The Green Organic Dutchman Holdings Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2021 and March 31, 2020

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

	Notes	As at March 31, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		**$ 16,519**	$ 11,212
Restricted cash	17	**259**	622
Refundable sales taxes receivable		**416**	160
Trade receivables	17	**5,217**	10,023
Biological assets	9	**2,368**	1,984
Inventories	10	**19,843**	17,135
Prepaid expenses and deposits		**1,847**	1,641
Other current assets	11	**1,429**	853
Deferred financing costs		**525**	750
Assets held for sale	7	**43,200**	—
		$ 91,623	$ 44,380
Non-current assets			
Property, plant and equipment	6	**118,529**	147,263
Intangible assets	8	**12,307**	8,933
Other assets	11, 16	**9,733**	10,999
Total assets		**$ 232,192**	$ 211,575
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 16,069**	$ 24,453
Deferred revenue		**150**	150
Current portion of loans	5	**42,259**	40,755
Current portion of lease liabilities	12	**982**	1,019
		59,460	66,377
Non-current liabilities			
Lease liabilities	12	**4,408**	4,551
Contingent consideration		**—**	39
Deferred tax liability		**787**	804
		5,195	5,394
Total liabilities		**$ 64,655**	$ 71,771
Shareholders' equity			
Share capital	13	**485,297**	468,379
Contributed surplus	14	**108,084**	108,874
Deficit		**(424,041)**	(436,559)
Reserve for foreign currency translations		**(1,044)**	255
Total Shareholders' Equity attributed to The Green Organic Dutchman Holdings Ltd.		**$ 168,296**	$ 140,949
Non-controlling interests		**(759)**	(1,145)
Total Shareholders' Equity		**167,537**	139,804
Total Liabilities and Shareholders' Equity		**$ 232,192**	$ 211,575
Total number of common shares outstanding		**527,198,663**	486,675,760
Going Concern	2		
Commitments and contingencies	16		
Events after the reporting period	20		

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

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

		For the three months ended	
	Notes	**March 31, 2021**	**March 31, 2020**
Revenue		**$ 8,982**	$ 3,059
Excise duties		**(1,279)**	(128)
Net revenue		**7,703**	2,931
Cost of sales		**6,364**	1,916
Gross profit before change in fair value of biological assets		**1,339**	1,015
Realized fair value adjustment on sale of inventory		**(1,530)**	(545)
Unrealized gain on changes in fair value of biological assets	9	**3,321**	1,236
Gross profit		**$ 3,130**	$ 1,706
Operating expenses			
Sales and marketing expenses		**$ 1,401**	$ 2,463
Research and development expenses		**467**	520
General and administrative expenses		**4,555**	9,792
Share based compensation	14	**613**	2,470
Depreciation and amortization	6, 8	**1,987**	1,719
Total operating expenses		**$ 9,023**	$ 16,964
Loss from operations		**(5,893)**	(15,258)
Foreign exchange gain (loss)	17[c]	**210**	(2,514)
Finance costs		**(1,902)**	(139)
Accretion expense	5	**(1,282)**	—
Finance income		**52**	171
Share of loss on investments in associates		**—**	(148)
Revaluation of contingent consideration		**39**	269
Gain (loss) on disposal of assets	6	**210**	(32)
Impairment of investment in associates		**—**	(3,082)
Reversal of impairment / (impairment) charge for non-financial assets	6, 8	**21,811**	(52,765)
Loss on derecognition on investment in joint venture		**(761)**	—
Income (loss) before income taxes		**12,484**	(73,498)
Current income tax recovery (expense)		**—**	—
Deferred income tax recovery (expense)		**(21)**	62
Net income (loss)		**$ 12,463**	$ (73,436)
Other comprehensive (income)/loss			
Foreign currency translation (income)/loss		**1,304**	(1,840)
Foreign currency translation (income)/loss on equity method investment		**—**	(506)
Comprehensive income (loss)		**$ 11,159**	$ (71,090)
Net income (loss) attributable to:			
The Green Organic Dutchman Holdings Ltd.		**12,518**	(73,151)
Non-controlling interests		**(55)**	(285)
Comprehensive income (loss) attributable to:			
The Green Organic Dutchman Holdings Ltd.		**11,214**	(70,805)
Non-controlling interests		**(55)**	(285)
Basic and diluted income (loss) per share		**$ 0.02**	$ (0.23)
Weighted average number of outstanding common shares		**508,747,227**	313,400,984

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

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

		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, 2020		**486,675,760**	**468,379**	**23,258**	**66,111**	**11,129**	**7,972**	**404**	**108,874**	**255**	**(436,559)**	**(1,145)**	**139,804**
Issuance of common shares	13[i]	**14,341,958**	**7,655**	**—**	**—**	**—**	**—**	**—**	**-**	**—**	**—**	**—**	**7,655**
Share based compensation	14[a,c]	**—**	**—**	**613**	**—**	**—**	**—**	**—**	**613**	**—**	**—**	**—**	**613**
Exercise of warrants	13[ii]	**24,198,600**	**8,684**	**—**	**(1,124)**	**—**	**—**	**—**	**(1,124)**	**—**	**—**	**—**	**7,560**
Expiry of stock options	14[a]	**—**	**—**	**(4,102)**	**—**	**4,102**	**—**	**—**	**-**	**—**	**—**	**—**	**-**
Expiry of warrants	14[b]	**—**	**—**	**—**	**(37,638)**	**37,638**	**—**	**—**	**-**	**—**	**—**	**—**	**-**
Restricted share units exercised during period	13[iii]	**390,810**	**175**	**(175)**	**—**	**—**	**—**	**—**	**(175)**	**—**	**—**	**—**	**-**
Shares issued in connection with accounts payable	13[iv,v]	**1,591,535**	**404**	**—**	**—**	**—**	**—**	**(104)**	**(104)**	**—**	**—**	**—**	**300**
Comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**-**	**(1,304)**	**12,518**	**(55)**	**11,159**
Elimination of non-controlling interest on disposal of Denmark		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**-**	**5**	**—**	**441**	**446**
Balance at March 31, 2021		**527,198,663**	**485,297**	**19,594**	**27,349**	**52,869**	**7,972**	**300**	**108,084**	**(1,044)**	**(424,041)**	**(759)**	**167,537**

		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
Share based compensation		—	15	2,205	—	—	—	—	2,205	—	—	—	2,220
Exercise of stock options		847,600	763	(339)	—	—	—	—	(339)	—	—	—	424
Exercise of warrants		500	1	—	—	—	—	—	—	—	—	—	1
Expiry of options		—	—	(272)	—	272	—	—	—	—	—	—	-
Restricted share units exercised during period		27,174	75	(75)	—	—	—	—	(75)	—	—	—	-
Shares to be issued		—	—	—	—	—	—	1,876	1,876	—	—	—	1,876
Comprehensive loss		—	—	—	—	—	—	—	—	2,346	(73,151)	(285)	(71,090)
Balance at March 31, 2020		313,608,518	429,505	23,766	64,415	1,401	7,972	1,876	99,430	105	(327,169)	(840)	201,031

An unlimited number of common shares are authorized for issue.

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

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

		For the three months ended	
	Notes	March 31, 2021	March 31, 2020
OPERATING ACTIVITIES			
Net income (loss)		**$ 12,463**	$ (73,436)
Items not affecting cash:			
(Reversal of impairment) / Impairment of property, plant and equipment	6	**(17,765)**	51,725
(Reversal of impairment) / Impairment of intangible assets	8	**(4,046)**	1,040
Impairment of investment in associates		**—**	3,082
Share based compensation	14	**613**	2,470
Depreciation of property, plant and equipment	6	**1,647**	1,263
Amortization of intangible assets	8	**340**	456
Realized fair value adjustment on sale of inventory		**1,530**	545
Unrealized gain on change in fair value of biological assets	9	**(3,321)**	(1,236)
Accretion	5	**1,282**	—
Share of loss on investments in associates		**—**	148
Revaluation of contingent consideration		**(39)**	(269)
Gain (loss) on disposal of assets	6	**(210)**	32
Loss on derecognition on investment in joint venture		**761**	—
Deferred financing costs expensed		**225**	—
Deferred income tax recovery		**21**	(62)
Changes in non-cash operating working capital items	15	**962**	1,145
Net cash used in operating activities		**$ (5,537)**	$ (13,097)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	**(4,208)**	(25,535)
Disposal of assets	6	**662**	—
Transfer from restricted cash	16[a]	**363**	8,359
Advances to related parties, net of repayments		**—**	251
Net cash inflow on sale of investment	11	**1,242**	—
Net cash used in investing activities		**$ (1,941)**	$ (16,925)
FINANCING ACTIVITIES			
Proceeds from issuance of shares and warrants, net of share issue costs	13	**7,655**	—
Proceeds from issuance of debt, net of issue costs	5	**—**	6,658
Proceeds from the exercise of stock options and warrants	13,14	**7,560**	425
Interest received		**19**	124
Interest paid on lease liabilities	12	**(139)**	(133)
Interest paid on debt	5	**(1,539)**	(520)
Principal payments of lease liabilities	12	**(163)**	(82)
Principal payments of debt	5	**(687)**	—
Change in balance of revolver facility	5	**945**	—
Net cash provided by financing activities		**$ 13,651**	$ 6,472
Net cash inflow (outflow)		**$ 6,173**	$ (23,550)
Net effects of foreign exchange		**(866)**	828
Cash, beginning of period		**11,212**	27,569
Cash and cash equivalents, end of period		**$ 16,519**	$ 4,847

The accompanying notes are an integral part of these interim condensed 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 also has four classes of warrants listed on the TSX under the symbols "TGOD.WS", "TGOD.WR", "TGOD.WA" and "TGOD.WB". The Company's registered and head office is located at 6205 Airport Road, Building A – Suite 200, Mississauga, ON, L4V 1E3. These unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and March 31, 2020 ("Interim Consolidated Financial Statements") include the financial statements of The Green Organic Dutchman Holdings Ltd. and its subsidiaries from the date the Company gained control of each subsidiary.

The Company's wholly-owned subsidiaries, The Green Organic Dutchman Ltd. ("TGOD") and Medican Organic Inc. ("Medican") are licensed producers under the *Cannabis Act* (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and, with respect to The Green Organic Dutchman Ltd. only, sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns a cannabis cultivation facility near Hamilton, Ontario (the "**Hamilton Facility**"). The Company also owns another facility located in Valleyfield, Québec (the "**Quebec Facility**") which is being held for sale within the next twelve months and a monetization review is under way.

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

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

2. BASIS OF PRESENTATION

[i] Going concern

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

As of March 31, 2021, the Company had working capital of $32,163 (negative working capital December 31, 2020 – $21,997) and an accumulated deficit of $424,041 (December 31, 2020 - $436,559). The Company used cash in operating activities of $5,537 (three months ended March 31, 2020 - $13,097) resulting primarily from the loss from operations $5,893 (three months ended March 31, 2020 - $15,258) offset by items not affecting cash such as depreciation, amortization and stock-based compensation. The Company has insufficient cash on hand to fund its planned operations, including debt repayments for the next twelve months (see note 16). The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and 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 funding in the form of asset sales, debt, equity or a combination thereof to continue operations for the next twelve months. There can be no assurance that the existing debt obligations will be rescheduled or that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If existing debt obligations are not repaid, rescheduled or adequate funding is not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These Interim Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from investing, financing and or 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.

[ii] Interim Financial Reporting

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

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

These Interim Consolidated Financial Statements were approved by the Board of Directors of the Company and authorized for issue by the Board of Directors of the Company on May 12, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

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

[i] New standards, interpretations and amendments adopted by the Company

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

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

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

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

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

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

4. SEGMENTED INFORMATION

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

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

For the three months ended March 31, 2021, the Company had one customer that accounted for greater than 10% of total revenue (three months ended March 31, 2020 – no customers accounted for greater than 10% of total revenue). This customer accounted for 42% of revenues.

	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	North America	Europe	Total	North America	Europe	Total
Revenue	**$ 6,668**	**$ 2,314**	**$ 8,982**	$ 664	$ 2,395	$ 3,059
Gross profit	**$ 1,832**	**$ 1,298**	**$ 3,130**	$ 221	$ 1,485	$ 1,706
Operating expenses, excluding stock-based compensation, depreciation and amortization	**$ 5,133**	**$ 1,290**	**$ 6,423**	$ 10,674	$ 2,101	$ 12,775
Share based compensation	**$ 613**	**$ —**	**$ 613**	$ 2,470	$ —	$ 2,470
Depreciation and amortization	**$ 1,503**	**$ 484**	**$ 1,987**	$ 1,175	$ 544	$ 1,719
Impairment of investment in associates	**$ —**	**$ —**	**$ —**	$ (3,082)	$ —	$ (3,082)
Impairment reversal / (charge) for non-financial assets	**$ 21,811**	**$ —**	**$ 21,811**	$ (52,765)	$ —	$ (52,765)
Other non-operating income (expense) (excluding impairment)	**$ (3,917)**	**$ 483**	**$ (3,434)**	$ (1,816)	$ (577)	$ (2,393)
Net income (loss)	**$ 12,477**	**$ (14)**	**$ 12,463**	$ (71,762)	$ (1,674)	$ (73,436)

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

	March 31, 2021	December 31, 2020
North America	$ **114,824**	$ 142,612
Europe	**3,705**	4,651
	$ **118,529**	$ 147,263

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

	March 31, 2021	December 31, 2020
North America	$ **6,360**	$ 2,383
Europe	**5,947**	6,550
	$ **12,307**	$ 8,933

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

5. LOANS

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

	March 31, 2021	December 31, 2020
Opening Balance	**$ 40,755**	$ 17,433
Additions	**—**	24,658
Deferred financing fee	**—**	(3,044)
Residual fair value of equity portion	**—**	(1,628)
Accretion	**1,282**	4,199
Debt modification	**—**	(799)
Principal payments	**(687)**	(500)
Effects of movements in foreign exchange	**(36)**	(19)
Change in balance of Revolver Loan	**945**	455
Ending Balance	**$ 42,259**	$ 40,755

	March 31, 2021	December 31, 2020
Loans	**$ 42,259**	$ 40,755
Current portion	**(42,259)**	(40,755)
Long term portion	**$ —**	$ —

Senior secured credit facility

On December 24, 2019, the Company closed a senior secured first lien credit facility (the "Senior Loan") with a commercial lender. Under the Senior Loan the Company received gross proceeds of $32,700 from the lender at a thirteen percent (13%) rate of interest. Per the Senior Loan agreement, there were no scheduled principal repayments required for the first twelve months of the term of the Senior Loan and after which the Company was required to make monthly repayments commencing on January 1, 2021 plus interest, with the remaining unpaid balance upon maturity. The Senior Loan matures on December 15, 2021. The Company may repay the Senior Loan at any time with a 2% penalty on the outstanding principal of the Senior Loan.

As at March 31, 2021, the total principal balance outstanding related to the Senior Loan was $31,513. The Senior Loan possesses several covenants which the Company has met as at March 31, 2021.

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 matures on December 31, 2021.

As at March 31, 2021, the total principal balance outstanding related to the Revolver Loan was $14,401. The Revolver Loan possesses several covenants which the Company has met as at March 31, 2021.

HemPoland Loan

The Company assumed a loan payable on certain premises in Poland ("HemPoland Loan") on the acquisition of its wholly owned subsidiary HemPoland on October 1, 2018. As at March 31, 2021, the total principal balance outstanding related to the HemPoland Loan was $470.

(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, 2020		$ 6,855	$ 61,205	$ 390	$ 65,714	$ 698	$ 1,352	$ 366	$ 250,019	$ 7,273	$ 393,872
Transfers		—	5,037	—	1,473	—	—	—	(6,510)	—	—
Additions		—	—	—	73	—	—	38	57	86	254
Disposals		—	—	—	—	—	—	(16)	(2,782)	(323)	(3,121)
Derecognition on investment in joint venture		—	—	—	(683)	—	—	—	—	—	(683)
Reclassification to assets held for sale	Note 7	(4,080)	(1,472)	(14)	(244)	(37)	—	—	(240,784)	—	(246,631)
Effects of movements in foreign exchange and other		—	(119)	(9)	(87)	—	(2)	(6)	—	(161)	(384)
Balance, March 31, 2021		**$ 2,775**	**$ 64,651**	**$ 367**	**$ 66,246**	**$ 661**	**$ 1,350**	**$ 382**	**$ —**	**$ 6,875**	**$ 143,307**
Accumulated depreciation and impairment:											
Balance, December 31, 2020		$ —	$ 40,061	$ 236	$ 42,479	$ 504	$ 1,097	$ 277	$ 160,484	$ 1,471	$ 246,609
Transfers		—	2,014	—	42	—	—	—	(2,056)	—	—
Depreciation		—	250	6	1,128	4	21	5	—	233	1,647
Disposals		—	—	—	—	—	—	—	(1,806)	(323)	(2,129)
Derecognition on investment in joint venture		—	—	—	(52)	—	—	—	—	—	(52)
(Reversal of impairment)/Impairment		—	(34,632)	(79)	(27,771)	(109)	(401)	(56)	45,283	—	(17,765)
Reclassification to assets held for sale	Note 7	—	(1,274)	(13)	(207)	(33)	—	—	(201,904)	—	(203,431)
Effects of movements in foreign exchange and other		—	(7)	(2)	(28)	—	(1)	(1)	(1)	(61)	(101)
Balance, March 31, 2021		**$ —**	**$ 6,412**	**$ 148**	**$ 15,591**	**$ 366**	**$ 716**	**$ 225**	**$ —**	**$ 1,320**	**$ 24,778**
Net book value, March 31, 2021		**$ 2,775**	**$ 58,239**	**$ 219**	**$ 50,655**	**$ 295**	**$ 634**	**$ 157**	**$ —**	**$ 5,555**	**$ 118,529**

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

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

7. ASSETS HELD FOR SALE

Valleyfield Assets

In connection with management's plan to monetize underutilized assets to align with the Company's growth plans based on current market conditions in Canada, in Q1-2021, the Company committed to sell its owned property (including the land, building and certain equipment) at its Quebec Facility and reclassified it from property, plant and equipment to assets held for sale. The Company obtained third-party appraisals to determine the fair value of the Valleyfield Assets and was estimated to be $43,200 using a market approach (level 2 on the fair value hierarchy). Subsequent to March 31, 2021, the Company received non-binding competitive bids from prospective buyers arranged by a commercial real estate advisor with varying conditions and options which also provided reliable information to determine the fair value of the Valleyfield Assets. As the Valleyfield Assets was written down to fair value less costs of disposal (see note 6), no adjustment to the carrying value of the assets was required upon reclassification of the assets to assets held for sale.

		Valleyfield Assets
Balance, December 31, 2020	$	—
Transferred from property, plant and equipment		43,200
Balance, March 31, 2021		43,200

8. INTANGIBLE ASSETS

A continuity of the intangible assets is as follows:

	Health Canada Licence	Technology Licences	Website	Distribution Channels	Brands	Other acquired rights	Total
Cost:							
Balance, December 31, 2020	$ 5,870	$ 3,065	$ 400	$ 5,869	$ 1,048	$ 1,388	$ 17,640
Transfers	—	61	—	—	—	(61)	—
Effect of movements in foreign exchange	—	(37)	—	(305)	(55)	(68)	(465)
Balance, March 31, 2021	$ 5,870	$ 3,089	$ 400	$ 5,564	$ 993	$ 1,259	$ 17,175
Accumulated amortization and impairment:							
Balance, December 31, 2020	$ 4,262	$ 2,106	$ 297	$ 943	$ 169	$ 930	$ 8,707
Amortization for the period	25	84	6	105	19	101	340
Reversal of Impairment	(2,770)	(1,105)	(171)	—	—	—	(4,046)
Effect of movements in foreign exchange	—	(15)	—	(55)	(10)	(53)	(133)
Balance, March 31, 2021	$ 1,517	$ 1,070	$ 132	$ 993	$ 178	$ 978	$ 4,868
Net book value, March 31, 2021	$ 4,353	$ 2,019	$ 268	$ 4,571	$ 815	$ 281	$ 12,307

As a result of the impairment assessment described in note 6, $4,046 impairment was reversed in Q1-2021 (Q1-2020 - $Nil).

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

9. BIOLOGICAL ASSETS

As at March 31, 2021, the Company's biological assets consisted of cannabis seeds and cannabis plants. The continuity of the Company's biological assets is as follows:

	Capitalized cost	Biological asset fair value adjustment	Amount
Balance, December 31, 2020	$ 1,374	$ 610	$ 1,984
Unrealized gain on changes in fair value of biological assets	**—**	**3,321**	**3,321**
Production costs capitalized	**1,694**	**—**	**1,694**
Transfer to inventory upon harvest	**(1,757)**	**(2,874)**	**(4,631)**
Balance, March 31, 2021	**$ 1,311**	**$ 1,057**	**$ 2,368**

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

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

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

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

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

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

	As at March 31, 2021	As at December 31, 2020	Impact of 10% change as at March 31, 2021	Impact of 10% change as at December 31, 2020
Estimated net selling price per gram (1)	$2.19 to $6.06	$2.19 to $6.06	$ 572	$ 503
Estimated stage of growth	7 to 8 weeks	7 to 8 weeks	$ 360	$ 552
Estimated yield of agricultural produce by plant (2)	66 to 90 grams	52 to 100 grams	$ 274	$ 241

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

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

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

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

10. INVENTORY

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

	Cannabis and cannabis derived products	Hemp and hemp derived products	As at March 31, 2021
Raw Materials and Packaging	**$ 2,704**	**$ 1,429**	**$ 4,133**
Work-in-progress	**11,727**	**1,884**	**13,611**
Finished Goods	**1,440**	**659**	**2,099**
Total Inventory	**$ 15,871**	**$ 3,972**	**$ 19,843**

	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

During the three months ended March 31, 2021, inventories expensed directly to cost of sales was $3,171 (three months ended March 31, 2020 - $1,022).

11. OTHER ASSETS

A summary of other assets is presented as follows:

	Additional Reference	As at March 31, 2021	As at December 31, 2020
Deposit per Hydro-Quebec contribution agreement		5,681	5,681
Investment in Californulations		—	1,272
Term deposits held as letter of credit collateral	16,17	935	935
Term deposits not held as letter of credit collateral		100	100
Other		4,446	3,864
		11,162	11,852
Less: Current portion		**(1,429)**	(853)
		9,733	10,999

On March 29th, 2021, the Company sold its investment in Californulations for $1,243 (US$1 million).

12. LEASES

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

	March 31, 2021	December 31, 2020
Opening Balance	**$ 5,570**	$ 3,545
Additions	**86**	2,889
Interest on lease liabilities	**139**	494
Interest payments on lease liabilities	**(139)**	(494)
Principal payments on lease liabilities	**(163)**	(525)
Extinguishment of lease liabilities	**—**	(315)
Foreign exchange differences	**(103)**	(24)
Closing Balance	**$ 5,390**	$ 5,570
Current portion lease liabilities	**$ 982**	$ 1,019
Long-term portion lease liabilities	**$ 4,408**	$ 4,551

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

13. SHARE CAPITAL

Issued capital

i. During the three months ended March 31, 2021, a total of 14,341,958 common shares of the Company were issued under its at-the-market Prospectus Supplement dated December 2, 2020 for gross proceeds of $7,893 (net proceeds of $7,655).

ii. During the three months ended March 31, 2021, a total of 24,198,600 common shares of the Company were issued as a result of 24,198,600 previously issued and outstanding warrants of the Company that were exercised at a weighted average exercise price of $0.31 per warrant, for aggregate gross proceeds of $7,560. During the three months ended March 31, 2020, a total of 500 common shares of the Company were issued as a result of previously issued and outstanding warrants of the Company that were exercised at a weighted average exercise price of $1.00 per option, for aggregate gross proceeds of $1.

iii. During the three months ended March 31, 2021, a total of 390,810 common shares of the Company were issued as a result of 390,810 previously issued and outstanding equity settled restricted share units (“RSUs”) of the Company that were previously issued at a weighted average fair value of $0.45 per RSU. There are no proceeds related to the exercise of RSUs.

iv. During the three months ended March 31, 2021, a total of 1,591,535 common shares of the Company were issued to settle severance owing of $404 to a former employee.

v. During the three months ended March 31, 2021, the Company signed an agreement with a vendor to settle accounts payable of $300. The shares were issued subsequent to March 31, 2021, by the issuance of 872,093 immediately vesting RSUs.

14. CONTRIBUTED SURPLUS

[a] Share based payments

For the three months ended March 31, 2021, the Company recorded $544 in non-cash share-based compensation expense pursuant to the grant of stock options (three months ended March 31, 2020 - $2,153).

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

	For the three months ended March 31, 2021		For the year ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	**24,339,401**	**1.74**	17,897,599	3.24
Granted	**1,288,000**	**0.34**	15,021,000	0.31
Exercised	**-**	**-**	(847,600)	0.50
Cancelled/Expired	**(5,558,404)**	**2.89**	(7,731,598)	2.58
Outstanding, end of period	**20,068,997**	**1.33**	24,339,401	1.74
Exercisable, end of period	**4,117,643**	**3.51**	5,663,387	3.82

(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
June 25, 2018 - December 14, 2018	1,040,000	693,334	$3.08 - $6.91	2.24 - 2.71
January 8, 2019 - August 21, 2019	4,034,998	2,616,988	$2.67 - $5.13	2.78 - 3.39
November 18, 2019	701,666	238,326	$0.83	3.64
March 13, 2020 - December 21, 2020	13,008,333	568,995	$0.26 - $0.51	3.95 - 4.73
March 12, 2021 - March 19, 2021	1,284,000	-	$0.33 - $0.34	4.95 - 4.97
Balance, March 31, 2021	**20,068,997**	**4,117,643**		**4.15**

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

	Averages for the three months ended March 31, 2021	Averages for the year ended December 31, 2020
Risk-free interest rate	**0.79%**	0.36%
Expected dividend yield	**Nil**	Nil
Expected annualized volatility	**85.00%**	88.55%
Expected life of options (years)	**2.14**	3.70
Black-Scholes value of each option	**$0.19**	$0.15

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

[b] Reserve for warrants

The following table reflects the continuity of warrants:

	Number of warrants	Weighted Average Exercise Price	Amount, net of warrant issue costs
	#	$	$
Balance, December 31, 2020	**230,815,055**	**1.37**	**66,111**
Warrants exercised in the period	**(24,198,600)**	**0.31**	**(1,124)**
Warrants expired in the period	**(34,477,515)**	**3.00**	**(37,638)**
Balance, March 31, 2021	**172,138,940**	**1.20**	**27,349**

As at March 31, 2021, the following warrants were outstanding:

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

Expiry Date	**Exercise Price**	**Number of Warrants**
	$	**#**
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	10,813,052
May 27, 2024	0.50	500,000
June 12, 2024	0.50	45,712,500
October 23, 2025	0.30	24,873,354
November 2, 2025	0.30	8,500,000
December 10, 2025	0.35	42,085,034
		172,138,940

[c] Restricted share units

Under the Company's Original Restricted Share Unit 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 RSUs 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 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 March 31, 2021, 1,120,004 (December 31, 2020 – 1,243,845) shares of the Company were reserved for issuance under the RSU Plan. For the three months ended March 31, 2021, the Company recorded $69 in non-cash stock-based compensation related to restricted share unit compensation (three months ended March 31, 2020 - $52).

	March 31, 2021		**December 31, 2020**	
	Number of Units	**Weighted Fair Value**	**Number of Units**	**Weighted Fair Value**
Outstanding - beginning of period	**1,243,845**	**0.33**	54,348	2.76
Granted	**363,636**	**0.28**	2,600,000	0.27
Exercised	**(390,810)**	**0.45**	(703,837)	0.37
Forfeited	**(96,667)**	**0.27**	(706,666)	0.27
Outstanding, end of period	**1,120,004**	**0.27**	1,243,845	0.33

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

The estimated fair value of the equity settled RSUs granted during the three months ended March 31, 2021 was $100 (three months ended March 31, 2020 $433) and will be recognized as an expense over the vesting period of the RSUs.

(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 March 31, 2021, no securities were issued from treasury under this plan.

15. SUPPLEMENTARY CASH FLOW INFORMATION

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

	For the three months ended	
	March 31, 2021	**March 31, 2020**
Prepaid expenses	**$ (206)**	$ (820)
Refundable sales taxes receivable	**(256)**	5,987
Accounts receivable	**4,806**	35
Capitalized cost of biological assets	**1,820**	1,098
Inventory	**(3,121)**	(3,353)
Other current assets	**(19)**	(108)
Other assets	**24**	85
Accounts payable and accrued liabilities	**(2,086)**	(1,779)
Total	**$ 962**	$ 1,145

16. COMMITMENTS AND CONTINGENCIES

The Company has the following gross contractual obligations as at March 31, 2021, which are expected to be payable in the following respective periods:

		Contractual cash flows - 12 months ending						
	Carrying amount	**Total**	**March 2022**	**March 2023**	**March 2024**	**March 2025**	**March 2026**	**Thereafter**
	$	$	$	$	$	$	$	$
Accounts payable and accrued liabilities	**16,069**	**16,069**	16,069	-	-	-	-	-
Loans	**42,259**	**49,295**	49,295	-	-	-	-	-
Lease liabilities	**5,390**	**8,639**	1,038	981	846	815	720	4,239
Total contractual obligations	**63,718**	**74,003**	**66,402**	**981**	**846**	**815**	**720**	**4,239**

[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 March 31, 2021, the Company has letters of credit in the amount of $585 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which has been recorded in other assets. As at March 31, 2021, there have been no material breaches as defined by the agreements and no amounts have been drawn on the letters of credit.

The Company entered into escrow agreements in prior years with its construction partners in Ontario and in Québec and as such $219 is included in the restricted cash balance as at March 31, 2021 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 March 31, 2021, there have been no breaches and no amounts have been drawn upon this letter of credit.

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 March 31, 2021, 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. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Fair values

The Company's financial instruments were comprised of the following as at March 31, 2021: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; 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 three months ended March 31, 2021, there were no transfers of amounts between levels (year ended December 31, 2020 – 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 March 31, 2021, a portion of the Company's financial assets and liabilities held in US dollars ("USD"), Polish Zloty ("PLN") and European Euros ("EUR") which consisted of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, lease liabilities, loans, and other assets. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company is exposed to currency risk in other comprehensive income, relating to foreign subsidiaries which operating in a foreign currency. The Company has not used foreign exchange contracts to hedge its exposure to foreign currency cash flows for the three months ended March 31, 2021 as management has determined that this risk is not significant at this time. The Company is exposed to unrealized foreign exchange risk through its accounts payable and accrued liabilities. As at March 31, 2021, a 10% change in the foreign exchange rate would result in an unrealized gain or loss of approximately $433 (December 31, 2020 - $457).

Interest rate risk

The Company's exposure to interest rate risk relates to any investments of surplus cash as the Company's debt is fixed at a prescribed rate. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at March 31, 2021, the Company had term deposits of $585 bearing interest between 0.80% and 1.00% (December 31, 2020 - $585, bearing interest between 0.80% and 1.00%). The Company also has $219 in restricted cash held in trust related to the Quebec Facility construction projects and earning a conventional rate of interest from a reputable top tier Canadian bank as well as $40 in a separate account related to the Revolver Loan.

[ii] Credit risk

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

The carrying amount of cash and cash equivalents, trade receivable, refundable sales tax receivable, due from related parties, prepaids and deposits, and other assets represents the maximum exposure to credit risk as at March 31, 2021. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with stable, creditworthy parties and through frequent reviews of exposures to individual entities.

The Company assesses the credit risk of trade receivables by evaluating the aging of trade receivables based on the invoice date and credit worthiness. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the interim consolidated statements of income (loss) and comprehensive income (loss). When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of income (loss) and comprehensive income (loss). As at March 31, 2021, the Company's trade receivables are primarily concentrated in Canada in the amount of $4,661 with the exception of $555 in Europe. The Company had three customers whose balances individually were greater than 10% of total trade receivables as at March 31, 2021 (December 31, 2020 – two customers).

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

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

	March 31, 2021	**December 31, 2020**
	$	$
Total trade receivables	**5,239**	10,023
Less allowance for expected credit losses	**(22)**	—
Total trade receivables, net	**5,217**	10,023
Of which		
Current	**5,017**	6,182
31-90 days	**122**	3,784
Over 90 days	**100**	57
Less allowance for expected credit losses	**(22)**	—
Total trade receivables, net	**5,217**	10,023

[iii] Liquidity risk

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

18. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern (See Note 2[i] – Going Concern). Management defines capital as the Company's shareholders' equity and loans. The Board of Directors of the Company does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders. As at March 31, 2021, total managed capital was comprised of share capital and loans of $527,556 (December 31, 2020 - $509,134), contributed surplus of $108,084 (December 31, 2020 - $108,874), and reserve for foreign currency translations of $1,044 (December 31, 2020 – $255). There were no changes in the Company's approach to capital management during the three ended March 31, 2021 (three ended March 31, 2020 – no changes).

19. OPERATING EXPENSES

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

	Three months ended	
	March 31, 2021	**March 31, 2020**
Cost of sales related to inventory production	$ **1,480**	$ 1,376
Sales and marketing expenses	**173**	368
Research and development expenses	**80**	266
General and administrative expenses	**867**	2,179

20. EVENTS AFTER THE REPORTING PERIOD

a) On April 19, 2021, 12,952,500 warrants of the Company, each exercisable at $9.00 per common share, expired.