CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

WEEDMD INC.

For the three months ended
March 31, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

WeedMD Inc.

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For the three months ended March 31, 2021 and 2020

(Unaudited)

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MANAGEMENT'S RESPONSIBILITY STATEMENT

The management of WeedMD Inc. (the "Company") is responsible for preparing the condensed interim consolidated financial statements, the notes to the condensed interim consolidated financial statements and other financial information contained in these condensed interim consolidated financial statements (the "condensed interim consolidated financial statements").

Management prepares the condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements are considered by management to present fairly the company's financial position and results of operations.

The management, in fulfilling its responsibilities, has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that management assets are safeguarded from loss or unauthorized use, and that the records are reliable for preparing the condensed interim consolidated financial statements.

George Scorsis, Chief Executive Officer
June 28, 2021

Notice of No Auditor's Review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim consolidated financial statements of WeedMD Inc.

The accompanying condensed interim consolidated financial statements (unaudited) of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited condensed interim consolidated financial statements (except for the prior period unaudited condensed interim consolidated financial statements as at and for the three months period ended March 31, 2020, which were reviewed by an independent auditor) in accordance with the standards established by the Canadian Chartered Professional Accountants (CPA) Canada for a review of interim financial statements by an entity's auditors.

WeedMD Inc.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Canadian dollars)

	Note		March 31, 2021		December 31, 2020
			(Unaudited)		*(Audited)*
Assets					
Current					
Cash and cash equivalent		**$**	**20,513,922**	$	22,321,903
Restricted cash			**3,296,159**		3,296,180
Trade and other receivables	15		**7,820,025**		2,252,820
Inventory	3		**30,353,208**		30,665,489
Biological assets	3		**4,395,008**		1,955,697
Investments			**232,500**		232,500
Prepaid expenses and deposits			**1,480,325**		1,273,967
Commodity tax receivable			**2,433,030**		1,942,590
Assets held for sale	7		**2,848,334**		2,848,334
Total current assets			**73,372,511**		66,789,480
Right-of-use assets	4		**2,936,852**		3,136,286
Property, plant and equipment	5		**95,216,942**		96,905,979
Intangible assets	6		**4,298,190**		4,497,612
Total assets		**$**	**175,824,495**	$	171,329,357
Liabilities					
Current					
Accounts payables and accrued liabilities	16	**$**	**12,157,734**	$	15,558,726
Current portion of lease liabilities	4		**1,281,563**		1,381,649
Current portion of loans and borrowings	9		**7,089,985**		3,986,677
Liabilities related to assets held for sale	7		**668,635**		802,285
Total current liabilities			**21,197,917**		21,729,337
Lease liabilities	4		**1,132,626**		1,190,741
Loans and borrowings	9		**60,219,668**		64,734,380
Unsecured convertible debentures	8		**9,955,615**		9,584,869
Total liabilities		**$**	**92,505,826**	$	97,239,327
Shareholders' equity					
Common shares	10	**$**	**176,109,633**	$	163,229,737
Warrants reserve	11		**13,555,037**		10,597,563
Conversion feature	11		**1,514,025**		1,514,025
Contributed surplus	12		**16,434,350**		16,035,146
Accumulated deficit			**(124,294,376)**		(117,286,441)
Total shareholders' equity			**83,318,669**		74,090,030
Total liabilities and shareholders' equity		**$**	**175,824,495**	$	171,329,357

Going concern (Note 2)

Commitments (Note 19)

Subsequent events (Note 25)

See accompanying notes to the condensed interim consolidated financial statements

"George Scorsis" (signed)	"Bruce Croxon" (signed)
Director	Director

WeedMD Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(in Canadian dollars)

For the three months ended March 31,	Note		2021	2020
			(Unaudited)	*(Unaudited)*
Revenue	17	$	**12,899,981**	13,600,588
Excise taxes			**(2,621,913)**	(1,415,809)
Revenue, net			**10,278,068**	12,184,779
Cost of goods sold			**(10,027,328)**	(10,814,538)
Gross profit before changes in fair value			**250,740**	1,370,241
Realized fair value amounts included in inventory sold			**4,408,644**	1,603,145
Unrealized (gain) loss on changes in fair value of biological assets	3		**(4,081,729)**	349,503
Gross loss			**(76,175)**	**(582,407)**
Depreciation and amortization			**1,274,205**	219,883
Selling, general and administrative	20		**6,020,665**	6,489,127
Finance costs			**2,480,958**	1,324,151
Share based compensation	12		**399,204**	370,272
Loss before other income (expenses)			**(10,251,207)**	(8,985,840)
Unrealized loss on investment			**-**	(29,152)
Realized loss on investment			**-**	(30,650)
Interest income			**-**	43,950
Other income	23		**3,198,258**	-
Government grant	24		**45,014**	-
Loss and comprehensive loss			**(7,007,935)**	(9,001,692)
Basic and diluted loss per share	13	$	**(0.03)**	(0.04)

See accompanying notes to the condensed interim consolidated financial statements

WeedMD Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in Canadian dollars)

	Note	Number of Shares	Share Capital	Warrants	Conversion Feature	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2019 (Audited)		**186,489,559**	**137,646,156**	**10,597,563**	**1,514,025**	**13,980,748**	**(27,679,307)**	**136,059,185**
Share based compensation		-	-	-	-	370,272	-	370,272
Common shares issued upon private placement		23,079,763	25,000,000	-	-	-	-	25,000,000
Transfer on issuance of shares		692,393	583,581	-	-	(583,581)	-	-
Deferred share units issued		-	-	-	-	-	-	-
Loss and comprehensive loss		-	-	-	-	-	(9,001,692)	(9,001,692)
Balance, March 31, 2020 (Unaudited)		**210,261,715**	**163,229,737**	**10,597,563**	**1,514,025**	**13,767,439**	**(36,680,999)**	**152,427,765**
Balance, December 31, 2020 (Audited)		**210,261,715**	**163,229,737**	**10,597,563**	**1,514,025**	**16,035,146**	**(117,286,441)**	**74,090,030**
Share based compensation	12	-	-	-	-	399,204	-	399,204
Common shares issued upon private placement	10	35,937,500	13,976,016	3,273,984	-	-	-	17,250,000
Issuance cost	10	-	(1,351,120)	(316,510)	-	-	-	(1,667,630)
Shares issued on exercise of stock option	10	425,000	255,000	-	-	-	-	255,000
Loss and comprehensive loss		-	-	-	-	-	(7,007,935)	(7,007,935)
Balance, March 31, 2021 (Unaudited)		**246,624,215**	**176,109,633**	**13,555,037**	**1,514,025**	**16,434,350**	**(124,294,376)**	**83,318,669**

See accompanying notes to condensed interim consolidated financial statements

WeedMD Inc.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian dollars)

For the period ended March 31,	Note		2021		2020
Cashflows provided by (used in):					
Operating					
Net loss		$	(7,007,935)	$	(9,001,692)
Adjustments for:					
Depreciation and amortization			1,274,205		219,883
Share based compensation			399,204		370,272
Finance costs			2,480,958		911,552
Fair value changes in biological assets included in inventory sold			4,408,644		1,603,145
Unrealized (gain) loss on changes in fair value of biological assets and inventory			(4,081,729)		349,503
Realized loss on investments			-		30,650
Unrealized loss on investments			-		29,152
			(2,526,653)		(5,487,535)
Change in non-cash working capital	20		(12,253,844)		(10,832,641)
		$	(14,780,497)	$	(16,320,176)
Investing					
Purchase of property, plant and equipment			-		(1,296,048)
Purchase of intangible assets			(26,963)		(225,850)
Disposal of investments			-		126,328
		$	(26,963)	$	(1,395,570)
Financing					
Proceeds from issuance of share capital net of issuance cost	10 & 11		16,089,174		25,000,000
Shares issued on exercise of stock option	10		255,000		-
Payment of lease liabilities	4		(206,598)		(665,763)
Repayment of loans and borrowings	9		(2,682,617)		-
Interest paid	9		(455,501)		(537,731)
		$	12,999,458	$	23,796,506
Increase (decrease) in cash			(1,808,002)		6,080,760
Cash, beginning of period			25,618,083		11,296,394
Cash, end of period		$	23,810,081	$	17,377,154
Cash and cash equivalents			20,513,922		14,182,504
Restricted cash			3,296,159		3,194,650
		$	23,810,081	$	17,377,154

See accompanying notes to the condensed interim consolidated financial statements

1. Nature of operations

WeedMD Inc. is the publicly-traded parent company of WeedMD Rx Inc., a federally-licensed producer and distributor of cannabis products for both the medical and adult-use markets. The Company owns and operates three facilities: A 26,000 square feet ("sq. ft.") indoor facility in Aylmer, Ontario ("Aylmer Facility") which specializes in cannabis extraction and processing, Starseed Medicinal Inc. ("Starseed"), a wholly owned subsidiary of WeedMD Inc. operating out of the Company's 14,850 sq. ft. indoor facility in Bowmanville, Ontario which specializes in cannabis processing and packaging and a 158-acre property with up to 550,000 sq. ft. of state-of-the-art greenhouses and up to 100 acres of outdoor facility located in Strathroy, Ontario. As at March 31, 2021, the Company has 310,850 sq. ft. of indoor (warehouse and hybrid greenhouse) licensed production space and 27 acres of outdoor licensed production space across its sites. WeedMD has a multi-channeled distribution strategy that includes selling directly to medical patients, strategic relationships across the seniors' market and supply agreements with Shoppers Drug Mart as well as six provincial distribution agencies.

The condensed interim consolidated financial statements of WeedMD Inc. for the three months ended March 31, 2021, are comprised of WeedMD Inc. and its wholly-owned subsidiaries: WeedMD Capital Corp., WeedMD Rx Inc. ("WeedMD Rx") along with its wholly-owned subsidiaries WeedMD Rx Ltd., WMD Ventures Inc., 2686912 Ontario Limited and 2686913 Ontario Inc., and Starseed Holdings Inc. along with its wholly-owned subsidiaries Starseed Medicinal Inc. and North Star Wellness Inc. (collectively, "WeedMD" or the "Company"). WeedMD Rx Ltd., WeedMD Capital Corp and WMD Ventures Inc. are currently dormant.

WeedMD Inc., is a publicly listed company on the TSX Venture Exchange ("TSXV") that trades under the ticker symbol "WMD". WeedMD Inc. is also listed on the OTCQX under the ticker symbol "WDDMF" and on the Frankfurt Stock Exchange under the ticker symbol "4WE". The registered and head office of the Company is located at 250 Elm Street, Aylmer, Ontario, N5H 2M8.

WeedMD Rx was incorporated on March 26, 2013, under the Canada Business Corporations Act as 8472106 Canada Inc. On January 7, 2014, the Company filed its articles of amendment, changed its name to WeedMD Rx Inc. and commenced operations. On April 22, 2016, WeedMD obtained its first licence to produce cannabis under the federal Access to Cannabis for Medical Purposes Regulations ("ACMPR") for its Aylmer facility. On April 28, 2017, WeedMD satisfied Health Canada that its growing processes resulted in finished product that met the strict quality control standards and the Good Production Practices ("GPP") set out in the ACMPR. At this time the Company's licence was renewed and amended to add the activity of sale of dried cannabis and the sale of live cannabis plants.

On April 13, 2017, the Company completed a transaction by way of a three-cornered amalgamation (the "Amalgamation") among WeedMD Rx, Aumento and a wholly owned subsidiary of Aumento.

On June 16, 2017 WeedMD received an amendment to its licence allowing for the production of cannabis oil. Subsequent to this event, the Company successfully produced, packaged and tested several batches of oil. On October 5, 2017, Health Canada once again amended the Company's licence to allow for the sale of cannabis oil and was subsequently granted a licence to sell cannabis oil on December 1, 2017.

On June 8, 2018, WeedMD received its first licence to begin cultivation in 44,000 sq. ft. at the Strathroy site. On December 23, 2018, this licence was amended to include another 66,000 sq. ft., bringing the total licensed operational capacity to 136,000 sq. ft. between both locations. On April 12, 2019, the Company secured a standard processing licence for the Hybrid Greenhouse. On August 2, 2019, the Strathroy licence was further amended to increase the licensed production area to 215,000 sq. ft. On October 16, 2019, WeedMD secured a Health Canada licence for its 50,000 sq. ft. purpose built cannabis processing facility on the Strathroy property.

Effective October 17, 2018, and subsequently amended on May 31, 2019 to include the outdoor production area, the Company is licensed to produce and sell cannabis under the Cannabis Act, with licences effective to October 20, 2023, June 8, 2021 and October 31, 2022 for the Company's three facilities; Aylmer, Strathroy, and Bowmanville, respectively.

On December 20, 2019, through the acquisition of Starseed Holdings, WeedMD acquired 10,000 sq. ft. of indoor licensed production area at the Bowmanville facility. The license is for standard cultivation (indoor), standard processing, and sale of cannabis products for sale of cannabis and cannabis products, medical sale of cannabis product for medical purposes.

2. Basis of preparation and accounting policies

Basis of presentation

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements of WeedMD Inc. for the years ended December 31, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on June 28, 2021.

b) Basis of presentation

The condensed interim consolidated financial statements have been prepared on a historical cost basis adjusted for impairment except for certain financial instruments and biological assets, which are measured at fair value and inventory which is recorded at the lower of cost and net realizable value.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is also the presentation currency of the condensed interim consolidated financial statements.

c) Basis of consolidation

The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date control ceases.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed interim consolidated financial statements.

d) Accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The policies and methods applied in the condensed interim consolidated financial statements are consistent with those of the consolidated financial statements for the years ended December 31, 2020 and 2019.

e) COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of non-essential businesses. In Canada, the production and sale of cannabis is recognized as an essential service.

During the period ended March 31, 2021, the pandemic did not have a material impact on the Company's operations. COVID-19 has resulted in changes to the way the company operates, for example, the number of employees allowed in a grow room. Consequently, the Company has taken steps to minimize any potential impact of the pandemic. These actions include postponement of discretionary capital expenditures, reduction of general and administrative expenses, temporary staff reductions, and enhanced process optimization to increase efficiencies and reduce costs.

Due to the rapid developments and uncertainty surrounding COVID-19, the challenges continue within the cannabis and other industries, and therefore it is not possible to predict the impact that COVID-19 will have on certain businesses, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

f) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations. As of March 31, 2021, the Company had working capital of $52,174,594 (December 31, 2020 – working capital of $45,060,143) and an accumulated deficit of $124,294,376 (December 31, 2020 - $117,286,441). For the three months ended, the Company used cash in operating activities of $14,780,497 (three months ended March 31, 2020 - $16,320,176), resulting primarily from the net loss of $7,007,935 (three months ended March 31, 2020 - $9,001,692) offset by items not affecting cash such as depreciation, amortization, stock-based compensation. The Company has insufficient cash to fund its planned capital investments and operations for the next twelve months. The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

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

g) New accounting pronouncements not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending December 31, 2021 and, accordingly, have not been applied in preparing these unaudited condensed interim consolidated financial statements.

Improving accounting policy disclosures and clarifying distinction between accounting policies and accounting estimates (Amendments to IAS 1 and IAS 8)

(Unaudited – Expressed in Canadian Dollars)

In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments

3. Inventory and biological assets

Inventory

Inventory is comprised of the following and is valued at the lower of cost and net realizable value:

	March 31, 2021		December 31, 2020	
	$	**Grams**	$	Grams
Dried cannabis	17,417,198	20,354,420	18,758,723	20,114,668
Harvested work in progress	5,074,458	9,665,338	5,345,980	9,766,930
Extracts				
Resin	145,508	279,446	98,488	232,690
Crude oil	507,781	75,600	693,835	38,710
Finished oil	3,659,185	2,087,910	4,098,705	1,571,521
Non-cannabis inventory	3,549,079	-	1,669,758	-
	30,353,208		**30,665,489**	

Biological assets

The Company's biological assets consist of cannabis plants.

The changes in the carrying value of the Company's biological assets are as follows:

Carrying amount, December 31, 2019	$	**7,665,876**
Changes in fair value less costs to sell due to biological transformation		16,649,277
Production costs capitalized		13,826,251
Transferred to inventory upon harvest		(36,185,707)
Carrying amount, December 31, 2020		**1,955,697**
Changes in fair value less costs to sell due to biological transformation		4,081,729
Production costs capitalized		1,945,981
Transferred to inventory upon harvest		(3,588,399)
Carrying amount, March 31, 2021	$	**4,395,008**

All of the plants are to be harvested as agricultural produce, and are classified as indoor grow (Dec 31, 2020 – indoor and outdoor grow). Indoor grow plants are up to fifteen weeks from harvest (December 31, 2020: up to sixteen weeks) and the life cycle is estimated to be one hundred and thirty days (December 31, 2020: one hundred and forty four days). The Company did not hold plants to be sold as live plants at March 31, 2021 and December 31, 2020. Biological assets are classified as level 3 in the fair value hierarchy. There have been no transfers between levels.

(Unaudited – Expressed in Canadian Dollars)

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period, each harvest is adjusted to full fair value less costs to complete and sell based on the actual yield in grams for completed harvests and estimated yield for harvests in progress. Costs incurred during the biological transformation process are capitalized to biological assets when the costs are incurred, fair value adjustments are recorded to reflect the difference between the capitalized costs and fair value less costs to complete and sell. Cannabis which has been harvested is transferred to inventory at the full biological asset carrying value, comprised of capitalized costs and fair value adjustments, for each harvest.

In determination of the Fair Value of Biological Assets, the Company considers the following:

- The product of the expected yield in grams per plant and the expected selling price per gram;
- The expected selling price less selling costs and remaining costs to be incurred in order to complete the harvest and bring the harvested product to finished inventory; and
- The applied discount rate based on the number of days that the Company expects it will take to sell the yield from the biological assets.

The significant assumptions used in determining the fair value of cannabis plants are as follows:

- Expected yield by plant adjusted for expected wastage – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each cannabis plant;
- Percentage of costs incurred to date compared to the total expected costs to be incurred per stage of growth and over the life of the plant are used to estimate the fair value of an in-process plant at each stage;
- Expected weighted average selling price per gram of harvested cannabis – calculated as the weighted average historical selling price for all strains of cannabis sold by the Company, which is expected to approximate future selling prices;
- Expected number of days remaining in each stage of growth and over the life of the plant; and
- Expected number of days from harvest to sell the yield from biological assets.

The Company estimates harvest yields for the plants at various stages of growth. As of March 31, 2021, it is expected that the Company's biological assets that are to be harvested from its greenhouse facility will yield approximately 4,937,204 grams (December 31, 2020: 4,268,534 grams) with a value of $4,395,009 (December 31, 2020: $1,955,697), based on the current stage of growth. The weighted average selling price used in the valuation is $1.42 per gram (December 31, 2020: $1.26 per gram) and is based on a normalized historical average selling price, adjusted based on expected future sales mix, of all dried cannabis sales and can vary based on the different strains produced and grades of cannabis. The Company estimates percentage of costs incurred based on the stage of growth, as costs are not incurred evenly throughout the grow cycle. Plants on hand at March 31, 2021, have incurred an average of 61 % of costs to harvest (December 31, 2020: 46%).

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets using the most sensitive inputs to the fair value methodology. The following table quantifies each significant input, and also provides the estimated impact of a reasonable increase/decrease that each input would have on the fair value of the Company's greenhouse biological assets.

	March 31, 2021 Valuation inputs	December31, 2020 Valuation inputs	Percentage change used in sensitivity analysis	Change resulting for reasonable variance as at March 31, 2021	Change resulting for reasonable variance as at December 31, 2020
Increase or decrease of Selling price	$0 to $2.32	$0 to $2.38	10%	$691,763	$524,001
Increase or decrease of Yield by plant	150 grams	92 grams	15%	$473,542	$293,355
Increase in average life cycle	115 days	116 days	10%	$101,930	$160,302
Decrease in average life cycle	115 days	116 days	10%	($107,565)	($136,368)
Increase in percentage of costs to harvest incurred to date	61%	46%	10%	$103,750	$145,543
Decrease in percentage of costs to harvest incurred to date	61%	46%	10%	($103,750)	($150,005)

(Unaudited – Expressed in Canadian Dollars)

4. Right-of-use assets and lease obligations

The following is a breakdown of the carrying amount of the right-of-use assets as at March 31, 2021:

	Office Space Queen St.	Office Space 484 Richmond	Building Sprung Greenhouse	Vehicle Truck	Starseed Office Space/ Bowmanville	Equipment Spectrum	Total
Cost							
As at, December 31, 2019	504,605	-	1,762,359	7,968	1,870,154	-	4,145,086
Additions	-	944,521	-	-	-	637,364	1,581,885
Assets held for sale (Note 10)	-	-	-	-	(1,689,100)	-	(1,689,100)
As at, December 31, 2020	504,605	944,521	1,762,359	7,968	181,054	637,364	4,037,871
Additions	-	-	-	-	-	-	-
As at March 31, 2021	$ 504,605	944,521	1,762,359	7,968	181,054	637,364	4,037,871
Depreciation							
As at, December 31, 2019	95,949	-	29,373	5,625	697,401	-	828,348
Depreciation	100,260	85,940	86,359	2,343	498,496	318,682	1,092,080
Assets held for sale (Note 10)	-	-	-	-	(1,097,062)	-	(1,097,062)
As at, December 31, 2020	196,209	85,940	115,732	7,968	98,835	318,682	823,366
Depreciation	25,230	23,613	20,837	-	119,506	10,248	199,434
As at March 31, 2021	$ 221,439	109,553	136,569	7,968	218,341	328,930	1,022,800
Impairment							
As at, December 31, 2019	-	-	-	-	-	-	-
Impairment (Note 9)	9,039	23,931	45,249	-	21,781	-	100,000
Assets held for sale (Note 10)	-	-	-	-	(21,781)	-	(21,781)
As at, December 31, 2020	9,039	23,931	45,249	-	-	-	78,219
Impairment						-	-
As at March 31, 2021	$ 9,039	23,931	45,249	-	-	-	78,219
Net book value							
As at, December 31, 2020	299,357	834,650	1,601,378	-	82,219	318,682	3,136,286
As at March 31, 2021	$ 274,127	$ 811,037	$ 1,580,541	$ -	$ (37,287)	$ 308,434	$ 2,936,852

The following is a breakdown of the carrying amount of the lease obligations as at March 31, 2021:

	Office Space 232 Central Ave.	Office Space Queen St.	Office Space 484 Richmond	Building Sprung Greenhouse	Vehicle Truck	Equipment Spectrum	Starseed Office Space/ Bowmanville	Total
Ending lease liability, December 31, 2019	$ 112,847	$ 419,702	$ -	$ 1,709,590	$ 2,150	-	$ 1,408,206	$ 3,652,495
Additions	-	-	944,521	-	-	637,364	-	1,581,885
Interest	-	21,851	48,824	95,048	11	48,561	70,266	284,561
Payments	(15,000)	(115,668)	(104,747)	(977,368)	(2,146)	(354,448)	(574,889)	(2,144,266)
Assets held for sale	-	-	-	-	-	-	(802,285)	(802,285)
Ending lease liability, December 31, 2020	$ **97,847**	$ **325,885**	$ **888,598**	$ **827,270**	$ **15**	**331,477**	$ **101,298**	$ **2,572,390**
Interest	-	4,603	12,794	18,715	-	10,817	1,468	48,397
Payments	(3,750)	(28,917)	(28,998)	-	-	(133,293)	(11,640)	(206,598)
Ending lease liability, March 31, 2021	$ **94,097**	$ **301,571**	$ **872,394**	$ **845,985**	$ **15**	**209,001**	$ **91,126**	$ **2,414,189**
Short Term Portion	$ 15,000	$ 100,846	$ 68,528	$ 845,985	$ 15	$ 209,001	$ 42,188	$ 1,281,563
Long Term Portion	$ 79,097	$ 200,725	$ 803,866	$ -	$ -	$ -	$ 48,938	$ 1,132,626

The gross lease commitment schedule for all future lease payments is outlined in the table below:

Within 1 year	$ 2,226,011
Within 2 years	297,091
Within 3 years	238,130
Within 4 years	140,026
Beyond 4 years	674,600
	$ 3,575,858

(Unaudited – Expressed in Canadian Dollars)

5. Property, plant and equipment

Cost	Balance at December 31, 2020	Additions	Transfer	Transfer to Assets held for sale	Balance at March 31, 2021
Security equipment	$ 3,355,575	$ -	$ -	$ -	3,355,575
Equipment	14,322,495	-	-	-	14,322,495
Furniture & fixtures	432,820	-	-	-	432,820
Fence & signage	663,648	-	-	-	663,648
Land	3,808,002	-	-	-	3,808,002
Building	87,721,299	-	-	-	87,721,299
Leasehold improvements and greenhouse	97,500	-	-	-	97,500
	$ 110,401,339	$ -	$ -	$ -	$ 110,401,339

Accumulated Amortization	Balance at December 31, 2020	Additions	Transfer	Transfer to Assets held for sale	Balance at March 31, 2021
Security equipment	$ (1,247,570)	$ (99,335)	$ -	$ -	(1,346,905)
Equipment	(3,860,700)	(509,222)	-	-	(4,369,922)
Furniture & fixtures	(149,034)	(13,490)	-	-	(162,524)
Fence & Signage	(107,280)	(13,330)	-	-	(120,610)
Building	(4,676,873)	(1,052,441)	-	-	(5,729,314)
Leasehold improvements and greenhouse	(5,216)	(1,219)	-	-	(6,435)
	$ (10,046,673)	$ (1,689,037)	$ -	$ -	(11,735,710)

Accumulated Impairment	Balance at December 31, 2020	Additions	Transfer	Transfer to Assets held for sale	Balance at March 31, 2021
Security equipment	(92,615)	-	-	$ -	(92,615)
Equipment	(247,268)	-	-	-	(247,268)
Furniture & fixtures	(13,977)	-	-	-	(13,977)
Fence & signage	(23,188)	-	-	-	(23,188)
Land	-	-	-	-	-
Building	(2,964,126)	-	-	-	(2,964,126)
Leasehold improvements and greenhouse	(107,513)	-	-	-	(107,513)
	$ (3,448,687)	$ -	$ -	$ -	(3,448,687)

Net Book Value	Balance at December 31, 2020	Additions	Transfer	Transfer to Assets held for sale	Balance at March 31, 2021
Security equipment	2,015,390	(99,335)	-	-	1,916,055
Equipment	10,214,527	(509,222)	-	-	9,705,305
Furniture & fixtures	269,809	(13,490)	-	-	256,319
Fence & signage	533,180	(13,330)	-	-	519,850
Land	3,808,002	-	-	-	3,808,002
Building	80,080,300	(1,052,441)	-	-	79,027,859
Leasehold improvements and greenhouse	(15,229)	(1,219)	-	-	(16,448)
	96,905,979	(1,689,037)	-	-	95,216,942

(Unaudited – Expressed in Canadian Dollars)

Cost	Balance at December 31, 2019	Additions	Transfer	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	$ 3,297,634	$ 57,941	$ -	$ -	3,355,575
Equipment	16,213,312	376,210	(754,807)	(1,512,220)	14,322,495
Furniture & fixtures	395,766	99,835	-	(62,781)	432,820
Fence & signage	663,648	-	-	-	663,648
Land	3,808,002	-	-	-	3,808,002
Building	86,063,658	1,657,641	-	-	87,721,299
Leasehold improvements and greenhouse	1,837,322	3,507	-	(1,743,329)	97,500
	$ 112,279,342	$ 2,195,134	$ (754,807)	$ (3,318,330)	110,401,339

Accumulated Amortization	Balance at December 31, 2019	Additions	Transfer	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	$ (780,862)	$ (466,708)	$ -	$ -	(1,247,570)
Equipment	(1,575,100)	(2,575,425)	55,567	234,258	(3,860,700)
Furniture & fixtures	(98,456)	(59,109)	-	8,531	(149,034)
Fence & Signage	(48,625)	(58,655)	-	-	(107,280)
Building	(1,003,033)	(3,673,840)	-	-	(4,676,873)
Leasehold improvements and greenhouse	(1,450)	(69,134)	-	65,368	(5,216)
	$ (3,507,526)	$ (6,902,871)	$ 55,567	$ 308,157	(10,046,673)

Accumulated Impairment	Balance at December 31, 2019	Additions	Transfer	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	-	(92,615)	-	$ -	(92,615)
Equipment	-	(1,433,217)	-	1,185,949	(247,268)
Furniture & fixtures	-	(63,591)	-	49,614	(13,977)
Fence & signage	-	(23,188)	-	-	(23,188)
Land	-		-	-	-
Building	-	(2,964,126)	-	-	(2,964,126)
Leasehold improvements and greenhouse	-	(1,623,263)	-	1,515,750	(107,513)
	$ -	$ (6,200,000)	$ -	$ 2,751,313	(3,448,687)

Net Book Value	Balance at December 31, 2019	Additions	Transfer	Transfer to Assets held for sale	Balance at December 31, 2020
Security equipment	2,516,772	(501,382)	-	-	2,015,390
Equipment	14,638,212	(3,632,432)	(699,240)	(92,013)	10,214,527
Furniture & fixtures	297,310	(22,865)	-	(4,636)	269,809
Fence & signage	615,023	(81,843)	-	-	533,180
Land	3,808,002	-	-	-	3,808,002
Building	85,060,625	(4,980,325)	-	-	80,080,300
Leasehold improvements and greenhouse	1,835,872	(1,688,890)	-	(162,211)	(15,229)
	108,771,816	(10,907,737)	(699,240)	(258,860)	96,905,979

(Unaudited – Expressed in Canadian Dollars)

6. Intangible assets

Cost	Balance at December 31, 2020	Additions	Net assets held for sale	Balance at March 31, 2021
Software	$ 1,749,634	$ 26,963	$ -	$ 1,776,597
Brands and trademarks	2,188,498	-	-	2,188,498
Customer relationships	1,623,278	-	-	1,623,278
	$ 5,561,410	$ 26,963	$ -	$ 5,588,373

Accumulated Amortization	Balance at December 31, 2020	Additions	Net assets held for sale	Balance at March 31, 2021
Software	$ (419,225)	$ (108,899)	$ -	$ (528,124)
Brands and trademarks	(222,719)	(58,582)	-	(281,301)
Customer relationships	(232,827)	(58,904)	-	(291,731)
	$ (874,771)	$ (226,385)	$ -	$ (1,101,156)

Accumulated Impairment	Balance at December 31, 2020	Additions	Net assets held for sale	Balance at March 31, 2021
Software	$ (17,365)	$ -	$ -	$ (17,365)
Brands and trademarks	(20,981)	-	-	(20,981)
Customer relationships	(150,681)	-	-	(150,681)
	$ (189,027)	$ -	$ -	$ (189,027)

Net book value	Balance at December 31, 2020	Additions	Net assets held for sale	Balance at March 31, 2021
Software	$ 1,313,044	$ (81,936)	$ -	$ 1,231,108
Brands and trademarks	1,944,798	(58,582)	-	1,886,216
Customer relationships	1,239,770	(58,904)	-	1,180,866
	$ 4,497,612	$ (199,422)	$ -	$ 4,298,190

Cost	Balance at December 31, 2019	Additions	Net assets held for sale	Balance at December 31, 2020
Software	$ 1,555,018	$ 357,772	$ (163,156)	$ 1,749,634
Brands and trademarks	2,188,498	-	-	2,188,498
Customer relationships	1,623,278	-	-	1,623,278
Licences	15,735,600	-	(15,735,600)	-
	$ 21,102,394	$ 357,772	$ (15,898,756)	$ 5,561,410

Accumulated Amortization	Balance at December 31, 2019	Additions	Net assets held for sale	Balance at December 31, 2020
Software	$ (51,404)	$ (376,758)	$ 8,937	$ (419,225)
Brands and trademarks	-	(222,719)	-	(222,719)
Customer relationships	-	(232,827)	-	(232,827)
Licences	(52,079)	(1,180,170)	1,232,249	-
	$ (103,483)	$ (2,012,474)	$ 1,241,186	$ (874,771)

Accumulated Impairment	Balance at December 31, 2019	Additions	Net assets held for sale	Balance at December 31, 2020
Software	$ -	$ (18,435)	$ 1,070	$ (17,365)
Brands and trademarks	-	(20,981)	-	(20,981)
Customer relationships	-	(150,681)	-	(150,681)
Licences	-	(12,186,302)	12,186,302	-
	$ -	$ (12,376,399)	$ 12,187,372	$ (189,027)

Net book value	Balance at December 31, 2019	Additions	Net assets held for sale	Balance at December 31, 2020
Software	$ 1,503,614	$ (37,421)	$ (153,149)	$ 1,313,044
Brands and trademarks	2,188,498	(243,700)	-	1,944,798
Customer relationships	1,623,278	(383,508)	-	1,239,770
Licences	15,683,521	(13,366,472)	(2,317,049)	-
	$ 20,998,911	$ (14,031,101)	$ (2,470,198)	$ 4,497,612

(Unaudited – Expressed in Canadian Dollars)

7. Assets held for sale

On January 19, 2021, the Company entered into a letter of intent (LOI) with a third-party buyer to transfer the shares (Proposed Transaction) of Starseed Medicinal Inc. (Starseed) a 100% subsidiary of Starseed Holdings Inc. (SHI), which in turn is a wholly owned subsidiary of the Company. An executed share purchase agreement was signed on March 15, 2021 to sell 100% of the outstanding shares of Starseed on a cash-free and debt-free basis for a purchase price of $2,500,000. Starseed is a holder of a license to cultivate, process and sell cannabis under the Cannabis Act and Cannabis Regulations from its facility located at 1100 Bennett Road, Bowmanville, Ontario (the "Facility"). The right-of-use assets and related license, as well as all property, plant and equipment of Starseed will be included in the sale of Starseed. Certain key contracts and customer relationships have been excluded from the share purchase agreement, and will be transferred, along with the operations and ongoing business of Starseed, to another wholly own subsidiary. The Company vacated from and ceased all meaningful operations at the Facility during the first quarter of 2021.

The initial decision to initiate a sale process for the Facility happened in November 2020 when management signed a non-disclosure agreement with the first broker engaged by management on October 30, 2020 and formal discussions initiated with a second broker on November 3, 2020.

On November 20, 2020, a memorandum was prepared by management to outline the transaction structure possibilities and later more formality was added to the process by delivering to all interested parties a process letter on November 30, 2020. Assets at the Facility are classified as held for sale as management considered the net assets to be included in the sale to meet the criteria to be classified as held for sale at that date for the following reasons:

- Assets at the Facility are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage
- The Company approved the plan to sell in November 2020.

The transfer of the assets held at the Facility are expected to be completed within a year from the reporting date. At March 31, 2021, the net assets of Starseed included in the share purchase agreement were classified as a disposal group held of sale, and measured at the lower of carrying value and fair value less costs to sell. The fair value less costs to sell was determined to be $2,179,699 which includes the $2,500,000 sale price, net of $453,951 expected costs to sell and $133,650 pertains to reduction in lease liability. The costs to sell include legal fees, advisory fees and costs to the landlord of the Facility.

Assets	Note	$
Right-of-use assets	4	573,227
License - Intangible assets	6	2,470,198
Property, plant and equipment	5	258,860
Assets held for sale		3,302,285
Less: Cost to sell		(453,951)
		2,848,334
Liabilities		
Lease liabilities	4	(668,635)
Net assets held for sale		2,179,699

(Unaudited – Expressed in Canadian Dollars)

8. Unsecured convertible debentures

		Debentures		Warrants		Conversion Feature		Total
Balance, December 31, 2019	$	8,321,120	$	1,447,359	$	1,514,025	$	11,282,504
Accretion of debentures		1,263,749		-		-		1,263,749
Balance, December 31, 2020	$	9,584,869	$	1,447,359	$	1,514,025	$	12,546,253
Accretion of debentures		370,746		-		-		370,746
Balance, March 31, 2021		9,955,615		1,447,359		1,514,025		12,916,999

<u>2019 convertible debenture</u>

On September 25, 2019, the Company closed a bought-deal short-form prospectus offering of 13,115 convertible unsecured debentures units (the "2019 Unsecured Convertible Debentures") at a price per 2019 Unsecured Convertible Debenture of $1,000 for gross proceeds of $13,115,000 (the "Offering") with a syndicate of underwriters. The 2019 Unsecured Convertible Debentures bear interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The 2019 Unsecured Convertible Debentures have a maturity date of September 25, 2022 (the "Maturity Date"). The 2019 Unsecured Convertible Debentures are convertible at the option of the holder into Shares of the Company at any time prior to the earlier of (i) close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the 2019 Unsecured Convertible Debentures upon a change in control at a conversion price of $1.60 per Share (the "Conversion Price").

The Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares on the TSXV be greater than $3.20 for the consecutive 20 trading days preceding the notice.

Upon a Change of Control of the Company, holders of the 2019 Unsecured Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the Change of Control, at a price equal to 104% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "Offer Price"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the Change of Control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

In connection with the Company's 2019 Unsecured Convertible Debenture, the Company issued 8,196,875 warrants to the holders of the 2019 Unsecured Convertible Debentures. Each warrant is exercisable into one Share at the Conversion Price ($1.80) for a period of 36 months following the closing of the Offering. The fair value of the warrants was estimated as $3,977,461 with reference to the Monte Carlo option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free rate of 1.53%; (iv) unit price of $1.33; (v) forfeiture rate of nil; (vi) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable. The Monte Carlo option pricing model was deemed applicable to these warrants and the conversion feature as they have accelerated vesting terms based on the volume weighted average trading price of the outstanding common shares on the TSX Venture Exchange. The Black Scholes option pricing model does not address the accelerated vesting terms, and potential change in the time to the warrant's and conversion feature's expiry. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the 2019 Unsecured Convertible Debentures assuming a market interest rate of 20.92%, which was the estimated rate for the 2019 Unsecured Convertible Debentures without the equity component of the conversion feature. The effective interest rate of the 2019 Unsecured Convertible Debentures after reflecting issuance costs was 26.67%.

The residual of the principal less the present value of the liability component was allocated to the conversion option and the warrants based on their relative fair value, resulting in an allocation of $1,814,709 to the conversion option and $1,685,087 to the warrants.

The fair value of the conversion feature has been estimated as $4,283,419 using the Monte Carlo pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 76.74%; (iii) risk-free interest rate of 1.53%; (iv) share price of $1.33; forfeiture rate of nil; and (v) expected life of three years. Expected volatility is based on the historical volatility of other companies that the Company considers comparable.

The Company also issued to the Underwriters 983,624 compensation warrants with a fair value of $587,293. 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.60 per share for a period of up to 36 months following the close of the Offering and 491,812 of the compensation warrants are exercisable into one Share at an exercise price of $1.80 per share for a period of up to 36 months following the close of the Offering. The Company paid $1,262,942 in cash for transaction and commission costs. The cash transaction costs and compensation warrants are directly attributable transaction costs and have been allocated to the liability, warrants and conversion feature components in proportion to their initial carrying amounts.

During the year ended December 31, 2019, 350 of the Company’s 2019 Unsecured Convertible Debentures were converted into 218,750 common shares at the option of the holder. There were no debentures converted during the current period ended March 31, 2021.

9. Loans and borrowings

On March 29, 2019, the Company entered into combined secured credit agreements totalling $39.1 million (collectively, “Credit Facilities”). The Credit Facilities are comprised of the following:

(i) Facility 1: $3,000,000 committed Revolving Credit Facility (the “Revolver”);
(ii) Facility 2: $33,150,000 committed term loan;
(iii) Facility 3: $3,000,000 committed term loan.

The Credit Facilities mature March 29, 2022 (“Maturity Date”) and bear interest on a tiered rate based on total funded debt to EBITDA. The Interest rate will range from approximately 1% to 2% above Canadian prime rate. Total borrowing costs for the Credit Facilities were $0.4 million. Under the terms of the Credit Facilities, the Company is also subject to certain customary financial and non-financial covenants and restrictions.

In addition, the Credit Facilities are secured by a first priority lien on substantially all of the Company’s personal and real property and assets. In addition, Facility 2 and 3 require $3.0 million of the proceeds to be held as a debt service reserve and will be released in eighteen months upon satisfactory review or when the Company’s twelve-month trailing EBIDTA less cash taxes and unfunded capital expenditures exceed $10 million.

Facility 1 requires interest only payments with the balance due on the Maturity Date. The outstanding balance at any point shall not exceed the Borrowing Base. As at March 31, 2021, a total of $3,290,620 (December 31, 2020- 3,290,620) had been drawn from the Revolver, and $1,636,753 (December 31, 2020- $3,290,620) which was outstanding as at March 31, 2021.

Facility 2 requires interest only payments until December 31, 2020 or such later date agreed upon (“Conversion Date”), at which point the principal will become payable and will amortize over ten years with the remaining due upon the Maturity Date. As at March 31, 2021, the Company has drawn $33,150,000 (December 31, 2020- $33,150,000) from Facility 2.

Facility 3 requires interest only payments until the Conversion Date, at which point the principal will become payable and will amortize over five years with the remaining due upon the Maturity Date. As at March 31, 2021, the Company has drawn $3,000,000 (December 31, 2020- $3,000,000) from Facility 3.

(Unaudited – Expressed in Canadian Dollars)

On September 23, 2020, the Company had entered into a credit facility with the LiUNA Pension Fund of Central and Eastern Canada ("LPF"). Under the terms, LPF provided the Company $30 million, maturing in August 2022 and bearing a 15% interest rate per annum and shall accrue daily and be payable monthly in arrears, with a payment-in-kind option at the Company's discretion, to capitalize interest in lieu of cash payment of interest. If an event of default has occurred and is continuing, the loan shall bear interest, both before and after judgment, at a rate per annum of 20%. The financing was closed on September 30, 2020. The transaction cost of $0.9 million was adjusted against the loan and will be accreted over the terms of the loan. The loan is secured against the borrower guarantee, liens on personal property, pledge of shares, lien over real property, leased property, insurance and shareholder loan.

	Facility 1	Facility 2	Facility 3	Term loan	Transaction costs	Total
Balance, December 31, 2019	$ -	$ 33,150,000	$ 3,000,000	$ -	$ (321,505)	$ 35,828,495
Proceeds	3,290,620	-	-	30,000,000	(854,848)	32,435,772
Interest	73,709	1,684,284	173,294	1,125,000	-	3,056,287
Modification	-	113,349	-	-	-	113,349
Repayment		(828,750)	(200,000)	-	-	(1,028,750)
Accretion	-	-	-	-	247,191	247,191
Interest payments	(73,709)	(1,684,284)	(173,294)	-	-	(1,931,287)
Interest payable	-	-	-	-	-	-
Balance, December 31, 2020	**$ 3,290,620**	**$ 32,434,599**	**$ 2,800,000**	**$ 31,125,000**	**$ (929,162)**	**$ 68,721,057**
Interest	23,058	397,488	34,955	1,125,000	-	1,580,501
Repayment	(1,653,867)	(828,750)	(200,000)	-	-	(2,682,617)
Accretion	-	-	-	-	146,213	146,213
Interest payments	(23,058)	(397,488)	(34,955)	-	-	(455,501)
Balance, March 31, 2021	**$ 1,636,753**	**$ 31,605,849**	**$ 2,600,000**	**$ 32,250,000**	**$ (782,949)**	**$ 67,309,653**
Current portion of loans and borrowings						7,089,985
Long term portion of loans and borrowings						60,219,668

Under the Credit Facilities until the Conversion Date the Company must maintain a total funded debt to tangible net worth ratio of not more than 1:1. At or after the Conversion Date the Company must maintain a minimum fixed charge coverage ratio of 1.25:1, a senior funded debt to EBITDA of not more than 3:1, and maintain a total funded debt to EBITDA ratio of not more than 4:1. For the three months ended March 31, 2021, the Company was compliant with the applicable covenants.

The Company is also required to maintain $100,000 as security for the Company's corporate credit cards. Both the credit card security and the debt service reserve are recorded as restricted cash.

On June 30, 2020, the company signed an amendment to its senior secured credit facility entered into on March 29, 2019 (the "Credit Facility") (the "Credit Agreement Amendment"). Under the terms of the Credit Agreement Amendment, the Conversion Date was amended from June 30, 2020 to June 30, 2021, resulting in a deferral of certain covenants by 12 months, and quarterly principal repayments have been rescheduled to December 31, 2020. The Credit Agreement Amendment also requires the Company maintain liquidity coverage of not less than $2,000,000 commencing July 1, 2020. In addition, the Company has agreed to a 50 basis point increase in the applicable interest rate margin on the Credit Facility.

Due to the modification of interest and principal repayment, the net present value of changes to the future contractual cash flows adjusts the carrying amount of the original debt with the difference immediately recognized in profit or loss. The adjusted carrying amount is then amortized over the remaining term of the (modified) liability using the original effective interest rate.

The Company is currently in discussion with the bank to restructure payment terms of the loans for facilities 1, 2 and 3. Based on these current discussions, management is confident that the repayment term of the loan will be extended beyond 2022. Therefore, these loans have been classified as non-current in the condensed interim consolidated statement of financial position.

(Unaudited – Expressed in Canadian Dollars)

10. Share capital

Authorized
Unlimited common shares

	Number of shares		Amount
Balance as at December 31, 2019	186,489,559	$	137,646,156
Common shares issued upon private placement	23,079,763		25,000,000
Transfer on issuance of shares	692,393		583,581
Balance as at December 31, 2020	210,261,715	$	163,229,737
Common shares issued upon private placement	35,937,500		13,976,016
Issuance cost	-		(1,351,120)
Issuance of shares on exercise of stock option	425,000		255,000
Balance as at March 31, 2021	246,624,215	$	176,109,633

On February 10, 2021, one consultant exercised an option for 425,000 shares.

On March 2, 2021, the Company announced a $17.5 million bought deal financing as the Company entered into an amended and restated underwriting agreement dated March 2, 2021, with Eight Capital and Canaccord Genuity Corp., as joint bookrunners and co-lead underwriters, and INFOR Financial Inc. (together with the Co-Lead Underwriters, to amend the terms of the Offering to issue to the Underwriters 31,250,000 units of the Company at a price per unit of $0.48 for gross proceeds of $15,000,000. Each unit comprised of one common share of the Company and one-half of one Common Share purchase warrant. Each Warrant shall entitle the holder thereof to purchase one Common Share at an exercise price of $0.60, for a period of 24 months following the closing of the Offering. On March 12, 2021, the Company closed its previously announced bought deal short-form prospectus offering of 35,937,500 units at a price of $0.48 per unit for aggregate gross proceeds of $17,250,000, including full exercise of the over-allotment. The Units were offered and sold by way of a short-form prospectus filed with the securities commissions in each of the provinces of Canada, other than Quebec and Newfoundland. Each unit will be comprised of one common share of the Company and one-half of one Common Share purchase warrant. If after March 12, 2022 the daily volume weighted average trading price of the Common Shares on the TSXV is equal to or greater than $0.96 per Common Share for the preceding 10 consecutive trading days, the Company shall have the right to accelerate the expiry date of the Warrants to a date that is 30 trading days following the date of the Company issues a press release disclosing such acceleration. Also refer Note 11.

11. Warrants

	Number of Warrants		Warrants reserve
Balance as at December 31, 2019	20,828,754	$	10,597,563
less: Warrants expired	(8,023,256)		-
Balance as at December 31, 2020	12,805,498	$	10,597,563
add: Warrants issued	17,968,750		3,273,984
less: issuance cost	-		(316,510)
Balance as at March 31, 2021	30,774,248	$	13,555,037

Pursuant to the closing of the offering of 35,937,500 units on March 12, 2021, the Company received aggregate gross proceeds of $17,250,000. The Company incurred in total cash issuance cost of $1,667,630, which includes an accrual of $506,804. Warrants issued during the three months period ended March 31, 2021 as explained in Note 10, are classified as equity. The Company used Monte-Carlo Simulation model to determine the fair value of these warrants of $3,367,449 on issuance date. The gross proceeds and the issuance cost have been allocated into share capital and warrants based on their relative fair values.

(Unaudited – Expressed in Canadian Dollars)

The following assumptions were used in Monte- Carlo Simulation model on issuance date:

- Stock price of $0.48
- Expected maturity of 2 years
- Volatility of 88.2%
- Discount rate of 0.32%

12. Contributed surplus

The Company has established a stock option plan for its directors, officers, employees and consultants under which the Company may grant options from time to time to acquire a maximum of 10% of the issued and outstanding Shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

As at March 31, 2021, the Company's outstanding stock options consists of the following:

	Number of options		Contributed surplus	Exercise price
Balance as at December 31, 2019	**16,345,026**	**$**	**13,980,748**	
Stock options cancelled	(420,834)		-	
Stock options forfeited	(3,742,512)		-	
Stock options expired	(511,515)		-	
Transfer on issuance of shares	-		(583,581)	
Share based compensation	-		943,243	
Stock options granted	2,469,500		531,514	
Deferred stock units issued	-		1,163,222	
Balance as at December 31, 2020	**14,139,665**	**$**	**16,035,146**	
Stock options forfeited	(1,493,534)		-	
Stock options excercised (Note 10)	(425,000)		-	
Share based compensation	-		399,204	
Balance as at March 31, 2021	**12,221,131**	**$**	**16,434,350**	
			-	

At March 31, 2021, 12,221,131 (December 31, 2020: 14,139,665) Shares have been reserved for stock options as follows:

Exercise price	Number of options outstanding	Number of options exercisable	Remaining life (years)	Weighted average remaining life (years)		Weighted average exercise price
0.60	487,000	487,000	0.04	-	$	0.02
2.36	1,208,000	1,208,000	1.78	0.18	$	0.23
1.80	400,000	400,000	2.13	0.07	$	0.06
1.74	100,000	100,000	2.21	0.02	$	0.01
2.07	1,150,000	837,500	2.44	0.23	$	0.19
1.95	200,000	180,000	2.53	0.04	$	0.03
1.53	715,625	558,833	2.78	0.16	$	0.09
2.00	300,000	300,000	1.04	0.03	$	0.05
1.52	275,000	135,000	3.28	0.07	$	0.03
0.98	4,447,875	4,447,877	1.59	0.58	$	0.36
3.26	733,131	733,903	2.59	0.16	$	0.20
0.40	2,204,500	2,204,500	4.30	0.77	$	0.07
	12,221,131	11,592,613				$1.35

On April 07, 2021, the Company authorized the grant of an aggregate of 275,864 deferred share units ("DSUs") to certain directors of the Company as compensation for their services. The DSUs will vest immediately and are granted in lieu of cash compensation for services rendered during the first quarter of 2021. The grant date fair value of the DSUs equals the fair market value of the corresponding shares at the grant date. Management estimates the total fair value of the DSUs to be $80,000. Total share-based compensation for the three months ended March 31, 2021 is $399,204 which includes DSU share based compensation of $147,737.

(Unaudited – Expressed in Canadian Dollars)

13. Loss per share

For the period ended March 31,		2021		2020
Basic and diluted loss per share:				
Loss attributable to holders of shares	$	(7,007,935)	$	(9,001,692)
Weighted average number of shares outstanding		212,188,324		201,118,578
		(0.03)		(0.04)

For periods where the Company records a loss, the Company calculates diluted loss per share using the basic weighted average number of shares. If the diluted weighted average number of shares were used, the result would be a reduction in the loss, which would be anti-dilutive. Consequently, for the three months ended March 31, 2021, the company calculated loss per share using 212,188,324 (three months ended March 31, 2020 – 201,118,578) common shares.

14. Change in non-cash operating working capital

For the period ended March 31,		2021		2019
Trade and other receivables	$	(5,567,205)	$	(93,805)
Prepaid expenses and deposits		(206,358)		571,984
Inventory and biological assets		(1,613,294)		1,363,160
Commodity tax receivable		(490,440)		416,285
Accounts payable and accrued liabilities		(4,242,897)		(10,577,298)
Assets held for sale		(133,650)		-
Unearned revenue		-		(2,512,967)
Net Changes in Non-Cash Working Capital	$	(12,253,844)	$	(10,832,641)

15. Trade and other receivables

		March 31, 2021		December 31, 2020
Trade receivables	$	7,727,526	$	1,740,758
Other receivables		92,499		512,062
Total	$	7,820,025	$	2,252,820

16. Accounts payables and accrued liabilities

		March 31, 2021		December 31, 2020
Trade payables	$	6,123,061	$	7,620,240
Accrued and other payables		6,034,673		7,938,486
Total	$	12,157,734	$	15,558,726

17. Revenue

For the period ended		March 31, 2021	March 31, 2020
Medical	$	5,803,815	5,250,780
Adult Use		6,802,734	3,302,903
Bulk		293,432	5,046,905
	$	12,899,981	13,600,588

For the period ended March 31, 2021, 38% customers (March 30, 2020: 48%) of the revenue is attributable to 2 customers (March 30, 2020: 2 customers), each represented more than 10% of the Company’s revenue.

(Unaudited – Expressed in Canadian Dollars)

18. Related party transactions

The Company's key management includes the CEO, CFO and all directors. Transactions with related parties include salaries and service fees.

The balances outstanding are as follows:

		March 31, 2021		December 31, 2020
Accounts payable and accrued liabilities	$	146,900	$	146,900

For the three months ended March 31, 2021 and 2020, total remuneration and service fees paid to key management is as follows:

For the period ended March 31,		2021		2020
Share based Compensation	$	147,737	$	-
Salaries		457,616		168,598
Bonus		137,500		110,000
Other Compensation		518,397		-
	$	1,261,250	$	278,598

During the period ended March 31, 2021, there are 43,850 shares (March 31 2020: Nil) received by the directors and officer of the Company.

19. Commitments

The commitment schedule for all future committed payments excluding lease payments disclosed in Note 4 is outlined in the table below:

Within 1 year	$	12,689
Within 2 years		9,833
Within 3 years		9,833
Within 4 years		4,143
Greater than 4 years		-
	$	36,498

20. Selling, general and administrative

For the period ended March 31,		2021	2020
Salaries and benefits	$	2,821,562	3,411,699
Rent & occupancy		18,001	119,285
Office & Administrative		685,624	2,316,767
Professional fees		1,271,696	320,610
Consulting fees		633,024	-
Travel & accomodations		1,204	136,442
Selling, marketing and promotion		447,766	184,324
Research and development		141,788	-
Total	$	6,020,665	6,489,127

(Unaudited – Expressed in Canadian Dollars)

21. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Fair value

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of loans and borrowings approximate carrying values as cash flows are discounted using a market rate of interest.

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:
Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

	Level 1	Level 2	Level 3	Total
Unsecured convertible debentures	$ -	$ -	$ 9,955,615	$ 9,955,615
Share purchase warrants	-	-	13,555,037	13,555,037
Investments in equity instruments	-	-	232,500	232,500
Loans and borrowings	-	-	67,309,653	67,309,653
	$ -	**$ -**	**$ 91,052,805**	**$ 91,052,805**

(b) Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

Interest rate risk

The Company's exposure to changes in interest rates relates primarily to the Company's outstanding debt. The Company is exposed to changes to the Canadian prime rate as the credit facilities bears interest based on the Canadian prime rate plus 1% to 2%. The term loan and convertible debt bears interest at a fixed rate of 15% and 8.5% respectively, and are not publicly traded and is therefore are not affected by changes in the market interest rates. A 1% change in the Canadian prime rate would have an impact of $4,550 to the statements of net loss and comprehensive loss for the three months ended March 31, 2021.

(c) 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.

The Company is exposed to credit risk on its trade and other receivables which has a balance of $7,820,025 (December 31, 2020: $2,252,820).

As at March 31, 2021, 77% (December 31, 2020: 61%) of the Company's trade and other receivables balance, is owing from 4 customers (December 31, 2020: 2 customers), each representing more than 10% of trade and other receivables.

Cash is generally invested in cash accounts held in Canadian chartered banks, in short-term GICs or in-trust. Restricted cash is generally held as collateral to repay any outstanding balances related to the Company's credit cards. Management believes the risk of loss associated with these assets to be remote. Management believes that the credit risk concentration with respect to financial instruments included in assets has been reduced to the extent presently practicable. The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 0 to 90 days. Credit risk is low as receivables from LPs are typically received in a short period of time with a strong history of collection, and remaining receivables are due from Government bodies. As at March 31, 2021 the Company has $ Nil of impaired receivables (December 31, 2020: $963,917). Management expects credit risk to be minimal.

(d) Foreign exchange risk

The Company is exposed to foreign exchange risk in United States dollars. Foreign exchange risk is the risk that the exchange rate that was in effect on the date that an obligation in a foreign currency was made to the Company by a customer or lender, or that an obligation in a foreign currency was made by the Company to a supplier or partner, is different at the time of settlement than it was at the time that the obligation was determined. The Company reduces its exposure to foreign exchange risk by carefully monitoring exchange rates on obligations that are made to the Company. The Company did not have any hedges at the time that the financial statements were issued. The Company does not utilize financial instruments to manage its foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate working capital to repay trade creditors as they become due.

The Company has total current liabilities of $21,197,917 (December 31, 2020: $21,729,337) with cash and cash equivalents on hand of $ 20,513,922 (December 31, 2020: $22,321,903). In the opinion of management, the liquidity risk exposure to the Company is moderate. The Company will manage the risk exposure through increased future sales, accessing the Revolving Credit Facility, and if necessary, raise additional capital through debt and/or equity.

The contractual maturities of all liabilities and lease obligations by year is as follows:

	2021	2022	2023	2024	2025
Lease liabilities	$ 2,226,011	$ 297,091	$ 238,130	$ 140,026	$ 674,600
Loans and borrowings	6,856,989	67,275,386	-	-	-
Convertible debt	1,070,162	13,567,261	-	-	-
Derivative liabilities		-			
Other commitments	12,689	9,833	9,833	4,143	-
Accounts payable and accrued liabilities	12,157,734	-	-	-	-
Total	**$ 22,323,585**	**$ 81,149,571**	**$ 247,963**	**$ 144,169**	**$ 674,600**

(f) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount, such as a debt instrument held with a floating interest rate, or investments. Floating rate debt exposes the company to fluctuations in cash flows and net earnings due to changes in market interest rates. In the opinion of management, the cash flow risk exposure to the Company is low.

22. Capital management

The Company includes equity, comprised of shares, warrant reserve, contributed surplus and deficit, in the definition of capital. The Company's objectives when managing capital are as follows:

(i) To safeguard the Company's assets and ensure the Company's ability to continue as a going concern; and

(ii) To raise sufficient capital to achieve the ongoing business objectives including funding of future growth opportunities and meeting its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives. The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

23. Other income

Other income of $3,198,258 represents inventory received pertaining to a prepaid supply agreement that was previously written off.

24. Government grant

The Company received $45,014 wage subsidy during the period ended March 31, 2021, from Government of Canada pursuant to Canada Emergency Wage Subsidy program relating to Covid-19 Pandemic Crisis.

25. Subsequent events

The Company's management has evaluated subsequent events up to June 28, 2021, the date the condensed interim consolidated financial statements were issued and determined the following events:

a) On May 17, 2021, the Company announced that it has entered into an exclusive licensing and supply agreement with Ontario craft cannabis producer CannTx Life Sciences Inc. to release celebrated cultivars "Rockstar Tuna" and "Royal Goddess" (re-labelled "Crown") for its Starseed Medicinal patients. The 'Limited Edition' release of these high-THC whole flower products will be available starting in late May 2021.

b) On May 31, 2021, the Company announced that it has signed a letter of intent (the "LOI") to acquire all the issued and outstanding shares of renowned craft cultivator Canntx Life Sciences Inc. in an all-stock transaction. Under the terms of the LOI, WeedMD will acquire and integrate CannTx's business operations including CannTx's B2B and adult-use businesses. The transaction is expected to close mid-year 2021.

c) On June 15, 2021, the Company signed and closed a definitive agreement to sell the shares of Starseed Medicinal Inc. (Starseed) a 100% subsidiary of Starseed Holdings Inc. (SHI), which in turn is a wholly owned subsidiary of the Company to Final Bell Canada Inc for $2,500,000 in cash. Starseed is a holder of a license to cultivate, process and sell cannabis under the Cannabis Act and Cannabis Regulations from its facility located at 1100 Bennett Road, Bowmanville, Ontario (the "Facility"). The right-of-use assets and related license, as well as all property, plant and equipment of Starseed will be included in the sale of Starseed. Certain key contracts and customer relationships have been excluded from the share purchase agreement, and will be transferred, along with the operations and ongoing business of Starseed, to another wholly owned subsidiary. The Company vacated from and ceased all meaningful operations at the Facility during the first quarter of 2021.

d) The Company has received a grant from the Government of Canada pursuant to Canada Emergency Wage Subsidy program relating to the Covid-19 Pandemic crisis of $2,036,214 after March 31, 2021.