**The Green Organic Dutchman Holdings Ltd.**

**Consolidated Financial Statements**

**For the years ended December 31, 2020 and December 31, 2019**

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of The Green Organic Dutchman Holdings Ltd.

## *Opinion*

We have audited the consolidated financial statements of The Green Organic Dutchman Holdings Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of loss and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Material Uncertainty Related to Going Concern*

We draw attention to Note 2 in the financial statements, which indicates that the Entity incurred a net loss of $183,131 thousand and net cash outflows from operating activities of $35,958 thousand during the year ended December 31, 2020 and, as of that date, the Company's accumulated deficit is $436,559 thousand.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty related to Going Concern***" section of the auditors' report, we have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

### *Evaluation of the impairment of non-financial assets of the Canadian cash generating unit*

#### *Description of the matter*

We draw attention to Notes 2(iv), 3(d), 6 and 7 to the consolidated financial statements. During the year, the Entity recorded an impairment charge of $120,602 thousand related to the Canadian Cash Generating Unit ("CGU"). Non-financial assets (other than biological assets and inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of a CGU exceeds its recoverable amount. Goodwill is tested for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. The recoverable amount of a Canadian CGU was based on its value in use, which was determined to be greater than its fair value less costs of disposal. 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. The significant assumptions used by the Entity in estimating the value in use of the Canadian CGU include estimated cash flows, discount rate, and long-term growth rate. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other non-financial assets in the CGU, excluding biological assets and inventories, on a pro-rata basis.

***Why the matter is a key audit matter***

We identified the evaluation of the impairment of non-financial assets of the Canadian CGU as a key audit matter. This matter represents a significant risk of material misstatement given the magnitude of the asset values and the high degree of estimation uncertainty in assessing the Entity's significant assumptions. Significant auditor judgment and the involvement of professionals with specialized skill and knowledge were required to evaluate the Entity's use of estimates, assumptions and judgements in assessing the recoverable amount of the CGU.

***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

- Compared the Entity's previous estimated cash flows to the actual historical cash flows generated by the CGU to assess the Entity's ability to accurately predict cash flows.
- Evaluated the expected future cash flow estimates by comparing to published reports of industry analysts and peer analysis.
- Evaluated the long-term growth rate by comparing to published industry data.
- Involved valuation professionals with specialized skills and knowledge who assisted in evaluating the discount rate used to determine the recoverable amount, by comparing it against a discount rate range that was independently developed using publicly available market rates and company specific risk factors.

***Evaluation of the impairment of non-financial assets of the European cash generating unit***

***Description of the matter***

We draw attention to Notes 2(iv), 3(d), and 7 to the consolidated financial statements. During the year, the Entity recorded an impairment charge of $8,644 thousand related to the European Cash Generating Unit ("CGU"). Non-financial assets (other than biological assets and inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of a CGU exceeds its recoverable amount. Goodwill is tested for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. The recoverable amount of the European CGU was based on its fair value less costs of disposal ("FVLCD"), which was determined to be greater than its value in use. The FVLCD was estimated using a probability weighted approach between a discounted cash flow analysis and a market approach. The significant assumptions applied in the determination of the recoverable amount for the discounted cash flow method include estimated cash flows, discount rate, and terminal value growth rate. The market approach was based on revenue multiples of other comparable companies. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other non-financial assets in the CGU, excluding biological assets and inventories, on a pro-rata basis.

***Why the matter is a key audit matter***

We identified the evaluation of the impairment of non-financial assets of the European CGU as a key audit matter. This matter represents a significant risk of material misstatement given the magnitude of the asset values and the high degree of estimation uncertainty in assessing the Entity's significant assumptions. Significant auditor judgment and the involvement of professionals with specialized skill and knowledge were required to evaluate the Entity's use of estimates, assumptions and judgements in assessing the recoverable amount of the CGU.

***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

- Evaluated the estimated cash flows by comparing to published reports of industry analysts and actual historical results.
- Involved valuation professionals with specialized skills and knowledge who assisted in evaluating the discount rate, terminal growth rate and revenue multiples used to determine the recoverable amount, by comparing them against a discount rate, terminal growth rate, and revenue multiples that were independently developed using publicly available market data and company specific factors.

## *Other Information*

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Pardeep Singh Gill.

Vaughan, Canada
March 9, 2021

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

| | Notes | | As at December 31, 2020 | | As at December 31, 2019 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | $ | **11,212** | $ | 27,569 |
| Restricted cash | 18 | | **622** | | 8,578 |
| Refundable sales taxes receivable | | | **160** | | 8,553 |
| Trade receivables | 18 | | **10,023** | | 1,488 |
| Biological assets | 8 | | **1,984** | | 2,771 |
| Inventories | 9 | | **17,135** | | 8,268 |
| Prepaid expenses and deposits | | | **1,641** | | 8,382 |
| Due from related parties | | | **—** | | 699 |
| Other current assets | 11 | | **853** | | 534 |
| Deferred financing costs | | | **750** | | 1,324 |
| | | $ | **44,380** | $ | 68,166 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 6 | | **147,263** | | 237,033 |
| Intangible assets | 7 | | **8,933** | | 12,019 |
| Goodwill | 7 | | - | | 8,101 |
| Investments in associates | 10 | | **—** | | 4,918 |
| Other assets | 11, 16[a] | | **10,999** | | 11,944 |
| **Total assets** | | $ | **211,575** | $ | 342,181 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Current portion of accounts payable and accrued liabilities | | $ | **24,453** | $ | 52,074 |
| Income tax payable | | | **—** | | 39 |
| Deferred revenue | | | **150** | | — |
| Current portion of loans | 5 | | **40,755** | | 524 |
| Current portion of lease liabilities | 12 | | **1,019** | | 590 |
| | | | **66,377** | | 53,227 |
| **Non-current liabilities** | | | | | |
| Long term portion of loans | 5 | | **—** | | 16,909 |
| Lease liabilities | 12 | | **4,551** | | 2,955 |
| Contingent consideration | | | **39** | | 462 |
| Deferred tax liability | | | **804** | | 1,028 |
| | | | **5,394** | | 21,354 |
| **Total liabilities** | | $ | **71,771** | $ | 74,581 |
| **Shareholders' equity** | | | | | |
| Share capital | 13 | | **468,379** | | 428,651 |
| Contributed surplus | 14 | | **108,874** | | 95,763 |
| Deficit | | | **(436,559)** | | (254,018) |
| Reserve for foreign currency translations | | | **255** | | (2,241) |
| **Total Shareholders' Equity attributed to The Green Organic Dutchman Holdings Ltd.** | | $ | **140,949** | $ | 268,155 |
| **Non-controlling interests** | | | **(1,145)** | | (555) |
| **Total Shareholders' Equity** | | | **139,804** | | 267,600 |
| **Total Liabilities and Shareholders' Equity** | | $ | **211,575** | $ | 342,181 |
| **Total number of common shares outstanding** | | | **486,675,760** | | 312,733,244 |
| Going Concern | 2 | | | | |
| Commitments and contingencies | 16 | | | | |
| Events after the reporting period | 2, 22 | | | | |

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

*Approved and authorized by the Board of Directors on March 9, 2021:*

*(signed) "Jeffrey Scott"*
*Director*

*(signed) "Nicholas Kirton"*
*Director*

**The Green Organic Dutchman Holdings Ltd.**
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
*(expressed in thousands of Canadian Dollars, except per share amounts)*

| | Notes | For the year ended December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Revenue | | $ **24,512** | $ 11,163 |
| Excise duties | | **(3,017)** | (206) |
| **Net revenue** | | **21,495** | 10,957 |
| Cost of sales related to inventory production | | **17,501** | 3,213 |
| Cost of sales related to business combination fair value adjustments to inventories | | **—** | 270 |
| **Gross profit before change in fair value of biological assets** | | **3,994** | 7,474 |
| Realized fair value adjustment on sale of inventory | | **(5,868)** | (435) |
| Unrealized gain on changes in fair value of biological assets | 8 | **7,988** | 2,505 |
| **Gross profit** | | $ **6,114** | $ 9,544 |
| | | | |
| **Operating expenses** | | | |
| Sales and marketing expenses | | $ **9,448** | $ 13,281 |
| Research and development expenses | | **1,395** | 2,271 |
| General and administrative expenses | | **26,051** | 44,160 |
| Share based compensation | 14 | **4,873** | 14,288 |
| Depreciation and amortization | 6, 7 | **7,220** | 4,237 |
| **Total operating expenses** | 20 | $ **48,987** | $ 78,237 |
| | | | |
| **Loss from operations** | | **(42,873)** | (68,693) |
| | | | |
| Foreign exchange gain (loss) | 18[c] | **(1,855)** | (964) |
| Finance costs | | **(3,996)** | (215) |
| Accretion expense | 5 | **(1,875)** | — |
| Debt modification | 5 | **799** | — |
| Finance income | | **384** | 2,819 |
| Strategic business initiatives | | **—** | (789) |
| Share of loss on investments in associates | 10 | **(148)** | (1,072) |
| Revaluation of contingent consideration | | **423** | 226 |
| Loss on disposal of assets | 6 | **(384)** | — |
| Change in fair value of investments | 11 | **(1,502)** | — |
| Impairment of investment in associates | 10 | **(3,082)** | (4,296) |
| Impairment charge for non-financial assets | 6, 7 | **(129,246)** | (123,432) |
| | | | |
| **Loss before income taxes** | | **(183,355)** | (196,416) |
| Current income tax recovery (expense) | | **—** | 346 |
| Deferred income tax recovery (expense) | | **224** | 320 |
| **Net loss** | | $ **(183,131)** | $ (195,750) |
| | | | |
| Other comprehensive (income)/loss | | | |
| Foreign currency translation (income)/loss | | **(1,788)** | 2,096 |
| Foreign currency translation (income)/loss on equity method investment | 10 | **(708)** | 658 |
| **Comprehensive loss** | | $ **(180,635)** | $ (198,504) |
| | | | |
| **Net loss attributable to:** | | | |
| The Green Organic Dutchman Holdings Ltd. | | **(182,541)** | (195,155) |
| Non-controlling interests | | **(590)** | (595) |
| | | | |
| **Comprehensive loss attributable to:** | | | |
| The Green Organic Dutchman Holdings Ltd. | | **(180,045)** | (197,909) |
| Non-controlling interests | | **(590)** | (595) |
| | | | |
| Basic and diluted net loss per share | | $ **(0.50)** | $ (0.71) |
| Weighted average number of outstanding common shares | | **369,698,781** | 275,840,350 |

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

**The Green Organic Dutchman Holdings Ltd.**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
*(expressed in thousands of Canadian Dollars, except number of shares)*

| | | Share Capital | | Contributed Surplus | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Common Shares | Amount | Reserve for share based payments | Reserve for warrants | Other contributed surplus | Escrowed share units | Shares to be issued | Total Contributed surplus | Reserve for foreign currency translations | Accumulated deficit | Non-Controlling Interests | Total |
| | | # | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **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** |
| Bought deal offering | 13[b,d,f,g] | **162,104,000** | **35,688** | **—** | **8,210** | **—** | **—** | **—** | **8,210** | **—** | **—** | **—** | **43,898** |
| Issuance of warrants in connection with debt | 5 | **—** | **—** | **—** | **1,743** | **—** | **—** | **—** | **1,743** | **—** | **—** | **—** | **1,743** |
| Share based compensation | 13[c,h] 14 | **3,536,858** | **984** | **3,485** | **—** | **—** | **—** | **404** | **3,889** | **—** | **—** | **—** | **4,873** |
| Exercise of stock options | 13[i] | **847,600** | **763** | **(339)** | **—** | **—** | **—** | **—** | **(339)** | **—** | **—** | **—** | **424** |
| Exercise of warrants | 13[j] | **564,000** | **248** | **—** | **(34)** | **—** | **—** | **—** | **(34)** | **—** | **—** | **—** | **214** |
| Expiry of stock options | | **—** | **—** | **(1,877)** | **—** | **1,877** | **—** | **—** | - | **—** | **—** | **—** | - |
| Expiry of warrants | | **—** | **—** | **—** | **(8,223)** | **8,223** | **—** | **—** | - | **—** | **—** | **—** | - |
| Restricted share units exercised during period | 13[k] | **703,837** | **258** | **(258)** | **—** | **—** | **—** | **—** | **(258)** | **—** | **—** | **—** | - |
| Shares issued in connection with accounts payable | 13[a,e] | **6,161,530** | **1,687** | **—** | **—** | **—** | **—** | **—** | - | **—** | **—** | **—** | **1,687** |
| Issuance of convertible units | 13[l] | **24,691** | **100** | **—** | **—** | **(100)** | **—** | **—** | **(100)** | **—** | **—** | **—** | - |
| Comprehensive loss | | **—** | **—** | **—** | **—** | **—** | **—** | **—** | - | **2,496** | **(182,541)** | **(590)** | **(180,635)** |
| **Balance at December 31, 2020** | | **486,675,760** | **468,379** | **23,258** | **66,111** | **11,129** | **7,972** | **404** | **108,874** | **255** | **(436,559)** | **(1,145)** | **139,804** |

*An unlimited number of common shares are authorized for issue.*

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

| | Notes | Share Capital | | Contributed Surplus | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Common Shares | Amount | Reserve for share based payments | Reserve for warrants | Other contributed surplus | Escrowed share units | Total Contributed surplus | Reserve for foreign currency translations | Accumulated deficit | Non-Controlling Interests | Total |
| | | # | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Balance at December 31, 2018 | | 269,976,624 | 392,068 | 8,053 | 62,801 | 1,111 | 7,972 | 79,937 | 513 | (58,823) | — | 413,695 |
| Effect of adoption of IFRS 16 | | — | — | — | — | — | — | — | — | (40) | — | (40) |
| Balance at January 1, 2019 | | 269,976,624 | 392,068 | 8,053 | 62,801 | 1,111 | 7,972 | 79,937 | 513 | (58,863) | — | 413,655 |
| Bought deal offering | | 36,800,000 | 21,567 | — | 3,103 | — | — | 3,103 | — | — | — | 24,670 |
| Issuance of warrants in connection with debt | | — | — | — | 758 | — | — | 758 | — | — | — | 758 |
| Share based compensation | | — | 106 | 14,182 | — | — | — | 14,182 | — | — | — | 14,288 |
| Exercise of stock options | | 506,933 | 718 | (288) | — | — | — | (288) | — | — | — | 430 |
| Exercise of warrants | | 5,455,567 | 14,192 | — | (2,229) | — | — | (2,229) | — | — | — | 11,963 |
| Expiry of options | | — | — | — | (18) | 18 | — | — | — | — | — | - |
| Issuance of convertible units | | — | — | 300 | — | — | — | 300 | — | — | — | 300 |
| Cancellation of shares | | (5,880) | — | — | — | — | — | — | — | — | — | - |
| Contribution from non-controlling interest | | — | — | — | — | — | — | — | — | — | 40 | 40 |
| Comprehensive loss | | — | — | — | — | — | — | — | (2,754) | (195,155) | (595) | (198,504) |
| 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 |

*An unlimited number of common shares are authorized for issue.*

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

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

| | Notes | For the year ended December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net loss | | $ **(183,131)** | $ (195,750) |
| Items not affecting cash: | | | |
| Impairment of property, plant and equipment | 6 | **118,316** | 118,797 |
| Impairment of investment in associates | 10 | **3,082** | 4,296 |
| Impairment of intangible assets and goodwill | 7 | **10,930** | 4,635 |
| Change in fair value of investments | 11 | **1,502** | — |
| Provision recorded on inventory | 9 | **1,478** | — |
| Share based compensation | 14 | **4,873** | 14,588 |
| Depreciation of property, plant and equipment | 6 | **5,768** | 2,809 |
| Amortization of intangible assets | 7 | **1,452** | 1,428 |
| Realized fair value adjustment on sale of inventory | | **5,868** | 435 |
| Unrealized gain on change in fair value of biological assets | 8 | **(7,988)** | (2,505) |
| Accretion | 5 | **1,875** | — |
| Share of loss on investments in associates | 10 | **148** | 1,072 |
| Revaluation of contingent consideration | | **(423)** | (226) |
| Loss on disposal of assets | 6 | **384** | — |
| Debt modification | 5 | **(799)** | — |
| Deferred financing costs expensed | | **737** | — |
| Current income tax recovery expense | | **—** | (346) |
| Deferred income tax recovery | | **(224)** | (320) |
| Income taxes paid | | **(14)** | (396) |
| Changes in non-cash operating working capital items | 15 | **208** | (5,214) |
| **Net cash used in operating activities** | | $ **(35,958)** | $ (56,697) |
| **INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment | 6 | **(50,259)** | (219,654) |
| Disposal of assets | 6 | **1,415** | — |
| Transfer from restricted cash | 16[a] | **8,359** | 41,422 |
| Transfer to restricted cash | 18[c] | **(403)** | — |
| Net cash outflow on investment in QuebecCo | 10 | **(1,000)** | |
| Advances to related parties, net of repayments | | **—** | (1,350) |
| Net cash outflow on other investment | | **—** | (1,434) |
| Additions to intangible assets | 7 | **(288)** | (3,078) |
| **Net cash used in investing activities** | | $ **(42,176)** | $ (184,094) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of shares and warrants, net of share issue costs | 13 | **43,898** | 24,670 |
| Proceeds from issuance of debt, net of issue costs | 5 | **22,021** | 16,293 |
| Proceeds from the exercise of stock options and warrants | 13,14 | **638** | 12,393 |
| Interest received | | **173** | 3,342 |
| Interest paid on lease liabilities | 12 | **(494)** | (139) |
| Interest paid on debt | 5 | **(4,741)** | (60) |
| Principal payments of lease liabilities | 12 | **(525)** | (319) |
| Principal payments of debt | 5 | **(500)** | (123) |
| Capital contributed by non-controlling interest | | **—** | 40 |
| **Net cash provided by financing activities** | | $ **60,470** | $ 56,097 |
| **Net cash outflow** | | $ **(17,664)** | $ (184,694) |
| Net effects of foreign exchange | | **1,307** | (1,286) |
| Cash, beginning of period | | **27,569** | 213,549 |
| **Cash and cash equivalents, end of period** | | $ **11,212** | $ 27,569 |

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

## 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's registered and head office is located at 6205 Airport Road, Building A – Suite 200, Mississauga, ON, L4V 1E3. These consolidated financial statements for the years ended December 31, 2020 and 2019 ("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 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 and distributors and federally licensed entities. The Company has a cannabis cultivation and processing facility in Hamilton, Ontario (the "**Hamilton Facility**") and another facility located in Valleyfield, Québec (the "**Quebec Facility**").

In addition to its Canadian operations, through its subsidiaries and strategic investments, the Company is pursuing an international growth strategy, including through a hemp extraction business based 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 impacts of the pandemic on its business which remain unknown.

## 2. BASIS OF PRESENTATION

### [i] Statement of compliance

These Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors of the Company on March 9, 2021.

### [ii] Going concern

These 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 December 31, 2020, the Company had negative working capital of $21,997 (December 31, 2019 – positive working capital of $14,939) primarily due to the Company presenting its senior secured first lien credit facility ("Senior Loan") and revolving credit facility ("Revolver Loan") as current liabilities as at December 31, 2020 and an accumulated deficit of $436,559 (December 31, 2019 - $254,018). During the year ended December 31, 2020, the Company used cash in operating activities of $35,958 (year ended December 31, 2019 - $56,697) resulting primarily from the net loss of $183,131 (year ended December 31, 2019 - $195,750) offset by items not affecting cash such as depreciation, amortization, share based compensation, change in fair value of investments, and impairment charges of $145,923 (year ended December 31, 2019 - $146,253). As at December 31, 2020, the Company had insufficient cash to fund its planned operations, including debt repayments for the next twelve months. 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 to meet its obligations.

The Company may need to reschedule its current debt obligations or obtain further financing in the form of 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 financing will be on acceptable terms. If existing debt obligations are not rescheduled or adequate financing is not available, the Company may be required to delay or reduce the scope of any or all of 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 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 financing and operating 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.

As described in Note 13, the Company filed a base shelf prospectus on November 27, 2020, allowing for proceeds of up to $50,000 to be raised through various combination of debt and equity as any funding becomes available and as the Company deems appropriate. On December 10, 2020, through a prospectus supplement dated December 4, 2020, the Company issued 45,178,900 units of the Company, each unit consisting of one common share of the Company and one common share purchase warrant of the Company for gross proceeds of $12,650. Subsequent to December 31, 2020, the Company:

- issued 14,341,958 common shares of the Company under its at-the-market ("ATM") Prospectus Supplement dated December 2, 2020 for gross proceeds of $7,893. Under this specific prospectus supplement, the Company is permitted to raise up to $15,000.
- issued 24,197,600 common shares as a result of warrant exercises for gross proceeds of $7,559.

**[iii] Basis of measurement**

These Consolidated Financial Statements have been presented in thousands of Canadian dollars (unless otherwise noted) on a historical cost basis, except for certain financial instruments that are measured at fair value and biological assets which are recorded at fair value less costs to sell. The Company's functional currency is Canadian dollars. The expenses within the statements of operations and comprehensive loss are presented by function.

**[iv] Use of estimates and judgments**

The preparation of these Consolidated Financial Statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

***(a) Biological assets and inventory***

In calculating the fair value less costs to sell of the biological assets, management is required to make a number of judgements and estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating inventory values, management is required to determine an estimate of indirectly attributable production costs as well as obsolete inventory and compares the inventory cost to estimated net realizable value.

***(b) Impairment, estimated useful lives, depreciation and amortization of property, plant and equipment and intangible assets***

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, residual values, and depreciation rates. The depreciation and amortization methods are judgements based on the Company's assessment of the pattern of use of the assets. The estimate of useful lives and residual values are based on the Company's intended use of the assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

*(i) Cash generating units:*

Judgment is required to assess the Company's determination of cash generating units for the purpose of impairment testing.

*(ii) Impairment of non-financial assets:*

The process to calculate the recoverable amount of each cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applied judgment when determining which methods are most appropriate to estimate that value in use and fair value less costs of disposal for each CGU. Please see note 6 and note 7 for additional estimates and judgment applied by the Company in connection with the impairment of non-financial assets.

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

***(c) Revenue and accounts receivable***

The Company estimates whether certain vendors will exercise the right to early payment discounts based on past experience with each vendor. The Company also uses estimates to determine the likelihood of returns and discounts and rebates it may offer to distributors. This is based on trends observed by the Company related to its historical financial sales and industry practices. Due to the complexity in tax legislations, significant judgement is applied in the assessment of whether taxes are borne by the Company or collected on behalf of a third party impacting the net or gross presentation of revenue.

***(d) Shared based compensation***

Significant estimates are used to determine the fair value of stock options and restricted stock units of the Company. The Company typically uses a Black Scholes pricing model to determine the valuations. Refer to notes 13 and 14 for further information.

***(e) Warrants***

Significant estimates are used to determine the fair value of warrants issued by the Company. The Company typically uses a Black Scholes pricing model to determine the valuations. Refer to notes 13 and 14 for further information.

***(f) Leases***

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant estimates are used to determine the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate for new leases.

**[v] Basis of consolidation**

These Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Intercompany balances and transactions are eliminated upon consolidation and preparation of these Consolidated Financial Statements. The Company's primary controlled subsidiaries are as follows:

| Major subsidiary | Percentage ownership | Functional currency |
|---|---|---|
| The Green Organic Dutchman Ltd. ("TGOD") | 100% | Canadian Dollar |
| Medican Organic Inc. ("Medican") | 100% | Canadian Dollar |
| 9371-8633 Quebec Inc. ("QuebecCo") | 100% | Canadian Dollar |
| TGOD Europe B.V. | 100% | European Euro |
| HemPoland S.p.a. Z.o.o. ("HemPoland") | 100% | European Euro |

All shareholdings are of ordinary shares or other equity. Other subsidiaries, while included in the consolidated financial statements, are not material and have not been included in the table above.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Measurement Uncertainty

The Company continues to monitor the evolution of the COVID-19 pandemic. The extent to which the COVID-19 pandemic may impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence, such as the spread and severity of the disease, the duration of the outbreak including any possible resurgence, and actions taken by authorities to control the spread of the virus, the impact of the pandemic on spending, and the ability or willingness of suppliers and vendors to provide products and services.

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

Any of these developments, and others, could have a material adverse effect on the Company's business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements could change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of non-current assets and a change in the expected credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts on its business.

### (b) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is recognized on a declining basis using the following rates:

| | |
|---|---|
| Building | 2.5 - 5% |
| Furniture and fixtures | 20 - 33% |
| Production equipment | 14 - 100% |
| Building and leasehold improvements | 5 - 20%, or straight line over the lease term if applicable |
| Computer equipment | 33 - 100% |
| Automobiles | 14 - 30% |

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at least each financial year and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Land is not depreciated.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item at the date of disposal and recognized in profit or loss.

Assets and construction in progress are transferred to building, production equipment, and building improvements when available for use and depreciation of the asset commences at that point.

### (c) Intangible assets

Finite-lived intangible assets are recorded at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the following term:

| | |
|---|---|
| Health Canada Licences | 20 years, in accordance with the estimated useful life of a building at the Hamilton facility |
| Technology Licences | 6 years |
| IT Systems and Applications | 10 years |
| Distribution Channels | 10-20 years |
| Brands | 10-20 years |

The estimated useful lives and amortization methods of intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Company does not currently have any intangible assets with indefinite useful lives.

### (d) Impairment of non-financial assets

Non-financial assets (other than biological assets and inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Goodwill is tested for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). Goodwill arising from a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other non-financial assets in the CGU, excluding biological assets and inventories, on a pro-rata basis. Impairment losses in respect of goodwill are not subsequently reversed. For other non-financial assets excluding biological assets and inventories, an impairment loss is subsequently reversed only to an amount that is the lesser of the revised estimate of recoverable amount, and the carrying amount, net of depreciation or amortization, that would have been recorded at the date of the reversal had no impairment loss been recognized previously. The Company currently has three CGUs being (i) cannabis related activities from production in Canada, ("Canadian CGU") (ii) hemp related activities in Europe ("European CGU") and (iii) other strategic international investments ("International CGU").

**(e) Inventories**

Inventories are valued at the lower of cost and net realizable value. Inventories of harvested cannabis (i.e. – raw materials) are transferred from biological assets at their fair value less costs to sell at harvest, which becomes the initial cost of the harvested cannabis. Any subsequent post-harvest costs, such as processing and packaging the inventories to a finished state, are capitalized to inventory as they are incurred to the extent that the aggregated cost of the inventory item is less than its net realizable value and are subsequently recorded within cost of sales related to inventory production costs in the consolidated statement of loss and comprehensive loss. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis.

**(f) Biological assets**

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are capitalized using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. Direct and indirect costs of biological assets include the direct cost of seeds and growing materials, and indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included. Certain direct and indirect costs of biological assets, excluding depreciation, are capitalized as they are incurred, and are subsequently recorded in inventories on the consolidated statement of financial position after the biological assets are harvested, and subsequently recorded within the line item 'cost of sales related to inventory production' on the consolidated statement of loss and comprehensive loss in the period that the related product is sold or impaired. Unrealized gain on changes in fair value of biological assets are recorded in a separate line on the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position.

**(g) Revenue**

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows the five-step model:

1. Identifying the contract with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligations are satisfied.

Revenue from the direct sale of cannabis products for a fixed price is recognized when the Company transfers control of the good to the customer, which is at the point of shipment for medical cannabis and at the point of delivery for recreational cannabis. For sales of hemp-based products the Company transfers control of the good to the customer on delivery.

Revenue earned in Canada includes excise duties, which the Company pays as principal, but excludes sales taxes collected on behalf of tax authorities. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of expected price discounts, allowances for customer returns and certain promotional activities and similar items. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices.

Under certain revenue arrangements, the Company provides production or licensing services. For these revenue arrangements, the Company earns a manufacturing or licencing fee, which is recognized as revenue net of associated costs as the Company acts as an agent in the arrangement. The Company does not control pricing or bear inventory, or credit risk associated with the goods in these arrangements, and as such is acting as an agent in these arrangements.

**(h) Financial instruments**

***[i] Recognition and initial measurement***

Trade receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

***[ii] Classification and subsequent measurement***

Financial Assets

On initial recognition, a financial asset is classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whole objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocable elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets, if applicable. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets – Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized costs | These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequent measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss. |
| Equity investments at FVOCI | These assets are subsequent measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired. |

Financial Liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

***[iii] Derecognition***

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company may enter into transactions whereby it transfers assets recognized in its statements of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguish and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Transaction Costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

***[iv] Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

### (i) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortized costs, debt investments measured at FVOCI, and contract assets – the Company had no debt investment measured at FVOCI and no contract assets as at December 31, 2020 and December 31, 2019.

When determining whether the credit risk of a financial asset has increased significantly and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on the Company’s historical experience and informed credit assessment and including forward looking information.

### (j) Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Significant influence is usually evidenced by but not limited to, the ability to exercise significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost, inclusive of transaction costs. Subsequent to initial recognition, the Company includes in its consolidated financial statements the Company’s share of the income and expenses of equity accounted investees until the date on which significant influence ceases. In accordance with IFRS, the investee’s most recent available financial statements are used in the application of the equity method. The Company does not recognize losses exceeding the carrying value of its interest in the associate.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses arising from transaction with equity-accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee, but only to the extent there is no evidence of impairment.

### (k) Goodwill

Goodwill represents the excess of the price paid for a business combination over the net fair value of the identifiable assets acquired and liabilities assumed in the business combination and is subsequently measured at historical cost less accumulated impairment losses, if any.

### (l) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred. Subsequent to initial recognition, capitalized development expenditures are measured at costs less accumulated amortization and impairment losses.

### (m) Taxes

Income tax expense comprises of current and deferred tax. It is recognized in net loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

*Current taxes*

Current tax comprises the expected tax payable or receivable on the taxable earnings for the period and any adjustments to the tax payable or receivable in respect of previous years. Taxable earnings may differ from earnings as reported in the Consolidated Statement of Loss and Comprehensive Loss because of items of income and expenses that are taxable or deductible in other years and items that will never be taxable or deductible. The Company's receivables and liabilities for current tax are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred taxes*

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

*Refundable sales tax receivable*

The Company recognizes receivables for refundable input tax credits for various value added taxes paid in conjunction with the laws governing each jurisdiction where the credits are claimed.

### (n) Share-based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share-based payments granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

### (o) Loss per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. In a period of losses, the options are excluded for the determination of dilutive net loss per share because their effect is antidilutive.

### (p) Strategic business initiatives

Costs of strategic business initiatives that are directly attributable to any business combinations are expensed through the consolidated statements of loss and comprehensive loss.

### (q) Related party transactions

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

### (r) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at the reporting date and the date they are settled. Non-monetary items that are based on historical cost in a foreign currency are translated into Canadian dollars using the exchange rate at the date of the transaction. Foreign currency gains and losses due to translating foreign currency transactions are reported in the consolidated statement of loss and comprehensive and loss on a net basis. The effect of currency translation adjustments on cash and cash equivalents is presented separately in the statements of cash flows and separated from investing and financing activities when deemed significant.

### (s) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars using average exchange rates for the month during which the transactions occurred. These foreign currency differences are recognized in other comprehensive income in the reserve for foreign currency translations.

### (t) Changes in significant accounting policies

*i. Government Grants*

The Company applied for and received government grants under the Canadian Emergency Wage Subsidy (“CEWS”) provided by the Government of Canada as a result of the COVID-19 pandemic. The Company made an accounting policy choice under *IAS 20 - Government Grants* to record and present the grants net against the associated salary expenses for which it was subsidizing and recognized each grant upon receipt.

*ii. Definition of a Business (Amendments to IFRS 3)*

The Company applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The adoption of this amendment had no impact on the Company’s financial statements

### (u) New standards, interpretations and amendments not yet adopted by the Company

A number of new standards are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company’s consolidated financial statements.

*i. Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Company has determined that all contracts existing at December 31, 2020 will be completed before the amendments become effective.

*ii. Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

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

— changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
— hedge accounting.

## 4. SEGMENTED INFORMATION

The Company's business activities are conducted through one reportable operating segment which consists of the production and distribution of cannabis and related products which report to one chief decision maker, the Company's Interim 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 year ended December 31, 2020, the Company had two customers in North America that accounted for 39% of total revenue (year ended December 31, 2019 – no customers that accounted for 10% of total revenue). Customer A accounted for 26% of revenues and Customer B accounted for 13% of revenues.

| | **For the year ended December 31, 2020** | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **North America** | **Europe** | **Total** | North America | Europe | Total |
| Revenue | **$ 15,761** | **$ 8,751** | **$ 24,512** | **$** 1,277 | $ 9,886 | $ 11,163 |
| Gross profit | **$ 1,369** | **$ 4,745** | **$ 6,114** | **$** 2,056 | $ 7,488 | $ 9,544 |
| Operating expenses, excluding stock-based compensation, depreciation and amortization | **$ 30,858** | **$ 6,036** | **$ 36,894** | **$** 52,612 | $ 7,100 | $ 59,712 |
| Share based compensation | **$ 4,873** | **$ —** | **$ 4,873** | **$** 14,288 | $ — | $ 14,288 |
| Depreciation and amortization | **$ 5,509** | **$ 1,711** | **$ 7,220** | **$** 2,611 | $ 1,626 | $ 4,237 |
| Impairment of investment in associates | **$ (3,082)** | **$ —** | **$ (3,082)** | **$** (4,296) | $ — | $ (4,296) |
| Impairment charge for non-financial assets | **$ (120,602)** | **$ (8,644)** | **$ (129,246)** | **$** (123,432) | $ — | $ (123,432) |
| Other non-operating income (expense) (excluding impairment) | **$ (7,346)** | **$ (808)** | **$ (8,154)** | **$** 539 | $ (534) | $ 5 |
| Net loss | **$ (170,899)** | **$ (12,232)** | **$ (183,131)** | **$** (194,642) | $ (1,108) | $ (195,750) |

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

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| North America | $ **142,612** | $ 232,827 |
| Europe | **4,651** | 4,206 |
| | $ **147,263** | $ 237,033 |

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

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| North America | $ **2,383** | $ 5,032 |
| Europe | **6,550** | 15,088 |
| | $ **8,933** | $ 20,120 |

The Company's remaining non-current assets are domiciled in North America as at December 31, 2020 and December 31, 2019.

## 5. LOANS

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Opening Balance | **$ 17,433** | **$** 688 |
| Additions | **24,658** | 21,042 |
| Deferred financing fee | **(3,044)** | (3,425) |
| Residual fair value of equity portion | **(1,628)** | (758) |
| Accretion | **4,199** | 50 |
| Debt modification | **(799)** | — |
| Principal payments | **(500)** | (123) |
| Effects of movements in foreign exchange | **(19)** | (41) |
| Outstanding draw on Revolver Loan | **455** | |
| **Ending Balance** | **$ 40,755** | **$** 17,433 |

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Loans | **$ 40,755** | **$** 17,433 |
| Current portion | **(40,755)** | (524) |
| Long term portion | **$ —** | **$** 16,909 |
| | | |
| Senior Loan | **$ 27,839** | **$** 16,909 |
| Revolver Loan | **12,409** | — |
| HemPoland Loan | **507** | 524 |
| | **$ 40,755** | **$** 17,433 |

**Senior secured credit facility ("Senior Loan")**

On December 24, 2019, the Company closed a senior secured first lien credit facility (the "Senior Loan") with a commercial lender. The first tranche of the Senior Loan for gross proceeds of $21,042 was advanced by the lender upon closing at a thirteen percent (13%) rate of interest. Per the Senior Loan agreement, there are no scheduled principal repayments for the first twelve months of the term of the Senior Loan and after which the Company is required to make monthly principal repayments commencing on January 1, 2021 plus interest, with the remaining unpaid balance upon maturity. During the year ended December 31, 2020, the lender advanced the remaining $6,658 of the first tranche. The second tranche of the Senior Loan included an accordion feature, which made available up to an additional $15,000 which could be advanced upon the achievement by the Company of certain operational milestones. The Company may repay the Senior Loan at any time with a 2% penalty on the outstanding principal of the Senior Loan. The Senior Loan possesses several covenants which the Company has met as at December 31, 2020.

On April 13, 2020, the Company executed an amendment with the lender of the Senior Loan on the $15,000 accordion feature that made $5,000 of the accordion available upon the Company closing an equity financing which was achieved on April 27, 2020 (see note 13). The Company received gross proceeds from the accordion loan of $5,000 on April 27, 2020. In addition, on April 27, 2020 a total of 1,500,000 warrants were issued to the lender of the Senior Loan, in consideration for this accordion advance, exercisable at $0.39 for 36 months from the date of issuance.

On October 2, 2020, the Company executed an amendment with the lender of the Senior Loan to extend the maturity date of the Senior Loan to December 15, 2021 and in connection with the extension to re-price 7,000,000 common share purchase warrants of the Company previously issued to the lender and expiring on December 20, 2022 from an exercise price of $1.00 per share of the Company to $0.30 per share, and to issue an additional 1,000,000 common share purchase warrants of the Company to the lender with an exercise price of $0.30 per share expiring November 2, 2025, consistent with the terms of the warrants. As at December 31, 2020 the total principal balance outstanding related to the Senior Loan was $32,200.

**Revolving credit facility ("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. The Revolver Loan is 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 was available to the Company up to a maximum of an additional $20,000. The Revolver Loan was originally scheduled to mature on April 1, 2021, subject to renewal for an additional year. In connection with the Revolver Loan, the Company issued the lender of the Revolver Loan 3,000,000 common share purchase warrants of the Company exercisable for a period of 36 months following the date of issuance at an exercise price of $0.39 per share in exchange for one common share of the Company. A finder's fee of $450 was paid to the lender of the Company's Senior Loan in connection with the closing of the initial proceeds of the Revolver Loan.

On May 27, 2020, the Company executed an amendment with the lender of the Revolver Loan which extended the original term by six months to October, 2021 and allowed the Company to receive $3,000 in gross proceeds from the $20,000 revolving component subject to the same terms of the first $10,000 previously advanced by this lender. In consideration of this, a total of 500,000 warrants exercisable into common shares of the Company were issued to the lender on May 22, 2020 exercisable at $0.50 per share for 48 months from the date of issuance. The Company received this $3,000 on July 7, 2020.

On October 1, 2020, the Company agreed with this lender of the Revolver Loan to extend the maturity date for the Revolver Loan to December 31, 2021 in exchange for common share purchase warrants of the Company to purchase 500,000 common shares of the Company at a price of $0.30 per share, expiring November 2, 2025. As at December 31, 2020 the total principal balance outstanding related to the Revolver Loan was $13,455.

**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, of which approximately $507 remained outstanding as at December 31, 2020 (December 31, 2019 - $524). During the year ended December 31, 2020, the Company received an extension to defer payment on the outstanding balance to December 31, 2021.

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

## 6. PROPERTY, PLANT AND EQUIPMENT

| **Cost:** | **Land** | **Buildings** | **Furniture and fixtures** | **Production equipment** | **Building improvements** | **Computer equipment** | **Automobiles** | **Construction in progress** | **Right-of-use assets** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2019 | **$ 2,683** | **$ 56,480** | **$ 265** | **$ 15,674** | **$ 710** | **$ 1,337** | **$ 551** | **$ 277,646** | **$ 4,154** | **$ 359,500** |
| Transfers | **—** | **4,068** | **110** | **48,351** | **—** | **2** | **27** | **(52,566)** | **8** | **—** |
| Additions | **4,172** | **670** | **13** | **1,768** | **—** | **13** | **105** | **26,396** | **3,583** | **36,720** |
| Disposals | **—** | **—** | **—** | **(114)** | **(12)** | **—** | **(318)** | **(1,456)** | **(436)** | **(2,336)** |
| Effects of movements in foreign exchange and other | **—** | **(13)** | **2** | **35** | **—** | **—** | **1** | **(1)** | **(36)** | **(12)** |
| **Balance, December 31, 2020** | **$ 6,855** | **$ 61,205** | **$ 390** | **$ 65,714** | **$ 698** | **$ 1,352** | **$ 366** | **$ 250,019** | **$ 7,273** | **$ 393,872** |
| | | | | | | | | | | |
| **Accumulated depreciation and impairment:** | | | | | | | | | | |
| Balance, December 31, 2019 | **$ —** | **$ 19,559** | **$ 139** | **$ 5,730** | **$ 401** | **$ 673** | **$ 261** | **$ 95,062** | **$ 642** | **$ 122,467** |
| Transfers | **—** | **1,816** | **5** | **20,126** | **—** | **2** | **1** | **(21,950)** | **—** | **—** |
| Depreciation | **—** | **1,443** | **35** | **3,397** | **26** | **157** | **117** | **—** | **949** | **6,124** |
| Disposals | **—** | **—** | **—** | **(33)** | **(1)** | **—** | **(143)** | **—** | **(111)** | **(288)** |
| Impairment | **—** | **17,244** | **57** | **13,260** | **77** | **265** | **41** | **87,372** | **—** | **118,316** |
| Effects of movements in foreign exchange and other | **—** | **(1)** | **—** | **(1)** | **1** | **—** | **—** | **—** | **(9)** | **(10)** |
| **Balance, December 31, 2020** | **$ —** | **$ 40,061** | **$ 236** | **$ 42,479** | **$ 504** | **$ 1,097** | **$ 277** | **$ 160,484** | **$ 1,471** | **$ 246,609** |
| | | | | | | | | | | |
| **Net book value, December 31, 2020** | **$ 6,855** | **$ 21,144** | **$ 154** | **$ 23,235** | **$ 194** | **$ 255** | **$ 89** | **$ 89,535** | **$ 5,802** | **$ 147,263** |

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

| **Cost:** | **Land** | **Buildings** | **Furniture and fixtures** | **Production equipment** | **Building improvements** | **Computer equipment** | **Automobiles** | **Construction in progress** | **Right-of-use assets** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2018 | $2,683 | $2,711 | $196 | $1,837 | $699 | $503 | $767 | $99,010 | $1,279 | $109,685 |
| Transfers | — | 53,838 | 4 | 11,525 | — | (1) | (107) | (65,727) | 468 | — |
| Additions | — | — | 65 | 2,403 | 12 | 836 | — | 244,403 | 2,446 | 250,165 |
| Disposals | — | — | — | (31) | — | — | (97) | (22) | — | (150) |
| Effect of movements in foreign exchange | — | (69) | — | (60) | (1) | (1) | (12) | (18) | (39) | (200) |
| Balance, December 31, 2019 | $2,683 | $56,480 | $265 | $15,674 | $710 | $1,337 | $551 | $277,646 | $4,154 | $359,500 |
| **Accumulated amortization and impairment:** | | | | | | | | | | |
| Balance, December 31, 2018 | $ — | $96 | $32 | $252 | $231 | $122 | $144 | $ — | $ — | $877 |
| Transfers | — | — | — | (96) | — | — | (53) | — | 149 | — |
| Depreciation | — | 713 | 42 | 1,172 | 76 | 207 | 140 | — | 508 | 2,858 |
| Disposals | — | — | — | (37) | — | 2 | (14) | — | — | (49) |
| Impairment | — | 18,750 | 65 | 4,440 | 94 | 343 | 43 | 95,062 | — | 118,797 |
| Effects of movements in foreign exchange and other | — | — | — | (1) | — | (1) | 1 | — | (15) | (16) |
| Balance, December 31, 2019 | $- | $19,559 | $139 | $5,730 | $401 | $673 | $261 | $95,062 | $642 | $122,467 |
| Net book value, December 31, 2019 | $2,683 | $36,921 | $126 | $9,944 | $309 | $664 | $290 | $182,584 | $3,512 | $237,033 |

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

**Impairment of property, plant and equipment**

The Company performs tests for impairment of its property, plant and equipment, a non-financial asset, when there are indicators of impairment. The following factors were identified as impairment indicators during the year ended December 31, 2020:

i. Economic environment: Increased supply of cannabis coming online in the market, price compression, as well as certain governments imposing lockdowns and stay-at-home orders, which has resulted in a change of certain expected outcomes initially forecasted by management, being primarily lower than forecasted revenues.

ii. Change in strategic plans: On March 27, 2020, the Company temporarily ceased construction activities and temporarily laid off the majority of its staff located at the Quebec Facility due to multiple factors, most particularly the COVID pandemic, affecting planned production output. In August 2020, the Company announced that start-up commissioning and calibrations challenges within the energy center at the Company's Ancaster facility led to inconsistent climate controls in the hybrid greenhouse during the very hot weather in late July and early August which led to several recent August harvests not meeting the Company's strict premium flower specifications. As a result, most of the flower from these harvests were repurposed for extraction. The Company also experienced capacity challenges with third party processing which had an impact on planned production output and led to the strategic decision to transform its Quebec Facility into a processing hub to support its product portfolio.

As a result of impairment assessments at March 31, 2020 and September 30, 2020, the cannabis related activities from production in Canada (“the Canadian CGU”) as part of the North American segment, yielded a lower recoverable amount in comparison to its applicable carrying values considering different scenarios that have been probability weighted. 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 cost of disposal. The 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 following table indicates the year-to-date non-cash impairment charges recognized by the Company for its Canadian CGU by period:

| **Period ending** | **Recoverable amount [Value in Use]** | **Carrying Amount** | **Impairment for the period then ended** |
|---|---|---|---|
| March 31, 2020 | $196,600 | $249,365 | **$52,765** |
| September 30, 2020 | $150,745 | $218,582 | **$67,837** |
| **Total impairment for the year ended, December 31, 2020:** | | | **$120,602** |

| **Period ending** | **Recoverable amount [Value in Use]** | **Carrying Amount** | **Impairment for the period then ended** |
|---|---|---|---|
| December 31, 2019 | $254,511 | $377,943 | $123,432 |
| **Total impairment for the year ended, December 31, 2019:** | | | $123,432 |

The significant assumptions applied in the determination of the recoverable amount are described as follows:

i. Cash flows: Estimated cash flows were projected based on industry and market trends in addition to the Company’s own internal sources which included estimates for price compression and industry growth. Estimated cash flows are primarily driven by estimated sales volumes, selling prices and operating costs. The projections were extended to a total of five years (and a terminal period). The present value of future cash flows was estimated using an expected cash flow approach;

ii. Long-term growth rate: A long-term growth rate has been determined as an inflationary rate for the country in which the CGU operates estimated by management. The long-term growth rate used by management was calculated as 2%;

iii. Discount rate: The discount rate is estimated based on the Company’s weighted average cost of capital (“WACC”) in which the Company’s cost of equity and cost of debt are proportionately weighted. The inputs into the WACC are based on the Company’s specific borrowing rate, over 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for risk premium to reflect both the increased risk of investing in equities generally and the unsystematic risk on the specified CGU. The discount rate calculated and used by management in calculating the recoverable amount for the Canadian CGU during the year ended December 31, 2020 was 16.5%.

The non-cash impairment charges were allocated pro rata on the basis of the carrying amount of each non-financial asset, excluding biological assets, inventories and certain other assets already recorded at approximate fair values in the CGU. The non-cash impairment charges specific to property, plant and equipment for the year ended December 31, 2020 was $118,316 (year ended December 31, 2019 - $118,797), all of which were related to the Canadian CGU. Refer to Note 7 for non-cash impairment charge of intangible assets.

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

## 7. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets and goodwill is as follows:

| | Health Canada Licence | Technology Licences | Website | Distribution Channels | Brands | Other acquired rights | Goodwill | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| Balance, December 31, 2019 | $ 5,870 | $ 2,872 | $ 400 | $ 5,500 | $ 982 | $ 1,256 | $ 10,108 | $ 26,988 |
| Additions | — | 242 | — | — | — | 46 | — | 288 |
| Disposals | — | — | — | — | — | (66) | — | (66) |
| Transfers | — | (69) | — | — | — | 69 | — | — |
| Effect of movements in foreign exchange | — | 20 | — | 369 | 66 | 83 | 543 | 1,081 |
| **Balance, December 31, 2020** | **$ 5,870** | **$ 3,065** | **$ 400** | **$ 5,869** | **$ 1,048** | **$ 1,388** | **$ 10,651** | **$ 28,291** |
| **Accumulated amortization and impairment:** | | | | | | | | |
| Balance, December 31, 2019 | $ 2,596 | $ 1,035 | $ 159 | $ 491 | $ 88 | $ 492 | $ 2,007 | $ 6,868 |
| Amortization for the period | 150 | 383 | 34 | 412 | 74 | 399 | — | 1,452 |
| Impairment | 1,516 | 666 | 104 | — | — | — | 8,644 | 10,930 |
| Effect of movements in foreign exchange | — | 22 | — | 40 | 7 | 39 | — | 108 |
| **Balance, December 31, 2020** | **$ 4,262** | **$ 2,106** | **$ 297** | **$ 943** | **$ 169** | **$ 930** | **$ 10,651** | **$ 19,358** |
| **Net book value, December 31, 2020** | **$ 1,608** | **$ 959** | **$ 103** | **$ 4,926** | **$ 879** | **$ 458** | **$ -** | **$ 8,933** |

| | Health Canada Licence | Technology Licences | Website | Distribution Channels | Brands | Other acquired rights | Goodwill | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | | |
| Balance, December 31, 2018 | $5,870 | $200 | $ — | $5,904 | $1,054 | $1,344 | $10,702 | $25,074 |
| Additions | — | 2,678 | 400 | — | — | — | — | 3,078 |
| Effect of movements in foreign exchange | — | (6) | — | (404) | (72) | (88) | (594) | (1,164) |
| Balance, December 31, 2019 | $5,870 | $2,872 | $400 | $5,500 | $982 | $1,256 | $10,108 | $26,988 |
| **Accumulated amortization and impairment:** | | | | | | | | |
| Balance, December 31, 2018 | $590 | $22 | $ — | $105 | $19 | $101 | $ — | $837 |
| Amortization for the period | 295 | 222 | 33 | 401 | 72 | 405 | — | 1,428 |
| Impairment | 1,711 | 791 | 126 | — | — | — | 2,007 | 4,635 |
| Effect of movements in foreign exchange | — | — | — | (15) | (3) | (14) | — | (32) |
| Balance, December 31, 2019 | $2,596 | $1,035 | $159 | $491 | $88 | $492 | $2,007 | $6,868 |
| Net book value, December 31, 2019 | $3,274 | $1,837 | $241 | $5,009 | $894 | $764 | $8,101 | $20,120 |

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

**Impairment of intangible assets and goodwill**

During the year ended December 31, 2020, the Company recognized non-cash impairment charges within its Canadian CGU as described in Note 6, of which $2,286 related to intangible assets (year ended December 31, 2019 - $4,635 related to intangible assets and goodwill related to the Canadian CGU).

All of the Company's goodwill as at December 31, 2020 prior to any impairment charges was related to the European CGU. The Company performed its annual impairment test on its indefinite life intangible assets and goodwill. The recoverable amount of the European CGU was based on its fair value less costs of disposal ("FVLCD"), which was determined to be greater than its value in use. The FVLCD was estimated using level 3 inputs, probability weighted approach between a discounted cash flow analysis approach and a market approach. The FVLCD of the European CGU was greater than its VIU.

The significant assumptions applied in the determination of the recoverable amount are described below for the discounted cash flow method:

i. Cash flows: Estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends. Estimated cash flows are primarily driven by sales volumes, selling prices and operating costs. The forecasts are extended to a total of five years (and a terminal year thereafter)
ii. Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators and projected industry growth which combined yield 5%;
iii. Post-tax discount rate: The post-tax discount rate is reflective of the European CGU WACC which is estimated between 13.5% and 14.9%. The WACC was estimated based on the risk-free rate, equity risk premium and after-tax cost of debt based on corporate bond yields.

The market approach was based on revenue multiples of other comparable companies.

The Company concluded the that recoverable amount (which was determined to be the FVLCD as it was greater than the VIU determined for the European CGU, using the discounted cash flows approach) of the European CGU was lower its carrying value after applying a 50% probability weighting to each approach described above, and therefore recognized non-cash impairment charges for the Company's European CGU as follows:

| Period ending | Recoverable amount [FVLCD] | Carrying Amount | Impairment for the period then ended |
|---|---|---|---|
| December 31, 2020 | $19,891 | $28,535 | $8,644 |
| **Total impairment for the year ended, December 31, 2020:** | | | $8,644 |

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

## 8. BIOLOGICAL ASSETS

As at December 31, 2020, 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 |
|---|---|---|---|
| **Balance, January 1, 2019** | 265 | 130 | 395 |
| Purchase of seeds | 12 | — | 12 |
| Unrealized gain on changes in fair value of biological assets | — | 2,505 | 2,505 |
| Production costs capitalized | 2,784 | — | 2,784 |
| Write-down of capitalized costs | (341) | — | (341) |
| Transfer to inventory upon harvest | (1,477) | (1,107) | (2,584) |
| **Balance, December 31, 2019** | **$** 1,243 | $ 1,528 | $ 2,771 |
| Unrealized gain on changes in fair value of biological assets | **—** | **7,988** | **7,988** |
| Production costs capitalized | **5,827** | **—** | **5,827** |
| Transfer to inventory upon harvest | **(5,696)** | **(8,906)** | **(14,602)** |
| **Balance, December 31, 2020** | **$ 1,374** | **$ 610** | **$ 1,984** |

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 costs.

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 total estimated growing period of the Company's biological assets (based on historical experience) that biological assets have reached as of the measurement date. The Company accretes fair value of biological assets and estimated costs to complete on a straight-line basis according to the stage of growth.
- Yield by plant – represents the expected number of grams of harvested cannabis 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 December 31, 2020 and December 31, 2019 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 inputs.

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 December 31, 2020 | As at December 31, 2019 | Impact of 10% change as at December 31, 2020 | Impact of 10% change as at December 31, 2019 |
|---|---|---|---|---|
| Estimated net selling price per gram (1) | $2.19 to $6.06 | $1.50 to $6.29 | $ 503 | $ 466 |
| Estimated stage of growth | 7 to 8 weeks | 8 to 9 weeks | $ 552 | $ 163 |
| Estimated yield of agricultural produce by plant (2) | 52 to 100 grams | 70 to 75 grams | $ 241 | $ 303 |

(1) The estimated net selling prices per gram is based on the negotiated distribution selling prices which exclude duties but includes an estimate for the selling price of trim as at December 31, 2019 collected as part of the harvesting process which may have value in the oil production process.

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

(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.

## 9. INVENTORIES

The Company's inventories include the following as of December 31, 2020 and December 31, 2019:

| | 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** |
| **Total Inventory** | $ **12,599** | $ **4,536** | $ **17,135** |

| | Cannabis and cannabis derived products | Hemp and hemp derived products | As at December 31, 2019 |
|---|---|---|---|
| Raw Materials and Packaging | $ 805 | $ 1,727 | $ 2,532 |
| Work-in-progress | 2,041 | 2,442 | 4,483 |
| Finished Goods | 518 | 735 | 1,253 |
| Total Inventory | $ 3,364 | $ 4,904 | $ 8,268 |

During the year ended December 31, 2020, inventories expensed directly to cost of sales was $11,260 (for year-ended December 31, 2019, $2,106). Included in this figure for the year-ended December 31, 2020, the Company recorded an inventory provision of $1,478, which is included in the Company's cost of sales for the period (December 31, 2019 - $nil).

## 10. INVESTMENTS IN ASSOCIATES

| | Note | Balance, December 31, 2019 | Share of net income (loss) | Foreign exchange gain | Impairment | Transfer on purchase of remaining interest | Balance, December 31, 2020 |
|---|---|---|---|---|---|---|---|
| QuebecCo | 10 [a] | **2,191** | **3** | **—** | **—** | **(2,194)** | **—** |
| Epican Medicinals Ltd. | 10 [b] | **2,727** | **(151)** | **506** | **(3,082)** | **—** | **—** |
| | | **4,918** | **(148)** | **506** | **(3,082)** | **(2,194)** | **—** |

### [a] QuebecCo

On January 12, 2018, the Company completed the purchase of 2,001,134 Class A shares of QuébecCo representing a 49.99% interest in the company. The purchase price paid was $2,001 and $170 in transaction costs were capitalized in accordance with IAS 28 Investment in Associates. QuébecCo holds a property located in the City of Salaberry-de-Valleyfield, Québec. Also, on January 12, 2018, the Company advanced $1,001 to QuébecCo which was included in other assets.

During the year ended December 31, 2020, the Company purchased the remaining outstanding shares of QuébecCo in exchange for cash consideration of $1,000 and setting off the previous advance of $1,001.

The acquisition did not meet the definition of a business under IFRS 3, and as a result was accounted for as an asset acquisition. Land was the only asset identified in relation to the purchase.

### [b] Investment in Epican Medicinals Limited ("EML")

The Company recognized an impairment of its investment in EML of $3,082 during the year-ended December 31, 2020 ($4,296 for the year ended December 31, 2019) due to changing market conditions. On May 25, 2020, the Company sold its interest in EML to another shareholder of EML for a nominal amount. Upon completion of the disposition, EML repaid

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

$258 of a $707 loan owing by EML to the Company as at the date of the sale and issued the Company a promissory note for the balance of $449 that is included in other assets, Note 11.

## 11. OTHER ASSETS

A summary of other assets is presented as follows:

| | Additional Reference | As at December 31, 2020 | As at December 31, 2019 |
|---|---|---|---|
| Deposit per Hydro-Quebec contribution agreement | 11[a] | **5,681** | 5,681 |
| Investment in Californulations | 11[b] | **1,272** | 2,885 |
| Term deposits held as letter of credit collateral | 16 | **935** | 1,800 |
| Term deposits not held as letter of credit collateral | 16 | **100** | 292 |
| Other | | **3,864** | 1,820 |
| | | **11,852** | 12,478 |
| Less: Current portion | | **(853)** | (534) |
| | | **10,999** | 11,944 |

### [a] Power supply agreement

On May 31, 2018, the Company entered into a contribution agreement with a Québec power supply company for power supply for twenty years and the construction of equipment to ensure the adequate connection of the Québec Facility to the electricity network. On August 19, 2019, the agreement was modified to include updated power specification needs and required a greater deposit and guarantee pursuant to the agreement, the Company deposited $5,681 into an escrow account to complete the modified transaction.

### [b] Investment in Californulations

On April 18, 2019, the Company purchased 580,714 Class A units of Californulations LLC ("Californulations"), a US based beverage company, representing a 15% ownership in Californulations, for total cash consideration of $1,434. In accordance with the Company's accounting policies, the investment met the criteria for initial recognition at fair value and subsequent recognition based on estimated discounted cash flows through fair value through profit and loss. In conjunction with the purchase, the Company issued a promissory note to Californulations in the amount of $1,451 to be used for working capital purposes and is included in other assets.

The Company recognized a loss in the change in fair value of its investment in Californulations from its carrying value of $2,774 (USD $2.2 million) to $1,272 (USD $1.0 million) as at December 31, 2020.

## 12. LEASES

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Opening Balance | $ **3,545** | $ 1,731 |
| Additions | **2,889** | 2,143 |
| Interest on lease liabilities | **494** | 139 |
| Interest payments on lease liabilities | **(494)** | (139) |
| Principal payments on lease liabilities | **(525)** | (319) |
| Extinguishment of lease liabilities | **(315)** | — |
| Foreign exchange differences | **(24)** | (10) |
| **Closing Balance** | $ **5,570** | $ 3,545 |
| **Current portion lease liabilities** | $ **1,019** | $ 590 |
| **Long-term portion lease liabilities** | $ **4,551** | $ 2,955 |

The Company received certain rent deferrals arising from conditions created by COVID-19 from one of its landlords. The

Company applied the practical expedient under IFRS 16 not to account for the rent deferral as a modification to the Company's lease liabilities, however the Company's lease obligation as at December 31, 2020 was updated to account for the deferral of certain rent payment obligations.

## 13. SHARE CAPITAL

***[i] Authorized***

An unlimited number of common shares.

***[ii] Key Transactions in 2020***

a) On April 14, 2020, the Company issued a total of 6,025,042 common shares to a consultant of the Company to settle accounts payable of $1,626.

b) On April 17, 2020, the Company completed a bought deal financing of 20,536,700 units at a price of $0.28 for aggregated proceeds of $5,750. Each unit is comprised of one common share and one-half of one common share purchase warrant of the Company with value of the warrant being calculated using the Black Scholes valuation approach of $0.04 per half warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.38 for a period of 36 months from the date they were received on April 27, 2020. In addition, 1,232,202 broker warrants of the Company were issued to the underwrite in this bought deal; each broker warrant is exercisable at a price of $0.38 per share for a period of 36 months from April 27, 2020 into one common share of the Company.

c) On April 30, 2020, the Company issued a total of 833,333 common shares with a value of $250 to a former employee in respect of severance.

d) On June 12, 2020, the Company completed a bought deal financing of 43,125,000 units at a price of $0.40 for aggregated proceeds of $17,250. Each unit is comprised of one common share and one common share purchase warrant of the Company with value of the warrant being calculated using a market price approach of $0.09 per warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.50 for a period of 48 months from the date they were received on June 12, 2020.

e) On September 22, 2020, the Company issued 136,488 common shares to a vendor to settle accounts payable of $60.

f) On October 23, 2020, the Company completed a bought deal financing of 53,263,400 units at a price of $0.24 for aggregated proceeds of $12,783. Each unit is comprised of one common share and three quarters (3/4) of one common share purchase warrant of the Company with value of the warrant being calculated using a market price approach of $0.04 per three quarters (3/4) warrant. Each full warrant entitles the holder to purchase one common share at an exercise price of $0.30 for a period of 60 months from the date they were received on October 23, 2020. In addition, 3,195,804 broker warrants of the Company were issued to the underwrite in this bought deal; each broker warrant is exercisable at a price of $0.30 per share for a period of 60 months from October 23, 2020 into one common share of the Company.

g) On December 10, 2020, the Company completed a bought deal financing of 45,178,900 units at a price of $0.28 for aggregated proceeds of $12,650 as part of its $50,000 Base Shelf Prospectus which was filed on November 27, 2020. Each unit is comprised of one common share and one common share purchase warrant of the Company with value of the warrant being calculated using a market price approach of $0.04 per warrant. Each full warrant entitles the holder to purchase one common share at an exercise price of $0.35 for a period of 60 months from the date they were received on December 10, 2020. In addition, 2,710,734 broker warrants of the Company were issued to the underwrite in this bought deal; each broker warrant is exercisable at a price of $0.35 per share for a period of 60 months from December 10, 2020 into one common share of the Company.

h) On December 24, 2020, the Company issued 2,703,525 common shares with a value of $703 to former employees in respect of severance. In addition the Company signed an agreement to settle severance owing of $404 in respect to a former employee via issuance of common shares whereby the Company issued 1,591,535 common shares on January 7, 2021.

i) During the year ended December 31, 2020, a total of 847,600 common shares of the Company were issued as a result of previously issued and outstanding stock options of the Company that were exercised at a weighted average exercise price of $0.50 per option, for aggregate gross proceeds of $424 (year ended December 31, 2019 – 506,933 shares exercised at a weighted average exercise price of $0.85 per option, for aggregate gross proceeds of $430).

j) During the year ended December 31, 2020, a total of 564,000 common shares of the Company were issued as a result of

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

564,000 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 $214 (year ended December 31, 2019 – 5,455,567 warrants exercised at a weighted average exercise price of $2.19 per warrant, for aggregate gross proceeds of $11,963).

k) During the year ended December 31, 2020, a total of 703,837 common shares of the Company were issued as a result of 703,837 previously issued and outstanding equity settled restricted share units ("RSU's") of the Company that were previously issued at a weighted average fair value of $0.37 per RSU. There are no cash proceeds related to RSUs.

l) During the year ended December 31, 2020, a total of 24,691 common shares of the Company were issued as a result of 24,691 previously issued and outstanding convertible share units of the Company that were previously issued at a fair value of $4.05 per convertible share units. There are no cash proceeds related to convertible share units.

***[iii] Key Transactions in 2019***

m) On December 19, 2019, the Company completed a bought deal financing of 36,800,000 units and 20,608,000 warrants at a price per unit of $0.75 for aggregate gross proceeds of $27,600. Each unit is comprised of one common share and one-half of one common share purchase warrant of the Company with the value of the warrant being detailed using a market price approach of $0.08 per half warrant. Each full warrant entitles the holder to purchase one common share at an exercise price of $1.00 for a period of 36 months from the date they were received.

## 14. CONTRIBUTED SURPLUS

### [a] Share based payments

The Company's Employee Stock Option Plan (the "ESOP") is administered by the Board of Directors of the Company (the "Board of Directors") which establishes exercise prices, at not less than the market price at the date of grant, and expiry dates, which have been set at three years from issuance. Options remain exercisable in increments with one third being exercisable on each of the first, second and third anniversaries from the date of the grant, except as otherwise approved by the Board of Directors. Under the ESOP, the Board of Directors may grant options, alone or in combination with other plans, of up to 10% of the common shares outstanding at the time of the grant for a term not exceeding five years. The exercise price of the options under the ESOP is fixed by the Board of Directors at the time of the grant at the market price of the common shares, subject to all applicable regulatory requirements. For the year ended December 31, 2020, the Company recorded $3,176 in non-cash share-based compensation expense pursuant to the grant of stock options (year ended December 31, 2019 - $14,074).

The following is a summary of the changes in the Company's ESOP options:

| | For the year ended December 31, 2020 | | For the year ended December 31, 2019 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| **Outstanding - beginning of period** | **17,897,599** | **3.24** | 12,430,732 | 2.83 |
| Granted | **15,021,000** | **0.31** | 7,172,000 | 3.73 |
| Exercised | **(847,600)** | **0.50** | (506,933) | 0.85 |
| Cancelled/Expired | **(7,731,598)** | **2.58** | (1,198,200) | 2.91 |
| **Outstanding, end of period** | **24,339,401** | **1.74** | 17,897,599 | 3.24 |
| | | | | |
| **Exercisable, end of period** | **5,663,387** | **3.82** | 5,871,199 | 2.34 |

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

| Grant date | Options Outstanding # | Options Exercisable # | Exercise Price $ | Weighted Average remaining contractual life of outstanding options in years |
|---|---|---|---|---|
| January 8, 2018 - January 12, 2018 | 420,400 | 420,400 | $1.65 | 0.02 - 0.03 |
| March 28, 2018 | 2,811,667 | 2,130,000 | $3.65 | 0.24 |
| June 25, 2018 - December 14, 2018 | 1,456,667 | 1,110,001 | $3.08 - $6.91 | 2.48 - 2.95 |
| January 8, 2019 - August 21, 2019 | 4,738,667 | 1,764,660 | $2.67 - $5.13 | 3.02 - 3.64 |
| November 18, 2019 | 715,000 | 238,326 | $0.83 | 3.88 |
| March 13, 2020 - December 21, 2020 | 14,197,000 | - | $0.26 - $0.51 | 4.20 - 4.98 |
| **Balance, December 31, 2020** | **24,339,401** | **5,663,387** | | **3.76** |

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. The fair value of stock options granted during the respective periods highlighted below was determined based on the following weighted average assumptions:

| | Averages for the year ended December 31, 2020 | Averages for the year ended December 31, 2019 |
|---|---|---|
| Risk-free interest rate | **0.36%** | 1.55% |
| Expected dividend yield | **Nil** | Nil |
| Expected annualized volatility | **88.55%** | 83.04% |
| Expected life of options (years) | **3.70** | 3.50 |
| Black-Scholes value of each option | **$0.15** | $2.04 |

Volatility was estimated by using the historical volatility of the Company's common shares and other companies' shares 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:

| | Number of warrants | Weighted Average Exercise Price | Amount, net of warrant issue costs |
|---|---|---|---|
| | # | $ | $ |
| Balance, December 31, 2019 | **91,855,628** | **4.02** | **64,415** |
| Bought deal offering units | **148,246,040** | **0.38** | **8,210** |
| Issuance of warrants in connection with debt | **6,500,000** | **0.38** | **1,743** |
| Warrants exercised in the period | **(564,000)** | **0.38** | **(34)** |
| Warrants expired in the period | **(15,222,613)** | **6.97** | **(8,223)** |
| **Balance, December 31, 2020** | **230,815,055** | **1.37** | **66,111** |

| | Number of warrants | Weighted Average Exercise Price | Amount, net of warrant issue costs |
|---|---|---|---|
| | # | $ | $ |
| Balance, January 1, 2019 | 69,759,127 | 5.07 | 62,801 |
| Bought deal offering units | 20,608,000 | 1.00 | 3,103 |
| Issuance of warrants in connection with debt | 7,000,000 | 1.00 | 758 |
| Warrants exercised in the period | (5,455,567) | 2.19 | (2,229) |
| Expiry of warrants in the period | (55,932) | 2.15 | (18) |
| **Balance, December 31, 2019** | 91,855,628 | 4.02 | 64,415 |

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

As at December 31, 2020, the following warrants were outstanding:

| **Expiry Date** | **Exercise Price** | **Number of Warrants** |
|---|---|---|
| | **$** | **#** |
| February 28, 2021 | 3.00 | 34,477,515 |
| April 19, 2021 | 9.00 | 12,592,500 |
| June 26, 2021 | 9.50 | 1,955,000 |
| 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 | 10,938,052 |
| May 27, 2024 | 0.50 | 500,000 |
| June 12, 2024 | 0.50 | 45,712,500 |
| October 23, 2025 | 0.30 | 43,142,354 |
| November 2, 2025 | 0.30 | 8,500,000 |
| December 10, 2025 | 0.35 | 47,889,634 |
| | | **230,815,055** |

### [c] Restricted share units

Under the Company’s Original Restricted Share Unit Plan (“Original RSU Plan”), restricted share units may be granted up to a fixed maximum of 5,000,000 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 RSU’s vest in tranches based on certain performance conditions being met, with share-based compensation expense being recognized from grant to the expected performance completion date. On December 15, 2020, the Company’s shareholders approved an Amended and Restated Restricted Share Unit Plan (“New RSU Plan”) at the Company’s Annual General and Special Meeting (“AGSM”) which increased the fixed maximum reserve from 5,000,000 common shares to 10,000,000 common shares.

At December 31, 2020, 1,243,845 (December 31, 2019 – 54,348) shares of the Company were reserved for issuance under the RSU Plan. For the year ended December 31, 2020, the Company recorded an expense of $309, in non-cash stock-based compensation related to the RSU Plan compensation (year ended December 31, 2019 - $108).

| | **December 31, 2020** | | **December 31, 2019** | |
|---|---|---|---|---|
| | **Number of Units** | **Weighted Fair Value** | **Number of Units** | **Weighted Fair Value** |
| **Outstanding - beginning of period** | **54,348** | **2.76** | — | - |
| Granted | **2,600,000** | **0.27** | 54,348 | 2.76 |
| Exercised | **(703,837)** | **0.37** | — | - |
| Forfeited | **(706,666)** | **0.27** | — | - |
| **Outstanding, end of period** | **1,243,845** | **0.33** | 54,348 | 2.76 |

The accounting fair value of the equity settled RSUs as at the grant date is calculated using the number of RSU’s 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 RSU’s that are expected to be earned is re-determined and the “fair value” of these RSU’s is amortized over the remaining requisite period less amounts previously recognized.

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

### [d] Employee Stock Purchase Plan

On December 15, 2020, at the AGSM, the Company's shareholders approved an Amended and Restated Employee Stock Purchase Plan ("New ESPP Plan") which created a reserve of 3,000,000 shares that may be issued from treasury. As at December, 31, 2020, 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 year ended December 31, 2020 | December 31, 2019 |
|---|---|---|
| Prepaid expenses | $ **5,087** | $ (4,861) |
| Refundable sales taxes receivable | **8,393** | 4,779 |
| Accounts receivable | **(8,535)** | (289) |
| Capitalized cost of biological assets | **5,565** | 499 |
| Inventory | **(13,003)** | (5,148) |
| Deferred financing costs | **(1)** | — |
| Other current assets | **(169)** | (3,012) |
| Other assets | **(1,431)** | (2,138) |
| Accounts payable and accrued liabilities | **4,152** | 4,956 |
| Deferred revenue | **150** | — |
| **Total** | $ **208** | $ (5,214) |

## 16. COMMITMENTS AND CONTINGENCIES

The Company has the following estimated gross contractual obligations as at December 31, 2020, which are expected to be payable in the following respective periods:

| | Carrying amount | Contractual cash flows - 12 months ending: Total | December 2021 | December 2022 | December 2023 | December 2024 | December 2025 | Thereafter |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | **24,453** | **24,453** | 24,453 | - | - | - | - | - |
| Loans | **40,755** | **51,537** | 51,537 | - | - | - | - | - |
| Lease liabilities | **5,570** | **8,894** | 1,073 | 1,009 | 865 | 828 | 730 | 4,389 |
| Contingent consideration payable | **39** | **57** | - | 57 | | - | - | - |
| Total contractual obligations | **70,817** | **84,941** | **77,063** | **1,066** | **865** | **828** | **730** | **4,389** |

### [a] Construction agreements

The Company entered into contracts to facilitate the construction of its facilities in Hamilton, Ontario and Salaberry-de-Valleyfield, Québec with various vendors. Pursuant to some of these agreements, as at December 31, 2020, 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 December 31, 2020, 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 $8,578 was included in restricted cash at December 31, 2019. During the year ended December 31, 2020, the Company paid $8,359 to the construction partners leaving a balance of $219 in restricted cash as at December 31, 2020 related to its construction partners.

### [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 December 31, 2020, there have been no breaches and no amounts have been drawn upon this letter of credit.

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

The Company has also entered into certain agreements for equipment and services that allow for deferred payment terms and/or the inclusion of permitted subordinated liens on personal property, per the Senior Loan agreement, associated with the equipment located at both the Hamilton and the Quebec facilities should there be any material breaches of the agreements. As at December 31, 2020, there have been no breaches of the respective agreements.

**[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 former employees for which provisions in accounts payable and accrued liabilities have been recognized only to the extent that they are likely to result in future economic outflows. The Company has also been subject to a claim by former warrant holders for approximately $1,250 and a separate claim for a customer in Europe for approximately $2,100. No provision in relation to these 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. INCOME TAXES

Income tax expense (recovery) varies from the amount that would be computed by applying the basic federal and provincial tax rates to loss before income taxes, shown as follows:

| | For the year ended | |
|---|---|---|
| | **December 31, 2020** | **December 31, 2019** |
| Expected tax rate | **26.50%** | 26.50% |
| | **$** | $ |
| Expected tax benefit resulting from loss | **(48,589)** | (52,050) |
| Permanent differences | **4,271** | 7,645 |
| Changes in deferred tax benefits not recognized | **47,094** | 44,435 |
| Differences from statutory tax rate | **256** | 38 |
| Non-taxable foreign exchange | **8** | (88) |
| Deferred financing through equity | **(1,971)** | — |
| Other | **(1,293)** | (646) |
| Income tax recovery | **(224)** | (666) |

The following income tax expense (recovery) has been recognized for accounting purposes:

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| | **$** | $ |
| Current income tax expense (recovery) | **—** | (346) |
| Deferred income tax recovery | **(224)** | (320) |
| Income tax recovery | **(224)** | (666) |

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

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of asset and liabilities for financial reporting purposes and such amounts as measured by tax laws. The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year ended December 31, 2020 are as follows:

| | Opening Balance | Recognized in Equity | Recognized in Other Comprehensive Loss | Recognized in Profit and Loss | Closing Balance |
|---|---|---|---|---|---|
| **Deferred tax assets** | $ | $ | $ | $ | $ |
| Non-capital losses | 22,233 | **—** | **—** | **12,659** | **34,892** |
| Depreciation on property, plant and equipment | 32,267 | **—** | **—** | **30,702** | **62,969** |
| Contingent Reserves | 115 | **—** | **—** | **(105)** | **10** |
| Financing Costs | 3,045 | **1,971** | **—** | **(700)** | **4,316** |
| Investments | — | **—** | **—** | **627** | **627** |
| Other | 271 | **—** | **—** | **(257)** | **14** |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Intangible assets | (1,823) | **—** | **—** | **882** | **(941)** |
| Unrealized gain on biological assets | (606) | **—** | **—** | **(525)** | **(1,131)** |
| Long term liabilities | (1,079) | **—** | **—** | **494** | **(585)** |
| | | | | | |
| **Deferred tax assets not recognized** | (55,451) | **(1,971)** | **—** | **(43,553)** | **(100,975)** |
| | | | | | |
| **Net deferred tax liability** | (1,028) | **—** | **—** | **224** | **(804)** |

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year ended December 31, 2019 are as follows:

| | Opening Balance | Recognized in Equity | Recognized in Other Comprehensive Loss | Recognized in Profit and Loss | Closing Balance |
|---|---|---|---|---|---|
| **Deferred tax assets** | $ | $ | $ | $ | $ |
| Non-capital losses | 8,937 | — | — | 13,296 | 22,233 |
| Depreciation on property, plant and equipment | 583 | — | — | 31,684 | 32,267 |
| Contingent Reserves | 115 | — | — | — | 115 |
| Financing Costs | 1,742 | 776 | — | 527 | 3,045 |
| Other | 143 | — | 2 | 126 | 271 |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Intangible assets | (3,006) | — | 85 | 1,098 | (1,823) |
| Unrealized gain on biological assets | (134) | — | — | (472) | (606) |
| Long term liabilities | | | | (1,079) | (1,079) |
| | | | | | |
| **Deferred tax assets not recognized** | (9,815) | (776) | — | (44,860) | (55,451) |
| | | | | | |
| **Net deferred tax liability** | (1,435) | — | 87 | 320 | (1,028) |

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

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized are approximately as follows:

| | **December 31, 2020** | **December 31, 2019** |
|---|---|---|
| | **$** | $ |
| Non-capital losses | **130,530** | 83,898 |
| Financing costs | **13,441** | 5,335 |
| Property, plant and equipment | **234,361** | 120,919 |
| Other | **2,366** | — |

The non-capital losses of $131,943 are expected to start expiring as follows:

| **Year** | **Non-Capital Losses** |
|---|---|
| | $ |
| 2024 | 1,807 |
| 2025 | 22 |
| 2029 | 1,445 |
| 2036 | 127,604 |
| Indefinitely | 1,065 |
| | **131,943** |

## 18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### [a] Fair values

The Company's financial instruments were comprised of the following as at December 31, 2020: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; due from related parties; certain other investments; certain other current assets; accounts payable and accrued liabilities; 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 year ended December 31, 2020, there were no transfers of amounts between levels (year ended December 31, 2019 – none).

**[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 December 31, 2020, 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 year ended December 31, 2020 or December 31, 2019 as management has determined that this risk was not significant. The Company is exposed to unrealized foreign exchange risk through its accounts payable and accrued liabilities. As at December 31, 2020, a 10% change in the foreign exchange rate would result in an unrealized gain or loss of approximately $457 (December 31, 2019 - $1,617).

*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 December 31, 2020, the Company had term deposits of $585 bearing interest between 0.80% and 1.00% (December 31, 2019 - $2,000, bearing interest between 1.60% and 3.05%). 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 $403 in a separate account related to the Credit Facility.

***[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 receivable, refundable sales tax receivable, due from related parties, prepaids and deposits, and other assets represents the maximum exposure to credit risk as at December 31, 2020. 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 consolidated statements of loss and comprehensive loss. When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. During the year ended December 31, 2020, the Company wrote off $694 of accounts receivable for which it had previously recognized a provision for expected credit losses in the prior year due to it being considered uncollectable thus no current impact to the statement of loss and comprehensive loss (year ended December 31, 2019 – $nil). Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of loss and comprehensive loss. As at December 31, 2020, the Company's trade receivables are primarily concentrated in Canada with the exception of $972 in Europe. The Company had two customers whose balances individually were greater than 10% of total trade receivables as at December 31, 2020 (December 31, 2019 – one customer).

The following tables set forth details of trade receivables, including aging of trade receivables, as well as amounts and related allowance for doubtful accounts:

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | $ | $ |
| Total trade receivables | **10,023** | 2,254 |
| Less allowance for expected credit losses | **—** | (766) |
| Total trade receivables, net | **10,023** | 1,488 |
| | | |
| Of which | | |
| Current | **6,182** | 1,053 |
| 31-90 days | **3,784** | 372 |
| Over 90 days | **57** | 829 |
| Less allowance for expected credit losses | **—** | (766) |
| **Total trade receivables, net** | **10,023** | 1,488 |

***[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 and Note 2[ii] – Going concern.

## 19. 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[ii] – 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 December 31, 2020, total managed capital was comprised of share capital and loans of $509,134 (December 31, 2019 - $446,084), contributed surplus of $108,874 (December 31, 2019 - $95,763), and reserve for foreign translations of $255 (December 31, 2019 – $2,241). There were no changes in the Company's approach to capital management during the year ended December 31, 2020 (year ended December 31, 2019 – no changes).

## 20. OPERATING EXPENSES

Sales and marketing expenses included the following items:

| | Year ended | |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| Personnel costs | $ **2,760** | $ 2,907 |
| Third party marketing expenses | **3,009** | 6,542 |
| Travel and promotion expenses | **197** | 880 |
| Strategic partnership payments | **3,181** | 2,831 |
| Other marketing expenses | **301** | 121 |
| | **9,448** | 13,281 |

Research and development expenses included the following items:

| | Year ended | |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| Personnel costs | $ **1,015** | $ 1,313 |
| Product development | **228** | 602 |
| Travel related expenses | **50** | 102 |
| Other research and development expenses | **102** | 254 |
| | **1,395** | 2,271 |

General and administrative expenses included the following items:

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

| | Year ended | |
|---|---|---|
| | **December 31, 2020** | **December 31, 2019** |
| Personnel costs | $ **10,054** | $ 14,998 |
| Office and other administrative expenses | **7,915** | 14,207 |
| Third party professional, consulting, legal fees | **5,927** | 12,974 |
| Computer and IT expenses | **1,128** | 1,981 |
| Termination benefits | **1,027** | — |
| | **26,051** | 44,160 |

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

| | Year ended | |
|---|---|---|
| | **December 31, 2020** | **December 31, 2019** |
| Cost of sales related to inventory production | $ **5,799** | $ 3,542 |
| Sales and marketing expenses | **827** | 2,023 |
| Research and development expenses | **438** | 1,025 |
| General and administrative expenses | **5,029** | 11,935 |

As described in Note 3(t), during the year ended December 31, 2020, the Company received benefits under the CEWS program and recognized the benefit against the related personnel costs which amounted to $987, of which, $96 related to sales and marketing expenses, $45 related to research and development expenses and $342 in general and administrative expenses. The remainder of the benefits were allocated to inventory production related personnel. No benefits were received during the year ended December 31, 2019.

## 21. RELATED PARTIES

***Key Management Personnel***

Key management personnel compensation comprised the following:

| | Transactions for the year ended | | Outstanding balances payable as at | |
|---|---|---|---|---|
| | **December 31, 2020** | **December 31, 2019** | **December 31, 2020** | **December 31, 2019** |
| **Compensation** | **1,997** | 4,352 | **91** | 131 |
| **Share-based payments** | **1,777** | 9,339 | **-** | - |
| | **3,774** | 13,691 | **91** | 131 |

There were no purchases or repayments to related parties during the current period.

All outstanding balances with these related parties were conducted at the exchange amount. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. No guarantees have been given or received by related parties other than QuebecCo's participation in the senior secured credit facility agreement.

## 22. EVENTS AFTER THE REPORTING PERIOD

a) On January 1, 2021, the Company amalgamated its QuebecCo entity with Medican.

b) Subsequent to December 31, 2020, the following transactions occurred affecting the Company's share capital and warrants:

   i. The Company issued 14,341,958 common shares under its ATM Prospectus Supplement filed on December 2, 2020 for gross proceeds of $7,893. Under this specific prospectus supplement, the Company is permitted to raise up to $15,000.

ii. The Company issued 24,197,600 common shares as a result of warrant exercises for gross proceeds of $7,559 in February 2021.

iii. The Company issued 1,591,535 common shares to settle severance owing to a former employee as described in Note 13(h).

iv. On February 28, 2021, 34,477,515 warrants of the Company, each exercisable at $3.00 per common share, expired.

v. On March 2, 2021, the Company cancelled 1,643,548 restricted shares and 2,390,939 contingent consideration shares pursuant to an agreement with the holder.