Condensed Consolidated Interim Financial Statements of

Eve & Co Incorporated

As at and for the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in Canadian Dollars)

Eve & Co Incorporated

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian dollars)

	Notes	March 31, 2021	December 31, 2020
Assets			
Current Assets			
Cash		$ 597,530	$ 517,644
Other Receivables & Prepaid Expenses		689,641	702,484
Accounts Receivable		675,157	856,718
Biological Assets	4	1,078,149	1,070,507
Inventory	5	8,158,672	8,083,934
Total Current Assets		11,199,149	11,231,287
Non-Current Assets			
Property, Plant and Equipment	6	38,785,552	39,208,171
Total Non-Current Assets		38,785,552	39,208,171
Total Assets		$ 49,984,701	$ 50,439,458
Liabilities			
Current Liabilities			
Accounts Payable and Accrued Liabilities		$ 8,422,469	$ 7,257,875
Promissory Notes	7	945,200	934,875
Loans and Borrowings	8	18,256,945	18,494,245
Total Current Liabilities		27,624,614	26,686,995
Non-Current Liabilities			
Loans and Borrowings	8	1,467,331	936,142
Total Non-Current Liabilities		1,467,331	936,142
Total Liabilities		29,091,945	27,623,137
Equity			
Share Capital	9	43,788,808	43,788,808
Contributed Surplus		5,442,603	5,284,139
Accumulated deficit		(28,338,655)	(26,256,626)
Total Equity		20,892,756	22,816,321
Total Liabilities and Equity		$ 49,984,701	$ 50,439,458

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 13*

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

Eve & Co Incorporated

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenue		**$ 2,471,523**	$ 466,416
Excise Tax		**(415,778)**	(91,227)
Net revenue		**2,055,745**	375,189
Inventory production costs expensed to cost of sales	**5**	**(691,847)**	(122,014)
Gross Margin before the undernoted		**1,363,898**	253,176
Realized fair value amounts included in inventory sold	**5**	**(2,304,514)**	(97,657)
Unrealized fair value (loss) gain on changes in biological assets	**4**	**704,065**	224,613
Inventory write-down	**5**	**-**	-
Gross (Loss) Margin		**$ (236,551)**	$ 380,133
Operating Expenses			
Advertising & Promotion		**415**	23,207
Amortization	**6**	**62,076**	52,157
Consulting and contract work		**7,500**	105,383
Finance Expenses		**239,184**	154,093
General and Administration		**819,290**	194,414
Management Wages	**7**	**131,250**	221,094
Operating Labour		**280,810**	276,661
Professional Fees		**148,067**	416,502
Stock-Based Compensation	**9**	**158,464**	734,023
Total Expenses		**1,847,056**	2,177,533
Loss from Operations		**(2,083,607)**	(1,797,401)
Other Income (expenses)			
Other Income		**1,578**	17,596
Net Loss and Comprehensive Loss		**$ (2,082,029)**	$ (1,779,805)
Net Loss per share			
Basic		**$ (0.07)**	$ (0.06)
Diluted		**$ (0.07)**	$ (0.06)
Weighted average of shares outstanding - basic		**28,786,713**	28,786,713
Weighted average of shares outstanding - diluted		**28,786,713**	28,786,713

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

Eve & Co Incorporated

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Expressed in Canadian dollars)

		Share Capital		Reserves			
	Notes	Common Shares	Amount	Contributed Surplus	Convertible Debt	Deficit	Total
Balance as at January 1, 2020		**28,786,713**	**$ 43,788,808**	**$ 3,680,053**	**$ -**	**$ (16,442,933)**	**$ 31,025,928**
Stock-Based Compensation	**9**	-	-	734,023	-	-	734,023
Net loss for the period		-	-	-	-	(1,779,805)	(1,779,805)
Balance as at March 31, 2020		**28,786,713**	**$ 43,788,808**	**$ 4,414,076**	**$ -**	**$ (18,222,737)**	**$ 29,980,147**
Stock-Based Compensation	**9**	-	-	752,052	-	-	752,052
2020 Debentures issued	**8**	-	-	-	44,707	-	44,707
Warrants issued	**8**	-	-	73,304	-	-	73,304
Net loss for the period		-	-	-	-	(8,033,888)	(8,033,888)
Balance as at December 31, 2020		**28,786,713**	**$ 43,788,808**	**$ 5,239,432**	**$ 44,707**	**$ (26,256,626)**	**$ 22,816,321**
Stock-Based Compensation	**9**	-	-	158,464	-	-	158,464
Net loss for the period		-	-	-	-	(2,082,029)	(2,082,029)
Balance as at March 31, 2021		**28,786,713**	**$ 43,788,808**	**$ 5,397,896**	**$ 44,707**	**$ (28,338,655)**	**$ 20,892,756**

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

Eve & Co Incorporated

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2021	March 31, 2020
Operating Activities			
Net Loss and Comprehensive Loss		**$ (2,082,029)**	$ (1,779,805)
Items not affecting cash:			
Realized fair value amounts included in inventory sold	**5**	**2,304,514**	97,657
Unrealized fair value loss (gain) on changes in biological assets	**4**	**(704,065)**	(224,613)
Amortization	**4,5,6**	**422,619**	321,142
Accretion expense and accrued interest on debt	**7,8**	**215,831**	149,929
Stock-based compensation	**9**	**158,464**	734,023
Changes in operating assets and liabilities			
Prepaid expenses		**12,843**	20,196
Accounts Receivable		**181,561**	3,251
Harmonized Sales Tax Receivable		**66,837**	246,385
Accounts payable		**1,097,755**	437,395
Inventory		**(1,682,829)**	(2,506,265)
Net cash used by operating activities		**$ (8,499)**	$ (2,500,705)
Investing Activities			
Payment for property, plant & equipment		**$ -**	$ (1,170,126)
Net cash used by investing activities		**$ -**	$ (1,170,126)
Financing Activities			
(Repayments) draws under debt facility	**8**	**$ (411,617)**	$ (261,912)
Proceeds from private loan financing	**8**	**500,000**	-
Net cash provided (utilized) by financing activities		**$ 88,383**	$ (261,912)
Net cash flows during the period		**$ 79,884**	$ (3,932,743)
Cash			
Cash at beginning of year		**$ 517,644**	$ 7,478,165
Change in cash during the year		**79,884**	(3,932,743)
Cash at end of the period		**$ 597,528**	$ 3,545,422
Supplemental Disclosure of Cash Flow Items			
Cash interest paid		**$ 176,725**	$ 216,741
Supplemental Disclosure of Non-Cash Flow Items			
Non-Cash fixed asset additions within accounts payable	**6**	**$ 4,055,257**	$ 3,702,414

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

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 6, 2023 and subject to renewal thereafter.

On December 29, 2020 the Company completed a 10:1 share consolidation issuing 1 common share for every 10 common shares held by the existing shareholders. Unless otherwise stated, all common share and per share amounts have been retroactively restated to reflect the effects of the share consolidation.

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 Mach 31, 2021. These Quarterly Financial Statements were authorized for issue by the Board of Directors on May 31, 2021.

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, 2020, including the accompanying notes thereto.

The Company incurred a net loss and comprehensive loss of $2,082,029 for the three months ended March 31, 2021 (2020: $1,779,805) and has a working capital deficit of $16,425,465 as at March 31, 2021 (December 31, 2020 – working capital deficit of $15,455,708).

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 has continued to pursue 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 10 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 continue to 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 4p to the annual audited consolidated financial statements as at and for the year ended December 31, 2020.

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, 2020.

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.

(Unaudited - Expressed in Canadian dollars)

3. Recent accounting pronouncements

Accounting standards and amendments issued but not yet adopted

Amendments to IAS 16, Property, plant and equipment – proceeds before intended use (“IAS 16”)

On May 14, 2020, the IASB published a narrow scope amendment to IAS 16. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022. The Company is assessing the effect of the narrow scope amendment on its Quarterly Financial Statements.

4. Biological Assets

		March 31, 2021		December 31, 2020
Carrying amount, beginning of period	**$**	**1,070,507**	$	1,316,690
Production costs capitalized		**1,315,661**		6,242,332
Changes in fair value less costs to sell due to biological transformation		**704,065**		4,422,383
Transferred to inventory upon harvest		**(2,012,084)**		(10,910,898)
Carrying amount, end of period	**$**	**1,078,149**	$	1,070,507

At March 31, 2021 the ending balance of Biological Assets was comprised of a cash component relating to production costs capitalized of $724,128 (December 31, 2020: $538,174) and a fair value component related to changes in fair value less costs to sell due to biological transformation of $354,021 (December 31, 2020: $532,233). Biological Assets at March 31, 2021 included capitalized amortization of $117,466 (2020: $93,373).

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 $1.28 per gram (December 31, 2020: $1.28 per gram);
- Harvest yield of 77.81 grams per plant (December 31, 2020: 76.01 grams per plant);
- Post-harvest costs of $0.06 per plant (December 31, 2020: $0.06 per plant); and

- A weighted-average growing cycle length of 122 days (December 31, 2020: 122 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 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 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 $112,713 (December 31, 2020: $113,452);
- 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 $107,814 (December 31, 2020: $107,051);
- 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 $4,899 (December 31, 2020: $6,402); and
- Growth length – an increase / decrease in the growing cycle length by 10% would result in the biological fair value increasing / decreasing by $98,014 (December 31, 2020: $97,319).

(Unaudited - Expressed in Canadian dollars)

5. Inventory

	Capitalized Cost	Biological Asset Fair Value Adjustment	**March 31, 2021 Total**	December 31, 2020 Total
Dried Cannabis	$ 6,196,681	$ 1,245,045	**$ 7,441,726**	$ 6,993,335
Work-in-process	424,764	85,344	**510,108**	640,682
Post-harvest supplies	62,755	-	**62,755**	137,285
Growing supplies	144,083	-	**144,083**	312,632
	$ 6,828,283	$ 1,330,390	**$ 8,158,672**	$ 8,083,934

The capitalized cost of inventory expensed to inventory production costs in cost of sales for the three months ended March 31, 2021 was $691,847 (2020: $693,410). The fair value cost of inventory expensed to Realized Fair Value amounts included in inventory sold was $2,304,514 for the three months ended March 31, 2021 (2020: $829,324). Also included in this amount was capitalized amortization of $158,556 for the three months ended March 31, 2021 (2020: $151,397).

At March 31, 2021 the ending balance of inventory was comprised of a cash component relating to production costs capitalized of $6,828,283 (December 31, 2020: $4,492,785) and a fair value component related to changes in fair value less costs to sell due to biological transformation of $1,330,390 (December 31, 2020: $3,591,149). Included in inventory at March 31, 2020 was capitalized amortization of $703,070 (December 31, 2020: $470,287).

During the three months ended March 31, 2021 and 2020, the Company did not record an inventory write-down.

6. Property, Plant and Equipment

Cost	Balance at December 31, 2020	Additions	Adjustments	**Balance at March 31, 2021**
Land	$ 160,000	$ -	$ -	$ 160,000
Building	39,033,035	-	-	39,033,035
Machinery and Equipment	1,235,359	-	-	1,235,359
Technology and Computers	879,180	-	-	879,180
Construction in Progress	1,030,572	-	-	1,030,572
	$ 42,338,146	$ -	$ -	$ 42,338,146

Accumulated Amortization	Balance at December 31, 2020	Amortization	Adjustments	**Balance at March 31, 2021**
Building	$ 2,120,492	$ 368,282	$ -	$ 2,488,774
Machinery and Equipment	593,094	22,756	-	615,850
Technology and Computers	416,389	31,581	-	447,970
	$ 3,129,975	$ 422,619	$ -	$ 3,552,594
Net Book Value	$ 39,208,171	$ (422,619)	$ -	$ 38,785,552

(Unaudited - Expressed in Canadian dollars)

Cost		Balance at December 31, 2019		Additions		Adjustments		**Balance at December 31, 2020**
Land	$	160,000	$	-	$	-	$	160,000
Building		4,741,003		369,172		33,922,860		39,033,035
Machinery and Equipment		1,069,012		92,347		74,000		1,235,359
Technology and Computers		665,841		33,694		179,645		879,180
Construction in Progress		35,039,218		167,859		(34,176,505)		1,030,572
	$	41,675,074	$	663,072	$	-	$	42,338,146

Accumulated Amortization		Balance at December 31, 2019		Amortization		Adjustments		**Balance at December 31, 2020**
Building	$	734,335	$	1,386,157	$	-	$	2,120,492
Machinery and Equipment		459,296		133,798		-		593,094
Technology and Computers		318,134		98,255		-		416,389
	$	1,511,765	$	1,618,210	$	-	$	3,129,975
Net Book Value	$	40,163,309	$	(955,138)	$	-	$	39,208,171

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.

At March 31, 2021 and December 31, 2020, there was $4,055,257 relating to property, plant and equipment acquisitions outstanding in accounts payable and accrued liabilities. For the three months ended March 31, 2021, $nil of borrowing costs on the Construction Facility were capitalized to Construction in Progress (2020: $77,138). For the three months ended March 31, 2021 amortization of $360,543 was capitalized to biological assets and inventory (2020: $50,564).

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). At March 31, 2021 and December 31, 2020, costs included within Construction in Progress related to Buildings ($583,309), Machinery and Equipment ($371,793) and Technology and Computers ($75,470). These costs represent assets that are not as yet ready for their intended use.

7. 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. The transactions are conducted at arm's length and in the normal course of operations.

	Three months ended			
		March 31 2021		March 31 2020
Share Based Compensation	**$**	**105,586**	$	574,408
Salaries and Fees		**131,250**		221,094
Total	**$**	**236,836**	$	795,502

During the three months ended March 31, 2021 the officers and directors of the Company were granted options to purchase up to 100,000 (2020: 50,000) common shares with a fair value of $31,000 (2020: $97,500) (note 10).

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, 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 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 9), 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. At March 31, 2021 the amount owing to Ms. Rombouts and Mr. Burch is $826,000 of the principal amount and $119,200 of accrued interest (December 31, 2020: $826,000 and $108,875 respectively). See also Note 10.

Pursuant to the 2020 Debenture financing (see note 8), Ms. Rombouts also holds 2020 Debentures in the aggregate principal amount of $200,000.

As at March 31, 2021, consulting fees accrued to a company controlled by an officer of the Company amounted to $99,750 (December 31, 2020: $101,700) and directors fees accrued amounted to $25,000 (December 31, 2020: $40,000).

(Unaudited - Expressed in Canadian dollars)

8. Loans and Borrowings

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

	March 31, 2021	December 31, 2020
Loans and Borrowings	**$ 19,724,276**	$ 19,430,387
Less current portion	**(18,256,945)**	(18,494,245)
Non-current loans and borrowings	**$ 1,467,331**	$ 936,142

The changes in debt balances in the three months ended March 31, 2021 and year ended December 31, 2020 are as follows;

	Loan Facility	Convertible Debentures	Private Loan Financing	Total
Balance at December 31, 2019	**$ 18,700,000**	**$ -**	**$ -**	**$ 18,700,000**
Interest accrued	623,814	-	-	623,814
Issuance of convertible debentures	-	431,989	-	431,989
Non-cash accretion of debentures	-	4,153	-	4,153
Drawdown of private loan	-	-	500,000	500,000
Repayments made	(829,569)	-	-	(829,569)
Balance at December 31, 2020	**$ 18,494,245**	**$ 436,142**	**$ 500,000**	**$ 19,430,387**
Interest accrued / accreted	155,567	-	31,250	186,817
Non-cash accretion of debentures	-	18,689	-	18,689
Drawdown of private loan	-	-	500,000	500,000
Repayments made	(392,867)	-	(18,750)	(411,617)
Balance at March 31, 2021	**$ 18,256,945**	**$ 454,831**	**$ 1,012,500**	**$ 19,724,276**
Less current portion	**(18,256,945)**	-	-	**(18,256,945)**
	$ -	**$ 454,831**	**$ 1,012,500**	**$ 1,467,331**

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 3.45% per annum.

At March 31, 2021 and December 31, 2020 the amount drawn against the Loan Facility was $18,700,000. During the three months ended March 31, 2021, $nil of finance charges were capitalized to construction in progress (2020: $77,138).

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, 2020 and 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 expired at the end of April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2020 and 2019, the Loan Facility outstanding has been classified within Current Liabilities as at those dates.

(Unaudited - Expressed in Canadian dollars)

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

2018 Convertible Debentures

On June 28, 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 "2018 Debenture") as well as common share purchase warrants exercisable for up to 333.3 common shares at an exercise price per share of $3.50 expiring on June 28, 2020.

The 2018 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 2018 Debentures. This amount was further allocated as $758,825 to the conversion feature and $696,043 to the warrants. In connection with the 2018 Debenture financing, the Company incurred $782,000 in financing fees and transaction costs. These fees were allocated to the 2018 Debentures and contributed surplus in the same proportions that the 2018 Debentures were originally bifurcated between debt and equity.

The $10,000,000 aggregate gross proceeds of the 2018 Debentures were exchanged for 3,333,333 common shares as follows:

Date of Conversion	Amount	No. of Shares	Value to shares
September 21, 2018	$ 3,000,000	1,000,000	$ 2,645,395
October 5, 2018	2,000,000	666,667	1,763,597
October 12, 2018	1,000,000	333,333	881,798
March 27, 2019	4,000,000	1,333,333	3,724,036
Totals	**$ 10,000,000**	**3,333,333**	**$ 9,014,826**

Also, in connection with the 2018 Debenture financing, the Company issued 233,333 compensation options each being exercisable into one common share at the price of $3.00 per share until June 28,

(Unaudited - Expressed in Canadian dollars)

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 was allocated to the 2018 Debentures and contributed surplus on the same basis that the 2018 Debentures were bifurcated between debt and equity (see Note 9).

2020 Convertible Debentures

On December 11, 2020, the Company issued unsecured convertible debentures in the principal amount of $550,000 (the "2020 Debentures"). The 2020 Debentures have a two-year term and bear simple interest at a rate of 10% per annum. The principal amount of the 2020 Debentures may be converted by the 2020 Debentures' holder at any time into common shares of the Company ("common Shares") at a deemed price of $0.60 per common Share during the first year of the term and $1.00 per Common Share during the second year of the term.

The interest payable under the Debentures shall be paid in cash within five business days of each financial year end or upon notice of early redemption by the Company. The Debentures may be redeemed by the Company prior to the expiry of their term at the option of the Company, subject to payment by the Company of certain specified early redemption payments.

In addition, an aggregate of 458,150 share purchase warrants (the "2020 Warrants") of the Company were issued together with the 2020 Debentures (being 0.833 2020 Warrants for each $1.00 principal amount of 2020 Debentures). Each 2020 Warrant entitles the holder to acquire one Common Share at an exercise price of $0.60 per Common Share for a period of two years from the date of issuance of the 2020 Warrants.

The 2020 Debentures have been bifurcated between their debt and equity components by fair valuing the debt component using a discount rate of 15% and allocating the residual to the equity component. As a result, $118,011 was allocated to contributed surplus as the equity component of the 2020 Debentures. This amount was further allocated as $44,707 to the conversion feature and $73,304 to the 2020 warrants. The following table summarizes the above transactions into the account categories impacted by the issuance of the 2018 and 2020 Debentures;

		Contributed Surplus		
	Convertible Debentures	Warrants	Conversion Option	Total
Balance, December 31, 2019	**$ -**	**$ 320,806**	**$ -**	**$ 320,806**
Issuance - December 11, 2020	431,989	73,304	44,707	550,000
Accretion of 2020 Debentures	4,153	-	-	4,153
Balance, December 31, 2020	**$ 436,142**	**$ 394,110**	**$ 44,707**	**$ 874,960**
Accretion of 2020 Debentures	18,689	-	-	18,689
Balance, March 31, 2021	**$ 454,831**	**$ 394,110**	**$ 44,707**	**$ 893,649**

(Unaudited - Expressed in Canadian dollars)

Private Loan Financing

On December 21, 2020 the Company agreed upon a $1,000,000 loan with a private consortium of lenders (the "private loan financing"). The private loan financing has a two-year term and is to be received in two equal tranches of $500,000.

The first $500,000 tranche was received on closing and bears interest – payable monthly in arrears – at 15% per annum for the first year and 11% per annum for the second year. Monthly repayments of principal and interest can only be made during the second year of the term. The principal outstanding amount will be repaid to the Lender at the end of the two-year term.

The second $500,000 tranche was to be received from the Lender upon five days written request from NMC. It will bear interest – payable monthly in arrears – at 15% per annum for the first year and 11% per annum for the second year. Monthly repayments of principal and interest can only be made during the second year of the term. The principal outstanding will be repaid to the Lender at the end of the two-year term. A facility fee of 0.5% per annum on this second tranche will accrue and be paid monthly in arrears to the Lender. The second $500,000 tranche was drawn down upon on February 5, 2020.

The private loan financing is secured by the assets of the Company and NMC and guarantees from the Company, NMC, Ms. Rombouts and Mr. Burch.

9. 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
At December 31, 2019	**28,786,713**	**$**	**43,788,808**
At December 31, 2020	**28,786,713**	**$**	**43,788,808**
At March 31, 2021	**28,786,713**	**$**	**43,788,808**

On December 29, 2020 the Company completed a 10:1 share consolidation issuing 1 common share for every 10 common shares held by the existing shareholders. Unless otherwise stated, all common share and per share amounts have been retroactively restated to reflect the effects of the share split.

There were no issuances by the Company of common shares during the three months ended March 31, 2021 and the year ended December 31, 2020 by the Company.

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.

(Unaudited - Expressed in Canadian dollars)

During the three months ended March 31, 2021, the Company granted stock options to purchase up to 200,000 common shares with a fair value of $62,000 (year ended December 31, 2020: 770,000 common shares with a fair value of $375,100). These values were determined using the Black-Scholes option pricing model with the assumptions shown below. During the three months ended March 31, 2021, no options were exercised or cancelled (year ended December 31, 2020: no options were exercised and 200,000 cancelled).

At March 31, 2021 and December 31, 2020 the outstanding Stock Options of the Company are as follows:

	March 31, 2021		December 31, 2020	
	Number of Options	**Weighted Average Price**	Number of Options	Weighted Average Price
Outstanding, beginning of the period	**2,227,000**	**$ 2.52**	1,657,000	$ 3.39
Stock options granted during the period	**200,000**	**0.42**	770,000	0.66
Cancelled during the period	**-**	**-**	(200,000)	(2.61)
Outstanding, end of the period	**2,427,000**	**$ 2.34**	2,227,000	$ 2.52
Exercisable, end of the period	**1,127,667**	**$ 3.29**	1,127,667	$ 3.29

Grant Date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price ($)	Expiry Date
February 5, 2015	12,000	12,000	1.00	February 5, 2025
June 28, 2018	420,000	420,000	2.50	June 28, 2028
September 11, 2018	210,000	84,000	4.10	September 11, 2023
October 23, 2018	100,000	100,000	3.10	October 23, 2028
January 3, 2019	50,000	50,000	2.60	January 3, 2024
May 23, 2019	675,000	458,333	4.05	May 23, 2024
November 26, 2019	10,000	3,333	1.70	November 26, 2024
April 1, 2020	110,000	-	0.80	April 1, 2025
June 25, 2020	340,000	-	0.70	June 25, 2025
December 11, 2020	300,000	-	0.55	December 11, 2025
January 5, 2021	200,000		0.42	January 5, 2026
	2,427,000	**1,127,667**		

(Unaudited - Expressed in Canadian dollars)

Compensation Options

During the year ended December 31, 2019, the Company granted 146,300 Compensation Special Warrants with a fair value of $$321,860. Each Compensation Special Warrant issued in the year ended December 31, 2019 was deemed to be exercised into a 2019 Compensation Option.

During the year ended December 31, 2019, 262,359 compensation options were exercised. During the year ended December 31, 2020, 55,731 compensation options expired unexercised.

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

	March 31, 2021		December 31, 2020	
	Number of Options	**Weighted Average Price**	Number of Options	Weighted Average Price
Outstanding, beginning of the period	**146,300**	**$ 5.00**	202,031	$ 4.30
Compensation options expired during the period	**-**	**-**	(55,731)	(2.50)
Outstanding, end of the period	**146,300**	**$ 5.00**	146,300	$ 5.00
Exercisable, end of the period	**146,300**	**$ 5.00**	146,300	$ 5.00

These 2019 Compensation Options expired unexercised on May 10, 2021.

Black-Scholes option pricing model assumptions

The Black Scholes option pricing model assumptions for each of the grants over the three months ended March 31, 2021 and the years ended December 31, 2020 and 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
April 1, 2020	0.55	NIL	100%	5 years
June 25, 2020	0.37	NIL	100%	5 years
December 11, 2020	0.44	NIL	100%	5 years
January 5, 2021	0.39	NIL	100%	5 years

Stock-based compensation expense

The Company recorded a stock-based compensation expense of $158,464 for the three months ended March 31, 2021 (2020: $734,023).

Warrants

On June 28, 2018, in conjunction with the 2018 Debentures (see note 9) the Company issued 3,333,000 common share purchase warrants exercisable for up to 3,333,000 common shares at an exercise price per share of $3.50 expiring on June 28, 2020.

On April 22, 2019, 1,666,500 common share purchase warrants were exercised into 1,666,500 common shares for gross proceeds of $5,832,751. On June 28, 2020, 1,666,500 common share purchase warrants expired unexercised.

On September 11, 2019, in relation to the deemed exercise of the Special Warrants (see below) the Company issued 2,090,000 common share purchase warrants exercisable for up to 2,090,000 common shares at an exercise price per share of $6.00 expiring May 10, 2021. These share purchase warrants expired unexercised on May 10, 2021.

On December 11, 2020, in relation to the 2020 Debentures, the Company issued 458,150 common share purchase warrants exercisable for up to 458,150 common shares at an exercise price per share of $6.00 expiring December 11, 2022.

Special Warrants

On May 10, 2019, the Company closed its private placement of Special Warrants. In relation to this transaction the Company issued 2,090,000 special warrants (the “Special Warrants”), at a price of $5.00 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-tenth of a common share and one-tenth of a common share purchase warrant (a “Warrant”). Each Warrant shall entitle the holder thereof to purchase one-tenth of a 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.

On September 11, 2019, all 2,090,000 Special Warrants were deemed to be exercised and the Company issued 2,090,000 common shares and 2,090,000 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 146,300 compensation special warrants that had an exercise price of $5.00 and were due to 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 146,300 Compensation Special Warrants were deemed to be exercised and the Company issued 146,300 2019 Compensation Options (see above).

(Unaudited - Expressed in Canadian dollars)

As at March 31, 2021 and December 31, 2020, the warrant continuity details of the Company are as follows:

	March 31, 2021				December 31, 2020			
	Number of Warrants	**Expiry Date**		**Weighted Average Price**	Number of Warrants	Expiry Date		Weighted Average Price
Outstanding, beginning of the period	**2,548,150**	**Various**	**$**	**5.03**	3,756,500	Various	$	4.89
Issued during the period	**-**	**N/A**		**-**	458,150	December 11, 2022		0.60
Expired during the period	**-**	**N/A**		**-**	(1,666,500)	June 28, 2020		(3.50)
Outstanding, end of the period	**2,548,150**	**Various**	**$**	**5.03**	2,548,150	Various	$	5.03
	2,090,000	**May 10, 2021**		**6.00**	2,090,000	May 10, 2021		6.00
	458,150	**December 11, 2022**		**0.60**	458,150	December 11, 2022		0.60

10. Financial Instruments

Interest Rate Risk

The Company's exposure to interest rate risk is primarily related to Loans and Borrowings with variable interest rates. At March 31, 2021, a 1% increase in the prime lending rate would result in approximately $182,500 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. At March 31, 2021, 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 at March 31, 2021, this amounted to $1,962,328.

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. At March 31, 2021, the Company had $597,530 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.

(Unaudited - Expressed in Canadian dollars)

The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to $8,422,469 due in the next 12 months. Further the Company has an outstanding Loan Facility of $18,256,945 and Promissory Notes with a principal amount of $826,000 plus accrued interest of $119,200.

The Company's outstanding Loan Facility and Promissory Notes may be due on demand – depending on adverse circumstances – and there is no certainty as to when those debts may be called. As at December 31, 2020 and 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 expired at the end of April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2020 and 2019, the Loan Facility outstanding has been classified within Current Liabilities as at March 31, 2021 and December 31, 2020. See note 8.

Management is working with the lenders of the Loan Facility and Promissory Notes to continue to meet the requirements indicated in Notes 7 and 8, and 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 in 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, 2021 and the year ended December 31, 2020. The Company has a working capital deficit of $16,425,465 at March 31, 2021 (December 31, 2020: $15,455,708).

At March 31, 2021 the Company had inventory of $8,158,672 (December 31, 2020: $8,083,934). 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 at March 31, 2021 are summarized in the following table:

	Amortized cost	Financial assets designated as FVTPL	Totals
Assets			
Cash	$ -	$ 597,530	$ **597,530**
Other receivables and prepaid expenses	689,641	-	**689,641**
Accounts Receivable	675,157	-	**675,157**
Liabilties			
Accounts Payable and Accrued Liabilities	8,422,469	-	**8,422,469**
Loans and Borrowings	19,724,276	-	**19,724,276**
Promissory Notes	945,200	-	**945,200**

(Unaudited - Expressed in Canadian dollars)

11. 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.

For the three months ended March 31, 2021, seven customers each contributed more than 5% of the overall revenue. The revenue from those seven customers amounted to $1,962,629 (2020 – no customer contributed more than 5% of the overall revenue).

12. Capital Management

The Company's objective is to maintain sufficient capital 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, loans and borrowings and promissory notes. 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, 2021. At March 31, 2021, total managed capital was $41,562,232 (December 31, 2020: $43,181,583).

13. 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	18,256,945	1,467,331	-	-	-	19,724,276
Promissory Notes	945,200	-	-	-	-	945,200
Amount	$ 19,202,145	$ 1,467,331	$ -	$ -	$ -	$20,669,476

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.