



**The Green Organic Dutchman Holdings Ltd.**

**Unaudited Interim Condensed Consolidated Financial Statements**

**For the three and six months ended June 30, 2021 and June 30, 2020**

**The Green Organic Dutchman Holdings Ltd.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited)*  
*(expressed in thousands of Canadian dollars, except common shares outstanding)*

	Notes	As at June 30, 2021	As at December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 8,275	\$ 11,212
Restricted cash	17	717	622
Refundable sales taxes receivable		213	160
Trade receivables	17	9,134	10,023
Biological assets	9	2,652	1,984
Inventories	10	20,727	17,135
Prepaid expenses and deposits		1,750	1,641
Other current assets	11	1,392	853
Deferred financing costs		298	750
		<u>\$ 45,158</u>	<u>\$ 44,380</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	116,633	147,263
Intangible assets	8	11,868	8,933
Other assets	11, 16	3,852	10,999
<b>Total assets</b>		<u>\$ 177,511</u>	<u>\$ 211,575</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 17,317	\$ 24,453
Sales taxes payable		294	—
Deferred revenue		—	150
Loans	6	15,732	40,755
Current portion of lease liabilities	12	2,000	1,019
		<u>35,343</u>	<u>66,377</u>
<b>Non-current liabilities</b>			
Lease liabilities	12	5,145	4,551
Contingent consideration		—	39
Deferred tax liability		615	804
		<u>5,760</u>	<u>5,394</u>
<b>Total liabilities</b>		<u>\$ 41,103</u>	<u>\$ 71,771</u>
<b>Shareholders' equity</b>			
Share capital	13	485,974	468,379
Contributed surplus	14	108,803	108,874
Deficit		(456,501)	(436,559)
Reserve for foreign currency translations		(1,089)	255
<b>Total Shareholders' Equity attributed to The Green Organic Dutchman Holdings Ltd.</b>		<u>\$ 137,187</u>	<u>\$ 140,949</u>
<b>Non-controlling interests</b>		<u>(779)</u>	<u>(1,145)</u>
<b>Total Shareholders' Equity</b>		<u>136,408</u>	<u>139,804</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>\$ 177,511</u>	<u>\$ 211,575</u>
<b>Total number of common shares outstanding</b>		<u>529,143,756</u>	<u>486,675,760</u>
Going concern	2		
Commitments and contingencies	16		

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

**The Green Organic Dutchman Holdings Ltd.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

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

	Notes	For the three months ended		For the six months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue		\$ 11,816	\$ 4,825	\$ 20,798	\$ 7,884
Excise duties		(2,294)	(403)	(3,573)	(531)
<b>Net revenue</b>		<b>9,522</b>	<b>4,422</b>	<b>17,225</b>	<b>7,353</b>
Cost of sales		6,256	4,028	12,620	5,944
<b>Gross profit before change in fair value of biological assets</b>		<b>3,266</b>	<b>394</b>	<b>4,605</b>	<b>1,409</b>
Realized fair value adjustment on sale of inventory		(2,331)	(1,821)	(3,861)	(2,366)
Unrealized gain on changes in fair value of biological assets	9	2,244	2,753	5,565	3,989
<b>Gross profit</b>		<b>\$ 3,179</b>	<b>\$ 1,326</b>	<b>\$ 6,309</b>	<b>\$ 3,032</b>
<b>Operating expenses</b>					
Sales and marketing expenses		\$ 1,337	\$ 2,240	\$ 2,738	\$ 4,703
Research and development expenses		181	319	648	839
General and administrative expenses		5,743	5,710	10,298	15,502
Share based compensation	14	1,019	1,657	1,632	4,127
Depreciation and amortization	7, 8	3,979	1,281	5,966	3,000
<b>Total operating expenses</b>		<b>\$ 12,259</b>	<b>\$ 11,207</b>	<b>\$ 21,282</b>	<b>\$ 28,171</b>
<b>Loss from operations</b>		<b>(9,080)</b>	<b>(9,881)</b>	<b>(14,973)</b>	<b>(25,139)</b>
Foreign exchange gain (loss)	17[c]	190	785	400	(1,729)
Finance costs		(2,445)	(877)	(4,347)	(1,016)
Accretion expense	6	(3,571)	(250)	(4,853)	(250)
Finance income		50	98	102	269
Share of loss on investments in associates		—	—	—	(148)
Revaluation of contingent consideration		—	92	39	361
Gain (loss) on disposal of assets	7	(100)	76	110	44
Impairment of investment in associates		—	—	—	(3,082)
Reversal of impairment / (impairment) charge for non-financial assets	7, 8	—	—	21,811	(52,765)
Loss on derecognition on investment in joint venture		—	—	(761)	—
Loss on assets held for sale	5	(17,688)	—	(17,688)	—
Debt modification		—	(33)	—	(33)
<b>Loss before income taxes</b>		<b>(32,644)</b>	<b>(9,990)</b>	<b>(20,160)</b>	<b>(83,488)</b>
Deferred income tax recovery (expense)		164	215	143	277
<b>Net loss</b>		<b>\$ (32,480)</b>	<b>\$ (9,775)</b>	<b>\$ (20,017)</b>	<b>\$ (83,211)</b>
<b>Other comprehensive (income)/loss</b>					
Foreign currency translation (income)/loss		45	471	1,349	(1,369)
Foreign currency translation income on equity method investment		—	(202)	—	(708)
<b>Comprehensive loss</b>		<b>\$ (32,525)</b>	<b>\$ (10,044)</b>	<b>\$ (21,366)</b>	<b>\$ (81,134)</b>
<b>Net loss attributable to:</b>					
The Green Organic Dutchman Holdings Ltd.		(32,460)	(9,655)	(19,942)	(82,806)
Non-controlling interests		(20)	(120)	(75)	(405)
<b>Comprehensive loss attributable to:</b>					
The Green Organic Dutchman Holdings Ltd.		(32,505)	(9,924)	(21,291)	(80,729)
Non-controlling interests		(20)	(120)	(75)	(405)
Basic and diluted loss per share		\$ (0.06)	\$ (0.03)	\$ (0.04)	\$ (0.25)
Weighted average number of outstanding common shares		527,986,031	343,306,601	508,747,227	328,353,793

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

**The Green Organic Dutchman Holdings Ltd.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited)

(expressed in thousands of Canadian Dollars, except number of shares)

	Notes	Share Capital		Contributed Surplus					Reserve for foreign currency translations	Accumulated deficit	Non-Controlling Interests	Total	
		Common Shares	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Shares to be issued					Total Contributed surplus
		#	\$	\$	\$	\$	\$	\$					\$
<b>Balance at December 31, 2020</b>		<b>486,675,760</b>	<b>468,379</b>	<b>23,258</b>	<b>66,111</b>	<b>11,129</b>	<b>7,972</b>	<b>404</b>	<b>108,874</b>	<b>255</b>	<b>(436,559)</b>	<b>(1,145)</b>	<b>139,804</b>
Issuance of common shares	13[i]	14,341,958	7,655	—	—	—	—	—	-	—	—	—	7,655
Share based compensation	14[a,c]	—	—	613	—	—	—	—	613	—	—	—	613
Exercise of warrants	13[ii]	24,198,600	8,684	—	(1,124)	—	—	—	(1,124)	—	—	—	7,560
Expiry of stock options	14[a]	—	—	(4,102)	—	4,102	—	—	—	—	—	—	-
Expiry of warrants	14[b]	—	—	—	(37,638)	37,638	—	—	-	—	—	—	-
Restricted share units exercised during period	13[iii]	390,810	175	(175)	—	—	—	—	(175)	—	—	—	-
Shares issued in connection with accounts payable	13[iv]	1,591,535	404	—	—	—	—	(104)	(104)	—	—	—	300
Comprehensive income		—	—	—	—	—	—	—	-	(1,304)	12,518	(55)	11,159
Elimination of non-controlling interest on disposal of Denmark		—	—	—	—	—	—	—	-	5	—	441	446
<b>Balance at March 31, 2021</b>		<b>527,198,663</b>	<b>485,297</b>	<b>19,594</b>	<b>27,349</b>	<b>52,869</b>	<b>7,972</b>	<b>300</b>	<b>108,084</b>	<b>(1,044)</b>	<b>(424,041)</b>	<b>(759)</b>	<b>167,537</b>
Issuance of common shares	13[i]	1,073,000	377	—	—	—	—	—	-	—	—	—	377
Share based compensation	14[a,c]	—	—	1,019	—	—	—	—	1,019	—	—	—	1,019
Expiry of warrants	14[b]	—	—	—	(17,243)	17,243	—	—	-	—	—	—	-
Shares issued in connection with accounts payable	13[iv]	872,093	300	—	—	—	—	(300)	(300)	—	—	—	-
Comprehensive income		—	—	—	—	—	—	—	-	(45)	(32,460)	(20)	(32,525)
<b>Balance at June 30, 2021</b>		<b>529,143,756</b>	<b>485,974</b>	<b>20,613</b>	<b>10,106</b>	<b>70,112</b>	<b>7,972</b>	<b>-</b>	<b>108,803</b>	<b>(1,089)</b>	<b>(456,501)</b>	<b>(779)</b>	<b>136,408</b>

Notes	Share Capital		Contributed Surplus							Reserve for foreign currency translations	Accumulated deficit	Non-Controlling Interests	Total
	Common Shares	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Shares to be issued	Total Contributed surplus					
									#				
Balance at December 31, 2019	312,733,244	428,651	22,247	64,415	1,129	7,972	—	95,763	(2,241)	(254,018)	(555)	267,600	
Share based compensation	—	15	2,205	—	—	—	—	2,205	—	—	—	2,220	
Exercise of stock options	847,600	763	(339)	—	—	—	—	(339)	—	—	—	424	
Exercise of warrants	500	1	—	—	—	—	—	—	—	—	—	1	
Expiry of options	—	—	(272)	—	272	—	—	—	—	—	—	-	
Restricted share units exercised during period	27,174	75	(75)	—	—	—	—	(75)	—	—	—	-	
Shares to be issued	—	—	—	—	—	—	1,876	1,876	—	—	—	1,876	
Comprehensive loss	—	—	—	—	—	—	—	—	2,346	(73,151)	(285)	(71,090)	
<b>Balance at March 31, 2020</b>	<b>313,608,518</b>	<b>429,505</b>	<b>23,766</b>	<b>64,415</b>	<b>1,401</b>	<b>7,972</b>	<b>1,876</b>	<b>99,430</b>	<b>105</b>	<b>(327,169)</b>	<b>(840)</b>	<b>201,031</b>	
Bought deal offerings	63,661,700	16,220	—	4,533	—	—	—	4,533	—	—	—	20,753	
Share based compensation	—	8	1,649	—	—	—	—	1,649	—	—	—	1,657	
Warrants issued in connection with debt	—	—	—	621	—	—	—	621	—	—	—	621	
Exercise of warrants	500,000	221	—	(31)	—	—	—	(31)	—	—	—	190	
Expiry of warrants	—	—	—	(8,150)	8,150	—	—	—	—	—	—	-	
Expiry of options	—	—	(648)	—	648	—	—	—	—	—	—	-	
Convertible shares issued	24,691	—	—	—	—	—	—	—	—	—	—	-	
Shares issued in connection with accounts payable	6,858,375	1,876	—	—	—	—	(1,876)	(1,876)	—	—	—	-	
Comprehensive loss	—	—	—	—	—	—	—	—	(269)	(9,655)	(120)	(10,044)	
<b>Balance at June 30, 2020</b>	<b>384,653,284</b>	<b>447,830</b>	<b>24,767</b>	<b>61,388</b>	<b>10,199</b>	<b>7,972</b>	<b>-</b>	<b>104,326</b>	<b>(164)</b>	<b>(336,824)</b>	<b>(960)</b>	<b>214,208</b>	

An unlimited number of common shares are authorized for issue.

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

**The Green Organic Dutchman Holdings Ltd.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(expressed in thousands of Canadian dollars)

	Notes	For the three months ended		For the six months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>OPERATING ACTIVITIES</b>					
Net loss		\$ (32,480)	\$ (9,775)	\$ (20,017)	\$ (83,211)
Items not affecting cash:					
(Reversal of impairment) / Impairment of property, plant and equipment	7	—	—	(17,765)	51,725
(Reversal of impairment) / Impairment of intangible assets	8	—	—	(4,046)	1,040
Loss on assets held for sale	5	17,688	—	17,688	—
Impairment of investment in associates		—	—	—	3,082
Share based compensation	14	1,019	1,657	1,632	4,127
Depreciation of property, plant and equipment	7	3,529	958	5,176	2,221
Amortization of intangible assets	8	450	323	790	779
Realized fair value adjustment on sale of inventory		2,331	1,821	3,861	2,366
Unrealized gain on change in fair value of biological assets	9	(2,244)	(2,753)	(5,565)	(3,989)
Accretion	6	3,571	250	4,853	250
Share of loss on investments in associates		—	—	—	148
Revaluation of contingent consideration		—	(92)	(39)	(361)
Loss (gain) on disposal of assets	7	100	(76)	(110)	(44)
Loss on derecognition on investment in joint venture		—	—	761	—
Deferred financing costs expensed		227	276	452	276
Deferred income tax recovery		(164)	(215)	(143)	(277)
Debt modification	6	—	33	—	33
Income taxes paid		—	(14)	—	(14)
Changes in non-cash operating working capital items	15	174	(678)	1,136	467
<b>Net cash used in operating activities</b>		<b>\$ (5,799)</b>	<b>\$ (8,285)</b>	<b>\$ (11,336)</b>	<b>\$ (21,382)</b>
<b>INVESTING ACTIVITIES</b>					
Additions to property, plant and equipment	7	(1,810)	(10,574)	(6,018)	(36,109)
Net proceeds from the disposition of the Valleyfield Assets	5	25,512	—	25,512	—
Net cash inflow on deposits	11	5,761	—	5,761	—
Proceeds on disposal of assets	7	427	—	1,089	—
Transfer (to) from restricted cash		(458)	—	(95)	8,359
Advances to related parties, net of repayments		—	727	—	978
Net cash inflow on sale of investment	11	—	—	1,242	—
Additions to intangible assets	8	(6)	(225)	(6)	(225)
<b>Net cash proceeds (used) in investing activities</b>		<b>\$ 29,426</b>	<b>\$ (10,072)</b>	<b>\$ 27,485</b>	<b>\$ (26,997)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issuance of shares and warrants, net of share issue costs	13	377	20,753	8,032	20,753
Proceeds from issuance of debt, net of issue costs	6	—	12,351	—	19,009
Proceeds from the exercise of stock options and warrants	13,14	—	190	7,560	615
Interest received		21	20	40	144
Interest paid on lease liabilities	12	(115)	(115)	(254)	(248)
Interest paid on debt	5	(1,790)	(1,101)	(3,329)	(1,621)
Principal payments of lease liabilities	12	(135)	(87)	(298)	(169)
Principal payments of debt	6	(31,513)	—	(32,200)	—
Change in balance of revolver facility	6	1,401	—	2,346	—
<b>Net cash provided (used) in financing activities</b>		<b>\$ (31,754)</b>	<b>\$ 32,011</b>	<b>\$ (18,103)</b>	<b>\$ 38,483</b>
<b>Net cash inflow (outflow)</b>		<b>\$ (8,127)</b>	<b>\$ 13,654</b>	<b>\$ (1,954)</b>	<b>\$ (9,896)</b>
Net effects of foreign exchange		(117)	276	(983)	1,104
Cash, beginning of period		16,519	4,847	11,212	27,569
<b>Cash and cash equivalents, end of period</b>		<b>\$ 8,275</b>	<b>\$ 18,777</b>	<b>\$ 8,275</b>	<b>\$ 18,777</b>

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

**The Green Organic Dutchman Holdings Ltd.**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(Unaudited)*  
*(expressed in thousands of Canadian Dollars except as otherwise indicated)*

## 1. NATURE OF ACTIVITIES

The Green Organic Dutchman Holdings Ltd. (“TGODH” or the “Company”) was incorporated on November 16, 2016, under the *Canada Business Corporations Act* (“CBCA”). The Company is a reporting issuer domiciled in Canada whose shares and certain warrants are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol “TGOD” and on the OTCQX under the symbol “TGODF”. The Company also has four classes of warrants listed on the TSX under the symbols “TGOD.WS”, “TGOD.WR”, “TGOD.WA” and “TGOD.WB”. The Company’s registered and head office is located at 6205 Airport Road, Building A – Suite 200, Mississauga, ON, L4V 1E3. These unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2021 and June 30, 2020 (“Interim Consolidated Financial Statements”) include the financial statements of The Green Organic Dutchman Holdings Ltd. and its subsidiaries from the date the Company gained control of each subsidiary.

The Company’s wholly-owned Canadian subsidiaries, The Green Organic Dutchman Ltd. (“TGOD”) and Medican Organic Inc. (“Medican”) are licensed producers under the *Cannabis Act* (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and, with respect to The Green Organic Dutchman Ltd. only, sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns a cannabis cultivation facility near Hamilton, Ontario (the “**Hamilton Facility**”). The Company also operates out of another facility located in Valleyfield, Québec (the “**Quebec Facility**”).

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing an international growth strategy, including through a hemp extraction business in Poland. The Company has established other strategic partnerships for the distribution of cannabis and hemp-derived medical products in Mexico, Germany, and other countries as regulations allow.

The outbreak of the novel strain of the coronavirus, SARS-COV-2 (“COVID-19”), and its eventual declaration as a pandemic by the World Health Organization (“WHO”) on March 11, 2020 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The Company implemented measures to protect its global workforce from COVID-19 and endeavouring to mitigate any long-term impact of the pandemic on its business which remain unknown. While it is difficult to predict the impact of COVID-19 on the Company’s business, the Company continues to seek to mitigate these impacts through various means including engagement with its retailers, transition of its staff to working remotely where possible, increasing safety protocols and sanitation measures within the workplace, and monitoring developments in order to adapt and respond in order to protect the health and safety of the Company’s employees and the best interests of the Company.

## 2. BASIS OF PRESENTATION

### [i] Going concern

These Interim Consolidated Financial Statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

As of June 30, 2021, the Company had working capital of \$9,815 (negative working capital December 31, 2020 – \$21,997) and an accumulated deficit of \$456,501 (December 31, 2020 - \$436,559). During the six months ended June 30, 2021, the Company used cash in operating activities of \$11,336 (six months ended June 30, 2020 - \$21,382) resulting primarily from the loss from operations \$14,973 (six months ended June 30, 2020 - \$25,139) offset by items not affecting cash such as depreciation, amortization and stock based compensation. The Company has insufficient cash on hand to fund its planned operations, including debt repayments for the next twelve months (see note 16). The Company’s ability to continue as a going concern is dependent upon its ability to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient funding to meet its obligations.

The Company may need to reschedule its current debt obligations or obtain further funding in the form of asset sales, debt, equity or a combination thereof to continue operations for the next twelve months. There can be no assurance that the existing debt obligations will be rescheduled or that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If positive operating cash flows are not achieved, debt obligations are not repaid, rescheduled or adequate funding is not available, the Company may be required to delay or reduce the scope of any or all of

**The Green Organic Dutchman Holdings Ltd.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

*(Unaudited)*

*(expressed in thousands of Canadian Dollars except as otherwise indicated)*

its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These Interim Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operating and/or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

On August 10, 2021, the Company's Revolving Facility lender provided a further \$3,000 advance to the Company under the current facility which matures on December 31, 2021.

**[ii] Interim Financial Reporting**

These Interim Consolidated Financial Statements have been prepared by management in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these Interim Consolidated Financial Statements as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2020, with the exception of the new accounting policy adopted by the Company (see note 3(i)).

These Interim Consolidated Financial Statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2020 which are made available on SEDAR at [www.sedar.com](http://www.sedar.com).

These Interim Consolidated Financial Statements were approved by the Board of Directors of the Company and authorized for issue by the Board of Directors of the Company on August 11, 2021.



**The Green Organic Dutchman Holdings Ltd.**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**  
*(Unaudited)*  
*(expressed in thousands of Canadian Dollars except as otherwise indicated)*

**3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of these Interim Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Consolidated Financial Statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2020, except as noted below.

**[i] New accounting policies adopted by the Company**

***Non-current assets (or disposal groups) held for sale***

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at each reporting period at the lower of their carrying amount and fair value less costs to sell ("FVLCS"), except for inventories, biological assets, deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are measured in accordance with the Company's other accounting policies, as applicable.

An impairment loss is recognized for any initial or subsequent write-down of the assets held for sale (or disposal group) to FVLCS. A gain is recognized for any subsequent increases in FVLCS of assets held for sale (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current assets (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

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**4. SEGMENTED INFORMATION**

The Company's business activities are conducted through one reportable operating segment which consists of the production and distribution of cannabis, hemp and their related products which reports to one chief decision maker, the Company's CEO. Segment performance is based by region. The Company's Canadian and European operating segments are aggregated into one reportable segment based on similarities in the nature of their products and types of customers. The North American region is comprised primarily of the Company's operations and assets in Canada which is the country in which the Company is domiciled.

***[i] Revenue, gross profit and select expenses by region is as follows***

For the three months ended June 30, 2021, the Company had one customer that accounted for 45% of total revenue (three months ended June 30, 2020 – one customer accounted for 28% of total revenue). For the six months ended June 30, 2021, the Company had one customer that accounted for 44% of total revenue (six months ended June 30, 2020 – one customer accounted for 17% of total revenue).

	For the three months ended June 30, 2021			For the six months ended June 30, 2021		
	North America	Europe	Total	North America	Europe	Total
Revenue	\$ 10,400	\$ 1,416	\$ 11,816	\$ 17,068	\$ 3,730	\$ 20,798
Gross profit	\$ 2,488	\$ 691	\$ 3,179	\$ 4,320	\$ 1,989	\$ 6,309
Operating expenses, excluding stock-based compensation, depreciation and amortization	\$ 6,252	\$ 1,009	\$ 7,261	\$ 11,385	\$ 2,299	\$ 13,684
Share based compensation	\$ 1,019	\$ —	\$ 1,019	\$ 1,632	\$ —	\$ 1,632
Depreciation and amortization	\$ 3,546	\$ 433	\$ 3,979	\$ 5,049	\$ 917	\$ 5,966
Loss on assets held for sale	\$ (17,688)	\$ —	\$ (17,688)	\$ (17,688)	\$ —	\$ (17,688)
Impairment reversal for non-financial assets	\$ —	\$ —	\$ —	\$ 21,811	\$ —	\$ 21,811
Other non-operating income (expense) (excluding impairment and loss on assets held for sale)	\$ (6,061)	\$ 185	\$ (5,876)	\$ (9,978)	\$ 668	\$ (9,310)
Net loss	\$ (32,078)	\$ (402)	\$ (32,480)	\$ (19,601)	\$ (416)	\$ (20,017)

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	For the three months ended June 30, 2020			For the six months ended June 30, 2020		
	North America	Europe	Total	North America	Europe	Total
Revenue	\$ 2,713	\$ 2,112	\$ 4,825	\$ 3,377	\$ 4,507	\$ 7,884
Gross profit	\$ 237	\$ 1,089	\$ 1,326	\$ 458	\$ 2,574	\$ 3,032
Operating expenses, excluding stock-based compensation, depreciation and amortization	\$ 6,740	\$ 1,529	\$ 8,269	\$ 17,414	\$ 3,630	\$ 21,044
Share based compensation	\$ 1,657	\$ —	\$ 1,657	\$ 4,127	\$ —	\$ 4,127
Depreciation and amortization	\$ 912	\$ 369	\$ 1,281	\$ 2,087	\$ 913	\$ 3,000
Impairment of investment in associates	\$ —	\$ —	\$ —	\$ (3,082)	\$ —	\$ (3,082)
Impairment charge for non-financial assets	\$ —	\$ —	\$ —	\$ (52,765)	\$ —	\$ (52,765)
Other non-operating income (expense) (excluding impairment)	\$ (268)	\$ 159	\$ (109)	\$ (2,084)	\$ (418)	\$ (2,502)
Net loss	\$ (9,340)	\$ (435)	\$ (9,775)	\$ (81,102)	\$ (2,109)	\$ (83,211)

**[ii] Property, plant and equipment, net is domiciled as follows**

	June 30, 2021	December 31, 2020
North America	\$ 112,883	\$ 142,612
Europe	\$ 3,750	\$ 4,651
	\$ 116,633	\$ 147,263

**[iii] Intangible assets and goodwill, net are domiciled as follows**

	June 30, 2021	December 31, 2020
North America	\$ 6,171	\$ 2,383
Europe	\$ 5,697	\$ 6,550
	\$ 11,868	\$ 8,933

**5. SALE OF VALLEYFIELD ASSETS**

On June 22, 2021, the Company completed the sale of the majority of its assets in Valleyfield, Quebec, including all of the industrial and agricultural land, main hybrid greenhouse, rooftop greenhouse, all support buildings and certain related equipment (the “Valleyfield Assets”) for gross proceeds of \$27,000 (net proceeds of \$25,512).

The following is a continuity of the Company’s assets held for sale, which comprise entirely of the Valleyfield Assets:

	Valleyfield Assets
Balance, December 31, 2020	\$ —
Transferred from property, plant and equipment	43,200
Remeasurement of assets held for sale	(17,688)
Gross proceeds on sale	(27,000)
Transaction costs	1,488
Balance, June 30, 2021	—

The Company was also refunded the deposit that it had with Hydro-Quebec, including interest, of \$5,761, see Note 11 – Other Assets. Concurrent with the transaction, the Company repaid the remaining principal balance to its senior secured first lien credit facility (the “Senior Loan”), including a 2% prepayment penalty, to settle all of its outstanding obligations and

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terminated the loan agreement with such lender, see Note 6 – Loans.

As also agreed to with the purchaser of the Valleyfield Assets, the Company entered into a lease with such purchaser concurrent with the closing of the transaction, for approximately 80,000 square feet of cultivation and processing space in the Quebec Facility, see Note 12 – Leases.

## 6. LOANS

The following tables illustrate the continuity schedule and presentation of the Company's loans:

	<b>For the six months ended June 30, 2021</b>	<b>For the year-ended December 31, 2020</b>
Opening Balance	\$ 40,755	\$ 17,433
Additions	—	24,658
Deferred financing fee	—	(3,044)
Residual fair value of equity portion	—	(1,628)
Accretion	4,853	4,199
Debt modification	—	(799)
Principal payments	(32,200)	(500)
Effects of movements in foreign exchange	(22)	(19)
Change in balance of Revolver Loan	2,346	455
<b>Ending Balance</b>	<b>\$ 15,732</b>	<b>\$ 40,755</b>

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Loans	\$ 15,732	\$ 40,755
Current portion	(15,732)	(40,755)
Long term portion	—	—

### Senior secured credit facility

On December 24, 2019, the Company closed a Senior Loan with a commercial lender with first security rights on the Company's assets, primarily its production facilities. Under the Senior Loan the Company received gross proceeds of \$32,700 from the lender at a thirteen percent (13%) rate of interest. Per the Senior Loan agreement, there were no scheduled principal repayments required for the first twelve months of the term of the Senior Loan and after which the Company was required to make monthly repayments commencing on January 1, 2021 plus interest, with the remaining unpaid balance upon maturity which was expected on December 15, 2021. The Senior Loan carried a prepayment option at any time with a 2% prepayment premium on the outstanding principal of the Senior Loan.

On June 27, 2021, the Company repaid the remaining principal of \$30,977 concurrent with the sale of its Valleyfield Assets and a 2% prepayment premium of \$620, recorded in finance costs. The Company settled all obligations as a result and terminated the loan agreement with such lender.

### Revolver Loan

On April 22, 2020, the Company closed a revolving secured second lien credit facility (the "Revolver Loan") with a commercial lender for gross proceeds of up to \$30,000 of which \$10,000 was funded on April 22, 2020 and carries a conventional competitive rate. The Revolver Loan was secured by a second lien over the assets of the Company with a first lien over substantially all of the cannabis and cannabis derived inventory and Canadian trade receivables. As the accounts receivable balance eligible for collateral increases, additional credit is available to the Company up to a maximum of an additional \$20,000. The Revolver Loan matures on December 31, 2021.

In conjunction with the Valleyfield Asset sale, the lender for the Revolver Loan agreed to release its second lien security on the Valleyfield Assets and with the settlement of the Senior Loan described above, holds first security on the Company's Hamilton Facility with all other terms and conditions still in place.

As at June 30, 2021, the total principal balance outstanding related to the Revolver Loan was \$15,801. The Revolver Loan

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has several covenants which the Company had met as at June 30, 2021.

On August 10, 2021, the Company's Revolving Facility lender provided a further \$3,000 advance to the Company under the current facility which matures on December 31, 2021.

**HemPoland Loan**

The Company assumed a loan payable on certain premises in Poland ("HemPoland Loan") on the acquisition of its wholly owned subsidiary HemPoland on October 1, 2018. As at June 30, 2021, the total principal balance outstanding related to the HemPoland Loan was \$486.

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**7. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost:</b>	<b>Land</b>	<b>Buildings</b>	<b>Furniture and fixtures</b>	<b>Production equipment</b>	<b>Building improvements</b>	<b>Computer equipment</b>	<b>Automobiles</b>	<b>Construction in progress</b>	<b>Right-of-use assets</b>	<b>Total</b>
Balance, December 31, 2020	\$ 6,855	\$ 61,205	\$ 390	\$ 65,714	\$ 698	\$ 1,352	\$ 366	\$ 250,019	\$ 7,273	\$ 393,872
Transfers	—	5,037	—	1,473	—	—	—	(6,510)	—	—
Additions	—	—	—	73	—	—	38	57	86	254
Disposals	—	—	—	—	—	—	(16)	(2,782)	(323)	(3,121)
Derecognition on investment in joint venture	—	—	—	(683)	—	—	—	—	—	(683)
Reclassification to assets held for sale	Note 5 (4,080)	(1,472)	(14)	(244)	(37)	—	—	(240,784)	—	(246,631)
Effects of movements in foreign exchange and other	—	(119)	(9)	(87)	—	(2)	(6)	—	(161)	(384)
<b>Balance, March 31, 2021</b>	<b>\$ 2,775</b>	<b>\$ 64,651</b>	<b>\$ 367</b>	<b>\$ 66,246</b>	<b>\$ 661</b>	<b>\$ 1,350</b>	<b>\$ 382</b>	<b>\$ —</b>	<b>\$ 6,875</b>	<b>\$ 143,307</b>
Transfers	—	—	—	—	—	—	—	—	—	—
Additions	—	—	—	29	—	—	—	—	1,882	1,911
Disposals	—	—	—	(456)	—	—	(35)	—	(69)	(560)
Effects of movements in foreign exchange and other	—	49	4	36	—	1	2	—	64	156
<b>Balance, June 30, 2021</b>	<b>\$ 2,775</b>	<b>\$ 64,700</b>	<b>\$ 371</b>	<b>\$ 65,855</b>	<b>\$ 661</b>	<b>\$ 1,351</b>	<b>\$ 349</b>	<b>\$ —</b>	<b>\$ 8,752</b>	<b>\$ 144,814</b>
<b>Accumulated depreciation and impairment:</b>										
Balance, December 31, 2020	\$ —	\$ 40,061	\$ 236	\$ 42,479	\$ 504	\$ 1,097	\$ 277	\$ 160,484	\$ 1,471	\$ 246,609
Transfers	—	2,014	—	42	—	—	—	(2,056)	—	—
Depreciation	—	250	6	1,128	4	21	5	—	233	1,647
Disposals	—	—	—	—	—	—	—	(1,806)	(323)	(2,129)
Derecognition on investment in joint venture	—	—	—	(52)	—	—	—	—	—	(52)
Reversal of impairment	—	(34,632)	(79)	(27,771)	(109)	(401)	(56)	45,283	—	(17,765)
Reclassification to assets held for sale	Note 5 —	(1,274)	(13)	(207)	(33)	—	—	(201,904)	—	(203,431)
Effects of movements in foreign exchange and other	—	(7)	(2)	(28)	—	(1)	(1)	(1)	(61)	(101)
<b>Balance, March 31, 2021</b>	<b>\$ —</b>	<b>\$ 6,412</b>	<b>\$ 148</b>	<b>\$ 15,591</b>	<b>\$ 366</b>	<b>\$ 716</b>	<b>\$ 225</b>	<b>\$ —</b>	<b>\$ 1,320</b>	<b>\$ 24,778</b>
Transfers	—	—	—	—	—	—	—	—	—	—
Depreciation	—	703	9	2,549	9	53	10	—	196	3,529
Disposals	—	—	—	(115)	—	—	(1)	—	(52)	(168)
Effects of movements in foreign exchange and other	—	3	1	12	—	2	—	—	24	42
<b>Balance, June 30, 2021</b>	<b>\$ —</b>	<b>\$ 7,118</b>	<b>\$ 158</b>	<b>\$ 18,037</b>	<b>\$ 375</b>	<b>\$ 771</b>	<b>\$ 234</b>	<b>\$ —</b>	<b>\$ 1,488</b>	<b>\$ 28,181</b>
<b>Net book value, June 30, 2021</b>	<b>\$ 2,775</b>	<b>\$ 57,582</b>	<b>\$ 213</b>	<b>\$ 47,818</b>	<b>\$ 286</b>	<b>\$ 580</b>	<b>\$ 115</b>	<b>\$ —</b>	<b>\$ 7,264</b>	<b>\$ 116,633</b>

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As a result of the reclassification of the Valleyfield Assets held for sale, the Company performed an impairment analysis as at March 31, 2021 on its cannabis related activities from production in Canada (the Canadian cash generating unit (“Canadian CGU”). As a result of this impairment assessment, the Company determined that the Valleyfield Assets met the criteria to be tested for impairment separately from the Canadian CGU. The Company tested the Valleyfield Assets for impairment first, then subsequently tested the Canadian CGU for an impairment reversal. The Company recognized a \$46,475 impairment loss at March 31, 2021 associated with the Valleyfield Assets recognized in property, plant and equipment, and a \$68,286 reversal of previously recognized impairment losses on the Canadian CGU of which \$64,240 was allocated to property, plant and equipment and \$4,046 allocated to intangible assets (note 8). The net impact to property, plant and equipment was a reversal of impairment of \$17,765. As a result of the impairment analysis, the Canadian CGU yielded a higher recoverable amount in comparison to its applicable carrying value. The recoverable amount of the Canadian CGU was based on its value in use, which was determined to be greater than its fair value less costs of disposal, and resulted in a reversal of previously recognized impairment losses. The Canadian CGU’s value in use was estimated by discounting the probability weighted future cash flows expected to be generated from the continuing use of the Canadian CGU using level 3 inputs. The significant assumptions applied in the determination of the recoverable amount were materiality consistent with the impairment analysis performed as at December 31, 2020, including a discount rate of 16.5%, with the exception of the inclusion of the expected proceeds from the assets held for sale, partially offset by certain newly expected operating costs to be incurred by the Canadian CGU over the period of the forecast (impairment charge for the three and six months ended June 30, 2020 - \$Nil and \$51,725, respectively).

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**8. INTANGIBLE ASSETS**

A continuity of the intangible assets is as follows:

	Health Canada Licence	Technology Licences	Website	Distribution Channels	Brands	Other acquired rights	Total
<b>Cost:</b>							
Balance, December 31, 2020	\$ 5,870	\$ 3,065	\$ 400	\$ 5,869	\$ 1,048	\$ 1,388	\$ 17,640
Transfers	—	61	—	—	—	(61)	—
Effect of movements in foreign exchange	—	(37)	—	(305)	(55)	(68)	(465)
<b>Balance, March 31, 2021</b>	<b>\$ 5,870</b>	<b>\$ 3,089</b>	<b>\$ 400</b>	<b>\$ 5,564</b>	<b>\$ 993</b>	<b>\$ 1,259</b>	<b>\$ 17,175</b>
Additions	—	6	—	—	—	—	6
Effect of movements in foreign exchange	—	15	—	(5)	(1)	(1)	8
<b>Balance, June 30, 2021</b>	<b>\$ 5,870</b>	<b>\$ 3,110</b>	<b>\$ 400</b>	<b>\$ 5,559</b>	<b>\$ 992</b>	<b>\$ 1,258</b>	<b>\$ 17,189</b>
<b>Accumulated amortization and impairment:</b>							
Balance, December 31, 2020	\$ 4,262	\$ 2,106	\$ 297	\$ 943	\$ 169	\$ 930	\$ 8,707
Amortization for the period	25	84	6	105	19	101	340
Reversal of impairment	(2,770)	(1,105)	(171)	—	—	—	(4,046)
Effect of movements in foreign exchange	—	(15)	—	(55)	(10)	(53)	(133)
<b>Balance, March 31, 2021</b>	<b>\$ 1,517</b>	<b>\$ 1,070</b>	<b>\$ 132</b>	<b>\$ 993</b>	<b>\$ 178</b>	<b>\$ 978</b>	<b>\$ 4,868</b>
Amortization for the period	70	150	16	100	18	96	450
Effect of movements in foreign exchange	—	6	—	(1)	—	(2)	3
<b>Balance, June 30, 2021</b>	<b>\$ 1,587</b>	<b>\$ 1,226</b>	<b>\$ 148</b>	<b>\$ 1,092</b>	<b>\$ 196</b>	<b>\$ 1,072</b>	<b>\$ 5,321</b>
<b>Net book value, June 30, 2021</b>	<b>\$ 4,283</b>	<b>\$ 1,884</b>	<b>\$ 252</b>	<b>\$ 4,467</b>	<b>\$ 796</b>	<b>\$ 186</b>	<b>\$ 11,868</b>

As a result of the impairment assessment described in note 7, \$4,046 impairment was reversed during the six months ended June 30, 2021, (three and six months ended June 30, 2020 - \$nil and \$1,040 impairment loss, respectively).



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**9. BIOLOGICAL ASSETS**

As at June 30, 2021, the Company's biological assets consisted of cannabis seeds and cannabis plants. The continuity of the Company's biological assets is as follows:

	Capitalized cost	Biological asset fair value adjustment	Amount
<b>Balance, December 31, 2020</b>	\$ 1,374	\$ 610	\$ 1,984
Unrealized gain on changes in fair value of biological assets	—	5,565	5,565
Production costs capitalized	3,637	—	3,637
Transfer to inventory upon harvest	(3,441)	(5,093)	(8,534)
<b>Balance, June 30, 2021</b>	<b>\$ 1,570</b>	<b>\$ 1,082</b>	<b>\$ 2,652</b>

The Company measures its biological assets at their fair values less estimated costs to sell. This is determined using a model which estimates the expected harvest yields in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram, waste and also for any additional costs to be incurred, such as post-harvest cost.

The following significant unobservable inputs, all of which are classified as level three on the fair value hierarchy, were used by management as part of this model:

- Estimated selling price per gram – calculated as the expected approximate future per gram selling prices of the Company's cannabis products.
- Stage of growth – represents the weighted average number of weeks out of the estimated week growing cycle that biological assets have reached as of the measurement date based on historical experience. The Company accretes fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant based on historical experience.

The inter-relationship between these aforementioned unobservable inputs and the fair-value of the biological assets is such that the carrying value of the biological assets as at June 30, 2021 and December 31, 2020 would increase (decrease) if any of these inputs were to be higher (lower).

Other unobservable, level three inputs into the biological asset model include estimated post harvest costs, costs to complete and wastage. These additional level three inputs are not considered to be significant.

The following table quantifies each significant unobservable input, and provides the impact of a 10% increase or decrease in each input would have on the fair value of biological assets:

	As at June 30, 2021	As at December 31, 2020	Impact of 10% change as at June 30, 2021	Impact of 10% change as at December 31, 2020
Estimated net selling price per gram (1)	\$2.19 to \$6.06	\$2.19 to \$6.06	\$ 646	\$ 503
Estimated stage of growth	7 to 8 weeks	7 to 8 weeks	\$ 682	\$ 552
Estimated yield of agricultural produce by plant (2)	73 to 111 grams	52 to 100 grams	\$ 305	\$ 241

(1) The estimated net selling prices per gram is based on the negotiated distribution selling prices which exclude duties.

(2) The estimated yield varies based on the Company's different cannabis strains.

The Company's estimates are, by their nature, subject to change. Changes in the significant assumptions described will be reflected in future changes in the gain or loss on biological assets. There were no changes between fair value hierarchy levels.

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**10. INVENTORY**

The Company's inventory assets include the following as of June 30, 2021 and December 31, 2020:

	Cannabis and cannabis derived products	Hemp and hemp derived products	As at June 30, 2021
Raw Materials and Packaging	\$ 2,628	\$ 1,021	\$ 3,649
Work-in-progress	12,780	2,395	15,175
Finished Goods	1,230	673	1,903
<b>Total Inventory</b>	<b>\$ 16,638</b>	<b>\$ 4,089</b>	<b>\$ 20,727</b>

	Cannabis and cannabis derived products	Hemp and hemp derived products	As at December 31, 2020
Raw Materials and Packaging	\$ 2,614	\$ 1,589	\$ 4,203
Work-in-progress	7,561	2,152	9,713
Finished Goods	2,424	795	3,219
<b>Total Inventory</b>	<b>\$ 12,599</b>	<b>\$ 4,536</b>	<b>\$ 17,135</b>

During the three and six months ended June 30, 2021, inventories expensed directly to cost of sales were \$3,729 and \$6,900, respectively (three and six months ended June 30, 2020 - \$3,881 and \$4,903, respectively).

**11. OTHER ASSETS**

A summary of other assets is presented as follows:

	Additional Reference	As at June 30, 2021	As at December 31, 2020
Deposit per Hydro-Quebec contribution agreement	11 [a]	—	5,681
Investment in Califormulations	11 [b]	—	1,272
Term deposits held as letter of credit collateral	16,17	935	935
Term deposits not held as letter of credit collateral		100	100
Other		4,209	3,864
		<b>5,244</b>	11,852
Less: Current portion		<b>(1,392)</b>	(853)
		<b>3,852</b>	10,999

**[a] Deposit per Hydro-Quebec Contribution Agreement**

On June 22, 2021, in conjunction with the sale of the Company's Valleyfield Assets, the Company was refunded its deposit with Hydro Quebec of \$5,761, including interest accrued of \$80.

**[b] Investment in Califormulations**

On March 29<sup>th</sup>, 2021, the Company sold its investment in Califormulations, LLC for \$1,242 (US\$1 million).

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## 12. LEASES

Below is a summary of the activity related to the Company's lease liabilities:

	For the six months ended June 30, 2021	For the year- ended December 31, 2020
Opening Balance	\$ 5,570	\$ 3,545
Additions	1,968	2,889
Interest on lease liabilities	254	494
Interest payments on lease liabilities	(254)	(494)
Principal payments on lease liabilities	(298)	(525)
Extinguishment of lease liabilities	(34)	(315)
Foreign exchange differences	(61)	(24)
<b>Closing Balance</b>	<b>\$ 7,145</b>	<b>\$ 5,570</b>
<b>Current portion lease liabilities</b>	<b>\$ 2,000</b>	<b>\$ 1,019</b>
<b>Long-term portion lease liabilities</b>	<b>\$ 5,145</b>	<b>\$ 4,551</b>

### Valleyfield Lease

In conjunction with the sale of the Company's Valleyfield Assets, the Company entered into a two-year lease for 80,000 square feet, representing cultivation, processing and manufacturing spaces in the Quebec Facility.

## 13. SHARE CAPITAL

### Issued capital

- i. During the six months ended June 30, 2021, a total of 15,414,958 common shares of the Company were issued under its at-the-market Prospectus Supplement dated December 2, 2020 for gross proceeds of \$8,281 (net proceeds of \$8,032).
- ii. During the six months ended June 30, 2021, a total of 24,198,600 common shares of the Company were issued as a result of 24,198,600 previously issued and outstanding warrants of the Company that were exercised at a weighted average exercise price of \$0.31 per warrant, for aggregate gross proceeds of \$7,560. During the six months ended June 30, 2020, a total of 500,500 common shares of the Company were issued as a result of previously issued and outstanding warrants of the Company that were exercised at a weighted average exercise price of \$0.38 per option, for aggregate gross proceeds of \$191.
- iii. During the six months ended June 30, 2021, a total of 1,262,903 common shares of the Company were issued as a result of 1,262,903 previously issued and outstanding equity settled restricted share units ("RSUs") of the Company that were previously issued at a weighted average fair value of \$0.38 per RSU. There are no proceeds related to the exercise of RSUs.
- iv. During the six months ended June 30, 2021, a total of 1,591,535 common shares of the Company were issued to settle severance owing of \$404 to a former employee.

## 14. CONTRIBUTED SURPLUS

### [a] Share based payments

For the three and six months ended June 30, 2021, the Company recorded \$852 and \$1,396, respectively, in non-cash share-based compensation expense pursuant to the grant of stock options (three and six months ended June 30, 2020 - \$1,442 and \$3,595, respectively).

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The following is a summary of the changes in the Company's Employee Stock Option Plan options:

	For the six months ended June 30, 2021		For the year ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Outstanding - beginning of period</b>	<b>24,339,401</b>	<b>1.74</b>	17,897,599	3.24
Granted	6,599,000	0.31	15,021,000	0.31
Exercised	-	-	(847,600)	0.50
Cancelled/Expired	(6,464,402)	2.73	(7,731,598)	2.58
<b>Outstanding, end of period</b>	<b>24,473,999</b>	<b>1.09</b>	24,339,401	1.74
<b>Exercisable, end of period</b>	<b>7,387,311</b>	<b>2.00</b>	5,663,387	3.82

Grant date	Options Outstanding #	Options Exercisable #	Exercise Price \$	Weighted Average remaining contractual life of outstanding options in years
June 25, 2018 - December 14, 2018	1,040,000	720,001	\$3.08 - \$6.91	1.99 - 2.46
January 8, 2019 - August 21, 2019	3,551,333	2,237,322	\$2.67 - \$5.13	2.53 - 3.15
November 18, 2019	687,666	231,660	\$0.83	3.39
March 13, 2020 - December 21, 2020	12,751,000	4,198,328	\$0.26 - \$0.51	3.70 - 4.48
March 12, 2021 - June 29, 2021	6,444,000	-	\$0.30 - \$0.36	4.70 - 5.00
<b>Balance, June 30, 2021</b>	<b>24,473,999</b>	<b>7,387,311</b>		<b>4.11</b>

In determining the amount of share-based compensation, the Company uses the Black-Scholes option pricing model to establish the fair value as at the grant date of options granted. Stock options granted during the respective periods highlighted below were fair valued based on the following weighted average assumptions:

	Averages for the three months ended June 30, 2021	Averages for the year ended December 31, 2020
Risk-free interest rate	0.55%	0.36%
Expected dividend yield	Nil	Nil
Expected annualized volatility	85.00%	88.55%
Expected life of options (years)	3.49	3.70
Black-Scholes value of each option	\$0.19	\$0.15

Volatility was estimated by using the historical volatility of the Company and other companies that the Company considers comparable that have trading and volatility history. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may also not necessarily be the actual outcome. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based upon the Canada government bonds with a remaining term equal to the expected life of the options.

**[b] Reserve for warrants**

The following table reflects the continuity of warrants:

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	Number of warrants	Weighted Average Exercise Price	Amount, net of warrant issue costs
	#	\$	\$
Balance, December 31, 2020	230,815,055	1.37	66,111
Warrants exercised in the period	(24,198,600)	0.31	(1,124)
Warrants expired in the period	(49,025,015)	4.80	(54,881)
<b>Balance, June 30, 2021</b>	<b>157,591,440</b>	<b>0.47</b>	<b>10,106</b>

As at June 30, 2021, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
	\$	#
December 19, 2022	1.00	20,607,500
April 1, 2023	0.39	3,000,000
April 13, 2023	0.39	1,500,000
April 27, 2023	0.38	10,813,052
May 27, 2024	0.50	500,000
June 12, 2024	0.50	45,712,500
October 23, 2025	0.30	24,873,354
November 2, 2025	0.30	8,500,000
December 10, 2025	0.35	42,085,034
		<b>157,591,440</b>

**[c] Restricted share units**

Under the Company's, restricted share unit plan (the "RSU Plan"), RSUs may be granted up to a fixed maximum of 10,000,000 common shares, which entitle the holder to receive one common share without payment of additional consideration at the end of the restricted period, as determined by the Board of Directors at the time of the grant. The RSUs vest in tranches based on certain performance conditions being met, with share-based compensation expense being recognized from grant date to the expected performance completion date.

At June 30, 2021, 5,242,706 (December 31, 2020 – 1,243,845) shares of the Company were reserved for issuance under the RSU Plan. For the three and six months ended June 30, 2021, the Company recorded \$167 and \$236, respectively, in non-cash stock-based compensation related to RSU compensation (three and six months ended June 30, 2020 - \$207 and \$259, respectively).

	For the six months ended June 30, 2021		For the year-ended December 31, 2020	
	Number of Units	Weighted Fair Value	Number of Units	Weighted Fair Value
<b>Outstanding - beginning of period</b>	1,243,845	0.33	54,348	2.76
Granted	5,405,098	0.32	2,600,000	0.27
Exercised	(1,262,903)	0.38	(703,837)	0.37
Forfeited	(143,334)	0.27	(706,666)	0.27
<b>Outstanding, end of period</b>	<b>5,242,706</b>	<b>0.31</b>	1,243,845	0.33

The accounting fair value of the equity settled RSUs as at the grant date is calculated using the number of RSUs expected to be earned multiplied by the grant date fair market value of a share of the Company's stock. Each reporting period, the number of RSUs that are expected to be earned is re-determined and the "fair value" of these RSUs is amortized over the remaining requisite period less amounts previously recognized.

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The estimated fair value of the equity settled RSUs granted during the three and six months ended June 30, 2021 was \$1,312, \$1,412, respectively, (three and six months ended June 30, 2020 \$Nil and \$703, respectively) and will be recognized as an expense over the vesting period of the RSUs.

**[d] Employee Stock Purchase Plan**

The Company has established an Employee Stock Purchase Plan which created a reserve of 3,000,000 common shares that may be issued from treasury. As at June 30, 2021, no securities were issued from treasury under this plan.

**15. SUPPLEMENTARY CASH FLOW INFORMATION**

The changes in non-cash working capital items are as follows:

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Prepaid expenses and deposits	\$ 97	\$ 629	\$ (109)	\$ (191)
Refundable sales taxes receivable	203	20	(53)	6,007
Trade receivable	(3,917)	(1,203)	889	(1,168)
Capitalized cost of biological assets	1,425	2,284	3,245	3,382
Inventory	(2,680)	(3,557)	(5,801)	(6,910)
Other current assets	(152)	(129)	(171)	(237)
Other assets	120	(534)	144	(449)
Accounts payable and accrued liabilities	4,934	1,677	2,848	(102)
Sales taxes payable	294	—	294	—
Deferred revenue	(150)	135	(150)	135
<b>Total</b>	<b>\$ 174</b>	<b>\$ (678)</b>	<b>\$ 1,136</b>	<b>\$ 467</b>

**16. COMMITMENTS AND CONTINGENCIES**

The Company has the following gross contractual obligations as at June 30, 2021, which are expected to be payable in the following respective periods:

	Carrying amount	Contractual cash flows - 12 months ending						Thereafter
		Total	June 2022	June 2023	June 2024	June 2025	June 2026	
Accounts payable and accrued liabilities	\$ 17,317	\$ 17,317	\$ 17,317	\$ -	\$ -	\$ -	\$ -	\$ -
Loans	15,732	17,278	17,278	-	-	-	-	-
Lease liabilities	7,145	10,444	2,039	2,002	869	828	616	4,090
<b>Total contractual obligations</b>	<b>40,194</b>	<b>45,039</b>	<b>36,634</b>	<b>2,002</b>	<b>869</b>	<b>828</b>	<b>616</b>	<b>4,090</b>

**[a] Construction agreements**

The Company entered into contracts to facilitate the construction of the Hamilton Facility with various vendors. Pursuant to some of these agreements, as at June 30, 2021, the Company has letters of credit in the amount of \$585 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates (“GIC”) securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which has been recorded in other assets. As at June 30, 2021, there have been no material breaches as defined by the agreements and no amounts have been drawn on the letters of credit.

The Company entered into escrow agreements in prior years with its construction partners in Ontario and in Québec and as such \$219 is included in the restricted cash balance as at June 30, 2021 related to a construction partner.

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**[b] Other contractual commitments**

The lease for the office space of the Company's headquarters required the issuance of a letter of credit in the amount \$350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at June 30, 2021, there have been no breaches and no amounts have been drawn upon this letter of credit.

**[c] Claims and Litigation**

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. The Company is subject to certain employment related claims by a former employee for which a provision in accounts payable and accrued liabilities has been recognized only to the extent that it is likely to result in future economic outflows. The Company has also been subject to a claim by former warrant holders for approximately \$1,250. No provision in relation to this claims has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for these claims. On August 3, 2020 the Company was named as a defendant in a litigation matter commenced in the United States District Court for the Middle District of Georgia relating to its minority investment in a US based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. No provision in relation to this claim has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for this claim and the Company intends to vigorously defend the matter. Other than the claims previously described, the Company is not aware of any other material or significant claims against the Company.

**17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**[a] Fair values**

The Company's financial instruments were comprised of the following as at June 30, 2021: cash and cash equivalents; restricted cash; refundable sales taxes receivable; trade receivables; certain other current assets; accounts payable and accrued liabilities; sales taxes payable; loans and contingent consideration.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instruments recorded at amortized costs that the instruments' fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments.

**[b] Fair value hierarchy**

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three and six months ended June 30, 2021, there were no transfers of amounts between levels (year ended December 31, 2020 – none).

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**[c] Management of risks arising from financial instruments**

***[i] Market risk***

All foreign currencies shown in this note are also presented in thousands.

***Foreign currency risk***

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at June 30, 2021, a portion of the Company's financial assets and liabilities held in US dollars ("USD"), Polish Zloty ("PLN") and European Euros ("EUR") which consisted of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, lease liabilities, loans, and other assets. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company is exposed to currency risk in other comprehensive income, relating to foreign subsidiaries which operating in a foreign currency. The Company has not used foreign exchange contracts to hedge its exposure to foreign currency cash flows for the three months ended June 30, 2021 as management has determined that this risk is not significant at this time. The Company is exposed to unrealized foreign exchange risk through its accounts payable and accrued liabilities. As at June 30, 2021, a 10% change in the foreign exchange rate would result in an unrealized gain or loss of approximately \$162 (December 31, 2020 - \$457).

***Interest rate risk***

The Company's exposure to interest rate risk relates to any investments of surplus cash as the Company's debt is fixed at a prescribed rate. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at June 30, 2021, the Company had term deposits of \$585 bearing interest between 0.80% and 1.00% (December 31, 2020 - \$585, bearing interest between 0.80% and 1.00%). The Company also has \$219 in restricted cash held in trust related to the Quebec Facility construction projects and earning a conventional rate of interest from a reputable top tier Canadian bank as well as \$498 of restricted cash in a separate account related to the Revolver Loan.

***[ii] Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, trade receivables, refundable sales taxes receivable, prepaid expenses and deposits, and other assets represents the maximum exposure to credit risk as at June 30, 2021. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with stable, creditworthy parties and through frequent reviews of exposures to individual entities.

The Company assesses the credit risk of trade receivables by evaluating the aging of trade receivables based on the invoice date and credit worthiness. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the interim consolidated statements of income (loss) and comprehensive income (loss). When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income (loss) and comprehensive income (loss). As at June 30, 2021, the Company's trade receivables are primarily concentrated in Canada in the amount of \$8,728 with the exception of \$406 in Europe. The Company had two customers whose balances individually were greater than 10% of total trade receivables as at June 30, 2021 (December 31, 2020 – two customers).

The following tables set forth details of trade receivables, including aging of trade receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:



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	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	\$	\$
Total trade receivables	9,159	10,023
Less allowance for expected credit losses	(25)	—
<b>Total trade receivables, net</b>	<b><u>9,134</u></b>	<b><u>10,023</u></b>
<b>Of which</b>		
Current	7,291	6,182
31-90 days	1,811	3,784
Over 90 days	57	57
Less allowance for expected credit losses	(25)	—
<b>Total trade receivables, net</b>	<b><u>9,134</u></b>	<b><u>10,023</u></b>

**[iii] Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements in relation to its current cash balances, maturity schedules and internal budgets. Refer to Note 16 – Commitments and Contingencies.

**18. CAPITAL MANAGEMENT**

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern (See Note 2[i] – Going Concern). Management defines capital as the Company's shareholders' equity and loans. The Board of Directors of the Company does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders. As at June 30, 2021, total managed capital was comprised of share capital and loans of \$501,706 (December 31, 2020 - \$509,134), contributed surplus of \$108,803 (December 31, 2020 - \$108,874), and reserve for foreign currency translations of \$1,089 (December 31, 2020 – \$255). There were no changes in the Company's approach to capital management during the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 – no changes).

**19. OPERATING EXPENSES**

The following table presents share-based compensation, depreciation and amortization by function:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cost of sales related to inventory production	\$ 2,930	\$ 958	\$ 4,410	\$ 2,270
Sales and marketing expenses	330	284	503	692
Research and development expenses	148	169	227	414
General and administrative expenses	1,590	1,527	2,458	3,751