



Condensed Consolidated Interim Financial Statements of  
**Eve & Co Incorporated**

As at and for the three months ended March 31, 2020 and March 31,  
2019

(Unaudited - Expressed in Canadian Dollars)

# Eve & Co Incorporated

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian dollars)

	Notes	March 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 3,545,422	\$ 7,478,165
Other Receivables & Prepaid Expenses		644,804	665,001
Harmonized Sales Tax Receivable		164,058	410,443
Accounts Receivable		267,097	270,348
Biological Assets	3	2,190,625	1,316,690
Inventory	4	8,160,324	6,401,037
<b>Total Current Assets</b>		<b>14,972,330</b>	<b>16,541,684</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5	40,089,431	40,163,309
<b>Total Non-Current Assets</b>		<b>40,089,431</b>	<b>40,163,309</b>
<b>Total Assets</b>		<b>\$ 55,061,761</b>	<b>\$ 56,704,993</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrued Liabilities		\$ 5,522,886	\$ 6,085,490
Promissory Notes	6	903,900	893,575
Loans and Borrowings	7	18,654,829	18,700,000
<b>Total Current Liabilities</b>		<b>25,081,615</b>	<b>25,679,065</b>
<b>Total Liabilities</b>		<b>25,081,615</b>	<b>25,679,065</b>
<b>Equity</b>			
Share Capital	8	43,788,808	43,788,808
Contributed Surplus		4,414,076	3,680,053
Accumulated deficit		(18,222,738)	(16,442,933)
<b>Total Equity</b>		<b>29,980,146</b>	<b>31,025,928</b>
<b>Total Liabilities and Equity</b>		<b>\$ 55,061,761</b>	<b>\$ 56,704,993</b>

Signed on behalf of the Board:

"Melinda Rombouts"

Director

"Ravi Sood"

Director

Nature of Operations, *Note 1*

Basis of Presentation and Going Concern, *Note 2*

Commitments and Contingencies, *Note 12*

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

# Eve & Co Incorporated

## CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended	
		March 31, 2020	March 31 2019
Revenue		\$ 466,416	\$ 1,724,128
Excise Tax		(91,227)	(16,502)
<b>Net revenue</b>		<b>375,189</b>	<b>1,707,626</b>
Inventory production costs expensed to cost of sales	4	(122,014)	(899,959)
<b>Gross Margin before the undernoted</b>		<b>253,176</b>	<b>807,667</b>
Realized fair value amounts included in inventory sold	4	(97,657)	(1,262,061)
Unrealized fair value gain on changes in biological assets	3	224,613	2,564,966
Inventory write-down	4	-	(1,645,692)
<b>Gross Margin</b>		<b>\$ 380,133</b>	<b>\$ 464,880</b>
<b>Operating Expenses</b>			
Advertising & Promotion		23,207	40,678
Amortization	5	52,157	20,483
Consulting and contract work		105,383	1,898
Finance Expenses		154,093	609,782
General and Administration		194,414	56,106
Management Wages	6	221,094	119,615
Operating Labour		276,661	148,325
Professional Fees		416,502	150,889
Stock-Based Compensation	8	734,023	151,230
<b>Total Expenses</b>		<b>2,177,533</b>	<b>1,299,006</b>
<b>Loss from Operations</b>		<b>(1,797,401)</b>	<b>(834,126)</b>
<b>Other Income</b>			
Other Income		17,596	9,811
<b>Net Loss and Comprehensive Loss before Income Taxes</b>		<b>\$ (1,779,805)</b>	<b>\$ (824,315)</b>
Income Tax Expense		-	(173,000)
<b>Net Loss and Comprehensive Loss</b>		<b>\$ (1,779,805)</b>	<b>\$ (997,315)</b>
<b>Net Loss per share</b>			
Basic and Diluted		\$ (0.01)	\$ (0.00)
Weighted average of shares outstanding - basic and diluted		287,867,172	234,575,158

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

# Eve & Co Incorporated

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Expressed in Canadian dollars)

	Notes	Share Capital		Reserves			Total
		Common Shares	Amount	Contributed Surplus	Convertible Debt	Deficit	
<b>Balance as at January 1, 2019</b>		<b>233,725,245</b>	<b>\$ 23,447,576</b>	<b>\$ 2,598,107</b>	<b>\$ 106,794</b>	<b>\$ (10,736,444)</b>	<b>\$ 15,416,033</b>
Shares Issued on Exercise of Stock Options	9	500,000	218,134	(93,134)	-	-	125,000
Shares Issued on Conversion of Debentures	8	13,333,333	3,724,036	-	(279,794)	-	3,444,242
Shares Issued on Exercise of Compensation Options	9	497,904	207,817	(68,341)	-	-	139,476
Stock-Based Compensation	9	-	-	151,230	-	-	151,230
Deferred tax on convertible debentures		-	-	-	173,000	-	173,000
Net loss for the three months then ended		-	-	-	-	(997,315)	(997,315)
<b>Balance as at March 31, 2019</b>		<b>248,056,482</b>	<b>\$ 27,597,563</b>	<b>\$ 2,587,862</b>	<b>\$ -</b>	<b>\$ (11,733,760)</b>	<b>\$ 18,451,666</b>

	Notes	Share Capital		Reserves			Total
		Common Shares	Amount	Contributed Surplus	Convertible Debt	Deficit	
<b>Balance as at January 1, 2020</b>		<b>287,867,172</b>	<b>\$ 43,788,808</b>	<b>\$ 3,680,053</b>	<b>\$ -</b>	<b>\$ (16,442,933)</b>	<b>\$ 31,025,928</b>
Stock-Based Compensation	9	-	-	734,023	-	-	734,023
Net loss for the three months then ended		-	-	-	-	(1,779,805)	(1,779,805)
<b>Balance as at March 31, 2020</b>		<b>287,867,172</b>	<b>\$ 43,788,808</b>	<b>\$ 4,414,076</b>	<b>\$ -</b>	<b>\$ (18,222,738)</b>	<b>\$ 29,980,146</b>

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

# Eve & Co Incorporated

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended	
		March 31 2020	March 31 2019
<b>Operating Activities</b>			
Net Loss and Comprehensive Loss		\$ (1,779,805)	\$ (997,315)
<b>Items not affecting cash:</b>			
Realized fair value amounts included in inventory sold	4	97,657	1,262,061
Unrealized fair value gain on changes in biological assets	3	(224,613)	(2,564,966)
Inventory write-down	4	-	1,645,692
Income tax expense		-	173,000
Amortization		321,142	71,047
Accretion expense and accrued interest on debt	6,7	149,929	98,144
Stock-based compensation	8	734,023	151,230
<b>Changes in operating assets and liabilities</b>			
Prepaid expenses		20,196	(378,996)
Accounts Receivable		3,251	-
Harmonized Sales Tax Receivable		246,385	1,546,186
Accounts payable		437,395	(1,835,894)
Inventory		(2,506,265)	(292,878)
<b>Net cash used by operating activities</b>		<b>\$ (2,500,705)</b>	<b>\$ (1,122,689)</b>
<b>Investing Activities</b>			
Payment for property, plant & equipment		\$ (1,170,126)	\$ (120,856)
<b>Net cash used by investing activities</b>		<b>\$ (1,170,126)</b>	<b>\$ (120,856)</b>
<b>Financing Activities</b>			
(Repayments) draws under debt facility		\$ (261,912)	\$ 5,479,266
Issuance of common shares, net of share issuance costs		-	264,476
Repayment of promissory note debt	6	-	(150,000)
<b>Net cash (used) provided by financing activities</b>		<b>\$ (261,912)</b>	<b>\$ 5,593,742</b>
<b>Net cash flows during the period</b>		<b>\$ (3,932,743)</b>	<b>\$ 4,350,197</b>
<b>Cash</b>			
Cash at beginning of period		\$ 7,478,165	\$ 1,038,174
Change in cash during the period		(3,932,743)	4,350,197
<b>Cash at end of period</b>		<b>\$ 3,545,422</b>	<b>\$ 5,388,371</b>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Cash interest paid		\$ 216,741	\$ 3,459
<b>Supplemental Disclosure of Non-Cash Flow Investing and Financing Activities</b>			
Conversion of debt	7	\$ -	\$ 3,724,036
Non-Cash fixed asset additions within accounts payable	5	3,702,414	2,617,120
Non-Cash portion of options exercised		-	161,475

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

# Eve & Co Incorporated

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2020 and March 31, 2019  
(Unaudited - Expressed in Canadian dollars)

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## 1. Nature of Operations

Eve & Co Incorporated (the "Company" or "Eve & Co") is a publicly listed company on the TSX Venture Exchange ("TSX-V") and trades under the symbol "EVE". The Company is also listed on the OTCQX venture market under the symbol "EEV.VF". The registered head office of the Company is 2941 Napperton Drive, Strathroy, Ontario, Canada, N7G 3H8.

The Company was incorporated under the Business Corporations Act (Ontario) on June 6, 2014 and carries on the business of the cultivation and sale of cannabis through its wholly owned subsidiary, Natural MedCo Ltd. ("NMC"). NMC was licensed to produce and sell cannabis under the federal Access to Cannabis for Medical Purposes Regulations.

Effective October 17, 2018, NMC is licensed to produce and sell cannabis under the Cannabis Act (Canada), with the license for the Company's current operating facility effective to July 22, 2020 and subject to renewal thereafter.

The condensed consolidated interim financial statements (the "Quarterly Financial Statements") of the Company are comprised of the Company and its wholly owned subsidiaries NMC and Eve & Co International Holdings Ltd, which are located in Canada. The independent auditor of the Company has not performed a review of these Quarterly Financial Statements for the three months ended March 31, 2020. These Quarterly Financial Statements were authorized for issue by the Board of Directors on May 14, 2020.

The Company does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

## 2. Basis of Presentation and Going Concern

### a. Statement of Compliance and Going Concern

The Quarterly Financial Statements of the Company have been prepared under International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The Quarterly Financial Statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's annual consolidated financial statements. Given that certain information and footnote disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these Quarterly Financial Statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended December 31, 2019, including the accompanying notes thereto.

# Eve & Co Incorporated

## Notes to the Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2020 and March 31, 2019 (Unaudited - Expressed in Canadian dollars)

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The Company incurred a net loss of \$1,779,805 for the three months ended March 31, 2020 (three months ended March 31, 2019 – \$997,315) and has a working capital deficit of \$10,109,285 as at March 31, 2020 (December 31, 2019 – working capital deficit of \$9,137,381).

These factors may lend significant doubt to the Company's ability to continue as a going concern. The Company's ability to realize its assets and discharge its liabilities is dependent upon its ability to continually refinance current obligations and/or raise additional financing and, ultimately, achieve profitable operations.

Although management is assessing various opportunities for debt or equity financing and/or refinancing and is also pursuing cash-generating sales opportunities to increase profitability, there are no assurances that the Company will be successful and there may be an adverse effect on the financial position of the Company should these efforts be unsuccessful. These Quarterly Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material. Refer to Note 9 for further discussion on liquidity risks.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The preparation of the Quarterly Financial Statements in accordance with IFRS 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 Quarterly Financial Statements are described further in Note 4o to the annual audited consolidated financial statements as at and for the year ended December 31, 2019.

Certain comparative amounts have also been reclassified to conform to the current period's presentation.

### b. Basis of presentation

These Quarterly Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less cost to sell, as detailed in the Company's accounting policies which are included in the Notes to the annual audited consolidated financial statements as at and for the year ended December 31, 2019.

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Notes to the Condensed Consolidated Interim Financial Statements  
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Historical cost is the fair value of the consideration given in exchange for goods and services based upon the fair value at the time of the transaction of the consideration provided.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Quarterly Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, Share-Based Payment, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, Inventories.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs are unobservable inputs for the asset or liability.

The preparation of these Quarterly Financial Statements requires the use of certain critical accounting estimates, which requires management to exercise judgment in applying the Company's accounting policies.

c. Functional and presentation currency

The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar. These financial statements are presented in Canadian dollars.



# Eve & Co Incorporated

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended March 31, 2020 and March 31, 2019  
(Unaudited - Expressed in Canadian dollars)

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## 3. Biological Assets

	<b>March 31, 2020</b>	December 31, 2019
Carrying amount, beginning of period / year	\$ 1,316,690	\$ 2,912,369
Production costs capitalized	2,315,605	\$ 5,184,053
Changes in fair value less costs to sell due to biological transformation	224,613	\$ 5,211,984
Transferred to inventory upon harvest	(1,666,284)	\$ (11,991,716)
Carrying amount, end of period / year	<b>\$ 2,190,625</b>	\$ 1,316,690

As at March 31, 2020 the ending balance of Biological Assets was comprised of a cash component relating to production costs capitalized of \$1,677,478 (December 31, 2019 - \$523,858) and a fair value component related to changes in fair value less costs to sell due to biological transformation of \$513,147 (December 31, 2019 - \$792,832). Biological Assets as at March 31, 2020 included capitalized amortization of \$42,278 (December 31, 2019 - \$22,322).

The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less post-harvest costs. Only when there is a material change from the expected fair value used for cannabis does the Company make any adjustment to the fair value used.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets. The capitalization of costs related to biological assets (which are accounted for under IAS 41 - Agriculture) has been performed in a manner consistent with IAS 2 - Inventories.

In determining the fair value of biological assets, management has made the following estimates in their valuation model:

- A sales price of \$1.64 per gram (December 31, 2019 – \$1.66 per gram);
- Harvest yield of 37.14 grams per plant (December 31, 2019 – 25.41 grams per plant);
- Post-harvest costs of \$0.38 per plant (December 31, 2019 – \$0.04 per plant); and
- A weighted-average growing cycle length of 122 days (December 31, 2019 – 98 days).

The sales price used in the valuation of biological assets is based on the weighted-average selling price of all cannabis products and can vary based on different strains being grown as well as the proportion of sales derived from wholesale compared to retail. Expected harvest yields per cannabis plant represent the expected grams of dry cannabis to be harvested from a cannabis plant, based on the weighted average historical yields by plant strain and are also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing.

Post-harvest costs represent the estimated cost to process a gram of harvested cannabis, consisting of the direct and indirect cost of materials, labour, utilities and amortization of the equipment. A

# Eve & Co Incorporated

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

(Unaudited - Expressed in Canadian dollars)

processed gram is a gram of cannabis that has completed drying, curing, testing, and packaging. The post-harvest costs reflect an average of the costs expected to be incurred to prepare the product into its saleable state based on the expected sales channels for the product. Management reviews all significant inputs based on historical information obtained as well as based on planned production schedules.

All biological assets are classified as current assets on the interim consolidated statement of financial position and are considered Level 3 fair value estimates. The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the plant's life relative to the stages within the harvest cycle.

Management has quantified the sensitivity of the inputs and determined the following:

- Selling price per gram – an increase / decrease in the weighted-average selling price per gram by 10% would result in the fair value of the biological assets increasing / decreasing by \$218,966 (December 31, 2019 – \$159,569);
- Harvest yield per plant – an increase / decrease in the harvest yield per plant of 10% would result in the biological asset fair value increasing / decreasing by \$218,966 (December 31, 2019 – \$131,230);
- Post-harvest costs – an increase / decrease in the post-harvest costs per gram by 10% would result in the biological asset fair value increasing / decreasing by \$20,702 (December 31, 2019 – \$1,968); and
- Growth length – an increase / decrease in the growing cycle length by 10% would result in the biological fair value increasing / decreasing by \$199,148 (December 31, 2019 – \$119,699).

#### 4. Inventory

	Capitalized Cost	Biological Asset Fair Value Adjustment	March 31, 2020 Total	December 31, 2019 Total
Dried Cannabis	\$ 5,690,067	\$ 2,153,275	\$ 7,843,342	\$ 6,222,835
Work-in-process	61,258	23,182	84,440	65,768
Post-harvest supplies	89,506	-	89,506	21,782
Growing supplies	143,036	-	143,036	90,652
	\$ 5,983,867	\$ 2,176,457	\$ 8,160,324	\$ 6,401,037

The capitalized cost of inventory expensed to inventory production costs in cost of sales for the three months ended March 31, 2020 was \$122,014 (three months ended March 31, 2019 – \$899,959; year ended December 31, 2019 – \$1,984,208). The fair value cost of inventory expensed to Realized Fair Value amounts included in inventory sold was \$97,657 for the three months ended March 31, 2020 (three months ended March 31, 2019 – \$1,262,061; year ended December 31, 2019 – \$1,638,228).

# Eve & Co Incorporated

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

(Unaudited - Expressed in Canadian dollars)

Also included in this amount was capitalized amortization of \$6,194 for the three months ended March 31, 2020 (year ended December 31, 2019 – \$70,137).

As at March 31, 2020, the ending balance of inventory was comprised of a cash component relating to production costs capitalized of \$5,751,325 (December 31, 2019 - \$4,518,789) and a fair value component related to changes in fair value less costs to sell due to biological transformation of \$2,176,457 (December 31, 2019 - \$1,769,814). Included in inventory as at March 31, 2020 was capitalized amortization of \$189,207 (December 31, 2019 - \$21,174).

During the three months ended March 31, 2020, the Company did not record an inventory write-down (three months ended March 31, 2019 – \$1,645,692; year ended December 31, 2019 - \$4,760,411).

### 5. Property, Plant and Equipment

Cost	Balance at December 31, 2019	Additions	Adjustments	Balance at March 31, 2020
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Building	4,741,003	50,353	33,922,860	38,714,217
Machinery and Equipment	1,069,012	23,120	5,000	1,097,132
Technology and Computers	665,841	12,932	179,645	858,418
Construction in Progress	35,039,218	160,858	(34,107,505)	1,092,571
	\$ 41,675,074	\$ 247,263	\$ -	\$ 41,922,337

Accumulated Amortization	Balance at December 31, 2019	Amortization	Adjustments	Balance at March 31, 2020
Building	\$ 734,335	\$ 266,380	\$ -	\$ 1,000,715
Machinery and Equipment	459,296	31,224	-	490,520
Technology and Computers	318,134	23,537	-	341,671
	\$ 1,511,765	\$ 321,142	\$ -	\$ 1,832,907
Net Book Value	\$ 40,163,309	\$ (73,879)	\$ -	\$ 40,089,431

Cost	Balance at December 31, 2018	Additions	Adjustments	Balance at December 31, 2019
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Building	4,028,153	605,331	107,519	4,741,003
Machinery and Equipment	670,029	205,630	193,353	1,069,012
Technology and Computers	568,883	41,648	55,310	665,841
Construction in Progress	10,636,318	24,759,082	(356,182)	35,039,218
	\$ 16,063,383	\$ 25,611,691	\$ -	\$ 41,675,074

Accumulated Amortization	Balance at December 31, 2018	Amortization	Adjustments	Balance at December 31, 2019
Building	\$ 574,724	\$ 159,611	\$ -	\$ 734,335
Machinery and Equipment	376,763	82,533	-	459,296
Technology and Computers	251,641	66,493	-	318,134
	\$ 1,203,128	\$ 308,637	\$ -	\$ 1,511,765
Net Book Value	\$ 14,860,255	\$ 25,303,054	\$ -	\$ 40,163,309

Adjustments presented in the tables above reflect either the activation of an asset's useful life, transitioning from construction in progress to the appropriate property, plant and equipment category or reclassifications.

# Eve & Co Incorporated

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and March 31, 2019

(Unaudited - Expressed in Canadian dollars)

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As at March 31, 2020, there was \$3,702,414 relating to property, plant and equipment acquisitions outstanding in accounts payable and accrued liabilities (December 31, 2019 - \$4,702,414). For the three months ended March 31, 2020, \$77,138 of borrowing costs on the Construction Facility were capitalized to Construction in Progress (year ended December 31, 2019 – \$474,986). For the three months ended March 31, 2020, amortization of \$268,984 was capitalized to biological assets and inventory (three months ended March 31, 2019 – \$50,564; year ended December 31, 2019 – \$184,220).

On February 7, 2020, the Company commenced utilizing the facility as it became ready for its intended use and \$34,102,505 was reclassified from Construction in Progress and capitalized to Buildings (\$33,922,860) and Technology and Computers (\$179,645).

### 6. Related Parties and Promissory Notes

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Any transactions with such parties are conducted at arm's length and in the normal course of operations.

	Three months ended	
	March 31 2020	March 31 2019
Share Based Compensation	\$ 574,408	\$ 97,500
Salaries and Fees	221,094	129,960
Total	\$ 795,502	\$ 227,460

During the three months ended March 31, 2020, no options to purchase any common shares were granted to the officers and directors of the Company (three months ended March 31, 2019 – 500,000 common shares with a fair value of \$97,500; year ended December 31, 2019: 7,000,000 common shares with a fair value of \$1,976,000) (note 8).

The land on which the Company's greenhouse facility is situated is subject to an option to purchase held by Melinda Rombouts, the President and CEO and a director of the Company, and David Burch, a significant shareholder of the Company and a director of NMC. Upon exercise of the option and the payment of \$976,000 by the Company to the option holders, the option holders must immediately grant the Company a lease over the land, with such lease: (i) being for a term of 20 years, with four 5-year renewals; (ii) having monthly net rent not exceeding \$6,100 throughout the term and renewals; (iii) having such terms and conditions that are in form and substance satisfactory to the Company, acting reasonably; and (iv) having no terms or conditions that are materially unusual or adverse to the Company in the opinion of its board, acting reasonably. The option may not be exercised, however, until NMC obtains all requisite regulatory approvals required for a change of ownership of the land, as may be required from time to time by Health Canada.

Ms. Rombouts and Mr. Burch are also the holders of promissory notes (the "Promissory Notes") issued

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by NMC with an aggregate principal amount of \$976,000, of which \$150,000 was repaid on March 29, 2019 as per the terms of the notes with the remainder of such principal becoming due and payable within 30 days of demand.

In connection with the Company entering into the \$18,700,000 Construction Facility on March 19, 2019 (note 7) Ms. Rombouts and Mr. Burch agreed to a postponement of their right to demand repayment until such time as all the obligations owed to the Lender have been repaid. These Promissory Notes bear interest at 5% per annum, calculated monthly. As at March 31, 2020 the amount owing to Ms. Rombouts and Mr. Burch collectively is \$826,000 of the principal amount and \$77,900 of accrued interest (December 31, 2019 – \$826,000 and \$67,575 respectively).

## 7. Loans and Borrowings

The following table provides a summary of the Company's loans and borrowings:

	March 31, 2020	December 31, 2019
Loan Facility	\$ 18,654,829	\$18,700,000
Less current portion	(18,654,829)	(18,700,000)
Non-current loans and borrowings	\$ -	\$ -

The changes in debt balances in the three months ended March 31, 2020 and year ended December 31, 2019 are as follows;

	Loan Facility	Convertible Debentures	Total
Balance at December 31, 2018	\$ -	\$ 3,346,099	\$ 3,346,099
Non-cash accretion of debentures	-	98,144	98,144
Non-cash conversion into shares	-	(3,444,243)	(3,444,243)
Draw against facility	18,700,000	-	18,700,000
Balance at December 31, 2019	\$ 18,700,000	\$ -	\$18,700,000
Interest accrued	216,741	-	216,741
Repayments made	(261,912)	-	(261,912)
Balance at March 31, 2020	\$ 18,654,829	\$ -	\$18,654,829
Less current portion	(18,654,829)	-	(18,654,829)
	\$ -	\$ -	\$ -

### Loan Facility

On March 19, 2019, NMC entered into a \$18,700,000 non-revolving term facility (the "Construction Facility") with a Schedule 1 Canadian Bank (the "Lender") to fund the completion of the expansion of its greenhouse production facility located in Strathroy, Ontario. Borrowings under the Construction Facility were due at the earlier of a refinancing or on December 31, 2019 or on demand by the Lender. Interest charged under this Construction Facility was payable monthly. NMC exercised the option to replace the Construction Facility with a non-revolving term facility (the "Loan Facility") on December 31, 2019. This Loan Facility has a 217-month term and currently bears interest at a rate of 1.00% per annum above the Lender's prime lending rate, which is currently 2.95% per annum.

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As at December 31, 2019 the amount drawn against the Loan Facility was \$18,700,000 (December 31, 2019 - \$Nil). During the three months ended March 31, 2020, finance charges of \$77,138 were capitalized to construction in progress (three months ended March 31, 2019 – \$2,972; year ended December 31, 2019 - \$474,986).

NMC is required to maintain a minimum debt service coverage ratio (the “ratio”) on an annual basis and meet certain reporting requirements relating to NMC’s financial results. The ratio is calculated using non-IFRS measures. Should NMC fail to meet any of these covenants, the Lender may exercise its option to demand repayment of the Loan Facility or may issue a waiver of the applicable covenant (“waiver”) to NMC. As at December 31, 2019, NMC did not achieve the ratio covenant requirement of the Lender. A waiver was issued to NMC by the Lender in March 2020. This waiver expires in April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2019, the Loan Facility outstanding was classified within Current Liabilities as at December 31, 2019.

The obligations under the Loan Facility are guaranteed by the Company and are secured by a collateral mortgage on NMC’s property located in Strathroy.

## ***Convertible Debentures***

During the fourteen month period ended December 31, 2018, the Company issued 10,000 debenture units (“Units”) for aggregate gross proceeds of \$10,000,000. Each Unit consisted of a \$1,000 principal amount, senior unsecured convertible debenture maturing on June 28, 2020 bearing interest at 10% per annum (each a “Debenture”) as well as common share purchase warrants exercisable for up to 3,333 common shares at an exercise price per share of \$0.35 expiring on June 28, 2020.

The Debentures were convertible into that number of common shares computed on the basis of the principal amount of the Debentures divided by the conversion price of \$0.30 per share at the holder’s option or upon mandatory conversion at the request of the Company in the event that at any time following four months plus one day following the issuance of the Debentures, for any ten consecutive trading days, the volume weighted average closing price of the common shares on the TSX Venture Exchange was greater than \$0.60. Upon conversion, the holder would also receive a cash payment equal to the additional interest amount that such holder would have received if it had held the Debentures for a period of one year from the date of conversion provided that such period did not extend beyond the maturity date. The Debentures were bifurcated between their debt and equity components by fair valuing the debt component using a discount rate of 20% and allocating the residual to the equity component.

As a result, \$1,454,868 was allocated to contributed surplus as the equity component of the Debentures. This amount was further allocated as \$758,825 to the conversion feature and \$696,043 to the warrants. In connection with the Debenture financing, the Company incurred \$782,000 in financing fees and transaction costs. These fees were allocated to the Debentures and contributed surplus in the same proportions that the Debentures were originally bifurcated between debt and equity.

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The \$10,000,000 aggregate gross proceeds of the Debentures were exchanged for 33,333,332 common shares as follows:

Date of Conversion	Amount	No. of Shares	Value to shares
September 21, 2018	\$ 3,000,000	10,000,000	\$ 2,645,395
October 5, 2018	2,000,000	6,666,666	1,763,597
October 12, 2018	1,000,000	3,333,333	881,798
March 27, 2019	4,000,000	13,333,333	3,724,036
<b>Totals</b>	<b>\$ 10,000,000</b>	<b>33,333,332</b>	<b>\$ 9,014,826</b>

Also, in connection with the Debenture financing, the Company issued 2,333,333 compensation options each being exercisable into one common share at the price of \$0.30 per share until June 28, 2020. The compensation options were valued at \$282,000, using the Black-Scholes option pricing model with the following assumptions:

- Risk-free interest rate - 1.35%;
- Dividend yield – Nil;
- Volatility - 100%; and,
- Expected life - 2 years.

This determined value has been allocated to the Debentures and contributed surplus on the same basis that the Debentures were bifurcated between debt and equity (see Note 8).

The following table summarizes the above transactions into the account categories impacted by the issuance of the Debentures for the three months ended March 31, 2020 and the year ended December 31, 2019 (see Note 8);

	Contributed Surplus			
	Debentures	Warrants	Conversion Option	Total
<b>Balance, December 31, 2018</b>	\$ 3,346,099	\$ 641,614	\$ 279,794	\$ 4,267,507
Accretion of debentures	<b>98,144</b>			<b>98,144</b>
Conversion into Shares	<b>(3,444,243)</b>	-	<b>(279,794)</b>	<b>(3,724,037)</b>
<b>Balance, December 31, 2019</b>	\$ -	\$ 641,614	\$ -	\$ 641,614
<b>Balance, March 31, 2020</b>	\$ -	\$ 641,614	\$ -	\$ 641,614

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## 8. Share Capital

### Authorized Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares.

### Outstanding Share Capital

		Common Shares	Total
<b>At December 31, 2018</b>		<b>233,725,245</b>	<b>\$ 23,447,576</b>
Shares issued on exercise of stock options	a	620,000	256,967
Shares issued on exercise of compensation options	a	2,623,594	1,101,622
Shares issued on conversion of Debentures	b	13,333,333	3,724,036
Shares issued on conversion of warrants	c	16,665,000	6,153,558
Shares issued on deemed exercise of Special Warrants	d	20,900,000	9,105,049
<b>At December 31, 2019</b>		<b>287,867,172</b>	<b>\$ 43,788,808</b>
<b>At March 31, 2020</b>		<b>287,867,172</b>	<b>\$ 43,788,808</b>

The Company did not issue common shares during the three months ended March 31, 2020. For the year ended December 31, 2019, the Company issued common shares as follows:

- a. The following stock options were exercised:

	Options	Exercise date	Exercise price	Value to shares
Stock options	500,000	February 28, 2019	0.25	\$ 218,134
Stock options	120,000	August 20, 2019	0.10	38,833
<b>Totals</b>	<b>620,000</b>			<b>\$ 256,967</b>

The following compensation options were exercised:

	Options	Exercise date	Exercise price	Value to shares
Compensation options	29,386	January 25, 2019	0.25	\$ 12,111
Compensation options	4,898	March 13, 2019	0.25	7,989
Compensation options	163,620	March 21, 2019	0.25	61,460
Compensation options	300,000	March 21, 2019	0.30	126,257
Compensation options	88,157	April 16, 2019	0.25	36,331
Compensation options	300,000	April 17, 2019	0.30	126,257
Compensation options	433,333	May 16, 2019	0.30	182,372
Compensation options	375,000	May 29, 2019	0.30	157,821
Compensation options	250,000	June 10, 2019	0.30	105,215
Compensation options	300,000	June 19, 2019	0.30	126,257
Compensation options	375,000	July 25, 2019	0.30	157,821
Compensation options	4,200	August 15, 2019	0.25	1,731
<b>Totals</b>	<b>2,623,594</b>			<b>\$ 1,101,622</b>

- b. \$4,000,000 of the principal amount of the Debentures (see note 7) was converted into common shares as follows:



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Date of Conversion	Amount	No. of Shares	Value to shares
March 27, 2019	4,000,000	13,333,333	3,724,036
<b>Totals</b>	<b>\$ 4,000,000</b>	<b>13,333,333</b>	<b>\$ 3,724,036</b>

- c. 16,665,000 common share purchase warrants were converted into 16,665,000 common shares at an exercise price of \$0.35 (see Warrants section below) for total proceeds of \$5,832,751.
- d. On September 11, 2019, all 20,900,000 Special Warrants were deemed to be exercised and the Company issued 20,900,000 Common Shares and 20,900,000 Warrants (see Special Warrants section below) for total proceeds of \$9,426,909.

### Stock Options

The Company has a Stock Option Plan under which non-transferable options to purchase common shares of the Company may be granted from time to time by the Board of Directors to directors, officers, employees or consultants of the Company or its subsidiaries. No amounts are paid or payable by the recipient upon receipt of the option.

The total number of common shares of the Company issuable upon the exercise of all outstanding stock options granted under the Stock Option Plan shall not at any time exceed 10% of the total number of outstanding common shares. The exercise price of each stock option granted under the Stock Option Plan shall be determined at the discretion of the board of directors of the Company, subject to TSX-V approval, at the time of the granting of the stock option, provided that the exercise price shall not be lower than the Discount Market Price (as defined in the policies of the TSX-V) of the Company's common shares on the TSX-V prior to the date the stock option is granted.

During the three months ended March 31, 2020, the Company did not grant any stock options. During the year ended December 31, 2019, the Company granted stock options to purchase up to 8,600,000 common shares with a fair value of \$2,266,550). These values were determined using the Black-Scholes option pricing model with the assumptions shown below. During the year ended December 31, 2019, 620,000 options were exercised, and 1,250,000 options were cancelled respectively.

As at March 31, 2020 and December 31, 2019 the outstanding Stock Options of the Company are as follows:

	March 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Price	Number of Options	Weighted Average Price
Outstanding, beginning of the period	16,570,000	\$ 0.34	9,840,000	\$ 0.31
Stock options granted during the period	-	-	8,600,000	0.37
Stock options exercised during the period	-	-	(620,000)	0.22
Cancelled during the period	-	-	(1,250,000)	0.34
Outstanding, end of the period	16,570,000	\$ 0.34	16,570,000	\$ 0.34
Exercisable, end of the period	7,406,667	\$ 0.29	5,433,334	\$ 0.26

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## Notes to the Condensed Consolidated Interim Financial Statements For the three months ended March 31, 2020 and March 31, 2019 (Unaudited - Expressed in Canadian dollars)

Grant Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price (\$)	Expiry Date
February 5, 2015	120,000	120,000	0.10	February 5, 2025
June 28, 2018	4,200,000	4,200,000	0.25	June 28, 2028
September 11, 2018	2,900,000	620,000	0.41	September 11, 2023
October 23, 2018	1,000,000	1,000,000	0.31	October 23, 2028
January 3, 2019	500,000	166,667	0.26	January 3, 2024
May 23, 2019	6,750,000	1,000,000	0.41	May 23, 2024
November 26, 2019	100,000	-	0.17	November 26, 2024
December 20, 2019	1,000,000	300,000	0.18	December 20, 2024
	<b>16,570,000</b>	<b>7,406,667</b>		

Subsequent to March 31, 2020, the Company cancelled 700,000 – and granted 1,100,000 – stock options to purchase up to common shares.

### Compensation Options

During the year ended December 31, 2019, the Company granted 1,463,000 Compensation Special Warrants with a fair value of \$321,860 and each Compensation Special Warrants was deemed to be exercised into a 2019 Compensation Option. During the year ended December 31, 2019, 2,623,594 compensation options were exercised.

As at March 31, 2020 and December 31, 2019 the outstanding Compensation Options of the Company are as follows:

	March 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Price	Number of Options	Weighted Average Price
Outstanding, beginning of the period	2,020,307	\$ 0.43	3,180,901	\$ 0.25
Compensation options issued during the period	-	-	1,463,000	0.50
Compensation options exercised during the period	-	-	(2,623,594)	0.29
Outstanding, end of the period	2,020,307	\$ 0.43	2,020,307	\$ 0.43
Exercisable, end of the period	2,020,307	\$ 0.43	2,020,307	\$ 0.43

Grant Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price (\$)	Expiry Date
June 28, 2018	557,307	557,307	0.25	June 28, 2020
September 11, 2019	1,463,000	1,463,000	0.50	May 10, 2021
	<b>2,020,307</b>	<b>2,020,307</b>		

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## Black-Scholes option pricing model assumptions

The Black Scholes option pricing model assumptions for each of the grants over the year ended December 31, 2019 were calculated based on the following assumptions:

Stock based compensation issuance date	Risk free rate of return	Dividend yield	Volatility Factor	Expected life
January 3, 2019	2.20	NIL	100%	5 years
May 10, 2019	1.64	NIL	100%	5 years
May 10, 2019	1.64	NIL	100%	2 years
May 23, 2019	1.39	NIL	100%	5 years
August 19, 2019	1.39	NIL	100%	5 years
November 26, 2019	1.39	NIL	100%	5 years
December 20, 2019	1.63	NIL	100%	5 years

## Stock-based compensation expense

The Company recorded a stock-based compensation expense of \$734,023 for the three months ended March 31, 2020 (three months ended March 31, 2019 – \$151,230; year ended December 31, 2019 – \$1,529,916).

## Warrants

On June 28, 2018, in conjunction with the convertible debenture offering (see note 7) the Company issued 33,330,000 common share purchase warrants exercisable for up to 33,330,000 common shares at an exercise price per share of \$0.35 expiring on June 28, 2020.

On April 22, 2019, 16,665,000 Warrants were exercised into 16,665,000 common shares for gross proceeds of \$5,832,751.

On September 11, 2019, in relation to the deemed exercise of the Special Warrants (see below) the Company issued 20,900,000 common share purchase warrants exercisable for up to 20,900,000 common shares at an exercise price per share of \$0.60 expiring May 10, 2021.

## Special Warrants

On May 10, 2019, the Company closed its private placement of Special Warrants. In relation to this transaction the Company issued 20,900,000 special warrants (the “Special Warrants”), at a price of \$0.50 per Special Warrant for aggregate gross proceeds of \$10,450,000 (the “Special Warrant Offering”). A Special Warrant was exercisable into one unit of the Company (a “2019 Unit”), for no additional consideration, at any time after the Closing.

Each 2019 Unit consisted of one common share and one common share purchase warrant (a “Warrant”). Each Warrant shall entitle the holder thereof to purchase one common share at an exercise price of \$0.60 until May 10, 2021. All of the proceeds were attributed to the common shares with \$Nil assigned to the warrants.

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On September 11, 2019, all 20,900,000 Special Warrants were deemed to be exercised and the Company issued 20,900,000 common shares and 20,900,000 Warrants.

In consideration for their services, the underwriter of the Special Warrant Offering received a cash commission equal to 7% of the gross proceeds of the Special Warrant Offering of \$731,500 and was issued 1,463,000 compensation special warrants that have an exercise price of \$0.50 and expire on May 10, 2021 ("Compensation Special Warrant").

Each Compensation Special Warrant was exercisable into one compensation option (a "2019 Compensation Option"), for no additional consideration, at any time after the Closing. On September 11, 2019, all 1,463,000 Compensation Special Warrants were deemed to be exercised and the Company issued 1,463,000 2019 Compensation Options.

The Compensation Special Warrants were measured at a fair value of \$321,860 at the date of grant. In determining the fair value for the 2019 Compensation Options, the Company used the Black-Scholes option pricing model to establish the fair value of warrants granted using the following assumptions:

- Risk-free interest rate - 1.6%;
- Dividend yield – Nil;
- Volatility - 100%; and,
- Expected life - 2 years.

The net proceeds from the issuance of the Special Warrants were calculated as follows:

<b>Gross Proceeds</b>	<b>\$</b>	<b>10,450,000</b>
Transaction Costs:		
7% Haywood Fee		(731,500)
Underwriter Compensation Options		(321,860)
Legal and Professional Fees		(291,591)
<b>Net Proceeds</b>	<b>\$</b>	<b>9,105,049</b>

As at December 31, 2019, all Special Warrants were deemed to be exercised into a 2019 Unit, as defined above.

As at March 31, 2020 and December 31, 2019, the warrant continuity details of the Company are as follows:

	March 31, 2020			December 31, 2019		
	Number of Warrants	Expiry Date	Weighted Average Price	Number of Warrants	Expiry Date	Weighted Average Price
Outstanding, beginning of the period	37,565,000	N/A	\$ 0.49	33,330,000	June 28, 2020	\$ 0.35
Issued During the period	-	N/A	0.60	20,900,000	May 10, 2021	0.60
Exercised during the period	-	N/A	0.35	(16,665,000)	June 28, 2020	0.35
<b>Outstanding, end of the period</b>	<b>37,565,000</b>		<b>\$ 0.49</b>	<b>37,565,000</b>		<b>\$ 0.49</b>

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## 9. Financial Instruments

### *Interest Rate Risk*

The Company's exposure to interest rate risk is primarily related to Loans and Borrowings with variable interest rates. As at March 31, 2020 a 1% increase in the prime lending rate would result in approximately \$186,500 higher interest payments on an annual basis.

### *Credit Risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables. As at March 31, 2020, the Company was exposed to credit-related losses in the event of non-performance by the counterparties.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

Cash is held by a credit union in Canada primarily in deposit accounts. No losses have been incurred historically in relation to cash held by this financial institution. The accounts receivable balance is comprised of an established customer base domiciled in Canada. The Company mitigates this risk by managing and monitoring the underlying business relationships with its customers.

The carrying amount of cash, other receivables and accounts receivables represents the maximum exposure to credit risk, and as at March 31, 2020 this amounted to \$4,457,323.

### *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. As at March 31, 2020, the Company had \$3,545,422 of cash. The Company manages its liquidity risk by planning, budgeting and forecasting cash flows from its operations and anticipating any investing and financing activities to meet various contractual and other obligations.

The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to \$5,522,886 due in the next 12 months. Further the Company has an outstanding Loan Facility of \$18,654,829 and Promissory Notes with a principal amount of \$826,000 plus accrued interest of \$77,900.

The Company's outstanding Loan Facility and Promissory Notes may be due on demand and there is no certainty as to when those debts may be called. As at December 31, 2019, NMC did not achieve the ratio covenant set out in the Loan Facility. A waiver was issued to NMC by the Lender in March 2020. This waiver expires in April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2019, the Loan Facility outstanding was classified within Current Liabilities as at December 31, 2019. See note 7.

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Management is working with the lenders of the Loan Facility and Promissory Notes to continue to meet the requirements indicated in Notes 6 and 7, and Management is actively involved in the review, planning and approval of significant expenditures and commitments. Management believes that neither the Loan Facility nor the Promissory Notes will need to be repaid within the next twelve months.

The Company has both incurred operating losses and experienced negative cash flows from operating activities in the three months ended March 31, 2020 and the year ended December 31, 2019. The Company has a working capital deficit of \$10,109,285 as at March 31, 2020 (December 31, 2019 – a working capital deficit of \$9,137,381).

As at March 31, 2020 the Company had inventory of \$8,160,324 (December 31, 2019 – \$6,401,037). The Company has assessed the valuation of its inventory and concluded that the value is recoverable.

The carrying values of cash, accounts and other receivables, accounts payable and accrued liabilities, loans and borrowings and promissory notes approximate their fair values due to their short term to maturity.

The carrying values of the financial instruments as at March 31, 2020 are summarized in the following table:

	Amortized cost	Financial assets designated as FVTPL	Totals
<b>Assets</b>			
Cash	\$ -	\$ 3,545,422	\$ <b>3,545,422</b>
Other receivables and prepaid expenses	644,804	-	<b>644,804</b>
Accounts Receivable	267,097	-	<b>267,097</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	5,522,886	-	<b>5,522,886</b>
Loans and Borrowings	18,654,829	-	<b>18,654,829</b>
Promissory Notes	903,900	-	<b>903,900</b>

### 10. Segmented Information

The Company operates in one segment: the production and sale of cannabis in Canada. All items of property, plant and equipment are located in Canada and all revenues have been earned in Canada.

During the three months ended March 31, 2020, no customer contributed more than 5% of the overall revenue (three months ended March 31, 2019 – one customer contributed more than 5% of the overall revenue, that amount being \$1,604,372).

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### 11. Capital Management

The Company's objective is to maintain sufficient capital so as to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors has not established quantitative return on capital criteria for Management. The Company has not paid any dividends to its shareholders. The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the three months ended March 31, 2020.

As at March 31, 2020, total managed capital was comprised of shareholders' equity of \$29,980,146 (December 31, 2019 – \$31,025,928).

### 12. Commitments and Contingencies

The Company has certain contractual financial obligations related to its Loans and Borrowings and Promissory Notes.

The annual minimum payments payable under these obligations over the next five years are as follows:

Time period	In one year	1-2 years	2-3 years	3-4 years	4-5 years	Total
Loans and Borrowings	18,654,829	-	-	-	-	18,654,829
Promissory Notes	903,900	-	-	-	-	903,900
Amount	\$ 19,558,729	\$ -	\$ -	\$ -	\$ -	\$ 19,558,729

From time to time, the Company and its subsidiaries may become defendants in legal actions arising out of the ordinary course and conduct of its business.