Interim condensed consolidated financial statements

TPCO Holding Corp.

For the three months ended March 31, 2021 and 2020

Contents

TPCO Holding Corp.
Interim condensed consolidated statements of financial position
(Unaudited, in United States dollars)

As at	Note	March 31, 2021	December 31, 2020
Assets			
Current			
Cash		$ **281,025,634**	$ -
Restricted cash and cash equivalents	3	**5,306,405**	582,622,025
Accounts receivables	27	**4,591,133**	-
Other receivables	5	**-**	24,977,765
Biological assets	6	**2,624,018**	-
Inventory	7	**31,606,078**	-
Prepaid expenses		**7,152,991**	-
Assets held for sale	8	**18,774,542**	-
Other current assets		**2,242,948**	-
Total current asset		**353,323,749**	607,599,790
Investment in equity shares	27	**591,545**	-
Security deposits		**962,582**	-
Prepaid expenses and other assets		**2,652,062**	81,333
Property and equipment	9	**11,794,694**	-
Right-of-use assets	12	**52,353,734**	-
Goodwill and intangibles	10	**847,354,978**	-
Total assets		$ **1,269,033,344**	$ 607,681,123
Liabilities			
Current			
Accounts payable and accrued liabilities	11	$ **38,584,019**	$ 28,321,972
Consideration payable		**3,369,507**	-
Current portion of lease liability	12	**3,277,486**	-
Loans payable	13	**3,358,686**	-
Cash settled share-based payments	18	**2,822,371**	-
Contingent consideration	27	**101,625,392**	-
Liabilities held for sale	8	**4,920,589**	-
Class A Restricted Voting Shares subject to redemption	14	**-**	582,622,025
Total current liabilities		**157,958,050**	610,943,997
Other long-term liabilities		**1,507,572**	-
Lease liabilities	12	**51,188,685**	-
Deferred tax liabilities	20	**97,464,014**	-
Total liabilities		**308,118,321**	610,943,997
Shareholders' equity			
Common shares	16	**952,900,779**	-
Warrant reserve	17	**4,796,410**	4,796,410
Class B shares	16	**-**	13,404,356
Shares to be issued		**19,529,798**	25,087,000
Contributed surplus		**9,962,442**	-
Deficit		**(26,274,406)**	(46,550,640)
Total shareholders' equity		**960,915,023**	(3,262,874)
Total liabilities and shareholders' equity		$ **1,269,033,344**	$ 607,681,123

Commitments and contingencies (Note 26)
Subsequent events (Note 31)

On behalf of the Board:

"Michael Auerbach" (signed)
Director

"Jeffry Allen" (signed)
Director

See accompanying notes to the interim condensed consolidated financial statements

TPCO Holding Corp.
Interim condensed consolidated statements of income (loss) and comprehensive income (loss)

(Unaudited, in United States dollars)

	Note		Three-months ended March 31, 2021		March 31, 2020
Sales	4(m)	$	**39,917,388**	$	-
Cost of sales			**35,238,987**		-
Gross profit before fair value adjustments			**4,678,401**		-
Net effect of changes in fair value of biological assets and inventory	6		**2,522,154**		-
Gross profit			**7,200,555**		-
Operating expenses	21		**61,859,064**		311,573
Loss from operations			**(54,658,509)**		(311,573)
Other income (expense)					
Interest income			**6,908**		1,949,342
Interest expense	22		**(1,623,227)**		(1,949,342)
Amortization of issuance costs on Class A warrants			**-**		(2,836,240)
Loss on remeasurement of assets held for sale	8		**(58,022,984)**		-
Change in fair value of contingent consideration	27		**131,093,854**		-
Other expense			**(117,157)**		-
			71,337,394		(2,836,240)
Income (loss) before income taxes			**16,678,885**		(3,147,813)
Income tax benefit	20		**3,101,292**		-
Net income (loss) and comprehensive income (loss)		$	**19,780,177**	$	(3,147,813)
Earnings (loss) per share					
Basic	19	$	**0.23**	$	(0.22)
Diluted	19	$	**0.21**	$	(0.22)
Weighted average number of common shares					
Basic	19		**84,413,911**		14,543,750
Diluted	19		**85,697,978**		14,543,750

See accompanying notes to the interim condensed consolidated financial statements

TPCO Holding Corp.
Interim condensed consolidated statements of changes in shareholders’ equity

(Unaudited, in United States dollars)

		Common shares		Warrants		Class B Shares		Shares to be issued		Contributed	Accumulated	
	Note	Shares	Amount	Warrants	Amount	Shares	Amount	Shares	Amounts	Surplus	Deficit	Total
Balance, December 31, 2019		-	$ -	35,837,500	$ 4,796,410	15,218,750	$ 13,404,356	-	$ -	$ -	$ (6,180,832)	$ **12,019,934**
Net loss		-	-	-	-	-	-	-	-	-	(3,147,813)	**(3,147,813)**
Balance March 31, 2020		-	-	35,837,500	4,796,410	15,218,750	13,404,356	-	-	-	(9,328,645)	**8,872,121**
Balance December 31, 2020		-	-	35,837,500	4,796,410	15,218,750	13,404,356	2,508,700	25,087,000	-	(46,550,640)	**(3,262,874)**
Conversion of Class B shares	16	14,655,547	12,908,299	-	-	(14,655,547)	(12,908,299)	-	-	-	-	**-**
Founders shares forfeited	16	-	-	-	-	(563,203)	(496,057)	-	-	-	496,057	**-**
Shares issued in a private placement	16	6,313,500	63,135,000	-	-	-	-	(2,508,700)	(25,087,000)	-	-	**38,048,000**
Conversion of Class A restricted voting shares	16	31,407,336	318,303,338	-	-	-	-	-	-	-	-	**318,303,338**
Shares issued for long-term strategic contracts	15, 16	2,376,425	25,000,000	-	-	-	-	-	-	-	-	**25,000,000**
Shares issued in a business acquisition	16	41,808,021	529,289,545	-	-	-	-	1,355,258	17,157,567	-	-	**546,447,112**
Shares issued for services rendered	16	336,856	4,264,597	-	-	-	-	-	-	-	-	**4,264,597**
Contingent shares to be issued in a business acquisition	3	-	-	-	-	-	-	187,380	2,372,231	-	-	**2,372,231**
Replacement options issued in a business acquisition	3	-	-	-	-	-	-	-	-	4,199,788	-	**4,199,788**
Share based compensation for long-term strategic contracts	15	-	-	-	-	-	-	-	-	1,755,096		**1,755,096**
Share based compensation	18	-	-	-	-	-	-	-	-	4,007,558	-	**4,007,558**
Net income (loss)		-	-	-	-	-	-	-	-	-	19,780,177	**19,780,177**
Balance March 31, 2021		96,897,685	$ 952,900,779	35,837,500	$ 4,796,410	-	$ -	1,542,638	$ 19,529,798	$ 9,962,442	$ (26,274,406)	$ **960,915,023**

See accompanying notes to the interim condensed consolidated financial statements

TPCO Holding Corp.
Interim condensed consolidated statements of cash flows
(Unaudited, in United States dollars)

	Note	Three-months ended March 31, 2021	March 31, 2020
Cash provided by (used in)			
Operating activities			
Net income (loss)		**$ 19,780,177**	$ (3,147,813)
Adjustments for items not involving cash			
Amortization of issue costs on Class A warrants		**-**	2,836,240
Loss on remeasurement of assets held for sale	8	**58,022,984**	-
Interest expense	22	**1,623,227**	1,949,342
Provision for bad debts	27	**174,111**	-
Depreciation and amortization	21	**7,951,093**	-
Shares issued for long-term strategic contracts	15	**25,000,000**	-
Share based compensation expense	18	**6,829,929**	-
Non-cash sales and marketing expense	15	**1,755,096**	-
Fair value change on biological assets	6	**(2,522,154)**	-
Fair value change of contingent consideration	27	**(131,093,854)**	-
Deferred income tax recovery	20	**(3,312,619)**	-
		(15,792,010)	1,637,769
Net changes in non-cash working capital items	23	**(40,111,018)**	311,573
Total operating		**(55,903,028)**	1,949,342
Financing activities			
Proceeds from private placement		**51,635,000**	-
Redemption of Class A restricted voting shares		**(264,318,686)**	-
Repayment of lease liabilities	12	**(1,587,771)**	-
Repayment of loans payable	13	**(2,778,668)**	-
Repayment of notes payable		**(15,400,000)**	-
Repayment of line of credit		**(10,836,105)**	-
Total financing		**(243,286,230)**	-
Investing activities			
Net cash paid in business combinations	3	**(1,874,925)**	-
Cash held in Escrow		**582,622,025**	(1,949,342)
Purchases of property and equipment	9	**(532,208)**	-
Total investing		**580,214,892**	(1,949,342)
Net change in cash during the year		**281,025,634**	-
Cash			
Beginning of year		**$ -**	$ -
End of year		**$ 281,025,634**	$ -

Supplemental cash-flow information (Note 23)

See accompanying notes to the interim condensed consolidated financial statements

(Unaudited, in United States dollars)

1. Nature of operations

TPCO Holding Corp. ("TPCO" or the "Company") was a special purpose acquisition corporation incorporated on June 17, 2019 under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combinations involving the Company (a "Qualifying Transaction"). As more fully described in the notes to these interim condensed consolidated financial statements, the Company completed the Qualifying Transaction on January 15, 2021.

The Company's registered office is located at 595 Burrard Street, Suite 2600, P.O. Box 49314, Vancouver, BC, V7X 1L3, Canada, and the Company's head office is located at 1550 Leigh Avenue, San Jose, California, 95125, United States of America. Commencing on the date of the Qualifying Transaction, the Company became vertically integrated as a cultivator, retailer and distributor of adult use cannabis products through the sale to retail, bulk and wholesale customers under the "Medical Marijuana Programs Act" and the proposition 64 "The Adult Use of Marijuana Act".

The common shares of the Company are listed on the Aequitas NEO Exchange ("NEO") and Over the Counter Market ("OTC") under the trading symbols "GRAM.U" and "GRAMF", respectively. The warrants of the Company are listed on the NEO under the trading symbol "GRAM.WT.U".

2. Basis of presentation

i) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 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"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 17, 2021.

ii) Basis of measurement

These interim condensed consolidated financial statements have been prepared on the going concern basis, under historical cost, except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell.

iii) Basis of consolidation

Subsidiaries are entities controlled by the Company.

These interim condensed consolidated financial statements include the accounts of the Company and the following entities which are subsidiaries of the Company:

Subsidiaries	Jurisdiction of incorporation	Ownership interest March 31, 2021	Ownership interest December 31, 2020
TPCO US Holding LLC	California	100%	100%
Social Equity Ventures LLC	California	100%	-
CMG Partners, Inc.	California	100%	-
Well. By Caliva LLC	California	100%	-
well. By Caliva Centers	California	100%	-
Live Zola, LLC	California	100%	-
NC3 Systems, Inc.	California	100%	-
NC4 Systems, Inc.	California	100%	-
NC5 Systems, Inc.	California	100%	-

2. Basis of presentation (continued)

iii) Basis of consolidation (continued)

Subsidiaries	Jurisdiction of incorporation	Ownership interest March 31, 2021	Ownership interest December 31, 2020
NC6 Systems, Inc.	California	100%	-
Caliva CADINH1, Inc.	California	100%	-
Caliva CADECC1, LLC	California	100%	-
Caliva CARERC1, LLC	California	100%	-
Caliva CAMISJ2, Inc.	California	100%	-
OG California Branding, Inc.	California	100%	-
Caliva CAREDELA1, LLC	California	42%	-
Left Coast Ventures, Inc.	Delaware	100%	-
Sturdivant Ventures, LLC	California	100%	-
LCV Holdings, HMB, LLC	California	100%	-
Rever Holdings, LLC	California	100%	-
Eko Holdings, LLC	California	100%	-
Lief Holdings, LLC	California	100%	-
LCV Holdings SISU 710, LLC	California	100%	-
SISU Extraction, LLC	California	100%	-
Fluid South, Inc.	California	100%	-
New Frontier Brewing Company, LLC	California	51%	-
Capitol Cocoa, Inc.	California	100%	-

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The interim condensed consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating intercompany balances and transactions.

All intercompany transactions and balances with subsidiaries have been eliminated upon consolidation.

iv) Functional and presentation currency

These interim condensed consolidated financial statements are presented in United States dollars, which is also the Company and its subsidiaries' functional currency.

3. Business combinations

Qualifying Transaction

On November 24, 2020, the Company announced that it had entered into definitive transaction agreements in respect of each of CMG Partners, Inc. ("Caliva") (the "Caliva Agreement") and Left Coast Ventures, Inc. (the "LCV Agreement" pursuant to which the Company would acquire all of the equity of Caliva and LCV. At the same time, the Company executed an agreement with Caliva, OG Enterprises Branding, Inc. ("OGE"), SC Branding, LLC and SC Vessel 1, LLC to acquire the remaining shareholdings of OGE and entered into a Brand Strategy Agreement with SC Branding, LLC.

Additionally, concurrently with the completion of the LCV acquisition, LCV acquired SISU Extraction LLC ("SISU") in accordance with the Agreement and Plan of Merger between LCV and SISU, dated November 24, 2020.

The above transactions closed on January 15th, 2021, and the acquisition of SC Vessel 1, LLC's interest in OGE closed on January 19th, 2021. The acquisition of Caliva and LCV constitutes the Company's Qualifying Transaction.

Each of the acquisitions is a business combination accounted for using the acquisition method in accordance with IFRS 3, *Business Combinations* ("IFRS 3").

(Unaudited, in United States dollars)

3. Business combinations (continued)

Due to the complexity associated with the valuation process and short period of time between the acquisition date and the period end, the identification and measurement of the assets acquired, and liabilities assumed, as well as the measurement of consideration and contingent consideration is provisional and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. Management will finalize the accounting for the acquisitions no later than one year from the date of the respective acquisition date and will reflect these adjustments retrospectively as required under IFRS 3. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on the Company's future financial position and results of operations.

Total acquisition-related transaction costs incurred by the Company in connection with the acquisitions was approximately $493,584 (December 31, 2020 - $6,316,683).

A provisional estimate of the fair values of the assets to be acquired and the liabilities to be assumed by the Company in connection with the acquisitions is as follows:

	Caliva/OGE	LCV	SISU	Total
Total consideration transferred	$ 607,862,245	$ 105,251,941	$ 84,362,956	**$ 797,477,142**
Assets acquired				
Cash	6,563,902	2,316,912	976,906	**9,857,720**
Restricted cash and cash equivalents	4,601,055	705,350	-	**5,306,405**
Accounts receivable	2,006,699	1,090,811	1,022,532	**4,120,042**
Biological assets	2,589,945	-	-	**2,589,945**
Inventory	12,957,999	7,548,844	4,973,910	**25,480,753**
Prepaid expenses	2,678,356	164,750	82,701	**2,925,807**
Other current assets	2,494,654	51,188	-	**2,545,842**
Property and equipment	7,785,157	3,305,145	1,163,902	**12,254,204**
Intangible assets	273,900,000	64,840,000	85,340,000	**424,080,000**
Right of use assets	48,702,768	4,461,809	1,183,451	**54,348,028**
Investment in associate	-	6,500,000	-	**6,500,000**
Investment in equity shares	591,545	-	-	**591,545**
Security deposits and other	869,238	137,051	34,175	**1,040,464**
Other non-current assets	615,827	2,000,000	-	**2,615,827**
Total assets acquired	366,357,145	93,121,860	94,777,577	**554,256,582**
Liabilities assumed				
Accounts payable and accrued liabilities	26,280,222	15,468,673	15,460,986	**57,209,881**
Consideration payable	2,458,844	880,864	-	**3,339,708**
Loans payable	5,838,918	298,436	-	**6,137,354**
Line of credit	9,836,105	-	1,000,000	**10,836,105**
Notes payable	-	15,400,000	-	**15,400,000**
Other long-term liabilities	-	1,468,106	-	**1,468,106**
Deferred tax liability	68,252,663	17,221,527	17,917,511	**103,391,701**
Lease liabilities	49,746,261	4,461,809	1,183,451	**55,391,521**
Total liabilities assumed	162,413,013	55,199,415	35,561,948	**253,174,376**
Goodwill	$ 403,918,113	$ 67,329,496	$ 25,147,327	**$ 496,394,936**

(Unaudited, in United States dollars)

3. Business combinations (continued)

Total consideration transferred is comprised of the following:

	Caliva/OGE	LCV	SISU	Total
Upfront consideration				
Cash	$ 465,140	$ 177,970	$ 11,089,535	**$ 11,732,645**
Shares	408,178,567	57,529,825	63,581,153	**529,289,545**
Shares to be issued	1,567,549	5,897,750	9,692,268	**17,157,567**
Consideration payable	1,000	5,120	-	**6,120**
Contingent consideration (liability)	191,077,970	41,641,276	-	**232,719,246**
Contingent consideration (equity)	2,372,231	-	-	**2,372,231**
Replacement options	4,199,788	-	-	**4,199,788**
Total consideration transferred	**$** 607,862,245	$ 105,251,941	$ 84,362,956	**$ 797,477,142**

Each of the acquisitions is subject to specific terms relating to satisfaction of the purchase price by the Company and incorporates payments in cash and shares as well as certain contingent consideration. Contingent consideration has been classified as either a financial liability or equity based on the principles of IAS 32 *Financial instruments: Presentation.*

The total consideration transferred for the acquisitions is summarized below:

Acquisition of Caliva and OGE

The acquisition of Caliva, including 50% interest in OGE, closed on January 15, 2021, and the acquisition of the additional 50% interest in OGE closed on January 19, 2021. However, the closing of the additional 50% interest in OGE was on automatic and contingent on the closing of Caliva. As a result, the Company gained control of both Caliva and OGE on January 15, 2021.

The acquisitions of Caliva and OGE are being accounted for as one transaction as the contracts were negotiated at the same time and in contemplation of one another in order to achieve the overall objective of obtaining control of both companies. The Company acquired all of the issued and outstanding equity interests of Caliva and OGE from the existing shareholders for up to 32,241,593 common shares of the Company and $466,140 of cash, with certain shareholder's receiving cash at $10.00 per share in lieu of shares for regulatory purposes. In addition, the consideration transferred includes contingent consideration and replacement stock options, as outlined below. The share consideration was valued based on the share price on the date of acquisition, January 15, 2021. As at March 31, 2021, the Company is still in the process of settling the issuance of shares and cash and the estimated remaining number of shares to be issued is presented in equity, while the estimated remaining cash to be paid is presented as consideration payable.

The Company also issued the following contingent consideration:

a) *Trading price consideration* – The Caliva and OGE shareholders received a contingent right for up to 18,356,299 additional common shares (the "pool of common shares") in the event the 20-day volume weighted average trading price ("VWAP") of the common shares reaches $13.00, $17.00 and $21.00 within three years of closing, with one-third issuable upon the achievement of each price threshold, respectively. The pool of common shares is to be shared with Caliva option holders who were employees of Caliva at the time of the transaction ("Caliva employee option holders"). In order to receive their share of the contingent consideration, Caliva employee option holders must be employed by the Company at the time the contingent consideration is paid out. The portion of the pool of common shares that may be paid to Caliva employee option holders is being accounted for as employee share based compensation and is being expensed over the estimated vesting period. The portion of the pool of common shares that may be paid to former Caliva and OGE shareholders is being accounted for as contingent consideration in the amount of $191,077,970 and is included in the consideration transferred above. Refer to Note 27 for further details.

b) *Earn-out shares* – The Caliva shareholders received a contingent right for up to 3,929,327 additional common shares if the aggregate consolidated cash of the Company at closing, net of short-term indebtedness, was less than $225,000,000. As the consolidated cash at the time of closing was above this amount, no additional common shares will be issued, and no value has been attributed to this in the transaction.

c) 187,380 shares of TPCO have been placed into escrow and will be issued when subsidiaries of Caliva receive their licenses. This is presented as contingent shares to be issued in equity. If the licenses are not obtained, the shares will be issued to Caliva former shareholders, and therefore have been included as part of consideration

3. Business combinations (continued)

Lastly, the Company issued replacement stock options to Caliva employee option holders as discussed in Note 18. The Company recognized $4,199,788 in consideration. This represents the fair value of the award as at January 15, 2021 and relates to past service of those employees. The goodwill acquired is associated with Caliva and OGE's workforce and expected future growth potential and is not expected to be deductible for tax purposes.

Acquisition of LCV

The Company acquired all of the issued and outstanding equity interests of LCV from the existing shareholders of LCV for up to 4,544,220 common shares of the Company and $183,090 cash, with certain shareholder's receiving cash at $10.00 per share in lieu of shares for regulatory purposes. The share consideration was valued based on the share price on the date of acquisition, January 15, 2021. As at March 31, 2021, the Company is still in the process of settling the issuance of shares and cash and the estimated remaining number of shares to be issued is presented in equity, while the estimated remaining cash to be paid is presented as consideration payable. The goodwill acquired is associated with LCV workforce and expected future growth potential and is not expected to be deductible for tax purposes.

In addition, the LCV shareholders will have a contingent right for up to 3,856,955 additional common shares in the event the 20-day VWAP of the common shares reaches $13.00, $17.00 and $21.00 within three years of closing, with one-third issuable upon the achievement of each price threshold, respectively. The fair value of the contingent consideration on January 15, 2021 was $41,641,276 and is included in consideration transferred above. Refer to Note 27 for further details.

Acquisition of SISU

The Company acquired all of the issued and outstanding units of SISU from the existing members of SISU for 5,787,790 shares of the Company, of which 765,582 are shares to be issued, and $11,089,535 in cash. Shares to be issued represent a holdback related to general representations and warranties. The share consideration was valued based on the share price on the date of acquisition, January 15, 2021. The goodwill acquired is associated with SISU's workforce and expected future growth potential and is expected to be fully deductible for tax purposes at the state level.

4. Significant accounting policies

(a) Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

(b) Cash

Cash is comprised of bank balances held in banks, funds held in trust with the Company's legal counsel (which is available on demand with no restrictions), and cash held at the Company's operating premises in California.

(c) Restricted cash and cash equivalents

The Company classifies restricted cash and cash equivalents outside of cash and cash equivalents when it is legally ring-fenced for a specific purpose, and the Company is not able to direct the cash to be used in its operations. Restricted cash equivalents include highly liquid investments with maturities of less than three months. The movement in this account is presented in the interim condensed consolidated statement of cash flows in investing activities.

(d) Biological assets

Biological assets, consisting of cannabis plants, are measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of inventories after harvest. Gains or losses arising from changes in fair value less costs to sell during the year, including the impact on the carrying amount of inventory, are included in the interim condensed consolidated statement of income (loss) and comprehensive income (loss) of the related year. At the point of harvest, the biological assets are transferred to inventories at their fair value less costs to complete and sell. All direct and indirect costs related to biological assets are capitalized as they are incurred, and expensed when the related item is sold.

4. Significant accounting policies (continued)

(d) Biological assets (continued)

While the Company's biological assets are within the scope of IAS 41, *Agriculture* and are measured at fair value less costs to sell, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, *Inventories*. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and at the point of harvest including labor related costs, grow consumables, utilities, facilities costs including allocation of overhead costs related to production facility, quality and testing costs, and production related depreciation. Capitalized costs are subsequently recorded within cost of sales in the interim condensed consolidated statements of income and comprehensive income in the period that the related product is sold.

(e) Inventories

Raw material inventory consists of dried cannabis either internally cultivated or acquired. Inventories of finished goods and packaging supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. The direct and indirect costs of finished goods inventory that includes internally cultivated flower and trim, includes the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labor and depreciation expense on equipment involved in processing, packaging, labelling and inspection to turn raw materials into finished goods. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of sales on the interim condensed consolidated statements of income and comprehensive income at the time cannabis products are sold. The Company measures inventory cost using the first-in first-out method.

Realized fair value amounts from biological assets included in the cost of inventory sold are separately presented for cost of sales as fair value adjustment on sale of inventory in Note 6.

(f) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation commences when the assets are available for use and is charged to the interim condensed consolidated statement of income (loss) and comprehensive income (loss) on a straight-line basis over its useful life as outlined below:

Leasehold improvements	Shorter of lease term or estimated useful life
Production equipment	1 - 7 years
Furniture, fixtures and office equipment	2 - 7 years
Vehicles	3 - 7 years

An asset's residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted if appropriate. When components of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation of property and equipment commences when the asset is available for use.

Property and equipment acquired in a business combination is depreciated over the remaining useful life of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

(g) Intangible assets

Intangible assets with finite life are stated at the amount initially recognized less accumulated amortization and accumulated impairment losses. Intangible assets with finite life are amortized on a straight-line basis as follows:

Licenses	8 -16 years
Cultivation network	7 years
Brands	17 - 23 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. Significant accounting policies (continued)

(h) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is allocated to the CGU or group of CGUs which are expected to benefit from the synergies of the combination.

(i) Business combinations

The Company accounts for business combinations using the acquisition method when it has obtained control. The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. The Company elects on transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity. Otherwise, subsequent changes in the fair value of the contingent consideration is recognized in earnings.

When the initial accounting for a business combination has not been finalized by the end of the reporting period in which the transaction occurs, the Company reports provisional amounts. Provisional amounts are adjusted during the measurement period, which does not exceed one year from the acquisition date. These adjustments, or recognition of additional assets or liabilities, reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date

(j) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

The recoverable amount of an asset or CGU is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Fair value is the price that would be received from the sale of an asset or CGU in an orderly transaction between market participants at the measurement date.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

(k) Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is lessee, except for short-term leases (defined as leases with lease term of 12 months or less) and leases of low value assets (defined as leases for which the underlying asset is less than $5,000). For these leases, the Company recognizes the leases as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are assumed.

4. Significant accounting policies (continued)

(k) Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprises:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payment using a revised discount rate.
- The lease payments change due to changes in the index or rate or a change in expected payment under a guaranteed residual value, in which the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprises the initial measurements of the corresponding lease liability, lease payments made at or before commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects the Company's expectation to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Depreciation is charged to the interim condensed consolidated statement of income (loss) and comprehensive income (loss) on a straight-line basis over its useful life as outlined below:

Properties	1 – 16.5 years
Vehicles	1 years

Gains and losses on modification of right-of-use assets are dependent on if the modification is accounted for as a separate lease. If the modification is accounted for as a separate lease, the difference between the carrying value of the existing lease liability and the modified lease liability is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the lessee shall remeasure the lease liability by decreasing the carrying amount of the right-of-use asset to reflect full termination of the lease. Any differences are recognized in profit or loss. For all other lease modifications not accounted for as a separate lease no gain or loss is recognized.

4. Significant accounting policies (continued)

(l) Share-based compensation

The Company has an equity incentive plan which includes issuances of incentive stock options, nonqualified stock options, share appreciation rights, restricted share units, deferred share units and performance share units.

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of the equity instruments that will ultimately vest. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be satisfied, such that the amount ultimately recognized is based on the number of awards that ultimately vest.

The Company measures cash-settled share-based payments as liabilities at fair value. At each reporting date, obligations related to cash-settled share-based plans are re-measured at fair value with reference to the fair value of the Company's share price and the number of units that have been vested. The corresponding share-based compensation expense or recovery is recognized over the vesting period.

The fair value of the share-based payments granted is measured using the Black Scholes option pricing model, taking into account the terms and conditions upon which the share-based payments were granted.

For share based compensation granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

(m) Revenue recognition

The Company earns revenue from the sale of cannabis to retail and wholesale customers, the provision of merchandising and distribution services. The Company has a diverse customer base across its wholesale and retail revenue streams in the state of California.

The Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue, the Company applies the following five (5) steps:

1) Identify the contract with a customer
2) Identify the performance obligation(s)
3) Determine the transaction price
4) Allocate the transaction price to the performance obligations(s)
5) Recognize revenue when/as performance obligations(s) are satisfied

Revenue from the sale of cannabis to retail and wholesale customers is recognized at a point in time when control over the goods has transferred to the customer. This corresponds with when the Company satisfies its performance obligation. Revenue is recorded net of any point of sale discounts provided to the customer. The Company's revenues are principally derived from arrangements with fixed consideration. Variable consideration, if any, is not material.

Revenue earned from providing merchandising services is recognized each month as the Company satisfies its performance obligations.

Revenue earned from providing distribution services is recognized at a point in time when the distribution process is complete and control over the goods has transferred to the end customer. In transactions where the Company acts as the principal the transaction revenue is presented gross.

The majority of the Company's revenue is cash at point of sale. Payment is due upon transferring the goods or providing services to the customer or within a specified time period permitted under the Company's credit policy. In those cases where the Company provides goods or services on credit, the Company considers whether or not collection is probable in determining if a contract exists under IFRS 15, *Revenue from Contracts with Customers*. Costs associated with goods or services is expensed in the year performance obligations are satisfied.

During the three-months ended March 31, 2020, the Company determined collection was probable for certain transactions and recognized $622,775 of revenue from performance obligations satisfied in the prior year.

4. Significant accounting policies (continued)

(m) Revenue recognition (continued)

The Company's Return Policy conforms to the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), which was signed into law in June 2017 and creates the general framework for the regulation of commercial medicinal and adult-use cannabis in California. The Company determined that no provision for returns or refunds was necessary as at March 31, 2021.

The following table represents the Company's disaggregated revenue by sales channel for the three-months ended March 31, 2021:

Direct to consumer	$	**9,698,113**
Wholesale		**30,219,275**
	$	**39,917,388**

(n) Government assistance

Government grants are recognized when there is reasonable assurance that the grant will be received, and all associated conditions will be complied with. When the grant relates to an expense item, it is recognized in income on a systematic basis over the periods that the related costs it is intended to compensate are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset. When the Company receives a forgivable loan from the Government, it is treated as a government grant only when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan.

(o) Income taxes

Income tax on the interim condensed consolidated statement of income (loss) and comprehensive income (loss) for the periods presented comprises current and deferred tax. Income tax is recognized in the interim condensed consolidated statements of income (loss) and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Current tax is payable on taxable profit, which may differ from profit or loss in the interim condensed consolidated financial statements.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(p) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when contractual rights have expired, or when substantially all of the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired. All financial instruments are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified as either fair value through profit or loss, fair value through other comprehensive income or amortized cost. The classification is determined based on the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized cost

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. Significant accounting policies (continued)

(p) Financial instruments (continued)

These assets are recorded initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Interest and realized gains or losses are included in the interim condensed consolidated statements of income and comprehensive income.

The Company has included cash, restricted cash, accounts receivables, other receivables and security deposits as financial assets at amortized cost.

Financial assets at fair value through profit and loss

Financial assets that are not held within a business model to ‘hold to collect’ or ‘hold to collect and sell’ are categorized at fair value through profit and loss (“FVTPL”). Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

The Company has included the investment in equity shares as a financial asset at FVTPL.

Financial liabilities

Financial liabilities are initially classified as ‘subsequently measured at amortized cost’ or ‘financial liabilities at fair value through profit or loss’. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless designated as a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities for which the Company has elected to measure at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

All interest related charges and, if applicable, changes in a financial liability’s fair value that are reported in profit or loss are included within finance expenses, net.

Financial liabilities are derecognized when they are extinguished or there is a substantial modification of the terms of an existing financial liability. The difference between the carrying amount of the financial liability extinguished and consideration paid, or financial liability assumed, is recognized in profit or loss.

The Company’s financial liabilities which are classified and measured at amortized cost include accounts payable and accrued liabilities, other long-term liabilities, consideration payable and loans payable.

Financial liabilities at fair value through profit and loss

Financial liabilities at FVTPL are stated at fair value, with changes being recognized through the interim condensed consolidated statements of income and comprehensive income.

The Company’s financial liability which is classified and measured at FVTPL, includes contingent consideration and cash settled share-based payments.

Impairment of financial assets

Under IFRS 9 *Financial Instruments* (“IFRS 9”), the Company is required to apply an expected credit loss (“ECL”) model to all debt financial assets not held at fair value through profit or loss, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the balance sheet date. For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial, factors specific to the debtors and general economic conditions.

4. Significant accounting policies (continued)

(q) Fair value

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value measurement for invested assets are categorized into levels within a fair value hierarchy based on the nature of the valuation inputs (Levels 1, 2 or 3). The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: one or more significant inputs used in a valuation technique are unobservable in determining fair values of the asset or liability

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of an asset or liability in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

(r) Contributed surplus

Contributed surplus consists primarily of share-based payments.

(s) Earnings per share

Basic earnings per share (“Basic EPS”) is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share (“Diluted EPS”) is calculated using the treasury method of calculating the weighted average number of common shares outstanding. The treasury method assumes that outstanding stock options with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period.

(t) Operating segments

Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct, and the operating results are regularly reviewed by the chief operating decision maker (“CODM”) for the purposes of resource allocation decisions and assessing its performance.

The Company’s operations began on January 15, 2021 when it closed its Qualifying Transaction (see Note 3). As the Company has been operating for less than three months, the CODM is still in the process of determining the information that will be reviewed on a regular basis in order to make resource allocation decisions. As a result, the Company currently has one segment.

(u) Non-current assets classified as held for sale

The Company classifies assets as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying asset as held for sale, the Company presents the assets separately as a single amount and the associated liabilities separately as a single amount on the interim condensed consolidated statement of financial position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted, or amortized.

4. Significant accounting policies (continued)

(v) Critical accounting estimates and judgements

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the interim condensed consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Business combinations

In determining the fair value of net identifiable assets acquired in a business combination, including any acquisition-related contingent consideration, estimates including market based and appraisal values are used. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In addition, determining whether amounts should be included as part of consideration requires judgements.

Leases

Under IFRS 16, Leases, a lessee is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases, as the implicit rates are not readily available, as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Leases require lessees to estimate the lease term. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Refer to Note 12 for further information.

Valuation of biological assets and inventory

Determination of the fair value of biological assets requires the Company to make a number of estimates and assumptions, including estimating selling prices, expected yields, wastage, and post-harvest costs of the cannabis plant. These estimates and assumptions are subject to change that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets. Refer to Note 6 for further information.

The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for inventories. The Company must also determine if the cost of any inventories exceeds its NRV, such as cases where prices have decreased, or inventories have spoiled or otherwise been damaged. The Company estimates the NRV of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and impact gross profit.

Share-based compensation

In determining the fair value of share-based payments, the Company makes assumptions, such as the expected life of the award, the volatility of the Company's share price, the risk-free interest rate, and the rate of forfeitures. Refer to Note 18 for further information.

4. Significant accounting policies (continued)

(v) Critical accounting estimates and judgements (continued)

Allowance for expected credit losses

The Company makes use of the simplified approach as permitted by IFRS 9 in accounting for receivables and records the loss allowance as a lifetime expected shortfall in contractual cash flows, considering the potential default at any point during the life of the financial instruments. The Company uses historical experience, external indicators and forward-looking information to calculate the expected credit loss using a provision matrix.

The expected loss rates are based on historical information and adjusted to reflect current and forward-looking factors affecting customers' abilities to settle the amounts outstanding. Receivables are written off (derecognized) when there is no reasonable expectation of recovery such as when payment arrangements cannot be made with the customer or third-party collection agency. Refer to Note 27 for further information.

Goodwill

Goodwill impairment testing requires management to estimate the recoverable amount of the cash generating unit ("CGU") to which goodwill has been allocated. On an annual basis, the Company tests whether goodwill is impaired, based on an estimate of its recoverable amount.

Estimated useful lives and depreciation and amortization of property and equipment, right-of-use asset and intangible assets

Depreciation and amortization of property and equipment, right-of-use assets and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets. Refer to Notes 9,10 and 12 for further information.

Fair value measurement

The Company uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Company bases its assumptions on observable data as far as possible, but this is not always available. In that case, the Company uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Refer to Note 27 for further information.

Deferred tax assets and uncertain tax positions

Deferred tax assets, including those arising from tax loss carry-forwards, requires 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 the Company'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. Refer to Note 20 for further information.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4. Significant accounting policies (continued)

(v) Critical accounting estimates and judgements (continued)

Principal versus agent

The Company enters into certain transactions with suppliers whereby the Company obtains title immediately after quality testing. The Company has applied judgement in assessing whether the Company is acting as an agent or a principal in the transaction with the customer.

In management's judgement, the Company is acting as the principal in these transactions. In applying its judgement, management has considered that the Company takes control (and title) to the product prior to sale to the end customer. In assessing the indicators that are laid out in IFRS 15*,* management has considered the following:

- From the customer's perspective, the only party they interact with is the Company. The customer does not know the origin of the product and there is no brand recognition associated with the product (i.e., the products do not carry a brand name, and instead the labels only carry information with respect to the contents of the package).
- If the customer returns the product, the Company will decide whether to take the product back and refund the customer, and the Company will have no right to compensation from the supplier. As a result, the Company has back-end inventory risk.
- The Company has discretion in setting prices and in many cases the supplier does not know the amount the Company sold the products for.

(w) Accounting standards issued but not yet effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

4. Significant accounting policies (continued)

(x) Accounting standards adopted

Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to the guidance in IFRS 3, revising the definition of a business and providing for the addition of an optional "concentration test" to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input - Any economic resource that creates outputs or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process - Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output - The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional 'concentration test' permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined not to be a business and no further assessment is needed.

The amendments to IFRS 3 apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020, with early adoption permitted. The Company has adopted the amendments to IFRS 3 effective January 1, 2020.

5. Other receivables

Other receivables is comprised of a cash account held by the Subversive Capital Sponsor LLC (the "Sponsor") for the benefit of the Company. During the three-months ended March 31, 2021, the private placement closed, and the cash account held by the Sponsor was transferred to the Company.

(Unaudited, in United States dollars)

6. Biological assets

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets as at March 31, 2021 and December 31, 2020 are as follows:

		March 31, 2021
Balance, December 31, 2020	$	**-**
Acquired in a business combination (Note 3)		**2,589,945**
Capitalized costs		**2,493,836**
Change in fair value less costs to sell due to biological transformation		**3,250,810**
Transferred into inventory upon harvest		**(5,710,573)**
Balance, March 31, 2021	$	**2,624,018**

The fair value less costs to sell of biological assets is determined using a market approach where the fair value at the point of harvest is estimated based on spot prices of wholesale cannabis less post-harvest costs and costs to sell. For in process biological assets, the estimated fair value at point of harvest is attributed based on the plants' stage of growth. Stage of growth is determined by reference to days remaining to harvest over the average growth cycle.

The following key inputs are used in determining the fair value of biological assets:

- Average selling price per gram – third-party cannabis spot price for wholesale cannabis;
- Average yield per plant – the number of grams of finished cannabis inventory which are expected to be derived from each harvested cannabis plant;
- Wastage of plants based on their various stages of growth – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested;
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest; and
- Stage of completion in the cultivation process – calculated by taking the weighted average number of weeks in production over a total average grow cycle of approximately 15 weeks.

In estimating the fair value less costs to sell, the Company uses market observable data to the extent it is available. The fair value less costs to sell is classified as Level 3 in the fair value hierarchy.

Significant unobservable inputs	**March 31, 2021**	**Effect on fair value** **Sensitivity**	**March 31, 2021**
Average selling price per gram of flower	$3.42	Increase or decrease by $0.50 per gram	$285,185
Weighted average yield of flower per plant (in grams):	56.03	Increase of decrease of yield by 10%	$157,316

The Company estimates the harvest yields for the cannabis on plants at various stages of growth at each reporting date as follows:

	March 31, 2021
Total expected yield (in grams)	**2,037,399**

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

The effect of changes in the fair value of biological assets and inventory during the three months ended March 31, 2021:

		March 31, 2021
Unrealized change in fair value of biological assets	**$**	**3,250,810**
Realized change in fair value on inventory sold in the period		**(728,656)**
Net effect of changes in fair value of biological assets and inventory	**$**	**2,522,154**

(Unaudited, in United States dollars)

7. Inventory

		March 31, 2021
Raw materials	$	3,798,777
Work in progress		
Capitalized cost		6,247,636
Fair value adjustment		546,208
Carrying value		6,793,844
Finished goods		
Capitalized cost		18,986,265
Fair value adjustment		479,684
Carrying value		19,465,949
Finished goods unrelated to cannabis		
Packaging supplies, accessories and other		1,547,508
	$	31,606,078

For the three-month period ended March 31, 2021 the Company recognized $35,238,987 of inventory expensed to cost of goods sold (December 31, 2020 - $nil).

8. Assets held for sale

Disposal Group – Non-THC Business

In February 2021, the Company became committed to a plan to sell its non-THC business, which was acquired as part of the Caliva and OGE and LCV acquisitions on January 15, 2021 (Note 3). The decision was taken in line with the Company's strategy to focus on its THC based business. Consequently, assets and liabilities of this business were classified as a disposal group. Subsequent to March 31, 2021 the Company entered into definitive agreements to sell this disposal group. Refer to Note 31 for further details.

The fair value less costs to sell of $7,353,953 is management's best estimate and is based on the negotiations that were occurring around the end of the reporting period. Measurement of the disposal group assets at fair value less costs to sell resulted in a loss of $58,022,984, which is included in the interim condensed consolidated statement of income (loss) and comprehensive income (loss). This disposal group does not represent a separate major line of business, and for that reason it has not been disclosed as discontinued operations for the three months ended March 31, 2021.

As discussed in Note 3, the accounting for the acquisitions is provisional and subject to adjustment. Therefore, the goodwill, intangible assets and deferred taxes of the disposal group are also provisional until management has finalized the accounting for the acquisitions.

The carrying amounts of assets in the disposal group are as follows:

		March 31, 2021
Inventory	$	2,375,089
Prepaid expenses		111,186
Other current assets		2,184
Intangible assets		8,763,632
Property and equipment		237,317
Right-of-use assets		698,252
Security deposits		86,882
	$	12,274,542

(Unaudited, in United States dollars)

8. Assets held for sale (continued)

The carrying amounts of liabilities in the disposal group are as follows:

		March 31, 2021
Accounts payable and accrued expenses	$	1,587,508
Current portion of lease liabilities		188,822
Deferred tax liability		2,615,068
Lease liabilities		529,191
	$	4,920,589

Investment in associates

In March 2021, the Company became committed to a plan to sell its investments in associates, which were acquired as part of the LCV acquisition on January 15, 2021 (Note 3). The investment in associates was reclassified to current assets held for sale during the three-months ended March 31, 2021. The assets held for sale were measured at their fair value of $6,500,000. Refer to Note 31 for further details.

The following are the components of assets held for sale presented in the interim condensed consolidated statement of financial position.

		March 31, 2021
Disposal group	$	12,274,542
Investment in associates		6,500,000
	$	18,774,542

(Unaudited, in United States dollars)

9. Property and equipment

	Leasehold improvements	Production equipment	Furniture and fixtures	Vehicles	Office equipment	Total
Gross carrying amount						
Balance, December 31, 2020	$ -	$ -	$ -	$ -	$ -	**$ -**
Acquired in a business combination (Note 3)	7,776,866	3,053,047	436,963	372,774	614,554	**12,254,204**
Additions	342,813	57,316	-	121,910	10,169	**532,208**
Transferred to assets held for sale (Note 8)	(41,676)	(164,132)	-	-	(31,509)	**(237,317)**
Disposals	-	-	-	-	-	**-**
Balance, March 31, 2021	$ 8,078,003	$ 2,946,231	$ 436,963	$ 494,684	$ 593,214	**$ 12,549,095**
Depreciation						
Balance, December 31, 2020	$ -	$ -	$ -	$ -	$ -	**$ -**
Additions	371,845	284,466	26,453	21,019	50,618	**754,401**
Disposals	-	-	-	-	-	**-**
Balance, March 31, 2021	$ 371,845	$ 284,466	$ 26,453	$ 21,019	$ 50,618	**$ 754,401**
Carrying amount December 31, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Carrying amount March 31, 2021	**$ 7,706,158**	**$ 2,661,765**	**$ 410,510**	**$ 473,665**	**$ 542,596**	**$ 11,794,694**

(Unaudited, in United States dollars)

10. Goodwill and intangibles

	Goodwill	License	Cultivation Network	Brand	Total
Gross carrying amount					
Balance, December 31, 2020	$ -	$ -	$ -	$ -	**$ -**
Acquired in a business combination (Note 3)	496,394,936	234,990,000	19,190,000	169,900,000	**920,474,936**
Transferred to assets held for sale (Note 8)	(52,796,616)	-	-	(13,990,000)	**(66,786,616)**
Disposals	-	-	-	-	**-**
Balance, March 31, 2021	$ 443,598,320	$ 234,990,000	$ 19,190,000	$ 155,910,000	**$ 853,688,320**
Amortization					
Balance, December 31, 2020		$ -	$ -	$ -	**$ -**
Additions		4,255,561	571,131	1,506,650	**6,333,342**
Disposals		-	-	-	**-**
Balance, March 31, 2021		$ 4,255,561	$ 571,131	$ 1,506,650	**$ 6,333,342**
Carrying amount December 31, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Carrying amount March 31, 2021	**$ 443,598,320**	**$ 230,734,439**	**$ 18,618,869**	**$ 154,403,350**	**$ 847,354,978**

(Unaudited, in United States dollars)

11. Accounts payable and accrued liabilities

		March 31, 2021		December 31, 2020
Trade payables	$	**12,089,477**	$	-
Accrued liabilities		**26,494,542**		28,321,972
	$	**38,584,019**	$	28,321,972

12. Leases

Lease liabilities are presented in the interim condensed consolidated statements of financial position as follows

		March 31, 2021
Current	$	**3,277,486**
Non-current		**51,188,685**
	$	**54,466,171**

The Company has leases for properties and automobiles. With the exception of short-term leases, each lease is reflected in the interim condensed consolidated statements of financial position as a right-of-use asset and a lease liability.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on the interim condensed consolidated statement of financial position:

	Number of right of use leased assets	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments linked to an index	Number of leases with termination options
Property	20	1 to 16.5 years	6 years	17	-	1	-
Automobiles	1	1 year	1 year	-	-	-	-
	21			17	-	1	-

Future minimum lease payments as at March 31, 2021 are as follows:

	Minimum lease payments due		
	Lease payments	Finance charges	Net present value
Within 1 year	$ 9,415,851	$ 6,347,259	$ 3,068,592
1-2 years	8,735,978	5,994,820	2,741,158
2-3 years	8,002,401	5,745,170	2,257,231
3-4 years	7,845,820	5,473,419	2,372,401
4-5 years	7,679,489	5,185,513	2,493,976
5-6 years	7,214,729	4,898,757	2,315,972
Beyond 6 years	70,488,477	31,271,636	39,216,841
Total	$ **119,382,745**	**$** **64,916,574**	**$** **54,466,171**

The expense relating to payments not included in the measurements of the lease liability is as follows:

	Three months ended	
	March 31, 2021	March 31, 2020
Short-term leases	**$** **50,899**	$ -

(Unaudited, in United States dollars)

12. Leases (continued)

The following table outlines the cash outflow and interest expense related to lease liabilities:

	Three months ended	
	March 31, 2021	**March 31, 2020**
Cash outflow	**$ 1,587,771**	$ -
Interest expense	**$ 1,380,434**	$ -

Additional information on the right-of-use assets by class of assets is as follows:

	Properties	Vehicles	Total
Gross carrying amount			
Balance, December 31, 2020	$ -	$ -	**$ -**
Acquired in a business combination (Note 3)	54,337,608	10,420	**54,348,028**
Transferred to assets held for sale (Note 8)	(698,252)	-	**(698,252)**
Balance, March 31, 2021	$ 53,639,356	$ 10,420	**$ 53,649,776**
Depreciation			
Balance, December 31, 2020	$ -	$ -	**$ -**
Additions	1,294,361	1,681	**1,296,042**
Balance, March 31, 2021	$ 1,294,361	$ 1,681	**$ 1,296,042**
Carrying amount December 31, 2020	**$ -**	**$ -**	**$ -**
Carrying amount March 31, 2021	**$ 52,344,995**	**$ 8,739**	**$ 52,353,734**

The Company capitalized $432,692 of depreciation to biological assets and inventory for the three-month period ended March 31, 2021 (March 31, 2020 - $nil).

13. Loans payable

In March 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted. The CARES Act provides for financial assistance to businesses through the Small Business Administration ("SBA") in the form of a Paycheck Protection Program ("PPP"). As part of the Qualifying Transaction, the Company assumed existing liabilities related to PPP loans.

Under the terms of the PPP, the principal may be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES Act, such as payroll costs, rent, and utilities. The Company currently expects to be able to meet the criteria and have the maximum allowable amount forgiven however, no assurance can be provided that the Company will obtain forgiveness of the loans in whole or in part. In addition, details of the PPP continue to evolve regarding which companies are qualified to receive loans pursuant to the PPP and on what terms, and the Company may be required to repay some or all of the loans due to these changes or different interpretations of the PPP requirements.

During the three-months ended March 31, 2021, the Company repaid $2,778,668 of PPP loans. An application for forgiveness was filed for the remaining PPP loans of $3,358,686. The Company has placed $3,101,055 into escrow related to these loans. The US Bank has granted full forgiveness and the application is under review with the SBA. In the event that full forgiveness is not granted, the loan will be repaid in full.

14. Class A restricted voting shares subject to redemption

The Company is authorized to issue an unlimited number of Class A restricted voting shares. The holders of Class A restricted voting shares have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these shares.

Voting Rights

The holders of the Class A restricted voting shares are entitled to vote on and receive notice of meetings on all matters requiring shareholder approval (including any proposed extension to the permitted timeline and approval of a Qualifying Transaction if otherwise required under applicable law) other than the election and/or removal of directors and auditors prior to closing of a Qualified Transaction.

Redemption Rights

Only holders of Class A restricted voting shares are entitled to have their shares redeemed and receive the escrow proceeds (net of applicable taxes and other permitted deductions) in the event a Qualifying Transaction does not occur within the permitted timeline, in the event of a Qualifying Transaction, and in the event of an extension to the permitted timeline.

Classification

The Company has classified its Class A restricted voting shares as financial liabilities within the interim condensed consolidated statements of financial position.

Transactions

The Company recorded a discount to the $575,000,000 of gross proceeds from the Offering in the amount of $4,796,410, representing the warrants, and $12,264,423, representing the transaction costs associated with the Class A restricted voting shares. The value of the warrants was determined by fair valuing the Class A restricted voting shares and allocating the residual amount to the warrants. The aggregate discount of $17,060,833 was being amortized over 18 months using the effective interest rate method.

During the three-months ended March 31, 2021, the Company recorded $nil (March 31, 2020 - $2,836,240) of amortization of the issue costs. In addition, during the three-months ended March 31, 2021, the Company recorded $nil (March 31, 2020 - $1,949,342) of interest allocable to the Class A restricted voting shares.

15. Long term strategic contracts

Marketing Service Agreement (“MSA”)

On January 19, 2021, the MSA became effective whereby the Company engaged a third-party for strategic and promotional services. Over the term of the MSA, which is an initial period of three years, the Company will pay the following consideration in common shares:

(i) $25,000,000 on the effective date,
(ii) $1,875,000 payable quarterly over the second year and third year terms.

The transaction is considered a share-based transaction as it will be settled in shares. During the three-month period ended March 31, 2021 the Company issued 2,376,425 common shares in settlement of the initial $25,000,000. As the shares vested immediately, the full amount of the $25,000,000 has been recognized as an expense in operating expenses.

The Company has accounted for the quarterly payments as an equity-settled share-based payment transaction, measured at the fair value of the shares to be issued. The Company recognized an expense of $1,755,096 during the three-months ended March 31, 2021.

The arrangement can be terminated by the counterparty in certain circumstances, one of which is any change of control of the Company. In that case, the Company is required to settle the agreement in a lump sum payment that consists of all unpaid amounts. As at March 31, 2021, the amount that the Company would be liable for if the contract is terminated is $15,000,000.

15. Long term strategic contracts (continued)

Brand Strategy Agreement ("BSA")

On January 15, 2021, the BSA became effective whereby the Company was granted the right and license to use Shawn C. Carter p/k/a JAY-Z's approved name, image and likeness for promoting and advertising for an initial non-cancellable period of 6 years.

The Company is committed to settling $26,500,000 in either cash or common shares at the option of the counterparty over the non-cancellable period of 6 years as follows:

(i) $2,000,000 within 30 days (Year 1)
(ii) $3,000,000 – Year 2
(iii) $4,000,000 – Year 3
(iv) $5,000,000 – Year 4
(v) $6,000,000 – Year 5
(vi) $6,500,000 – Year 6

The transaction is accounted for as a cash-settled share-based transaction as it may be settled in either cash or shares at the option of the counterparty. The Company is recognizing the cost associated with the arrangement over the same period it is receiving services, which is 6 years.

During the three-month period ended March 31, 2021, the Company recognized an expense of $871,065 related to this arrangement and $1,128,935 in prepaid expenses.

The agreement can be terminated by the counterparty in certain circumstances, including a change in control of the Company or an involuntary de-listing. In these circumstances, the Company will be obligated to pay damages equal to $18,500,000 less the amount already paid under the arrangement. As at March 31, 2021, the amount of damages that the Company would be liable for if the contract is terminated were $16,500,000.

(Unaudited, in United States dollars)

16. Share capital

Proportionate voting shares

a) Authorized

The Company is authorized to issue an unlimited number of proportionate voting shares with no par value.

b) Proportionate voting shares issued

The Company has no issued and outstanding proportionate voting shares.

Class A restricted voting shares

a) Authorized

The Company is authorized to issue an unlimited number of Class A restricted voting shares with no par value.

b) Class A restricted voting shares issued

The Company has no issued and outstanding Class A restricted voting shares.

Common shares

a) Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

b) Common shares issued

	Number of common shares		Amount
Balance, December 31, 2020	**-**	**$**	**-**
(i) Conversion of Class B shares	14,655,547		12,908,299
(ii) Shares issued in a private placement	6,313,500		63,135,000
(iii) Conversion of Class A restricted voting shares	31,407,336		318,303,338
(iv) Shares issued for settlement of a liability	336,856		4,264,597
Shares issued for Marketing Service Agreement (Note 15)	2,376,425		25,000,000
Shares issued for acquisition of Caliva and OGE (Note 3)	32,241,593		408,178,567
Shares issued for acquisition of LCV (Note 3)	4,544,220		57,529,825
Shares issued for acquisition of SISU (Note 3)	5,022,208		63,581,153
Balance, March 31, 2021	**96,897,685**	**$**	**952,900,779**

(i) Class B shares were converted into 14,655,547 common shares upon the closing of the Qualifying Transaction.
(ii) On January 15, 2021, the Company closed a private placement of 6,313,500 shares for subscription receipts and Class A restricted voting shares for consideration of $63,135,000, of which 1,150,000 shares were issued to settle services rendered for underwriting fees related to the Class A restricted voting shares. The subscription receipts and Class A restricted voting shares converted to common shares upon the closing of the Qualifying Transaction.
(iii) Class A restricted voting shares were converted into 31,407,336 common shares upon the closing of the Qualifying Transaction.
(iv) The Company issued 336,856 common shares to settle a liability.

During the three-months ended March 31, 2021, and in conjunction with the closing of the qualifying transaction described in Note 3, certain shareholders entered into a Lockup and Forfeiture Agreement (the “Lockup Agreement”), that generally restricts their ability to transfer or trade their shareholdings for a period of six-months. The trade and transfer restriction period ends on July 15, 2021.

In accordance with the Lockup Agreement, certain shareholders have also agreed to forfeit up to 5,430,450 common shares of the Company upon the third anniversary of the Qualifying Transaction if certain trading targets are not met.

(Unaudited, in United States dollars)

16. Share capital (continued)

One-third of such common shares will cease to be subject to forfeiture if the 20-Day VWAP of the common shares is equal to or exceeds $13.00, an additional one-third will cease to be subject to forfeiture if the 20-Day VWAP of the common shares is equal to or exceeds $17.00 and an additional one-third will cease to be subject to forfeiture if the 20-Day VWAP of the common shares is equal to or exceeds $21.00.

Class B Shares

a) Authorized

The Company is authorized to issue an unlimited number of Class B shares with no par value.

b) Class B shares issued

	Number of common shares		Amount
Balance, December 31, 2020	**15,218,750**	**$**	**13,404,356**
Conversion of Class B shares	(14,655,547)		(12,908,299)
Founders shares forfeited	(563,203)		(496,057)
Balance, March 31, 2021	**-**	**$**	**-**

Pursuant to the Sponsor Lockup and Forfeiture Agreement, the Sponsor also forfeited 563,203 common shares to the Company for cancellation on closing of the Qualifying Transaction.

17. Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2021 and year ended December 31, 2020:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2019	**35,837,500**	**$**	11.50
Granted	-		-
Exercised	-		-
Expired	-		-
Balance, December 31, 2020 and March 31, 2021	**35,837,500**	**$**	**11.50**

The Class A and Class B warrants were converted into one class of warrants on January 15, 2021 and became exercisable on March 22, 2021. The warrants expire on January 14, 2026. The Company has the right to accelerate expiry if for any 20 trading days in a 30-day trading period the closing price of the shares is $18.00 or greater.

During the three-months ended March 31, 2021, and in conjunction with the closing of the qualifying transaction described in Note 3, certain shareholders entered into the Lockup and Forfeiture Agreement (the "Lockup Agreement"), that generally restricts their ability to transfer or trade their warrants for a period of six-months. The trade and transfer restriction period ends on July 15, 2021.

18. Share based compensation

Effective January 2021, the Company established the Equity Incentive Plan (the "Plan"), which provides for the granting of incentive stock options, nonqualified stock options, share appreciation rights ("SARs"), restricted share units ("RSUs"), deferred share units ("DSUs") and performance share units ("PSUs"), herein collectively as "Awards".

(Unaudited, in United States dollars)

18. Share based compensation (continued)

(a) Stock options

The Company grants options to purchase its common stock, generally at fair value as at the date of grant. The maximum number of common shares that may be issued under the Plan is fixed by the Board to be 10% of the Common shares outstanding, from time to time, subject to adjustments in accordance with the plan.

Options generally vest over a four-year period, specifically at a rate of 25% upon the first anniversary of the issuance date and 1/36th per month thereafter and expire after 10 years from the date of grant.

The following table reflects the continuity of the stock options granted during the three-month period ended March 31, 2021:

	March 31, 2021	
	Number of options	**Weighted average exercise price $**
Outstanding, beginning of period	-	-
Replacement options issued	1,066,333	7.30
Granted during the period	-	-
Exercised	-	-
Expired/Forfeited	(110,982)	6.76
Outstanding, end of period	955,351	7.36

In connection with the acquisition of Caliva and OGE, and in accordance with the sale and purchase agreements, the stock options held by former Caliva employees who became employees of TPCO were cancelled and replaced by TPCO stock options (“Replacement Options”). The Replacement Options were issued on the same terms and conditions as the options that they replaced, resulting in the fair value of the original options on January 15, 2021 being the same as the fair value of the Replacement Options.

The Company has allocated the fair value to pre-acquisition and post-acquisition services on the basis of the period of time vested as at January 15, 2021 as per the below:

		Fair value
Allocated to pre-acquisition services[1]	$	4,409,846
Allocated to post-combination services		5,036,135
Total fair value of Replacement Options	**$**	**9,445,981**

[1]Given that the portion allocated to pre-acquisition services includes options that are fully vested, the Company has applied a forfeiture rate of approximately 5% to determine the amount to include in consideration. As a result, of the above amount, $4,199,788 has been included in consideration (Note 3).

The fair value of unvested options will be recognized in the interim condensed consolidated statement of income (loss) and comprehensive income (loss) over the remaining vesting period.

The following table outlines stock options outstanding as at March 31, 2021:

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted - Average Exercise Price	Weighted-Average Life	Number Exercisable	Weighted-Average Exercise Price
$ 6.67 – 8.30	955,351	7.36	8.1 years	302,768	$ 6.68

(Unaudited, in United States dollars)

18. Share based compensation (continued)

(b) RSUs

(i) Cash-settled RSUs

The following table reflects the continuity of RSUs granted during the three-month period ended March 31, 2021:

	March 31, 2021	
	Number of RSUs	**Weighted average remaining contractual life**
Outstanding, beginning of period	-	-
Granted	2,528,696	3.84
Exercised	-	-
Forfeited	(262,500)	3.79
Outstanding, end of period	2,266,196	3.84

As the RSUs described above are cash-settled, they have been revalued as at March 31, 2021. As at March 31, 2021 the cash-settled liability is $2,822,371 (December 31, 2020 - $nil).

(ii) Equity-settled RSUs

During the three-month period ended March 31, 2021, the Company granted 78,750 RSUs that vest immediately.

(c) Rights to trading price consideration ("Rights")

In connection with the acquisition of Caliva and OGE, and in accordance with the sale and purchase agreements, former Caliva employees who owned stock options at January 15, 2021 and became employees of TPCO ("former Caliva employees") were given the right to receive a portion of the trading price consideration discussed in Note 3 ("Rights"). These Rights are to be settled in TPCO shares in the event the 20-day volume weighted average trading price of the common shares reaches $13.00, $17.00 and $21.00 within three years of closing, with one-third issuable upon the achievement of each price threshold, respectively. In order to receive the trading price consideration, former Caliva employee need to be employed by TPCO at the time the trading price consideration becomes payable.

The Rights vest 1/3 as each target date is met, and therefore the Rights have been fair valued on the grant date in three tranches:

	Number of shares		**Fair value on January 15, 2021**
Tranche 1	215,608	$	2,597,618
Tranche 2	215,608		2,314,652
Tranche 3	215,608		2,066,609
	646,824	**$**	**6,978,879**

Each tranche is expensed over its vesting period, which is the date that the trading price targets are expected to be met.

The fair value of the Rights was determined at January 15, 2021 using the same assumptions that were used to determine the trading price consideration described in Note 27.

The following table reflects the continuity of the Rights during the three-month period ended March 31, 2021:

	Number of Rights
Outstanding, beginning of period	-
Rights awarded	646,824
Forfeited	(67,275)
Outstanding, end of period	579,549

(Unaudited, in United States dollars)

18. Share based compensation (continued)

The following table illustrates the inputs used in the measurement of the grant date fair values of the share-based compensation plans granted during the three-month period ended March 31, 2021:

	Replacement Options	RSUs *equity-settled*	RSUs *cash-settled*
Dividend yield	-	-	-
Expected volatility	72%	-	-
Risk-free interest rate	0.17% - 0.71%	-	-
Share price	$12.66	-	-
Grant date fair value	$7.75 - $9.54	$9.94	N/A
Fair value on March 31, 2021	N/A	N/A	$7.41

The Company estimated the expected term of its stock options based on the vesting and contractual terms. Volatility is estimated based on the average of the historical volatilities of the common stock of entities with characteristics similar to those of the Company. The Company uses the U.S. Treasury yield for its risk-free interest rate and a dividend yield of zero, as it does not have a stated dividend rate for common stock.

Share based compensation expense is comprised of the following:

		March 31, 2021
Replacement options	$	676,607
Equity-settled RSUs		782,775
Cash-settled RSUs		2,822,371
Rights to contingent consideration		2,548,176
	$	**6,829,929**

19. Earnings per share

		March 31, 2021		March 31, 2020
Earnings (loss) available to common shareholders	**$**	**19,780,177**	$	(3,147,813)
Consequential effect on profit or loss from the assumed conversion of cash-settled RSUs		**(1,436,993)**		-
Earnings (loss) available to common shareholders adjusted for the effect of dilution	**$**	**18,343,184**	$	(3,147,813)
Weighted average number of shares, basic		**84,413,911**		14,543,750
Dilutive securities – RSUs		**118,642**		-
Dilutive securities – Other share-based payments		**1,165,425**		-
Weighted average number of shares, diluted		**85,697,978**		14,543,750
Basic earnings (loss) per share	**$**	**0.23**	$	(0.22)
Diluted earnings (loss) per share	**$**	**0.21**	$	(0.22)

(Unaudited, in United States dollars)

20. Income taxes

Income tax (recovery) expense is comprised of the following:

		March 31, 2021		March 31, 2020
Current tax expense	**$**	**211,327**	$	-
Deferred tax expense (recovery)				
Origination and reversal of temporary differences		**6,256,583**		(849,910)
Change in unrecognized temporary differences		**(9,569,202)**		849,910
Income tax recovery	**$**	**(3,101,292)**	$	-

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

		March 31, 2021		March 31, 2020
Income (loss) before tax	**$**	**16,678,885**	$	(3,147,813)
Statutory income tax rate		**27%**		27%
Income tax expense (recovery) based on statutory rate		**4,503,299**		(849,910)
Increase (decrease) resulting from:				
Change in unrecognized temporary differences		**(9,569,202)**		849,910
Non-taxable items		**21,367,515**		-
Effect of tax rates in foreign jurisdictions		**(1,983,646)**		-
Tax rate differences and tax rate changes		**(17,419,258)**		-
Income tax recovery	**$**	**(3,101,292)**	$	-

The Company's deferred tax assets are as follows:

		March 31, 2021		December 31,2020
Deferred tax assets				
Non-capital loss carryforwards	**$**	**16,638,453**	$	-
Non-deductible provisions and reserves		**854,622**		-
Other		**-**		-
Deferred tax assets		**17,493,075**		-
Set-off of tax		**(17,493,075)**		-
Net deferred assets	**$**	**-**	$	-

The Company's deferred tax liabilities are as follows:

		March 31, 2021		December 31,2020
Deferred tax liabilities				
Intangible asset	**$**	**(113,108,624)**	$	-
Assets held for sale		**(2,615,068)**		-
Non-deductible provisions and reserves		**(1,513,828)**		-
Other		**(334,637)**		-
Deferred tax liabilities		**(117,572,157)**		-
Set-off of tax		**17,493,075**		-
Net deferred liability	**$**	**(100,079,082)**	$	-

(Unaudited, in United States dollars)

20. Income taxes (continued)

Deferred tax liability consists of the following:

	March 31, 2021	December 31,2020
Deferred tax liability	**$ 97,464,014**	$ -
Deferred tax liability held for sale	**2,615,068**	-
	$ 100,079,082	$ -

The following table summarizes the movement in deferred tax assets and liabilities:

	Balance December 31, 2020	Comprehensive income (loss)	Acquired in a business combination (Note 3)	Balance March 31, 2021
Loss carryforwards	$ -	**$ (773,510)**	**$ 17,411,963**	**$ 16,638,453**
Non-deductible provisions and reserves	-	**325,115**	**529,507**	**854,622**
Intangible asset	-	**5,816,051**	**(118,924,675)**	**(113,108,624)**
Assets held for sale	-	**(2,615,068)**	**-**	**(2,615,068)**
Non-deductible provisions and reserves	-	**577,584**	**(2,091,412)**	**(1,513,828)**
Other	-	**(17,553)**	**(317,084)**	**(334,637)**
Net deferred tax asset (liability)	$ -	**$ 3,312,619**	**$ (103,391,701)**	**$ (100,079,082)**

	Balance December 31, 2019	Comprehensive income (loss)	Acquired in a business combination	Balance December 31, 2020
Loss carryforwards	$ 541,226	$ (541,226)	$ -	$ -
Non-deductible provisions and reserves	-	-	-	-
Other	326,454	(326,454)	-	-
Intangible asset	-	-	-	-
Non-deductible provisions and reserves	-	-	-	-
Other	(867,680)	867,680	-	-
Net deferred tax asset (liability)	$ -	$ -	$ -	$ -

The following table summarizes the components of unrecognized temporary differences other than tax losses:

	March 31, 2021	December 31, 2020
Deductible temporary differences	**$ 153,909,310**	$ 29,018,943
Tax losses	**22,225,770**	12,854,892
Total unrecognized temporary differences	**$ 176,135,080**	$ 41,873,835

Deferred tax assets have not been recognized in respect of the above items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

The Company has Canadian non-capital loss carryforwards of $14,934,037 (December 31, 2020 - $12,854,892), US federal net operating loss carryforwards of $7,553,117, and US state loss carryforwards of $187,596,862.

Section 280E of the Internal Revenue Code prohibits businesses engaged in the trafficking of Schedule I or Schedule II controlled substances from deducting normal business expenses, such as payroll and rent, from gross income (revenue less cost of goods sold). Section 280E was originally intended to penalize criminal market operators, but because cannabis remains a Schedule I controlled substance for Federal purposes, the Internal Revenue Service ("IRS") has subsequently applied Section 280E to state-legal cannabis businesses. Cannabis businesses operating in states that align their tax codes with the IRC are also unable to deduct normal business expenses from their state taxes. The non-deductible expenses shown in the effective rate reconciliation above is comprised primarily of the impact of applying IRC Section 280E to the Company's businesses that are involved in selling cannabis, along with other typical non-deductible expenses such as lobbying expenses. As the application and IRS interpretations on Section 280E continue to evolve, the impact of this cannot be reliably estimated. Any changes to the application of Section 280E may have a material effect on the Company's interim condensed consolidated financial statements.

20. Income taxes (continued)

The statute of limitations on tax returns for the IRS and California Franchise Tax Board are 3 and 4 years respectively. Net operating losses remains open for examination beyond these statute of limitations for both the Internal Revenue Service and California Franchise Tax Board.

Utilization of net operating loss carryforwards may be subject to limitations in the event of a change in ownership as defined under U.S. IRC Section 382, and similar state provisions. An "ownership change" is generally defined as a cumulative change in the ownership interest of significant stockholders of more than 50 percentage points over a three-year period. The Company experienced ownership change during 2017. Such ownership change could result in a limitation of the Company's ability to reduce future income by net operating loss carryforwards. A formal Section 382 study has not been prepared, so the exact effects of the ownership change are not known at this time. The deferred tax assets include net operating losses of the Company as of the conversion date to a C corporation.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act in the United States was enacted. The Act, among other provisions, reinstates the ability of corporations to carry net operating losses back to the five preceding tax years, has increased the excess interest limitation on modified taxable income from 30 percent to 50 percent. The Company has made a reasonable estimate of the effects on existing deferred tax balances and has concluded that the Act has not had a significant on the deferred tax balances.

The Company operates in a number of tax jurisdictions and are subject to examination of its income tax returns by tax authorities in those jurisdictions who may challenge any item on these returns. Because the tax matters challenged by tax authorities are typically complex, the ultimate outcome of these challenges is uncertain. In accordance with IFRIC 23 *Uncertain Tax Positions*, the Company recognizes the effects of uncertain tax positions in the interim condensed consolidated financial statements after determining that it probable the uncertain tax positions will be sustained.

The Company intends to be treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as tax resident of Canada for Canadian income tax purposes. Accordingly, the Company will be subject to taxation both in Canada and the U.S.

(Unaudited, in United States dollars)

21. Operating expenses

	Three months ended March 31, 2021	Three months ended March 31, 2020
General and administrative	**$ 9,534,943**	$ 311,573
Sales and marketing	**29,675,083**	-
Salaries and benefits	**7,817,117**	-
Share based compensation (Note 18)	**6,829,929**	-
Rent	**50,899**	-
Depreciation	**1,617,751**	-
Amortization of intangible assets (Note 10)	**6,333,342**	-
	$ 61,859,064	$ 311,573

22. Interest expense

	Three months ended March 31, 2021	Three months ended March 31, 2020
Lease liability (Note 12)	**$ 1,380,434**	$ -
Interest allocable to Class A shares	**-**	1,949,342
Other	**242,793**	-
	$ 1,623,227	$ 1,949,342

23. Supplemental cash flow information

Change in working capital	Three months ended March 31, 2021	Three months ended March 31, 2020
Accounts receivable	**$ (645,202)**	$ -
Other receivables	**-**	67,576
Biological assets	**(2,493,836)**	-
Inventory	**(3,085,805)**	-
Prepaid expenses	**(4,338,370)**	51,250
Other current assets	**300,709**	-
Security deposits	**(9,000)**	-
Prepaid expenses and other assets	**45,097**	-
Accounts payable and accrued liabilities	**(29,884,611)**	192,747
	$ (40,111,018)	$ 311,573

Non-cash transactions	Three months ended March 31, 2021	Three months ended March 31, 2020
Settlement of a liability (Note 16 (ii))	**$ 11,500,000**	$ -
Settlement of a liability (Note 16 (iv))	**$ 4,264,597**	$ -

(Unaudited, in United States dollars)

24. Related party transactions and balances

a) Related party transactions

The following table outlines the amounts paid to a related party:

	Three-months ended	
	March 31, 2021	**March 31, 2020**
Lease payments – interest and principal (i)	**$ 857,039**	$ -
Administrative fees (ii)	**5,000**	30,000
	$ 862,039	$ 30,000

(i) A director of the Company is a close family member to an owner of R&C Brown Associates, LP ("R&C"). The Company has 4 leases with R&C. Included in lease liabilities as at March 31, 2021 is $43,017,642 (December 31, 2020 - $nil) with respect to leases with R&C.

(ii) Prior to the closing of the Qualifying Transaction, pursuant to an administrative services agreement between the Company and its Sponsor, dated July 16, 2019 (the "Administrative Services Agreement"), the Company provided a payment of $10,000 per month to the Sponsor for the utilization of office space, utilities and administrative support. The Company further reimbursed the Sponsor for any out-of-pocket expenses incurred by directors, officers and consultants of the Company which were paid by the Sponsor relating to certain activities on the Company's behalf, including identifying and negotiating the Qualifying Transaction. During the three months ended March 31, 2021, The Company recorded $5,000 of administrative fees for the three-month period ended March 31, 2021 (March 31, 2020 - $30,000). The Administrative Services Agreement terminated upon consummation of the Qualifying Transaction.

In addition to the items described above, the Company entered into the following transactions with related parties:

(i) R&C subscribed for 395,000 shares of the private placement that closed on January 15, 2021.
(ii) The Company repaid the line of credit to R&C in full in the amount of $9,931,304 during the three-months ended March 31, 2021.
(iii) A founder of the Company had a 16.34% interest in LCV immediately prior to the Qualifying Transaction. The founder participated in the Qualifying Transaction, under the same terms and conditions as the other participants.

b) Key management personnel

Key management of the Company are its Board of Directors and members of executive management. Key management personnel remuneration includes the following payments:

	Three-months ended	
	March 31, 2021	March 31, 2020
Salaries and benefits	**$ 326,712**	$ -
Share based compensation	**2,485,636**	-
	$ 2,812,348	$ -

25. Segmented information

The Company's operations, beginning January 15, 2021, comprise a single operating segment engaged in the cultivation, manufacturing, distribution and sale of cannabis within the State of California. All revenues are generated in the State of California for the three-months ended March 31, 2021 (March 31, 2020 - $nil) and all property and equipment and intangible assets are located in the State of California.

26. Commitments and contingencies

a) California operating licenses

The Company's primary activity is the cultivation and sale of adult use cannabis pursuant to California law. However, this activity is not in compliance with the United States Controlled Substances Act (the CSA). The Company's assets are potentially subject to seizure or confiscation by governmental agencies and the Company could face criminal and civil penalties for noncompliance with the CSA. Management of the Company believes they are in compliance with all California and local jurisdiction laws and monitor the regulatory environment on an ongoing basis along with counsel to ensure the continued compliance with all applicable laws and licensing agreements.

The Company's operation is sanctioned by the State of California and local jurisdictions. There have been no instances of federal interference with those who adhere to those guidelines. Due to the uncertainty surrounding the Company's noncompliance with the CSA, the potential liability from any noncompliance cannot be reasonably estimated and the Company may be subject to regulatory fines, penalties or restrictions in the future.

Effective January 1, 2018, the State of California allowed for adult use cannabis sales. Beginning on January 1, 2018, the State began issuing temporary licenses that expired 120 days after issuance for retail, distribution, manufacturing and cultivation permits. Temporary licenses could be extended in 90-day increments by the State upon submission of an annual license application. All temporary licenses had been granted extensions by the State during 2018.

In September 2019, Senate Bill 1459 (SB 1459) was enacted which enabled state licensing authorities to issue provisional licenses through 2021. A provisional license could be issued if an applicant submitted a completed annual license application to the Bureau. A completed application for purposes of obtaining a provisional license is not the same as a sufficient application to obtain an annual license. The provisional cannabis license, which is valid for 12 months from the date issued, is said to be in between a temporary license and an annual license and allows a cannabis business to operate as they would under local and state regulations. Licensees issued a provisional license are expected to be diligently working toward completing all annual license requirements in order to maintain a provisional license. The Company obtained its provisional licenses in 2019 and continues to work with the State to obtain annual licensing.

The Company's prior licenses obtained from the local jurisdictions it operated in have been continued by such jurisdictions and are necessary to obtain state licensing.

The Company has received annual licenses from its local jurisdiction in which it actively operates. Although the Company believes it will continue to receive the necessary licenses from the State to conduct its business in a timely fashion, there is no guarantee its clients will be able to do so and any failure to do so may have a negative effect on its business and results of operations.

Additional regulations relating to testing came into effect on July 1, 2018 (Phase II testing requirements) required the clients to sell products that would be non-compliant prior to that date, causing a loss of margin due to discounts that had to be provided to ensure that such products were sold prior to July 1, 2018. Due to the additional testing requirements effective July 1, 2018, the California market and the clients experienced a shortage in supply of compliant cannabis products.

b) Other legal matters

From time to time in the normal course of business, the Company may be subject to legal matters such as threatened or pending claims or proceedings. We are not currently a party to any material legal proceedings or claims, nor are we aware of any pending or threatened litigation or claims that could have a material adverse effect on our business, operating results, cash flows or financial condition should such litigation or claim be resolved unfavorably.

c) Social equity fund

The Company formed Social Equity Ventures LLC during the three-months ended March 31, 2021 and is committed to an initial minimum commitment of $10,000,000 and planned annual contributions of at least 2% of net income.

(Unaudited, in United States dollars)

27. Financial instruments

Fair values

Financial instruments recorded at fair value in the interim condensed consolidated statement of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying values of cash, restricted cash, accounts receivables, security deposits, accounts payables and accrued liabilities, consideration payable, Class A restricted voting shares and loans payable approximate their fair value due to their short-term to maturity.

The following table provides information about how the fair values as at March 31, 2021 and December 31, 2020, of the Company's other financial instruments are determined:

	March 31, 2021	**January 15, 2021**	**Fair value hierarchy and technique**	**Key inputs**
Investment in equity shares	$591,545	$591,545	Level 3 – See (i) below.	Earnings multiple
Contingent consideration	$101,625,392	$232,719,246	Level 3 – See (ii) below.	*Key observable inputs* Share price (January 15, 2021: USD $12.66; March 31, 2021: USD $ 7.41) Risk-free interest rate (January 15, 2021: 0.20%; March 31, 2021: 0.35%) Dividend yield (January 15, 2021: 0%; March 31, 2021: 0%) Number of shares (January 15, 2021: 16,709,476; March 31, 2021: 16,776,751) *Key unobservable inputs* - Expected volatility (January 15, 2021: 66%; March 31, 2021: 71%)

(i) Investment in equity shares – The fair value of this investment was determined based on an appropriate equity pricing model that takes into account the investee's dividends policy and its historical and expected future performance based on an appropriate growth factor for a similar listed entity and a risk adjusted discount rate.

(ii) Contingent consideration – The fair value of the contingent consideration was determined using a Monte Carlo simulation methodology that included simulating the stock price using a risk-neutral Geometric Brownian Motion-based pricing model over 500,000 iterations. The methodology recorded the likelihood of the stock price achieving the price hurdle associated with the payout and calculated the discounted value of the payout based on the stock price on the date the price hurdle was met and the corresponding 20-day volume-weighted average price. During the three-months ended March 31, 2021, the Company recorded a gain on the change in fair value of the contingent consideration of $131,093,854.

(Unaudited, in United States dollars)

27. Financial instruments (continued)

A 15% change in the following assumption will have the following impact on the fair value of the contingent consideration as at January 15, 2021

		Original	+15%	-15%
Volatility	$	232,719,246$	11,420,904 $	(17,250,641)

A 15% change in the following assumption will have the following impact on the fair value of the contingent consideration as at March 31, 2021

		Original	+15%	-15%
Volatility	$	101,625,392,$	16,321,223 $	(22,184,258)

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to minimal interest rate risk.

Credit risk

Credit risk arises from deposits with banks and outstanding trade receivables. For trade receivables, the Company does not hold any collateral as security but mitigates this risk by dealing with counterparts that management believes to be financially sound and, accordingly, does not anticipate significant loss due to non-performance. The maximum exposure to credit risk as at March 31, 2021 approximates $285,616,767 (December 31, 2020 - $nil) of cash and accounts receivables on the interim condensed consolidated statement of financial position.

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

		March 31, 2021
0-60 day	$	**4,078,904**
61-120 days		**686,340**
Gross receivables		**4,765,244**
Less allowance for expected credit losses		**(174,111)**
	$	**4,591,133**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at March 31, 2021 the Company had $281,025,634 (December 31, 2020 - $nil) of cash and working capital of $195,365,699 (December 31, 2020 – ($3,344,207)).

The Company is obligated to the following contractual maturities of undiscounted cash flows at March 31, 2021:

		Carrying amount	Contractual cash flows	2022	2023	2024	2025	2026	Thereafter
Accounts payable and accrued liabilities	$	**38,584,019**	38,584,019	38,584,019	-	-	-	-	-
Loans payable	$	**3,358,686**	3,358,686	3,358,686	-	-	-	-	-
Consideration payable	$	**3,369,507**	3,369,507	3,369,507	-	-	-	-	-
Other long-term liabilities	$	**1,507,572**	2,500,000	-	-	-	2,500,000	-	-
Lease liabilities	$	**54,466,171**	119,382,745	9,415,851	8,735,978	8,002,401	7,845,820	7,679,489	77,703,206
Total	$	**101,285,955**	**167,194,957**	**54,728,063**	**8,735,978**	**8,002,401**	**10,345,820**	**7,679,489**	**77,703,206**

28. Capital management

The Company manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

The Company considers its capital to be total equity. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three-months ended March 31, 2021 and year ended December 31, 2020. The Company is not subject to any external capital requirements.

29. COVID-19

In March 2020, the World Health Organization categorized coronavirus disease 2019 ("COVID-19") as a pandemic. COVID-19 continues to impact the U.S. and other countries across the world, and the duration and severity of its effects are currently unknown. The Company continues to implement and evaluate actions to maintain its financial position and support the continuity of its business and operations in the face of this pandemic and other events.

The Company's priorities during the COVID-19 pandemic are protecting the health and safety of its employees and its customers, following the recommended actions of government and health authorities. In the future, the pandemic may cause reduced demand for the Company's products and services if, for example, the pandemic results in a recessionary economic environment or potential new restrictions on business operations or the movement of individuals.

The COVID-19 outbreak in the United States has caused business disruption both to the Company and throughout its customer base and supply chain through mandated and voluntary closings of many businesses. While this disruption is expected to negatively impact The Company's operating results, the related financial impact and duration cannot be reasonably estimated at this time. The Company has taken and continue to take, important steps to protect our employees, customers and business operations since the beginning of the pandemic.

The Company has incurred incremental cost to implement proactive measures to prevent the spread of COVID-19 and to mitigate the due to employee absenteeism and leaves of absence and have experienced fluctuations in our business results. In particular, Caliva's delivery business and operations saw a substantial increase in customers and revenue upon the announcement in California of a statewide shelter-in-place order beginning in March 2020. Consequently, Caliva's in-store retail business and wholesale business experienced declines during the same time period due to reduced in-store traffic in its locations and customer dispensaries in the initial phases of the pandemic. While these COVID-19 related impacts have stabilized, the Company's delivery business has maintained strong revenue growth as compared to pre-pandemic levels, with the retail and wholesale businesses returning to pre-pandemic revenue levels and continuing to grow. Since the pandemic began, the Company has experienced temporary business shutdowns in two locations impacting the retail and delivery operations. These shutdowns occur and may occur in the future if an employee tests positive for COVID-19, creating a need to quarantine other employees who may have been exposed. While the Company made alternate arrangements to serve customers during these shutdowns, the Company estimates a loss of revenue to be nominal as a result of such shutdowns. Additionally, the Company closely monitors its supply chain and third-party product availability in light of the pandemic. To date, the business has not experienced negative consequences due to interruptions in its supply chain. However, the Company continues to undertake preemptive measures to ensure alternate supply sources as needed.

30. Comparative figures

Certain comparative figures have been restated where necessary to conform with current period presentation.

31. Subsequent events

Non-THC Business Disposition

Subsequent to March 31, 2021, the Company disposed of its non-THC business as follows:

a) A portion of the non-THC business was sold to a third-party for gross proceeds of $1,100,000 in cash, which is to be received in equal instalments over the next six quarters; and
b) The Company entered into a definitive agreement to sell the remaining portion of its non-THC business to a third-party for total consideration of approximately $6,250,000 payable comprised of $4,000,000 cash and approximately $2,250,000 in common stock of Arcadia Wellness, LLC.

Mosaic.Ag

Subsequent to March 31, 2021, the Company entered into a series of arrangements to obtain the rights to four acres of land that is licensed for outdoor grow (“Mosaic.Ag”). In addition, the Company entered into a cultivation and supply agreement with a cultivator to cultivate cannabis on its behalf for a period of at least three years, with options to extend up to five years. The purchase price for Mosaic.Ag is $6,000,000 in cash with up to $11,000,000 to be paid in Company common stock, subject to earnouts.

Mercer Park Brand

The Company announced its intent to invest $50,000,000 in Mercer Park Brand upon closing of its qualifying transaction with Glass House Group (the “Strategic Investment”). In connection with the Strategic Investment, the Company has also entered into a non-binding letter of intent with Glass House Group pursuant to which the parties have agreed to negotiate towards a long term cannabis biomass offtake agreement and a retail distribution agreement which would enable the Company’s suite of branded products to be sold across all Glass House Group retail locations (the “Glass House Agreements”). The closing of the Strategic Investment is conditional upon the negotiation and execution of the Glass House Agreements.

Investment in associates

On May 10, 2021, the Company closed the transaction to sell its investment in associates for $6,500,000

Share-based compensation

Subsequent to March 31, 2021, the Company granted 1,213,000 RSUs under the Plan.