by Non-controlling Interests	-	1,504,363
<b>Net Cash Provided by Financing Activities</b>	<b>-</b>	<b>2,687,363</b>
Net Increase (Decrease) in Cash	(75,704)	(203,506)
Cash at Beginning of Period	604,274	1,313,645
<b>Cash at End of Period</b>	<b>\$ 528,570</b>	<b>\$ 1,110,139</b>
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income Taxes	\$ -	\$ -
<b>Supplemental Disclosure of Non-cash Investing and Financing Activities</b>		
Common stock issued for Investments, fair value	\$ -	\$ 11,666,998

*The accompanying footnotes are an integral part of these consolidated financial statements.*



**GSRX Industries Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2020**

**1. Nature of Operations**

GSRX Industries Inc. (“the Company”) is a Nevada corporation formed under the name Cyberspace Vita, Inc. (“Cyberspace”) on November 7, 2006. The Company changed its name from Cyberspace to Green Spirit Industries Inc. on May 18, 2017. The Company changed its name from Green Spirit Industries Inc. to GSRX Industries Inc. on June 22, 2018.

The Company is in the business of operating medical cannabis dispensaries in Puerto Rico and cannabis related businesses in California. Effective November 24, 2020 the Company sold all of its dispensaries in Puerto Rico (Note 9).

Liquidity, Financial Condition and Management Plan

Our consolidated financial statements contemplate that we will continue as a going concern and do not contain any adjustments that might result if we were unable to continue as a going concern. Our ability to continue as a going concern is dependent upon our ability to raise additional capital and implement our business plan. If we are unable to achieve or sustain profitability or to secure additional funds from our Parent, we may not be able to meet our obligations as they come due, raising substantial doubts as to our ability to continue as a going concern. Any such inability to continue as a going concern may result in our stockholders losing their entire investment. There is no guarantee that we will become profitable or secure additional funds from our parent. We are also planning on funding through private placements and continuing initiatives to raise capital to meet future working capital requirements.

Historically, the Company had net losses and negative cash flows from operations. The Company continues to experience liquidity constraints due to the continuing losses.

We believe our existing and available capital resources will be sufficient to satisfy our funding requirements through the second quarter of 2021. However, we continue to evaluate various options to further reduce our cash requirements to operate at a reduced rate, as well as options to raise additional funds.

**2. Summary of Significant Accounting Policies**

Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted. However, in the opinion of management, all adjustments (which include only normal recurring adjustments, unless otherwise indicated) necessary to present fairly the consolidated financial position and results of its operations for the periods presented have been made. The results for interim periods are not necessarily indicative of trends or of results to be expected for the full year. These consolidated financial statements should be read in conjunction with the financial statements of the Company for the year ended December 31, 2019 (including the notes thereto) set forth in Form 10-K filed with the Securities and Exchange Commission on June 11, 2020.

### Principles of Consolidation

The consolidated financial statements through September 30, 2020 include the accounts of the Company and the following entities, all of which have fiscal year ends of December 31. (Note 1).

- 100% owned subsidiary, Project 1493, LLC;
- 100% owned subsidiary, Andalucia 511, LLC;
- 51% majority owned subsidiary, Spirulinex, LLC;
- 55% majority owned subsidiary, Sunset Connect Oakland, LLC;
- 55% majority owned, Green Spirit Essentials, LLC;
- 100% owned subsidiary, Green Spirit Mendocino, LLC; and
- 100% owned subsidiary, 138 Main Street PA, LLC.
- 100% owned subsidiary, GSRX SUPES, LLC
- 100% owned subsidiary, Point Arena Supply Co., LLC
- 100% owned subsidiary, Ukiah Supply Company, LLC
- 100% owned subsidiary, Pure and Natural, LLC
- 94% owned subsidiary, Point Arena Manufacturing, LLC
- 100% owned subsidiary, Point Arena Distribution, LLC
- 51% majority owned subsidiary, Pure and Natural-Lakeway, LLC
- 51% majority owned subsidiary, Pure and Natural One-TN, LLC
- 95% owned subsidiary, Green Room Palm Springs, LLC

All intercompany transactions have been eliminated in the consolidated financial statements.

### Use of Estimates and Assumptions

The preparation of the consolidated financial statements that are in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

### Cash and Cash Equivalents

The Company considers all cash on hand, cash in banks and all highly liquid debt instruments purchased with a maturity of three months at purchase or less to be cash and cash equivalents. At times, cash and cash equivalent balances at a limited number of banks and financial institutions may exceed insurable amounts. At September 30, 2020 the Company had \$278,570 in excess of FDIC depository insurance coverage. In the Company's Puerto Rico operations, the Company holds cash from sales in multiple safes. The cash is used to pay vendors and certain taxes required to be paid with cash. The Company deposits cash into bank from safes when vendors require payment by check. As of September 30, 2020, the Company held approximately \$68,000 in safes.

Cash held in escrow, in the name of the Company, is held by Gunnison Bank ("Gunnison"). The escrow account was established to hold the deposits from the sale of equity in subsidiaries and hold funds for businesses under subscription agreements. There are no restrictions on the funds held by Gunnison on the Company's behalf.

### Investments, fair value

On March 30, 2019 the Company entered into a Share Exchange Agreement (the “Share Agreement”) and an Ancillary Rights Agreement (the “Ancillary Agreement”) with Chemesis International Inc., a British Columbian Corporation (“CADMF”). In the Share Agreement, the Company received 7,291,874 pre-split, restricted shares of common stock of CADMF initial fair value. On December 20, 2019 CADMF completed a reverse 1:10 stock split, reducing the shares held to 729,187. Fair value of the investment as of September 30, 2020 was \$258,132. CADMF is quoted on the OTCQB market and closed on Wednesday, September 30, 2020 at \$0.354 per share.

### Investments, cost method

Pure and Natural, LLC made a \$50,000 investment on January 4, 2019 for a 10% equity and profits interest in The Zen Stop, LLC. The Zen Stop is a mobile wellness business called “**Zen Stop.**” The investment is carried at the cost basis as it is a private company and fair value cannot be determined.

Pure and Natural, LLC purchased 25,167 membership units in Buzznog, LLC for \$20,000 on March 6, 2019. The investment is carried at the cost basis as it is a private company and fair value cannot be determined.

### Revenue Recognition

The Company recognizes revenue at an amount that reflects the consideration that the Company expects to be entitled to receive in exchange for transferring goods or services to its customers. The Company’s policy is to record revenue when control of the goods transfers to the customer.

In limited instances when products are sold under consignment arrangements, the Company does not recognize revenue until control over such products has transferred to the end consumer.

The Company incurs costs associated with product distribution, such as freight and handling costs. The Company has elected to treat these costs as fulfillment activities and recognizes these costs at the same time that it recognizes the underlying product revenue.

The following table presents the Company’s revenues disaggregated by type and by state/territory:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenues by Type</b>				
Wholesale	\$ 1,373	\$ 852	\$ 2,191	\$ 51,180
Retail	2,744,585	2,756,306	8,184,716	9,011,282
<b>Total</b>	<u>\$ 2,745,958</u>	<u>\$ 2,757,158</u>	<u>\$ 8,186,907</u>	<u>\$ 9,062,462</u>
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2020	2019	2020	2019
<b>Revenues by State/Territory</b>				
California	\$ 110,064	\$ 175,810	\$ 303,163	\$ 409,803
Tennessee	-	12,814	10,113	38,479
Texas	1,373	2,648	4,795	90,915
Puerto Rico	2,634,521	2,565,886	7,868,836	8,523,265
<b>Total</b>	<u>\$ 2,745,958</u>	<u>\$ 2,757,158</u>	<u>\$ 8,186,907</u>	<u>\$ 9,062,462</u>

### Accounts Receivable

The Company carries its accounts receivable at their estimated realizable amounts and periodically evaluates the credit condition of its customers. The allowance for uncollectible accounts receivable is based on the Company's historical bad debt experience and on management's evaluation of collectability of the individual outstanding balances. As of September 30, 2020, the Company had not identified any uncollectible accounts.

### Advance to Parent and Affiliate

On October 11, 2019 the Company sold real estate in Puerto Rico, resulting in net proceeds of \$920,402. The Company advanced the proceeds to its parent, Chemesis in exchange for a note due January 31, 2020, bearing an interest of at Prime plus 1.0% per month. Through May 6, 2020 Chemesis repaid \$650,000 on the loan. On May 6, 2020 the Company amended the loan agreement with Chemesis to repay \$100,000 of the loan by May 30, 2020 and the balance paid in full by November 6, 2020. As of the date of this report, Chemesis did not make the loan payment of \$100,000 due on May 30, 2020 or the balance in full due by November 6, 2020, but had repaid an additional \$77,604 of the advance by September 30, 2020. The Company has placed a Reserve for Collection of the Advance to Parent and Affiliate for the outstanding balance of \$192,798 as of September 30, 2020. The current balance due on the note as of the date of this report is \$228,798.

As of September 30, 2020, the Company advanced \$1,605,782 to Natural Ventures Puerto Rico, LLC ("NVPR"), a subsidiary of Chemesis as an informal, unsecured, due upon demand advance. The Company has placed a Reserve for Collection of the Advance to Parent and Affiliate for the outstanding balance of \$1,605,782 as of September 30, 2020. The current balance of the advance due as of the date of this report is \$1,663,707.

### Inventory

The Company's inventory is stated at the lower of cost or market, determined by the first-in, first-out ("FIFO") method. Inventory consists of cannabis products, such as flower, edibles, creams, oils and cannabis accessories as pipes, bowls and cartridges; and CBD products, such as soft gels, tinctures, balms, pain cream and vape pens.

Inventory is comprised of the following items:

	As of September 30, 2020	As of December 31, 2019
Finished goods – flower	\$ 128,103	\$ 135,074
Finished goods – cannabis products	405,167	195,311
Finished goods – CBD products	78,617	111,931
Total	<u>\$ 611,887</u>	<u>\$ 442,316</u>

### Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over estimated useful lives as follows:

Type of Asset	Estimated Life
Furniture, Fixtures and Equipment	5 – 10 years
Building and Leasehold improvements	5 - 25 years

### Share based Compensation

Compensation cost relating to share-based payment transactions (including the cost of all employee stock options) is required to be recognized in the consolidated financial statements and covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. That cost is measured based on the estimated fair value of the equity or liability instruments issued. (See Note 3).

### Fair Value of Financial Instruments

The carrying value of the Company's current liabilities approximates fair value because of the short maturity of these instruments. Unless otherwise noted, it is management's opinion the Company is not exposed, except for cash balances in excess of the FDIC depository insurance coverage, to significant interest, currency or credit risks arising from these financial instruments.

### Income Taxes

The Company follows the accrual method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The effect on the deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company was organized under the laws of Nevada and therefore will be taxed at statutory U.S. federal corporate income tax rates.

### Basic Earnings per Share

The Company computes net income (loss) per share in accordance with FASB ASC 260 "Earnings per Share", which specifies the computation, presentation and disclosure requirements for earnings (loss) per share for entities with publicly held common stock.

Basic net income (loss) per share amounts are computed by dividing the net loss by the weighted average number of common shares outstanding. Potentially dilutive securities have been excluded from the Company's earnings per share calculation due to the exercise price being significantly higher than current market price of the Company's shares. The total number of potentially dilutive securities which have been excluded is 995,334. (Note 3).

### Recent Accounting Pronouncements

As of June 30, 2020 and through February 12, 2021 there were several new accounting pronouncements issued by the Financial Accounting Standards Board. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's financial position or future operating results. The Company will monitor these emerging issues to assess any potential future impact on its financial statements.

### 3. Equity

#### Series A Preferred Stock

The holder of Series A Preferred Stock shall have full voting rights and shall vote together as a single class with the holders of the Company's common stock. The holder of Series A Preferred Stock is entitled to fifty-one percent (51%) of the total votes on all matters brought before shareholders of the Company, regardless of the actual number of shares of Series A Preferred Stock then outstanding. In addition, the Company is prohibited from issuing any other class of preferred stock without first obtaining the prior approval of the holders of Series A Preferred Stock. All Series A Preferred stock issued and outstanding is held by Chemesis International, Inc., the Parent company.

#### Blank Check Preferred Stock

The board of directors is authorized, subject to any limitations prescribed by law, without further vote or action by the common stockholders, to issue from time to time shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the board of directors, which may include, among others, dividend rights, voting rights, liquidation preferences, conversion rights and preemptive rights.

#### Warrants

As of September 30, 2020, the Company had outstanding warrants to purchase 6,995,796 shares of common stock (the "Warrants"). Each Warrant represents the right to purchase one share of common stock at various exercise prices per share for a period of two (2) or three (3) years from the date of issuance.

	Warrants Issued	Exercise Price	Expiration Date
February 23, 2018	232,334	\$ 6.00	February 23, 2021
October 5, 2018	517,800	\$ 2.50	October 5, 2020
March 8, 2019	207,200	\$ 1.75	March 7, 2021
Total	995,334		

The Company may issue warrants to non-employees in capital raising transactions or for services. In accordance with guidance in ASC Topic 718, the cost of warrants issued to non-employees is measured on the grant date based on the fair value. The fair value is determined using the Black-Scholes option pricing model. The resulting amount is charged to expense on the straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period. No warrants were issued for compensation during the period ended September 30, 2020.

#### Non-Controlling Interest

The following schedule discloses the effects of changes in the Company's ownership interest in its subsidiaries on the Company's equity:

	For the Nine Months Ended September 30, 2020
Net loss attributable to GSRX Industries Inc.	\$ (1,686,627)
Net Loss Attributable to Non-Controlling Interests	(192,182)
Change from net loss attributable to GSRX Industries Inc. and transfers to Non-Controlling Interest	\$ (1,878,809)

#### 4. Income Taxes

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

#### 5. Final Purchasing Agreements

The Company entered into the Final Purchasing Agreements (“FPA”) with holders of licenses to operate medicinal cannabis dispensaries in Puerto Rico. Pursuant to the FPAs, the Company acquired all of the legal rights, permits, pre-qualification licenses, and leases for five (5) medicinal cannabis dispensaries. The pre-qualification licenses do not allow the holder to open a dispensary, but instead offers the opportunity to go through the qualifying steps in order to obtain the requisite operating permit necessary to open the dispensary. Such steps include proving financial viability, background checks, application of the final permit, proof of certificate of occupancy, employment of a security firm, installation of security cameras, and other similar compliance matters.

The Company operates six dispensaries as follows:

Location	State/Territory	Date Opened	Purchase Price
Dorado	Puerto Rico	March 28, 2018	\$ 100,000
Fajardo	Puerto Rico	December 28, 2018	\$ 100,000
Carolina	Puerto Rico	June 1, 2018	\$ 100,000
Hato Rey	Puerto Rico	June 1, 2018	\$ 128,000
San Juan	Puerto Rico	October 2, 2018	\$ 75,000
Point Arena	California	April 2, 2018	\$ 350,000

The FPA’s have an indefinite life and are not being amortized.

#### 6. Related Party Transactions

The Company entered into executive consulting agreements with its Interim President and Chief Executive Officer (“CEO”) effective as of March 10, 2020, replacing Les Ball.

Pursuant to the agreement, the Company agreed to pay the CEO compensation as follows: (i) a monthly cash fee of \$25,000; and (ii) a monthly bonus equal to 1% of total gross sales based on all revenues in excess of \$1,000,000; and (iii) a signing bonus of \$25,000 upon execution of the agreement; and (iv) issued \$100,000 of stock based compensation upon execution of the agreement. As of the report date, the stock has not been issued.

Effective July 1, 2019, the Company entered into an amended and restated executive consulting agreement with the CFO. Pursuant to the agreement, the Company agreed to compensate the CFO a monthly fee of \$15,000.

For the nine months ended September 30, 2020, the he former CEO was paid \$50,000, the new Interim President and CEO was paid \$184,238 and CFO was paid \$142,500.

On March 11, 2020 Mr. Christian Briggs, Les Ball and Steve Farkas were replaced on the Board of Directors by Troy Nihart and Jeff Rogers. Mr. Briggs had served as Chairman, and was replaced by Mr. Nihart.

During the nine months ended September 30, 2020, Mr. Briggs was paid \$28,000 as compensation.

On April 9, 2018 the Company entered into a consulting agreement with GP Consulting, LLC, an entity owned by Gabrielle Pinto, daughter of Christian Briggs. GP Consulting, LLC, through its employee Gustavo Pinto, serves as the VP of Operations – Puerto Rico (“VP Ops”). Pursuant to the agreement, Gustavo Pinto, and the Company agreed to pay to the VP Ops a monthly fee of \$15,000, plus expenses for services and duties customarily performed by and customary to the role of VP Ops.

Effective July 1, 2019, the Company entered into an amended and restated executive consulting agreement with the GP Consulting. Pursuant to the agreement, the Company agreed to pay the Executive Chairman compensation as follows: (i) a monthly cash fee of \$15,000, payable in accordance with the Company’s standard payroll practices; and (ii) 50,000 restricted shares of the Company’s common stock, par value \$0.001 per share, payable quarterly, effective immediately.

For the nine months ended September 30, 2020, GP Consulting was paid \$105,000. Mr. Pinto resigned on June 1, 2020.

On February 28, 2019 the Company, through its wholly owned subsidiary, entered into a long term supply agreement (“Supply Agreement”) Natural Ventures PR, LLC (“Supplier”). Pursuant to the terms of the Supply Agreement, the Supplier agreed to supply a maximum of 300 pounds of medicinal cannabis raw materials and manufactured products to the Company. The Supply Agreement has a term of ten years. Either party may terminate the Supply Agreement with a written thirty (30) day notice.

During the nine months ended September 30, 2020 the Company purchased \$1,047,128 of product from Natural Ventures Puerto Rico, LLC. As of September 30, 2020 the Company owed NVPR \$528,959 for products purchased which is included in accounts payable on the accompanying consolidated balance sheet.

On October 11, 2019 the Company sold real estate in Puerto Rico, resulting in net proceeds of \$920,402. The proceeds were sent directly to its parent, Chemosis in exchange for a note dated October 11, 2019 and due January 31, 2020, bearing an interest of at Prime plus 1.0% per month. Through May 6, 2020 Chemosis repaid \$650,000 on the loan. On May 6, 2020 the Company amended the loan agreement with Chemosis to repay \$100,000 of the loan by May 30, 2020 and the balance paid in full by November 6, 2020. As of the date of this report, Chemosis did not make the loan payment of \$100,000 due on May 30, 2020 or paid the balance in full by November 6, 2020, but had repaid an additional \$77,604 of the advance by September 30, 2020. The Company has placed a Reserve for Collection of the Advance to Parent and Affiliate for the outstanding balance of \$192,798 as of September 30, 2020. The current balance due on the note as of the date of this report is \$228,798.

As of September 30, 2020, the Company advanced \$1,605,782 to Natural Ventures Puerto Rico, LLC, a subsidiary of Chemosis as an informal, unsecured, due upon demand advance. The Company has placed a Reserve for Collection of the Advance to Parent and Affiliate for the outstanding balance of \$1,605,782 as of September 30, 2020. The current balance of the advance due is \$1,663,707.



### Option to Sell Interest in Project 1493, LLC

On May 7, 2020, GSRX Industries Inc. (the “Corporation” or “GSRX”) entered into an option agreement (the “Option Agreement”) with a royalty right with Natural Ventures PR, LLC (“NVPR”) allowing NVPR to acquire 100% of the issued and outstanding membership interest of GSRX’s wholly-owned subsidiary, Project 1493, LLC (the “1493 Membership Interest”). Project 1493, LLC holds all of GSRX’s currently operating and issued Puerto Rican dispensaries and cannabis licenses.

Chemesis International Inc. (“Chemesis”) owns an 80% interest in NVPR and is also GSRX’s largest shareholder.

The right of NVPR to exercise the option and acquire the 1493 Membership Interest is conditional upon NVPR performing, or causing to be performed by its parent company Chemesis, the following milestones (the “Milestones”) within the applicable timelines set forth below:

(a) paying US\$25,000 to GSRX (the “Initial Cash Payment”), and (ii) waiving the 36-month leak-out in respect of the 729,187 common shares of Chemesis currently held by GSRX, which Milestones were completed concurrently with the execution and delivery of the Option Agreement (such date, the “Effective Date”);

(b) issuing to GSRX 5,190,000 common shares in the capital of Chemesis (the “Chemesis Shares”) within 10 months after the Effective Date. The Chemesis Shares will be subject to a 36-month leak-out schedule; and

(c) paying an additional US\$2,475,000 to GSRX within 15 months after the Effective Date.

Immediately upon NVPR completing, or causing Chemesis to complete, as the case may be, each of the aforementioned Milestones within the respective timelines set out above, NVPR will be deemed to have acquired all of the 1493 Membership Interest (“Exercise of the Option”).

Upon Exercise of the Option, NVPR and GSRX shall enter into a royalty agreement (the “Royalty Agreement”), the form of which was negotiated concurrent with the Option Agreement, pursuant to which NVPR shall grant to GSRX a revenues interest royalty and the right to receive payments in respect thereof equal to five percent (5%) of the revenues realized by NVPR from the operations of Project 1493, LLC in Puerto Rico for a period of five years.

Prior to the Exercise of the Option, either NVPR or GSRX may terminate the Option Agreement upon delivering notice to the other of its intention to terminate. If GSRX elects to terminate, then NVPR will not acquire the 1493 Membership Interest and GSRX must, as a condition precedent to such election: (i) return all cash payments it received under the terms of the Option Agreement; (ii) return the Chemesis Shares (if any) it received under the terms of the Option Agreement; and (iii) pay to Chemesis a break fee of US\$100,000. If NVPR elects to terminate, then NVPR will not acquire the 1493 Membership Interest and GSRX will be entitled to keep the Initial Cash Payment. Subject to termination of the Option Agreement as described above, the term of the Option is 15 months after the Effective Date.

## **7. Commitments and Contingencies**

### Lease Commitments

The Company leases various facilities under operating leases which expire at various dates through July 2028. Under the terms of the operating lease agreements, the Company is responsible for certain insurance, taxes and common area maintenance expenses. As of January 1, 2019 the Company adopted ASC 842 requiring lessees to record assets and liabilities on the balance sheet. The Company records rent expense on a straight-line basis over the terms of the underlying leases. Lease expense for three months September 30, 2020 and 2019 was \$112,140 and \$180,316, respectively.

Aggregate future lease liability payments under ASC 842 are as follows:

Years Ended	
2020	\$ 506,118
2021	434,217
2022	334,529
2023	240,909
2024	172,528
Thereafter	310,144
Total	<u>\$ 1,998,445</u>

#### Risk of Prosecution for Cannabis-Related Companies

A company that is connected to the marijuana industry must be aware that cannabis-related companies may be at risk of federal, and perhaps state, criminal prosecution. The Department of Treasury recently issued guidance noting: “The Controlled Substances Act” (“CSA”) makes it illegal under federal law to manufacture, distribute, or dispense cannabis. Many states impose and enforce similar prohibitions. As of September 30, 2020 and February \_\_, 2021 the Company has not been notified of any pending investigations regarding its planned business activities, and is not currently involved in any such investigations with any regulators.

#### California Operating Licenses

Effective January 1, 2018 the State of California allowed for adult use cannabis sales. California’s cannabis licensing system is being implemented in two phases. First, beginning on January 1, 2018, the State began issuing temporary licenses. On January 1, 2019 the State ceased issuing temporary licenses and began transitioning 2018 qualifying temporary licenses to provisional and annual license status.

Green Spirit Mendocino, LLC holds an annual license which expires April 4, 2021. The license was issued by the Bureau of Cannabis Control (“BCC”) on April 29, 2020. Point Arena Manufacturing, LLC (“PAM”) holds a Non-Volatile Type 6 Manufacturing license was issued a license on May 15, 2020 and expires on May 15, 2021. Point Arena Distribution, LLC holds a Distribution Type 11 provisional license issued by the BCC which expires on June 27, 2021.

Although the possession, cultivation and distribution of cannabis for medical and adult use is permitted in California, cannabis is a Schedule-I controlled substance and its use remains a violation of federal law. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis would likely result in our inability to proceed with our business plan, especially in respect of our cannabis cultivation, production and dispensaries. In addition, our assets, including real property, cash, equipment and other goods, could be subject to asset forfeiture because cannabis is still federally illegal.

#### **8. Legal Proceedings**

On December 30, 2020, the Company was provided a cease and desist letter objecting to the claim that the sale of the Project 1493, LLC assets to Puerto Rico Industrial Commercial Holdings Biotech Corp. had been completed. The Company’s lawyers are considering the merits of the foregoing claim.

### Litigation

On July 14, 2020 notice was served to Pure and Natural One-TN, LLC, Pure and Natural Lakeway, LLC and Thomas Gingerich as defendants in a lawsuit filed by Southwest Legend Investments LLC, a member of the two companies. As of the date of this report, the defendants have supplied requested information to the plaintiff's attorney. Plaintiff is seeking damages in excess of \$200,000 but less than \$1,000,000.

### Nashville Lease – Pure and Natural, LLC

On February 8, 2019, Pure and Natural, LLC entered into an operating lease for a 2,525 square foot CBD retail store at 2306 West End Avenue, Nashville, Tennessee for five years beginning February 1, 2019 and ending January 31, 2024. The initial lease obligation was \$7,364 per month and a security deposit of \$7,364. The lease was terminated with the landlord on July 10, 2020. Under provisions of the mutual settlement and release agreement with the landlord to terminate the lease, the Company paid \$54,000 and forfeited the security deposit.

## **9. Subsequent Events**

### Green Room Palm Springs LLC

On October 16, 2020 the Company sold its 95% interest in Green Room Palm Springs, LLC for \$400,000 to Seneca Capital Partners, LP, effectively owned by Christian Briggs, former Executive Chairman of the Board.. Included in the sale was the transfer of the escrow account which held investor funds. The minority investors agreed with the sale, transfer of interest and the transfer of their escrow account.

### Asset Purchase Agreement to Sell Assets of Project 1493, LLC

On November 23, 2020, the Company received a payment of \$1,500,000 (the "Payment") from Puerto Rico Industrial Commercial Holdings Biotech Corp. ("PRICH") in connection with the purchase to acquire 100% of the assets of GSRX's wholly-owned subsidiary, Project 1493, LLC (the "1493 Membership Interest"). Project 1493, LLC holds all of GSRX's currently operating and issued Puerto Rican dispensaries and cannabis licenses. The payment was not subject to any escrow or release conditions. As of the date of this report, the two parties continue negotiations of the terms of the sale. Please see Note 8 for further information.

Under Regulation S-X, Article 11, Section 3120, pro forma financial information is required if a disposition either by sale, abandonment or distribution to shareholders has occurred or is probable, and is not fully reflected in the historical financial statements. As such, the Company reports the following represents the financial information with and without Project 1493 Membership's operating income and expenses:

**Regulation S-X, Article 11, Section 3120**

	<b>For the Nine Months Ended September 30, 2020 Statement of Operations</b>		
	<b>As Presented "Consolidated" "Unaudited"</b>	<b>"Project 1493, LLC" "Unaudited"</b>	<b>"All Other Companies" "Unaudited"</b>
<b>Revenues</b>			
Revenues	\$ 8,186,907	\$ 7,868,836	\$ 318,071
Cost of Goods Sold	4,064,517	3,873,498	191,019
<b>Gross Profit</b>	<b>4,122,390</b>	<b>3,995,338</b>	<b>127,052</b>
<b>Operating Expenses</b>			
Consulting Fees	733,237	322,474	410,763
General and Administrative	2,902,072	2,104,240	797,832
Impairment of fixed assets and construction in progress	388,874	65,235	323,639
Professional Fees	266,668	130,273	136,395
Depreciation Expense	155,451	140,534	14,917
Total Operating Expenses	4,446,302	2,762,756	1,683,546
<b>Income (Loss) from Operations</b>	<b>(323,912)</b>	<b>1,232,582</b>	<b>(1,556,494)</b>
<b>Other Income (Expenses)</b>			
Option fee	25,000	-	25,000
Unrealized gain on investments	25,885	-	25,885
<b>Total Other Income (Expenses)</b>	<b>50,885</b>	<b>-</b>	<b>50,885</b>
<b>Income (Loss) From Operations Before Provision for Income Taxes</b>	<b>(273,027)</b>	<b>1,232,582</b>	<b>(1,505,609)</b>
<b>Provision for Income Taxes (Note 4)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Income (Loss)</b>	<b>(273,027)</b>	<b>1,232,582</b>	<b>(1,505,609)</b>

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

### Overview

This Management’s Discussion and Analysis or Plan of Operations includes a number of forward-looking statements that reflect Management’s current views with respect to future events and financial performance. You can identify these statements by forward-looking words such as “may” “will,” “expect,” “anticipate,” “believe,” “estimate” and “continue,” or similar words. Those statements include statements regarding the intent, belief or current expectations of us and members of our management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission. Important factors currently known to management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of our future activities will not differ materially from our assumptions. Factors that could cause differences include, but are not limited to, expected market demand for our products, fluctuations in pricing for our products, and competition.

Unless the context indicates or suggests otherwise, references to “we,” “our,” “us,” the “Company,” or “GSRX” refer to GSRX Industries Inc., a Nevada corporation, individually, or as the context requires, collectively with its consolidated subsidiaries.

GSRX Industries Inc. was incorporated in Nevada under the name “Cyberspace Vita, Inc.” on November 7, 2006. The Company’s original business plan was to create and conduct an online business for the sale of vitamins and supplements; however, Cyberspace never generated any meaningful revenues. On May 5, 2008, Cyberspace discontinued its prior business and changed its business plan.

Following discontinuation of its initial business plan, the Company’s business plan was to seek, investigate, and, if warranted, acquire one or more properties or businesses, and to pursue other related activities intended to enhance stockholder value. The acquisition of a business opportunity may be made by purchase, merger, exchange of stock, or otherwise, and may encompass assets or a business entity, such as a corporation, joint venture, or partnership.

On May 11, 2017, the Company entered into an Exchange Agreement with Project 1493, and the sole member of 1493, pursuant to which the member transferred all of the outstanding membership interests of 1493 to the Company in exchange for 16,690,912 of its restricted shares of common stock and warrants to purchase up to 3,000,000 shares of common stock at an exercise price of \$0.50 per share.

As a result of the Exchange Agreement, 1493 became a wholly-owned subsidiary of the Company, and the business of 1493 became the business of the Company. The Company, together with its wholly-owned subsidiary, is in the business of acquiring, developing and operating medical cannabis dispensaries in Puerto Rico.

On May 12, 2017, the Company changed its name from “Cyberspace Vita, Inc.” to “Green Spirit Industries Inc.” On June 22, 2019, the Company changed its name from “Green Spirit Industries Inc.” to “GSRX Industries Inc.”

Effective August 28, 2019, eight shareholders of the Company entered into a Share Exchange Agreement (the “Share Exchange Agreement”) with Chemos International, Inc. (“Chemos”), pursuant to which the shareholders exchanged 42,534,454 common shares and 1,000 shares of preferred stock of the Company for 14,880,705 shares of Chemos. As a result and as of the date hereof, Chemos owns 54,151,035 common shares or 67.03% of the Company.

As of the date of this Report, we have financed operations through a combination of equity financings including net proceeds from the private placements of stock. Although it is difficult to predict our liquidity requirements, based upon our current operating plan, as of the date of this Report, we believe we will have sufficient cash to meet our projected operating requirements until the end of 2021, at which point we anticipate nearing or reaching cash-flow breakeven. See “Liquidity and Capital Resources”.

A novel strain of coronavirus (“COVID-19”) was first identified in December 2019, and subsequently declared a global pandemic by the World Health Organization on March 11, 2020. As a result of the outbreak, many companies have experienced disruptions in their operations, workforce and markets served, including a significant reduction in the demand for petroleum-based products. The market for the Company’s cannabis operations began being adversely impacted by the effects of COVID-19 in March of 2020 when circumstances surrounding, and responses to, the pandemic, including stay-at-home orders, began to materialize in North America. However, the full extent of the COVID-19 outbreak and changes in cannabis and the impact on the Company’s operations is uncertain. A prolonged disruption could have a material adverse impact on the financial results and business operations of the Company.

On January 21, 2021 the Board of Directors approved a rebranding of the GSRX corporate identity, the opening of a new business vertical in the restaurant industry focusing on the growing opportunities in underserved markets and the relocation of its corporate headquarters to Pennsylvania. The rebranding of the GSRX corporate identity is part of the Company’s ongoing strategy to evolve its business and create a foundation for new opportunities, entering the restaurant industry in underserved rural markets with a beginning focus on delivery, drive-up, and curbside provisions. The Company believes there is a demand for these services due to the disruptive Covid-19 pandemic in rural markets. The Company will begin making the transition from the cannabis and CBD business model to the new concept.

## RESULTS OF OPERATIONS

### Three Months Ended September 30, 2020 and September 30, 2019

The following table summarizes the results of our operations during the three months ended September 30, 2020 and 2019, respectively, and provides information regarding the dollar and percentage increase or (decrease) from the current three-month period to the prior three-month period:

Line Item	9/30/2020 (unaudited)	9/30/2019 (unaudited)	Increase (Decrease)	Percentage Increase (Decrease)
Revenues	2,745,958	2,757,158	(11,200)	0.41%
Cost of Goods Sold	1,240,586	1,431,656	(191,070)	(13.35)%
Operating expenses	3,771,559	18,962,223	(15,190,664)	(75.17)%
Net loss	(2,238,780)	(24,013,599)	21,774,819	89.72%
Loss per share of common stock	\$ (.03)	\$ (0.31)	\$ .28	90.30%

We recorded a net loss of \$2,238,780 for the three months ended September 30, 2020.

**Revenue.** Total revenue for the three months ended September 30, 2020 and 2019 was \$2,745,958 and \$2,757,158, respectively. The decrease of \$11,200, or 0.41%, was due to the incredible performance by our store staff to continue selling through the pandemic during the third quarter. The Company implemented curbside service and other techniques such as new daily specials and social media to continue producing revenues during the difficult time.

**Cost of Goods Sold.** Total cost of revenue for the three months ended September 30, 2020 and 2019 was \$1,240,586 and \$1,431,656, respectively. The decrease of \$191,070, or 13.35%, was largely due to new management techniques and methods of purchasing inventory during the third quarter. The inventory cost savings was crucial during the third quarter with new sales techniques during the pandemic. Management sought out new products, new vendors and cost controls to reduce inventory costs.

**Total Operating Expenses** Selling, general, administrative and operating expenses for the three months ended September 30, 2020 and 2019 was \$3,771,559 and \$18,962,223, respectively. The decrease of \$15,190,664, or 75.17%, was primarily due to a significant decrease of the stock-based compensation; and decrease in all operating expense categories of fees paid to consultants and professionals, labor, taxes, store supplies, marketing and security expenses. The Company wrote off impaired assets and deposits on closed stores of \$300,631 and recorded a Reserve for Collection of the Advance to Parent and Affiliate of \$1,798,580.

**Net Loss.** Net loss for the three months ended September 30, 2020 and 2019 was \$2,238,780 and \$24,013,599, respectively. The decrease of \$21,774,819 or 89.72% was primarily due to a decrease of stock-based compensation of \$16,989,244, increases in gross profit, and decreases of all operating expenses related to retail operations of the six dispensaries and CBD location.

***Nine Months Ended September 30, 2020 and September 30, 2019***

The following table summarizes the results of our operations during the nine months ended September 30, 2020 and 2019, respectively, and provides information regarding the dollar and percentage increase or (decrease) from the current three-month period to the prior three-month period:

<b>Line Item</b>	<b>9/30/2020 (unaudited)</b>	<b>9/30/2019 (unaudited)</b>	<b>Increase (Decrease)</b>	<b>Percentage Increase (Decrease)</b>
Revenues	8,186,907	9,062,462	(875,555)	9.66%
Cost of Goods Sold	4,064,517	4,910,120	(845,603)	(17.22)%
Operating expenses	6,052,084	26,805,837	(20753,753)	(77.428)%
Net loss	(1,686,627)	(29,296,396)	27,609,769	94.24%
Loss per share of common stock	\$ (.02)	\$ (0.49)	\$ .47	95.92%

We recorded a net loss of \$1,686,627 for the nine months ended September 30, 2020.

**Revenue.** Total revenue for the nine months ended September 30, 2020 and 2019 was \$8,186,907 and \$9,062,462, respectively. The decrease of \$875,555, or 9.66%, was primarily due to the COVID-19 pandemic. The stores had to implement curbside service, touchless service and other sales techniques to continue services during the pandemic.

**Cost of Goods Sold.** Total cost of revenue for the nine months ended September 30, 2020 and 2019 was \$4,064,517 and \$4,910,120, respectively. The decrease of \$845,603 or 17.22% was largely due to new management techniques and methods of purchasing inventory. The inventory cost savings was crucial during the second and third quarters with new sales techniques during the pandemic. Management sought out new products, new vendors and cost controls to reduce inventory costs.



**Total Operating Costs.** Selling, general, administrative and operating expenses for the nine months ended September 30, 2020 and 2019 was \$6,052,084 and \$26,805,837, respectively. The decrease of \$20,753,753, or 77.42, was primarily due to significant decreases in stock based compensation paid to officers, directors and consultants for services rendered of \$19,116,694; and decreases in overhead expenses, consulting fees, professional fees offset by the Reserve for Collection of Advance to Parent and Affiliate of \$1,798,580 and increase to incurred to operate the business as additional locations opened.

**Net (Loss).** Net Loss for the nine months ended September 30, 2020 and 2019 was \$1,686,627 and \$29,296,396, respectively. The increase of \$27,609,769, or 95.92%, was primarily due to significant decreases in stock based compensation paid to officers, directors and consultants for services rendered of \$19,116,694; and decreases in overhead expenses, consulting fees, and professional fees offset by and increase incurred to operate the business as additional locations opened.

#### ***Off Balance Sheet Arrangements***

We do not have any off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that are material to an investor in our securities.

#### ***Seasonality***

Our operating results were not affected by seasonality.

#### ***Inflation***

Our business and operating results are not affected in any material way by inflation.

#### ***Critical Accounting Policies***

The Securities and Exchange Commission issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" suggesting that companies provide additional disclosure and commentary on their most critical accounting policies. In Financial Reporting Release No. 60, the Securities and Exchange Commission has defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The nature of our business generally does not call for the preparation or use of estimates. Due to the fact that the Company does not have any operating business, we do not believe that we have any such critical accounting policies.

## LIQUIDITY AND CAPITAL RESOURCES

We reported net income in the first of second quarters of 2020, the first profits reported since beginning operations. We incurred net (loss for the nine months ended September 30, 2020 and 2019 of \$1,686,627 and \$29,296,396, respectively, and have an accumulated deficit of \$80,265,868 as of September 30, 2020.

As of September 30, 2020, the Company had \$528,570 cash on hand as compared to \$604,274 as of December 31, 2019. For the nine months ended September 30, 2020, the Company reported loss from operations of \$1,686,627 and net cash decrease of \$167,845.

### *Sources of Liquidity*

We have not been able to generate sufficient cash from operating activities to fund our ongoing operations. Since May 2017, we have raised capital through private sales of our securities and joint ventures. No cash was raised during the first nine months of 2020. Our future success is dependent upon our ability to achieve profitable operations and generate cash from operating activities. There is no guarantee that we will be able to generate sufficient revenue and/or raise capital to support our operations.

We will be required to raise additional cash through public or private financing, additional collaborative relationships or other arrangements until we are able to raise revenues to a point of positive cash flow. We believe our existing and available capital resources will be sufficient to satisfy our funding requirements through the fourth quarter of 2021. However, we continue to evaluate various options to further reduce our cash requirements to operate at a reduced rate, as well as options to raise additional funds, including obtaining loans for real estate purchases and selling common stock. There is no guarantee that we will be able to generate enough revenue and/or raise capital to support our operations, or if we are able to raise capital, that it will be available to us on acceptable terms, on an acceptable schedule, or at all.

The issuance of additional securities may result in a significant dilution in the equity interests of our current stockholders. Obtaining loans, assuming these loans would be available, will increase our liabilities and future cash commitments. There is no assurance that we will be able to obtain further funds required for our continued operations or that additional financing will be available for use when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

**Operating Cash Flows.** Net cash used in operating activities for the nine months ended September 30, 2020 was \$167,845 which was due to the increase in accounts receivable and prepaid inventory; offset by the increase in inventory. Cash was increased by accounts payable and offset by decrease in accrued expenses.

**Investing Cash Flows.** Net cash used in investing activities for the nine months ended September 30, 2020 was \$631,677, which was due to net advance to the parent and affiliate and small increase to construction in progress.

**Financing Cash Flows.** There were no financing activities during the nine months ended September 30, 2020.

### *Material Capital Expenditure Commitments*

The Company has no upcoming capital commitments.

### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a “smaller reporting company” as defined by item of regular 8-K, the Company is not required to provide information required by this item.

### ITEM 4. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 31, 2019. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are not effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that our disclosure and controls are not designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) inadequate segregation of duties consistent with control objectives; and (3) ineffective controls over period end financial disclosure and reporting processes.

Management believes that the material weaknesses set forth in items (2) and (3) above did not have an effect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our board of directors results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

#### *Changes in Internal Control Over Financial Reporting*

There have been no changes in our “internal control over financial reporting” (as defined in Rule 13a-15(f) under the Securities Exchange Act) that occurred during the period covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

On July 14, 2020 notice was served to Pure and Natural One-TN, LLC, Pure and Natural Lakeway, LLC and Thomas Gingerich as defendants in a lawsuit filed by Southwest Legend Investments LLC, a member of the two companies. As of the date of this report, the defendants have supplied requested information to the plaintiff's attorney. Plaintiff is seeking damages in excess of \$200,000 but less than \$1,000,000.

On December 30, 2020, the Company was provided a cease and desist letter objecting to the claim that the sale of the Project 1493, LLC assets to Puerto Rico Industrial Commercial Holdings Biotech Corp. had been completed. The Company's lawyers are considering the merits of the foregoing claim.

### **ITEM 1A. RISK FACTORS.**

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES**

During the quarter ended September 30, 2020, there were no unregistered sales of equity securities.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

- \* The certification attached as Exhibit 32.1 accompanying this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

## SIGNATURES

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

### GSRX INDUSTRIES INC.

Date: February 16, 2021

By: /s/ Troy Nihart

Troy Nihart  
Interim Chief Executive Officer and President

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

I, Troy Nihart, certify that:

1. I have reviewed this Form 10-Q for the period ended September 30, 2020 of GSRX Industries Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - e. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - f. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2021

/s/ Troy Nihart

Troy Nihart  
Principal Executive Officer

---

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

I, Thomas Gingerich, certify that:

1. I have reviewed this Form 10-Q for the period ended September 30, 2020 of GSRX Industries Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - e. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - f. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2021

/s/ Thomas Gingerich

Thomas Gingerich

Principal Financial Officer

---



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of GSRX Industries Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 (the “Report”), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 16th day of February, 2021.

*/s/ Troy Nihart*

\_\_\_\_\_  
Troy Nihart  
Interim Chief Executive Officer and President

*/s/ Thomas Gingerich*

\_\_\_\_\_  
Thomas Gingerich  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to GSRX INDUSTRIES INC. and will be retained by GSRX INDUSTRIES INC. and furnished to the Securities and Exchange Commission or its staff upon request.

---