FIORE CANNABIS LTD.

(Formerly Citation Growth Corporation.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Fiore Cannabis Ltd. (Formerly Citation Growth Corp.) (the “Company”) for the three months ended March 31, 2021 (the “Interim Financial Statements”) have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Board of Directors.

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The management of the Company is responsible for the preparation of the Interim Financial Statements. The Company’s independent auditor has not performed a review of the Interim Financial Statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

FIORE CANNABIS LTD

(Formerly Citation Growth Corp.)

Consolidated Statements of Financial Position
(In thousands of Canadian dollars except for share data)

	Notes	**March 31, 2021**	December 31, 2020
		$	$
Assets			
Current assets			
Cash		**175**	406
Accounts receivable		**865**	496
Biological assets	5	**471**	359
Inventory	6	**432**	526
Prepaid expenses and deposits		**561**	596
Assets held for sale	10	**7,689**	7,710
		10,193	10,093
Property, plant and equipment	7	**9,448**	9,879
Intangible assets	9	**2,922**	2,994
		22,563	22,966
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**5,290**	5,674
Income Tax Payable		**352**	356
Loans and borrowings	12	**3,987**	3,084
Convertible debentures	13	**2,035**	2,006
Current portion of lease liabilities	11	**6**	133
Derivative liabilities	13	**1,320**	1,565
Liabilities associated with assets held for sale	10	**3,552**	3,498
		16,542	16,316
Lease liabilities	11	**-**	155
Convertible debentures	13	**2,049**	2,367
Loans and borrowings	12	**1,129**	1,080
		19,720	19,918
Shareholders' equity			
Share Capital	14	**109,652**	108,730
Reserves		**7,567**	8,743
Accumulated other comprehensive loss		**15**	193
Deficit		**(114,391)**	(114,618)
		2,843	3,048
		22,563	22,966

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

Nature of operations and ability to continue as a going concern (Note 1)
Commitments and contingencies (Note 18)
Segmented information (Note 19)
Subsequent events (Note 23)

Approved on behalf of the Board:

"Erik Anderson" — Erik Anderson, Director

"Marcel LeBlanc" — Marcel LeBlanc, Director

FIORE CANNABIS LTD

(Formerly Citation Growth Corp.)

Consolidated Statements of Comprehensive Loss
For the Three Months Ended March 31, 2021 and 2020
(In thousands of Canadian dollars except for share data)

	Notes	2021	2020
		$	$
Revenues		**1,088**	529
Excise taxes		**(89)**	(57)
Net revenue		**999**	472
Cost of sales		**1,106**	242
Gross profit (loss) before fair value adjustments		**(107)**	230
Change in fair value of inventory sold		**106**	(300)
Unrealized gain on changes in fair value of biological assets	5	**224**	162
Gross profit		**223**	92
Expenses			
General and administrative expenses	15, 17(b)	**907**	2,973
Depreciation and amortization	7, 9	**173**	377
Share-based compensation	14(e), 14(f)	**12**	(1,176)
		1,092	(2,174)
Loss from operations		**(869)**	(2,082)
Other income (expenses)			
Finance and other costs	16	**(537)**	(340)
Foreign exchange gain (loss)		**1**	(151)
Impairment of intangible assets		**-**	(9,211)
Impairment of assets held for sale		**-**	(3,510)
Impairment on investment		**-**	(305)
Unrealized gain on derivative liabilities	13	**6**	92
Loss on deemed disposal of subsidiary		**-**	(12,254)
Gain on settlement of debt		**74**	(12)
		(456)	(25,691)
Loss before income taxes		**(1,325)**	(27,773)
Current income tax expense		**-**	(149)
Future income tax recovery (expense)		**-**	(510)
Net loss from continuing operations		**(1,325)**	(28,432)
Net loss from discontinued operations		**-**	(18)
Net loss for the period		**(1,325)**	(28,450)
Other comprehensive income (loss)			
Foreign currency translation		**(178)**	1,518
Comprehensive loss		**(1,503)**	(26,932)
Net loss per share, basic and diluted		**(0.01)**	(0.23)
Weighted average number of shares outstanding, basic and diluted		**135,199,695**	118,700,357

The accompanying notes are an integral part of the consolidated financial statements

FIORE CANNABIS LTD

(Formerly Citation Growth Corp.)

Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2021 and 2020
(In thousands of Canadian dollars except for share data)

		Share Capital		Reserves								
	Note	Common Shares	Amount	Treasury Reserve	Share Subscriptions	Stock Options	Share Purchase Warrants	Contributed Surplus	Total Reserves	Accumulated other comprehensive loss	Deficit	Total Equity
		#	$	$	$	$	$	$	$	$	$	$
Balance, March 31, 2020		123,007,147	106,672	(1,574)	-	2,698	6,126	560	7,810	1,778	(98,622)	17,638
Shares issued for cash	14(b)(i)	3,930,721	589	-	-	-	-	-	-	-	-	589
Shares issued for services	14(b)(ii)	16,361,711	1,671	-	-	-	-	-	-	-	-	1,671
Shares issued for debt	14(b)(iii)	825,000	70	-	-	-	-	-	-	-	-	70
Redemption of restricted share units	14(b)(v)	8,701,108	1,302	-	-	(1,302)	-	-	(1,302)	-	-	-
Shares returned to treasury		(18,515,424)	(1,574)	1,574	-	-	-	-	1,574	-	-	-
Warrants issued for debenture	12(d)	-	-	-	-	-	129	-	129	-	-	129
Warrants issued for debt		-	-	-	-	-	30	-	30	-	-	30
Share-based compensation	14(e),14(f)	-	-	-	-	1,257	-	-	1,257	-	-	1,257
Forfeited stock options and warrants		-	-	-	-	(755)	(820)	820	(755)	-	755	-
Comprehensive loss for the period		-	-	-	-	-	-	-	-	(1,585)	(16,751)	(18,336)
Balance, December 31, 2020		**134,310,263**	**108,730**	**-**	**-**	**1,898**	**5,465**	**1,380**	**8,743**	**193**	**(114,618)**	**3,048**
Shares issued for services	14(b)(ii)	**931,731**	**188**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**188**
Shares issued for debt	14(b)(iii)	**2,175,000**	**399**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**399**
Shares issued for conversion of debenture	14(b)(vi)	**604,000**	**204**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**204**
Shares issued for exercise of warrants	14(b)(iv)	**700,000**	**131**	**-**	**-**	**-**	**(26)**	**-**	**(26)**	**-**	**-**	**105**
Share subscription received		**-**	**-**	**-**	**35**	**-**	**-**	**-**	**35**	**-**	**-**	**35**
Warrants issued for debenture	12(d)		**-**	**-**	**-**	**-**	**158**	**-**	**158**	**-**	**-**	**158**
Warrants issued for debt		**-**	**-**	**-**	**-**	**-**	**197**	**-**	**197**	**-**	**-**	**197**
Share-based compensation	14(e),14(f)	**-**	**-**	**-**	**-**	**12**	**-**	**-**	**12**	**-**	**-**	**12**
Forfeited stock options and warrants		**-**	**-**	**-**	**-**	**(1,552)**	**(4,375)**	**4,375**	**(1,552)**	**-**	**1,552**	**-**
Comprehensive loss for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(178)**	**(1,325)**	**(1,503)**
Balance, March 31, 2021		**138,720,994**	**109,652**	**-**	**35**	**358**	**1,419**	**5,755**	**7,567**	**15**	**(114,391)**	**2,843**

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

FIORE CANNABIS LTD

(Formerly Citation Growth Corp.)

Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2021 and 2020
(In thousands of Canadian dollars except for share data)

	Notes	2021	2020
		$	$
Operating activities			
Net loss		**(1,325)**	(28,432)
Non-cash items			
Unrealized gain on changes in fair value of biological assets	5	**(224)**	(162)
Change in fair value of inventory sold		**(106)**	300
Depreciation and amortization	7, 9	**400**	13,966
Share-based compensation	14(e), 14(f)	**12**	(1,176)
Accretion expense	16	**111**	258
Accrued interest expense		**130**	298
Future tax expense		**-**	510
Loss on deemed disposal of subsidiary		**-**	10,662
Unrealized gain on derivative liabilities	13	**(6)**	(92)
Gain on settlement of debt		**(21)**	12
Finder's shares issued for business acquisition		**-**	1,219
Shares issued for services	14(b)(ii)	**188**	1,069
		(841)	(1,568)
Changes in non-cash working capital			
Accounts receivable		**(369)**	(110)
Biological assets		**(484)**	(217)
Inventory		**791**	1,260
Prepaid expenses and deposits		**35**	(178)
Accounts payable and accrued liabilities		**(262)**	158
Income tax payable		**-**	255
Net cash used in operating activities		**(1,130)**	(400)
Investing activities			
Acquisition of property, plant and equipment	7	**(188)**	(153)
Proceeds from sale of property, plant and equipment, net		**-**	600
Acquisition of intangible assets	9	**-**	(38)
Net cash used in investing activities		**(188)**	(409)
Financing activities			
Share subscription received		**35**	-
Loans and borrowings	12	**983**	(23)
Repayment of lease liabilities	11	**(9)**	(33)
Shares issued for cash, net of issuance costs	14(b)(iv)	**105**	417
Net cash provided by financing activities		**1,114**	361
Effect of foreign currency translation on cash		**(27)**	135
Decrease in cash		**(231)**	(313)
Cash, beginning of the period		**406**	362
Cash, end of the period		**175**	49
Supplemental cash flow information:			
Addition to Property, plant and equipment included in accounts payable		**112,331**	1,338
Interest paid		**339**	15

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

1. Nature of operations and going concern

Fiore Cannabis Ltd. (formerly Citation Growth Corp.) (the "Company") is governed by the *Business Corporations Act* (British Columbia). The head office is located at Suite 102 – 1561 Sutherland Avenue, Kelowna, British Columbia, Canada V1Y 5Y7. The Company's common shares are traded on the Canadian Stock Exchange ("CSE") under the trading symbol "FIOR" and OTCQX markets under the ticker symbol "FIORF". On October 28, 2020, the Company changed its name from Citation Growth Corp. to Fiore Cannabis Ltd.

The Company was established to enter into the emerging market of regulated medical marijuana and has applied to Health Canada to become a licensed producer under the *Cannabis Act* (Canada) ("Cannabis Act") which is still pending. The Company has operations in the United States, in the states of Nevada and California. The Company has six state approved licenses in Nevada which consist of medical and recreational marijuana cultivation, medical and recreational production licenses, and a distribution license with a dispensary in California.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses and negative operating cash flows since inception. As at March 31, 2021, the Company had accumulated deficit of $114,391 (December 31, 2020 - $114,618), and working capital deficiency of $6,349 (December 31, 2020 - working capital deficiency of $6,223). The Company's ability to continue as a going concern is dependent on obtaining continued financial support, securing debt and/or equity financing and generating profitable operations in the future. Management is committed to raising additional capital to meet its financial obligations and commitments, fund its growth initiatives, capital expenditures and sustain its operations in the normal course of business. Although the Company has raised funds in the past, there can be no assurance that the Company will be able to secure additional adequate financing.

These factors indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Significant accounting policies

(a) Basis of presentation

These condensed interim consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the nine months ended December 31, 2020.

(In thousands of Canadian dollars except for share data)

2. Significant accounting policies (continued)

(b) Basis of consolidation

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 31, 2021.

These consolidated financial statements include the accounts of the Company and the following wholly owned subsidiaries (collectively, the "Company"). Intercompany balances and transactions are eliminated on consolidation.

Entity	Country of Incorporation	Ownership	Functional Currency
Marapharm Inc.	Canada	100%	Canadian Dollar
Full Spectrum Medicinal Inc. ("Full Spectrum")	Canada	100%	Canadian Dollar
Marapharm Las Vegas LLC ("MLV")	United States	100%	U.S. Dollar
Marapharm Washington LLC ("MWA")	United States	100%	U.S. Dollar
EcoNevada LLC ("EcoNevada")	United States	100%	U.S. Dollar
Phenofarm NV LLC ("Phenofarm")	United States	100%	U.S. Dollar
MWA Management LLC	United States	100%	U.S. Dollar
Marapharm DHS California LLC ("MDHS")	United States	100%	U.S. Dollar
420 Express Delivery Inc., dba, Green Leaf Wellness LLC ("Green Leaf")	United States	100%	U.S. Dollar

(c) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets and other investments which are measured at fair value.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and disclosures. 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows.

3. Significant accounting judgments, estimates and assumptions (continued)

(a) Biological assets and inventory

The Company measures biological assets consisting of cannabis on plants at fair value less cost to sell up to the point of harvest. Determining the fair value requires management to make a number of estimates, including costs incurred for each stage of growth of the plants up to the point of harvest, expected yield per plant, wastage of plants, selling prices per gram and post-harvest costs.

The Company measures inventory at the lower of cost and net realizable value and estimates the sales price, costs of completion and selling costs.

(b) Business combination

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the income statement in the subsequent period.

(c) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Among other conditions, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, in some cases, an asset may remain classified as held for sale for a period exceeding one year if it remains unsold due to events or circumstances beyond the Company’s control. If the recognition criteria for assets held for sale are no longer met or if management’s plans change, the Company will cease to classify the assets as held for sale.

(d) Impairment of property, plant and equipment and intangible assets

An impairment loss is recognized for the amount by which the asset’s or CGU’s carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company’s assets within the next financial year.

(e) Useful lives of property, plant and equipment and intangible assets

Depreciation and amortization are dependent upon estimates of useful lives and impairment is dependent upon estimates of recoverable amounts. Management reviews the useful lives of property, plant and equipment and intangible assets at each reporting date and makes assessments of any impairment considering factors such as economic and market conditions, anticipated changes in laws and technological improvements.

(In thousands of Canadian dollars except for share data)

3. Significant accounting judgments, estimates and assumptions (continued)

(f) Share-based compensation

The fair value of share-based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

(g) Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

4. Accounting standards adopted in the current year

IBOR reform

In recent years, global regulators have prioritized the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBORs). As a result, public authorities and other market participants are selecting new benchmark interest rates in key currencies with the objective that such rates will be based on liquid underlying market transactions. With this reform, the IASB have provided amendments to IFRS 9 - Financial Instruments, IFRS 7 - Financial Instruments: Disclosures and IAS 39 - Financial Instruments: Recognition and Measurement. These amendments were adopted effective January 1, 2021 and did not have a material impact on the unaudited condensed consolidated financial statements

5. Biological assets

The Company's biological assets consist of cannabis seeds and cannabis plants. The changes in the carrying value of biological assets are as follows:

	$
Carrying amount, March 31, 2020	383
Production costs capitalized	717
Genetics purchased	25
Changes in fair value less cost to sell due to biological transformation	(62)
Transferred to inventory upon harvest	(664)
Foreign currency	(40)
Carrying amount, December 31, 2020	359

(In thousands of Canadian dollars except for share data)

5. Biological assets (continued)

	$
Carrying amount, December 31, 2020	359
Production costs capitalized	**484**
Changes in fair value less cost to sell due to biological transformation	**224**
Transferred to inventory upon harvest	**(591)**
Foreign currency	**(5)**
Carrying amount, March 31, 2021	**471**

As at March 31, 2021, the fair value of biological assets included $471 in cannabis plants, and the weighted average fair value less cost to complete and cost to sell was $3.33 per gram.

Biological assets are classified as level 3 on the fair value hierarchy. Significant unobservable inputs used to fair value biological assets include the Company's selling price per gram of dried cannabis and yield of cannabis per plant. The Company expects that a $1.00 increase or decrease in the selling price per gram of dried cannabis would increase or decrease the fair value of biological assets by $176. A 10% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by $47. Other unobservable inputs are less variable and will not result in significantly higher or lower fair value measurement.

During the three months ended March 31, 2021, the Company produced approximately 183,544 grams of dried cannabis. As of March 31, 2021, the biological assets were on average 56% complete and it was expected that the Company's biological assets would yield approximately 223,557 grams of cannabis when harvested. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets.

6. Inventory

	March 31, 2021	December 31, 2020
	$	$
Harvested cannabis	**317**	385
Consumable inventory	**-**	30
Finished goods	**115**	111
	432	526

7. Property, plant and equipment

	Land	Furniture & equipment	Buildings and leasehold improvements	Right-of-use assets	Total
	$	$	$	$	$
Cost					
Balance, March 31, 2020	1,681	2,273	9,032	466	13,452
Additions	-	282	4	324	610
Foreign currency	(172)	(198)	(923)	(35)	(1,328)
Balance, December 31, 2020	1,509	2,357	8,113	755	12,734
Additions	**-**	**128**	**4**		**132**
Early termination of lease	**-**	**-**	**-**	**(324)**	**(324)**
Foreign currency	**(19)**	**(24)**	**(100)**	**(4)**	**(147)**
Balance, March 31, 2021	**1,490**	**2,461**	**8,017**	**427**	**12,395**

(In thousands of Canadian dollars except for share data)

7. Property, plant and equipment (continued)

	Land	Furniture & equipment	Buildings and leasehold improvements	Right-of-use assets	Total
Accumulated depreciation and impairment losses					
Balance March 31, 2020	792	716	487	384	2,379
Depreciation	-	272	279	138	689
Foreign currency	(81)	(38)	(62)	(32)	(213)
Balance December 31, 2020	711	950	704	490	2,855
Depreciation	**-**	**97**	**88**	**8**	**193**
Early termination of lease	**-**	**-**	**-**	**(72)**	**(72)**
Foreign currency	**(9)**	**(9)**	**(7)**	**(4)**	**(29)**
Balance, March 31, 2021	**702**	**1,038**	**785**	**422**	**2,947**
Carrying value					
Balance, December 31, 2020	798	1,407	7,409	265	9,879
Balance, March 31, 2021	**788**	**1,423**	**7,232**	**5**	**9,448**

8. Asset acquisitions and business combination

For details of the acquisition of ACC, Full Spectrum and the Joint Venture Agreements, please refer to Note 8 of the audited Consolidated Financial Statements for the nine months ended December 31, 2020 and year ended March 31, 2020.

9. Intangible assets

	Intellectual property	Marijuana licenses	Sublease right	Creation costs	Total
	$	$	$	$	$
Cost					
Balance, March 31, 2020	17,017	4,649	3,094	33	24,793
Additions	-	57	-	-	57
Foreign exchange	-	(480)	-	(3)	(483)
Balance, December 31, 2020	17,017	4,226	3,094	30	24,367
Additions	-	-	-	-	-
Foreign exchange	-	**(53)**	-	-	**(53)**
Balance, March 31, 2021	**17,017**	**4,173**	**3,094**	**30**	**24,314**
Accumulated amortization and impairment losses					
Balance, March 31, 2020	8,500	1,273	3,094	14	12,881
Amortization	-	111	-	1	112
Impairment	8,517	-	-	-	8,517
Foreign exchange	-	(136)	-	(1)	(137)
Balance, December 31, 2020	17,017	1,248	3,094	14	21,373
Amortization	**-**	**35**	**-**	**1**	**36**
Foreign exchange	**-**	**(16)**	**-**	**(1)**	**(17)**
Balance, March 31, 2021	**17,017**	**1,267**	**3,094**	**14**	**21,392**
Net book value					
Balance, December 31, 2020	-	2,978	-	16	2,994
Balance, March 31, 2021	**-**	**2,906**	**-**	**16**	**2,922**

(In thousands of Canadian dollars except for share data)

9. Intangible assets (continued)

During the nine months ended December 31, 2020, the Company recorded an impairment charges to intellectual property in the amount of $8,517 relating to the acquisition of Full Spectrum.

10. Assets and liabilities held for sale

	March 31, 2021	December 31, 2020
	$	$
Land located at Desert Hot Springs, California (a)	**1,635**	1,656
Celista project (b)	**6,054**	6,054
Assets held for sale	**7,689**	7,710
Mortgage loan (b)	**600**	600
Loan payable (b)	**2,952**	2,898
Liabilities associated with assets held for sale	**3,552**	3,498

(a) The assets classified as held for sale consist of certain lands located in the state of California which have been listed for sale. These assets are expected to be sold within a twelve-month period and are no longer productive assets as there is no interest to develop them for future use.

(b) On April 19, 2021, the Company entered into a Memorandum of Understanding to transfer ownership of certain lands, buildings and equipment located in Celista, British Columbia. These assets are expected to be sold within a twelve-month period and are no longer productive assets as there is no interest to develop them for future use.

11. Lease liabilities

	$
As at March 31, 2020	108
Lease liability recognized	314
Cash principal and interest payments	(152)
Accretion	21
Foreign exchange	(3)
As at December 31, 2020	288
Early termination of lease	**(274)**
Cash principal and interest payments	**(9)**
Accretion	**1**
As at March 31, 2021	**6**
Less: current portion	**-**
	6

FIORE CANNABIS LTD

(Formerly Citation Growth Corp.)

Notes to the Consolidated Financial Statements
Three Months Ended March 31, 2021 and 2020
(In thousands of Canadian dollars except for share data)

12. Loans and borrowings

	Note	Interest per annum	Maturity	**March 31, 2021**	December 31, 2020
				$	$
Loan from Veritas		-	-	**1,000**	1,000
Promissory Note	(a)	12%	March 31, 2021	**514**	506
Loans from Directors	(b)	12%	May 1, 2021	**373**	855
Canada Emergency Business Account	(c)	-	-	**30**	30
Equipment loan	(d)	29%	August 21, 2021	**41**	81
Non-convertible debenture	(e)	10%	August 20, 2022	**754**	724
			October 21, 2022	**233**	223
			December 17, 2022	**141**	133
Revolving Credit Promissory Note	(f)	10%	December 22, 2021	**2,030**	612
				5,116	4,164

(a) On June 30, 2020, the Company entered into a new unsecured promissory note of US$375 which bears interest of 12% per annum and is repayable upon the earlier of (i) the receipt by Company of the US$375 from the United States Internal Revenue Service after filing a successful application for a FIRPTA Withholding Certificate from the sale of the properties or (ii) nine months from the date of the promissory note.

(b) During the nine months ended December 31, 2020, the Company entered into short term loan agreements with the directors and an executive of the Company for an aggregated principal amount of $765. The loans are unsecured, mature on May 1, 2021 and bear an average interest rate of 12% per annum payable on maturity date. During the three months ended March 31, 2021, the Company repaid $433 of principal and $50 of interest.

(c) On May 5, 2020, the Company received a “Canada Emergency Business Account” government assistance in the amount of $40 as a revolving line of credit. The line of credit was interest-free until January 1, 2023. After December 31, 2020, any outstanding balance on the revolving $40 line of credit will be converted into a non-revolving 5-year term loan maturing on December 31, 2025, at which time the balance must be paid in full. If payment can be made on or before December 31, 2022, $10 of the principal amount will be forgiven. Commencing on January 1, 2023, interest accrues on the balance of the term loan at the rate of 5% per annum.

(d) On July 30, 2020, the Company entered into an equipment loan agreement in the amount of $121 (US$96). The loans are secured by certain lighting equipment, mature on September 21, 2021 and bear interest at 29% per annum.

(e) During the nine months ended December 31, 2020, the Company closed a non-convertible debenture private placement of 1,207 units at $1 per unit for gross proceeds of $1,207. Each unit consisted of $1 principal amount of 10% unsecured subordinated debentures and 2,000 common share purchase warrants. Each whole warrant is exercisable into one common share of the Company at a price of $0.15 per share for a period of twenty-four months. The Company paid $52 in cash and issued 103,000 common share purchase warrants at a fair value of $4 as finder’s fee.

(In thousands of Canadian dollars except for share data)

12. Loans and borrowings (continued)

(f) On December 22, 2020, the Company entered into a secured revolving credit promissory note with a company controlled by a director of the Company for a principal amount US$2,000 with 10% interest per annum expiring December 22, 2021 with an option to extend for another year. This loan is secured by a deed of trust lien and assignment of rents and lease on the facility located in North Las Vegas, Nevada and unlimited corporate guarantee of MLV, EcoNevada, Phenofarm and Green Leaf. As consideration, the Company issued 825,000 common shares for a fair value of $70 and 550,000 warrants for a fair value of $30. The warrants expire on December 22, 2023 and have an exercise price of $0.15. As at March 31, 2021, the Company received a $2,553 (US$2,000) loan from the revolving credit and accrued $39 in interest.

13. Convertible debentures

	May 1, 2017 (a)	October 23, 2018 (b)	May 9, 2019, July 10, 2019 (c)	Total
	$	$	$	$
Balance, March 31, 2020	1,642	2,209	391	4,242
Conversion feature	-	(593)	-	(593)
Accretion expense	18	555	88	661
Accrued interest	-	196	37	233
Foreign exchange	(170)	-	-	(170)
Balance, December 31, 2020	1,490	2,367	516	4,373
Conversion of debentures	**-**	**(123)**	**-**	**(123)**
Accretion expense	**-**	**56**	**35**	**91**
Accrued interest	**-**	**64**	**13**	**77**
Interest paid	**-**	**(315)**	**-**	**(315)**
Foreign exchange	**(19)**	**-**	**-**	**(19)**
Balance, March 31, 2021	**1,471**	**2,049**	**564**	**4,084**

(a) On May 1, 2017, the Company closed a private placement of 117 convertible bonds at an issue price of US$10,000 per bond for total gross proceeds of $1,556 (US$1,170) (the “Bonds”). The Bonds are convertible into common shares of the Company at a price of $4 per share in the first year, $8 per share in the second year and $12 per share in the third year. The Bonds mature on May 1, 2020 and bear compound interest at 8.5% per annum, payable monthly.

The Bonds consisted of a liability component (“financial liability”) and an embedded derivative conversion feature (“derivative liability”). During the three months ended March 31, 2021, the Company recorded an unrealized gain on the derivative liability of $Nil (March 31, 2020 - $Nil), respectively. As of March 31, 2021, the Company is in default of the principal amount of US$1,170 and its interest payment obligation of US$173 under the Bonds.

(b) On October 23, 2018, the Company closed private placement of a one-year 10% unsecured convertible debentures for total gross proceeds of $3,293. The debentures matured on October 23, 2019, and were convertible into units of the Company at a price of $0.80 per unit. Each unit consisted of one common share and one share purchase warrant exercisable at $2.00 per share expiring October 23, 2019. The holders were entitled to convert all or any part of the debentures into units of the Company at a price equal to 10% less than the offering price of the Company’s short form prospectus offering carried out on or prior to the maturity date.

13. Convertible debentures (continued)

On October 23, 2019, the Company extended and amended the terms of the debentures (the "Amended Debentures") as follows:

(i) All accrued and unpaid interest were paid in common shares of the Company at market price. As a result, the Company issued 635,642 common shares to the holders in settlement of accrued interests of $261;

(ii) The Amended Debentures mature on October 23, 2020;

(iii) The Amended Debentures are convertible into common shares of the Company at $0.70 per share subject to accelerated maturity if the VWAP of the Company's common shares is equal to or above $1.05 for ten consecutive trading days; and

(iv) Interest shall be paid in cash at maturity, however, if the Amended Debentures are converted into common shares prior to the maturity date, interest shall be paid in shares on the conversion date at a price equal to the conversion price.

In consideration for the amendment, the Company issued 3,723,033 warrants to the holders at an exercise price of $1.25 per share for a period of eighteen months expiring April 23, 2021, subject to acceleration if the VWAP of the Company's common shares is equal or above $1.88 for ten consecutive trading days. Additionally, the Company's CEO agreed to personally pay the debenture holders an additional $261 or 10% of the principal amount outstanding in common shares upon receipt of his bonus shares on achievement of performance milestones. The Company's CEO resigned on January 13, 2020.

The fair value of the 3,723,033 warrants of $283 was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.35; risk-free rate of 1.65%; stock price volatility of 112%; dividend yield of 0%; and expected life of warrants of 1.50 years.

On October 23, 2020, the Company further extended and amended the terms of the debentures (the "Second Amended Debentures") as follows:

(i) The Second Amended Debentures mature on October 23, 2022;

(ii) All accrued and unpaid interest from the period from October 24, 2019 to January 23, 2021 will be paid in cash or in common shares of the Company at $0.09, at the discretion of the Company, on January 23, 2021;

(iii) The Second Amended Debentures are convertible into common shares of the Company at $0.25 per share;

(iv) Two common share purchase warrants will be issued upon conversion. The warrant exercise price will be $0.15 per share expiring October 23, 2022; The estimated fair value as at December 31, 2020 of these potential issuances of warrants should the holder convert was $159. The estimate fair value is based on Black-Scholes option pricing model based on the following weighted average assumptions: probability of conversion at 5.8% based on known conversion and warrants issuance subsequent to December 31, 2020 in 2021; share price of $0.20; conversion price of $0.15; risk-free rate of 0.20%; stock price volatility of 125%; dividend yield of 0% and expected life of warrants of 1.81 years. The estimated fair value of $159 was recognized as derivative liability associated with these amended convertible debentures as the potential issuance of additional warrants fails the fix-to-fix test for embedded derivatives.

(v) Interest will be paid in cash on the anniversary date and maturity date;

13. Convertible debentures (continued)

(vi) The Company, upon providing ten prior business days' notice to the debenture holders in writing, may, at its option, on any one or more occasion, redeem and repay all or a part of the principal amount.

All other terms of the debentures remain the same.

The Amended Debentures consisted of a financial liability and a derivative liability. On amendment date, the debentures were recorded at its amortized cost of $2,014 which represented the remaining fair value from the debenture balance of $2,606 after the allocation of $593 from the conversion feature. The conversion feature was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.09; risk-free rate of 0.21%; stock price volatility of 121.70%; dividend yield of 0%; and expected life of 2 years.

During the three months ended March 31, 2021, the Company recorded an unrealized loss on the derivative liability of $29 (March 31, 2020 – unrealized gain of $76). As at March 31, 2021, the fair value of the conversion feature of $1,303 (December 31, 2020 - $1,318) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.16; risk-free rate of 0.23%; stock price volatility of 129.50%; dividend yield of 0%; and expected life of warrants of 1.56 years.

(c) During the year ended March 31, 2020, the Company closed a private placement of two-year 10% unsecured convertible debentures for total gross proceeds of $500. The debentures are convertible into units of the Company at a price of $0.80 per unit. Each unit consists of one common share and one share purchase warrant exercisable at $1.40 per share for a period of eighteen months. In the event the Company issues shares (or securities convertible into shares) at a purchase price less than $0.80 per share, the conversion price shall be reduced to such lower price and the exercise price of the warrant shall be reduced on a commensurate basis.

The debentures consisted of a financial liability and a derivative liability. At inception, the debentures were recorded at its amortized cost of $283 which represented the remaining fair value from the net proceeds of $500 after the allocation of $204 from the conversion feature and transaction costs of $13. The conversion feature was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.72; risk-free rate of 1.61%; stock price volatility of 108.12%; dividend yield of 0%; and expected life of warrants of 0.94 year.

During the three months ended March 31, 2021, the Company recorded an unrealized gain on the derivative liability of $35 (March 31, 2020 –$22). As at March 31, 2021, the fair value of the conversion feature of $17 (December 31, 2020 - $52) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: share price of $0.16; risk-free rate of 0.23%; stock price volatility of 97.82%; dividend yield of 0%; and expected life of warrants of 0.19 years.

14. Share capital

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding

As at March 31, 2021, the Company had 138,720,994 common shares (December 31, 2020 – 134,310,263) issued and outstanding.

14. Share capital (continued)

(b) Issued and outstanding (continued)

(i) Shares issued for cash

Nine months ended December 31, 2020

On June 24, 2020, the Company closed a non-brokered private placement of 3,930,721 units at $0.15 per unit for gross proceeds of $589. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of $0.22 per share for a period of 18 months expiring December 25, 2021, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above $0.50 for a period of ten consecutive trading days.

(ii) Shares issued for services

Three months ended March 31, 2021

During the three months ended March 31, 2021, the Company issued an aggregate of 931,731 common shares at a fair value of $188 to certain directors, officers and consultants of the Company.

Nine months ended December 31, 2020

During the nine months ended December 31, 2020, the Company issued an aggregate of 16,361,711 common shares at a fair value of $1,670 to certain directors, officers and consultants of the Company.

(iii) Shares issued for debt

Three months ended March 31, 2021

During the three months ended March 31, 2021, the Company issued an aggregate of 2,175,000 common shares at a fair value of $399 to a company controlled by a director as consideration for the US$1,450 loan received during the period. (Note 12(f))

Nine months ended December 31, 2020

During the nine months ended December 31, 2020, the Company issued an aggregate of 825,000 common shares at a fair value of $70 to a company controlled by a director as consideration for the US$550 loan received during the period. (Note 12(f))

(iv) Shares issued on exercise of warrants

Three months ended March 31, 2021

During the three months ended March 31, 2021, the Company issued a total of 700,000 common shares on the exercise of warrants for gross proceeds of $105.

(In thousands of Canadian dollars except for share data)

14. Share capital (continued)

(b) Issued and outstanding (continued)

(v) Shares issued under the Restricted Share Unit Plan

Nine months ended December 31, 2020

During the nine months ended December 31, 2020, 8,701,108 common shares were issued to employees, consultants and directors of the Company at a fair value of $1,302 on redemption of vested RSUs.

(vi) Shares issued on conversion of convertible debentures

Three months ended March 31, 2021

During the three months ended March 31, 2021, the Company issued a total of 604,000 common shares at a fair value of $203 on conversion of debentures.

(c) Share purchase warrants

The continuity of warrants for the three months ended March 31, 2021 is as follows:

Expiry Date	Exercise Price	December 31, 2020	**Issued**	**Exercised**	**Expired/ Cancelled**	**March 31, 2021**
January 31, 2021	$11.60	10,937,263	**-**	**-**	**10,937,263**	**-**
April 23, 2021	$1.25	3,723,035	**-**	**-**	**-**	**3,723,035**
August 2, 2021	$2.50	11,500,000	**-**	**-**	**-**	**11,500,000**
September 30, 2021	$0.22	2,783,793	**-**	**-**	**-**	**2,783,793**
October 30, 2021	$0.60	500,000	**-**	**-**	**-**	**500,000**
December 25, 2021	$0.22	3,930,721	**-**	**-**	**-**	**3,930,721**
August 20, 2022	$0.15	1,560,000	**-**	**700,000**	**-**	**860,000**
October 21, 2022	$0.15	504,000	**-**	**-**	**-**	**504,000**
December 17, 2022	$0.15	350,000	**-**	**-**	**-**	**350,000**
December 23, 2023	$0.15	550,000	**1,450,000**	**-**	**-**	**2,000,000**
October 23, 2023	$0.15	-	**1,208,000**	**-**	**-**	**1,208,000**
		36,338,812	**2,658,000**	**700,000**	**10,937,263**	**27,359,549**

(In thousands of Canadian dollars except for share data)

14. Share capital (continued)

(c) Share purchase warrants (continued)

The continuity of warrants for the nine months ended December 31, 2020 is as follows:

Expiry Date	Exercise Price	March 31, 2020	Issued	Exercised	Expired/ Cancelled	December 31, 2020
April 2, 2020	$3.48	61,701	-	-	61,701	-
May 19, 2020	$2.00	539,000	-	-	539,000	-
September 25, 2020	$0.80	2,311,250	-	-	2,311,250	-
September 25, 2020	$1.40	265,625	-	-	265,625	-
January 31, 2021	$11.60	10,937,263	-	-	-	10,937,263
April 23, 2021	$1.25	3,723,035	-	-	-	3,723,035
August 2, 2021	$2.50	11,500,000	-	-	-	11,500,000
September 30, 2021	$0.22	2,783,793	-	-	-	2,783,793
October 30, 2021	$0.60	1,807,500	-	-	1,307,500	500,000
December 25, 2021	$0.22	-	3,930,721	-	-	3,930,721
August 20, 2022	$0.15	-	1,560,000	-	-	1,560,000
October 21, 2022	$0.15	-	504,000	-	-	504,000
December 17, 2022	$0.15	-	350,000	-	-	350,000
December 23, 2023	$0.15	-	550,000	-	-	550,000
		33,929,167	6,894,721	-	4,485,076	36,338,812

(d) Finders' warrants

The continuity of finders' warrants for the three months ended March 31, 2021 is as follows:

Expiry Date	Exercise Price	December 31, 2020	**Issued**	**Exercised**	**Expired/ Cancelled**	**March 31, 2021**
		#	#	#	#	#
August 20, 2022	$0.15	78,000	-	-	-	**78,000**
October 21, 2022	$0.15	25,000	-	-	-	**25,000**
		103,000	-	-	-	**103,000**

The continuity of finders' warrants for the nine months ended December 31, 2020 is as follows:

Expiry Date	Exercise Price	March 31, 2020	Issued	Exercised	Expired/ Cancelled	December 31, 2020
		#	#	#	#	#
August 20, 2022	$0.15	-	78,000	-	-	78,000
October 21, 2022	$0.15	-	25,000	-	-	25,000
		-	103,000	-	-	103,000

(e) Stock options

Under the Company's Stock Option Plan, the maximum number of shares that may be reserved for issuance under the Company's Fixed Share Option Plan as of March 31, 2021 was 12,011,108 common shares (December 31, 2020 – 12,011,108). Under the Plan, the exercise price of an option may not be less than the closing market price of the Company's shares prevailing on the day that the option is granted. The options may be granted up to a maximum term of 5 years and vested at the discretion of the board of directors.

As at March 31, 2021, 6,064,858 options, with an average exercise price of $0.11 per share and an average remaining life of 2.15 years have vested.

(In thousands of Canadian dollars except for share data)

14. Share capital (continued)

(e) Stock options (continued)

Expiry Date	Exercise Price	December 31, 2020	**Granted**	**Exercised**	**Expired/ Cancelled**	**March 31, 2021**
		#	**#**	**#**	**#**	**#**
January 8, 2021	$0.98	300,000	**-**	**-**	**300,000**	**-**
March 3, 2021	$1.08	2,267,500	**-**	**-**	**2,267,500**	**-**
April 1, 2024	$0.88	18,750	**-**	**-**	**-**	**18,750**
April 22, 2024	$0.88	60,000	**-**	**-**	**-**	**60,000**
April 22, 2022	$0.085	1,200,000	**-**	**-**	**1,000,000**	**200,000**
May 15, 2023	$0.10	2,400,000	**-**	**-**	**-**	**2,400,000**
May 19, 2023	$0.10	3,900,000	**-**	**-**	**750,000**	**3,150,000**
May 20, 2023	$0.105	136,108	**-**	**-**	**-**	**136,108**
October 10, 2026	$0.20	-	**100,000**	**-**	**-**	**100,000**
		10,282,358	**100,000**	**-**	**4,317,500**	**6,064,858**

As at December 31, 2020, 10,282,358 options, with an average exercise price of $0.35 per share and an average remaining life of 1.96 years, have vested.

Expiry Date	Exercise Price	March 31, 2020	Granted	Exercised	Expired/ Cancelled	December 31, 2020
		#	#	#	#	#
October 4, 2020	$1.04	1,196,250	-	-	1,196,250	-
October 30, 2020	$1.16	25,000	-	-	25,000	-
January 8, 2021	$0.98	300,000	-	-	-	300,000
March 3, 2021	$1.08	2,267,500	-	-	-	2,267,500
June 21, 2021	$0.80	300,000	-	-	300,000	-
April 1, 2024	$0.88	18,750	-	-	-	18,750
April 22, 2024	$0.88	60,000	-	-	-	60,000
April 22, 2022	$0.085	-	1,250,000	-	50,000	1,200,000
May 15, 2023	$0.10	-	2,400,000	-	-	2,400,000
May 19, 2023	$0.10	-	4,200,000	-	300,000	3,900,000
May 20, 2023	$0.105	-	136,108	-	-	136,108
		4,167,500	7,986,108	-	1,871,250	10,282,358

During the three months ended March 31, 2021, the Company recognized share-based compensation of $12 (March 31, 2020 - $1,176 credit adjustment) for stock options granted and vested during the period.

The fair value of stock options at the date of grant was estimated at $0.12 per option (December 31, 2020 - $0.06 per option) using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2021	December 31, 2020
Risk-Free Annual Interest Rate	**0.25%**	0.26% - 0.34%
Expected Stock Price Volatility	**126%**	104% - 116%
Expected Life of Options and Warrants	**2 years**	2.0 – 3.0 years
Expected Annual Dividend Yield	**0%**	0%

(In thousands of Canadian dollars except for share data)

14. Share capital (continued)

(f) Restricted share units ("RSU")

On October 10, 2017, the Company adopted a RSU Plan as approved by the shareholders of the Company. The RSU Plan is designed to provide the Company with an additional tool to compensate directors, officers, consultants and other key employees of the Company. As of March 31, 2021, the maximum number of shares that may be reserved for issuance under the RSU plan was 12,011,108 (December 31, 2020 – 12,011,108) common shares. Under the plan, each vested RSU gives the eligible person the right to receive one common share of the Company.

The continuity of RSUs for the nine months ended December 31, 2020 is as follows:

Issuance date	March 31, 2020	Issued	Redeemed	Cancelled	December 31, 2020
April 22, 2019	1,006,250	-	850,000	156,250	-
May 19, 2020	-	5,650,554	5,650,554	-	-
May 20, 2020	-	2,300,554	2,300,554	-	-
	1,006,250	7,951,108	8,801,108	156,250	-

No RSUs were granted during the three months ended March 31, 2021.

15. General and administrative expenses

	Three months ended March 31, **2021**	2020
	$	$
Consulting fees	**32**	1,172
Business acquisition costs	**-**	842
Shareholder and investor relations	**126**	116
Office and general	**316**	282
Professional fees	**110**	271
Management fees and wages	**323**	290
	907	2,973

16. Finance and other costs

	Three months ended March 31, **2021**	2020
	$	$
Accretion expenses	**111**	258
Loan interest	**235**	54
Financing fees	**172**	-
Bank charges	**19**	28
	537	340

(In thousands of Canadian dollars except for share data)

17. Related party transactions

Details of transactions between the Company and related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described as follows.

(a) Related party balances

The Company had the following amounts due to related parties which are unsecured and have no specific terms of repayment.

	March 31, 2021	December31, 2020
	$	$
Short term loans from directors and officers [1]	**372**	855
Revolving credit promissory note from a director (Note 12 (f))	**2,030**	612
Due to an officer and a director for fees pursuant to consulting agreements	**163**	163
Due to officers and a director for expense reimbursements	**20**	113

[1] The short term loans from directors and officers bear an average fixed interest at 12% and are payable on demand.

(b) Compensation of key management personnel

Key management personnel includes the Company's directors and officers. During the three months ended March 31, 2021 and 2020, the compensation paid or accrued to directors and officers consisted of the following:

	2021	2020
	$	$
Consulting fees	**-**	274
Management fees	**190**	582
Share-based compensation [1]	**-**	316
	190	1,172

[1] During the three months ended March 31, 2020, an aggregate of 250,000 stock options were issued to officers of the Company.

18. Commitments and contingencies

(a) Office and operating leases

(i) MDHS entered into a commercial lease agreement for the lease of its dispensary operating premises for a monthly rent of US$5. The lease expired on December 8, 2020, with 3 additional 5-year term renewal options. The Company is currently in negotiations with the landlord on the share of certain leasehold improvement costs and is expected to renew the lease agreement in the near future.

(ii) The Company entered into a lease agreement for rental of an office space in Kelowna, British Columbia for an annual rent payment of $23 in the first year and $25 in the second year. The lease expires on May 3, 2021.

(In thousands of Canadian dollars except for share data)

18. Commitments and contingencies (continued)

(a) Office and operating leases (continued)

(iii) The Company entered into a lease agreement for rental of an office space in Calgary, Alberta for an annual rent payment of $25 in the first year, $29 in the second year and $33 in the third year. The lease expires on April 30, 2023. During the three months ended March 31, 2021, the lease agreement was terminated.

(b) Claim and litigation

(i) Veritas vs. Citation

On February 28, 2019, a claim was commenced against the Company by Veritas to recover a loan in the principal amount of $1,000 plus accrued interests. Veritas claims that the loan is in default and has made a demand for repayment of the loan and interests on or before January 21, 2019.

On April 12, 2019, the Company filed a counterclaim against Veritas alleging, among other things, that the Company and Veritas entered into a loan agreement which included repayment terms consisting of $100 and the assignment of the Company's ownership interest in the Property. (Note 8(c))

The Company intends to vigorously defend itself against the claim made by Veritas. As set out in the Company's response to civil claim, it believes that the allegations are without merit and that the loan agreement is in full force and effect.

19. Segmented information

The assets and operations of the Company are located in Canada and the United States.

	Canada	US	Total
	$	$	$
Three months ended March 31, 2021			
Net revenue	**-**	**999**	**999**
Gross profit	**-**	**223**	**223**
Loss from operations	**(600)**	**(269)**	**(869)**
Net loss from continuing operations	**(1,037)**	**(288)**	**(1,325)**
Three months ended March 31, 2020			
Net revenue	-	472	472
Gross profit	-	92	92
Loss from operations	(1,465)	(617)	(2,082)
Net loss from continuing operations	(22,801)	(5,631)	(28,432)

	Canada	US	Total
	$	$	$
As at March 31, 2021			
Current assets	**6,357**	**3,836**	**10,193**
Total assets	**6,385**	**16,178**	**22,563**
Total liabilities	**17,728**	**1,992**	**19,720**
As at December 31, 2020			
Current assets	6,656	3,437	10,093
Total assets	6,948	16,018	22,966
Total liabilities	17,942	1,976	19,918

(In thousands of Canadian dollars except for share data)

20. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The carrying values of cash, accounts receivable, accounts payables and accrued liabilities, loans and borrowings and convertible debentures approximate their fair values due to their short-term nature. The fair value of marketable securities is based on quoted prices in active markets. The fair values of derivative asset and derivative liability are determined using the Black-Scholes option pricing model. During the year, there were no transfers of amounts between level 1, 2 and 3 of the fair value hierarchy.

The following table summarizes the Company's financial instruments as at March 31, 2021:

	FVTPL	Amortized cost	Total	Fair value hierarchy
	$	$	$	
Financial assets				
Cash	**175**	**-**	**175**	**N/A**
Accounts receivable	**-**	**865**	**865**	**N/A**
Financial liabilities				
Accounts payable and accrued liabilities	**-**	**5,290**	**5,290**	**N/A**
Income tax payable	**-**	**352**	**352**	**N/A**
Loans and borrowings	**-**	**5,116**	**5,116**	**Level 2**
Convertible debentures [1]	**-**	**4,084**	**4,084**	**Level 2**
Derivative liabilities [1]	**1,320**	**-**	**1,320**	**Level 3**

(1) The fair value of convertible debentures includes the financial liability and derivative liability.

21. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

The Company is exposed to various risks in relation to financial instruments. The most significant financial risks to which the Company is exposed are described below.

(a) 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 ensures, as far as reasonably possible, that it will have sufficient capital in order to meet its working capital and other operating requirements, fund capital expenditures, settle liabilities and meet its scheduled debt repayments. As of March 31, 2021, the Company had working capital deficiency of $6,349 (December 31, 2020 - working capital deficiency of $6,223). There can be no assurance that the Company will be able to secure debt and/or equity financing for working capital and be successful in generating and maintaining profitable operations.

(In thousands of Canadian dollars except for share data)

21. Financial risk management (continued)

(a) Liquidity risk (continued)

The Company has the following gross contractual obligations:

	Total	< 1 year	1 – 3 years	3 – 5 years
	$	$	$	$
Accounts payable and accrued liabilities	**5,290**	**5,290**	**-**	**-**
Loans and borrowings	**5,116**	**3,987**	**1,129**	**-**
Lease liabilities	**6**	**6**	**-**	
Convertible debentures	**4,084**	**2,035**	**2,049**	**-**
	14,496	**11,318**	**3,178**	**-**

(b) Currency risk

The Company operates internationally and is exposed to foreign currency risk arising from currency exposures to Canadian dollars. The main currency to which the Company has exposure is the U.S. dollar. The Company is exposed to currency risk to the extent of its cash, accounts payables and accrued liabilities, liabilities associated with assets held for sale and convertible bonds payable that are denominated in U.S. dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates.

As at March 31, 2021, the Company has determined that a 10% change in US dollars against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately $1,418 for the three months ended March 31, 2021 (March 31, 2020 - $1,550) to net income and comprehensive income.

(b) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's loans and borrowings and convertible bonds payable are based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

(d) Covid-19

On March 11, 2020, the current outbreak of COVID-19 (Coronavirus) was declared a global pandemic, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. As a result, global equity markets and oil prices have experienced significant volatility and weakness. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

(e) Credit risk

Financial instruments that subject the Company to credit risk primarily consist of accounts receivable. The Company maintains an allowance for estimated credit losses using an expected credit loss provision for accounts receivable. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Company's historical credit losses experienced over previous periods.

(In thousands of Canadian dollars except for share data)

21. Financial risk management (continued)

(e) Credit risk (continued)

The Company sells its product in Nevada but its credit risk is not concentrated to any particular customer. The Company mitigates the risk by reviewing accounts receivable past due on an ongoing basis and by managing and monitoring the relationships with its customers. 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.

As at March 31, 2021, a $472 (US$375) receivable from Internal Revenue Service ("IRS") for the FIRPTA income tax withheld was aged over 90 days. There was a service delay from IRS due to the outbreak of COVID-19 in 2020. Management expects to receive the full amount in fiscal 2021.

As at March 31, 2021, the Company's aging of receivables was as follows:

	March 31, 2021	December 31, 2020
	$	$
0 – 30 days	**224**	19
31 – 60 days	**169**	-
61 – 90 days	**-**	-
91 days and over	**472**	477
Gross accounts receivable	**865**	496
Provision for doubtful accounts	**-**	-
	865	496

22. Capital management

The Company manages its share capital as capital, which as at March 31, 2021, was $109,652. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and expansion of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares or debt, dispose of assets, or adjust the amount of cash and cash equivalents. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company does not pay out dividends in order to conserve cash reserves and to maximize ongoing development efforts. The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

23. Subsequent events

(a) Financing

On April 21, 2021, the Company closed a non-brokered private placement of 6,445,880 units at $0.15 per unit for gross proceeds of $967. Among the 6,445,880 units issued, 2,497,667 units are issued for settlement of short term loan from directors & officers of the Company of an aggregated amount of $375. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of $0.22 per share for a period of 18 months expiring October 21, 2022, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above $0.50 for a period of ten consecutive trading days.

On May 3, 2021, the Company closed a non-brokered private placement of 2,093,244 units at $0.15 per unit for gross proceeds of $314. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of $0.22 per share for a period of 18 months expiring November 3, 2022, subject to an accelerated expiry if the VWAP of the Company's common shares is equal to or above $0.50 for a period of ten consecutive trading days.

(b) Stock option grants

The Company granted stock options to directors, officers and employees to purchase 7,350,000 common shares at an exercise price of $0.15 expiring from May 5, 2024 to May 21, 2024.

(c) RSUs grants

The Company granted RSUs to directors, officers and employees to purchase 2,100,000 common shares at a deemed price of $0.15.

(d) Share issuances

6,566,225 common shares were issued for services at a fair value of $985.