



**NEXT GREEN WAVE HOLDINGS INC.**

**CONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS**

For the Three and Six-Month Periods Ended June 30, 2020  
(Expressed in US dollars)

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**June 30, 2020**

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# NEXT GREEN WAVE HOLDINGS INC.

## Consolidated Condensed Interim Statements of Financial Position

As at June 30, 2020

(Expressed in US Dollars)

	June 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,477,519	\$ 1,241,747
Accounts receivable	187,543	7,665
Inventory (Note 3)	685,459	1,383,903
Biological assets (Note 4)	801,117	524,306
Investments (Note 6)	1,710,406	750,222
Prepays & deposits	5,738	249,918
<b>Total Current Assets</b>	<b>4,867,782</b>	<b>4,157,761</b>
<b>Non-current</b>		
Property, plant and equipment (Note 5)	13,654,306	11,689,920
<b>Total Assets</b>	<b>\$ 18,522,088</b>	<b>\$ 15,847,681</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable & accrued liabilities (Note 9)	\$ 629,130	\$ 343,581
Convertible debentures - Current (Note 10)	947,932	144,000
Lease liability - Current (Note 8)	-	88,245
Secured Loan - Current (Note 14)	530,000	530,000
<b>Total Current Liabilities</b>	<b>2,107,062</b>	<b>1,105,826</b>
<b>Non-current</b>		
Lease liability (Note 8)	-	97,200
Convertible debentures - Long Term (Note 10)	-	720,250
Secured Loan - Long Term (Note 14)	2,935,332	2,757,664
<b>Total Liabilities</b>	<b>5,042,394</b>	<b>4,680,940</b>
<b>Equity</b>		
Share capital (Note 11)	25,009,719	25,211,208
Reserves	5,494,223	5,338,166
Convertible Debenture - Equity Portion (Note 10)	146,560	146,560
Accumulated other comprehensive income	(135,369)	(123,355)
Accumulated deficit	(17,035,439)	(19,405,838)
<b>Total Shareholders' Equity</b>	<b>13,479,694</b>	<b>11,166,741</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 18,522,088</b>	<b>\$ 15,847,681</b>

Nature and Continuance of Operations - Note 1

Events After the Reporting Period - Note 19

Approved on behalf of the Board on August 31, 2020

***"Michael Jennings"***

Director

***"Glen Harder"***

Director

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

## NEXT GREEN WAVE HOLDINGS INC.

Consolidated Condensed Interim Statements of Operations and Comprehensive Income (Loss)

For the Three and Six Months Ended June 30, 2020 and 2019

(Expressed in US Dollars)

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Revenue</b>	<b>\$ 3,173,536</b>	<b>\$ 58,023</b>	<b>\$ 4,351,288</b>	<b>\$ 58,023</b>
<b>Cost of Sales</b>	(91,445)	(17,711)	(679,244)	(17,711)
<b>Gross profit before fair value adjustments</b>	<b>3,082,091</b>	<b>40,312</b>	<b>3,672,044</b>	<b>40,312</b>
Fair value changes in biological assets included in inventory sold	(1,923,625)	-	(2,759,517)	-
Unrealized fair value adjustment on growth of biological assets	(769,139)	(302,714)	444,225	(302,714)
<b>Gross profit</b>	<b>389,327</b>	<b>(262,402)</b>	<b>1,356,752</b>	<b>(262,402)</b>
<b>Operating Expenses</b>				
Bank charges	35,533	2,448	50,672	3,997
Depreciation (Note 5)	219,443	133,760	445,455	133,760
Directors fees (Note 17)	12,820	5,613	26,305	13,564
Foreign exchange loss	2,214	20,308	8,962	23,163
General office	33,671	130,591	92,641	158,400
Insurance	73,478	90,997	141,822	146,715
Investor relations and communications	88,057	281,193	114,257	1,021,645
Royalty payments (Note 9)	12,109	21,455	55,591	21,455
Professional fees	39,073	112,287	55,657	178,984
Consulting services (Note 17)	30,521	157,783	90,564	355,074
Regulatory and filing fees	7,429	22,332	11,211	24,423
Salaries and management fees (Note 17)	115,843	99,712	439,258	221,939
Stock-based compensaton (Notes 12 & 17)	74,628	67,682	156,057	794,745
Travel, meals and entertainment	18,155	52,477	63,478	79,437
Total operating expenses	762,974	1,198,638	1,751,930	3,177,301
<b>Loss from operations</b>	<b>(373,647)</b>	<b>(1,461,040)</b>	<b>(395,178)</b>	<b>(3,439,703)</b>
<b>Other Expenses (Income)</b>				
Transaction costs	71,042	750,000	71,042	750,000
Unrealized gain on investments (Note 6)	(1,175,334)	-	(960,184)	-
Reversal of impairment of assets (Note 5)	(2,447,948)	-	(2,447,948)	-
Interest and accretion expense (Notes 8, 10 & 14)	285,774	60,102	572,479	60,102
Interest income	(966)	(28)	(966)	(6,877)
<b>Net income (loss) for the period</b>	<b>2,893,785</b>	<b>(2,271,114)</b>	<b>2,370,399</b>	<b>(4,242,928)</b>
<b>Other comprehensive income (loss)</b>				
Cumulative translation income (loss)	1,928	13,691	(12,014)	26,957
<b>Total comprehensive income (loss) for the period</b>	<b>\$ 2,895,713</b>	<b>\$ (2,257,423)</b>	<b>\$ 2,358,385</b>	<b>\$ (4,215,971)</b>
<b>Loss per common share, basic and diluted</b>	<b>\$ 0.02</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>162,949,054</b>	<b>124,119,116</b>	<b>163,809,621</b>	<b>124,964,263</b>

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

## NEXT GREEN WAVE HOLDINGS INC.

Consolidated Condensed Interim Statements of Changes in Equity

For the Three and Six Months Ended June 30, 2020 and 2019

(Expressed in US Dollars)

	Share Capital		Equity portion of convertible debentures	Reserves	Accumulated other comprehensive income	Accumulated Deficit	Total
	Number of Common shares	Amount					
Balance, December 31, 2018	120,743,124	14,502,834	-	3,632,073	(115,844)	(3,200,390)	14,818,673
Warrants exercised (Note 11)	1,023,563	548,342	-	(89,478)	-	-	458,864
Shares issued for services at \$0.67 per common share (Note 11)	223,880	112,124	-	-	-	-	112,124
Stock options exercised (Note 11 & 12)	200,000	107,311	-	(17,511)	-	-	89,800
Stock based compensation	-	-	-	794,745	-	-	794,745
Fair value of the equity portion of the Convertible Debentures (Note 11)	-	-	53,570	-	-	-	53,570
Fair value assigned to the warrants on the issuance of Convertible Debentures (Note 11)	-	-	-	1,439,934	-	-	1,439,934
Transaction costs assigned to the warrants on the issuance of Convertible Debentures	-	-	-	(332,025)	-	-	(332,025)
Shares issued for services at \$0.55 per common share (Note 11)	1,884,317	773,800	-	-	-	-	773,800
Shares issued related to the SDC Acquisition (Note 7 & 11)	19,361,296	5,936,246	-	-	-	-	5,936,246
Contingent shares related to the SDC Acquisition (Note 7)	-	-	-	4,623,113	-	-	4,623,113
Shares issued as service fees related to the SDC Acquisition (Note 11)	1,567,342	750,000	-	156,235	-	-	906,235
Shares issued as a result of the CGOC Investment (Note 11)	11,000,000	2,097,475	-	-	-	-	2,097,475
Net income (loss) for the period	-	-	-	-	26,957	(4,242,928)	(4,215,971)
Balance, June 30, 2019	156,003,522	24,828,133	53,570	10,207,086	(88,887)	(7,443,318)	27,556,584
Balance, December 31, 2019	164,670,189	25,211,208	146,560	5,338,166	(123,355)	(19,405,838)	11,166,741
Stock based compensation (Note 13)	-	-	-	156,057	-	-	156,057
Return to treasury - SDC assets purchase (Note 7 and 11)	(5,163,406)	(201,489)	-	-	-	-	(201,489)
Net income (loss) for the period	-	-	-	-	(12,014)	2,370,399	2,358,385
Balance, June 30, 2020	159,506,783	25,009,719	146,560	5,494,223	(135,369)	(17,035,439)	13,479,694

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

## NEXT GREEN WAVE HOLDINGS INC.

Consolidated Condensed Interim Statements of Cash Flows  
For the Three and Six Months Ended June 30, 2020 and 2019

(Expressed in US Dollars)

	June 30, 2020	June 30, 2019
<b>Cash flows from (used in) operating activities</b>		
Net income (loss) for the period	\$ 2,370,399	\$ (4,242,928)
Items not affecting cash		
Share-based payments	156,057	794,745
Services paid with shares	-	112,124
Depreciation	445,455	133,760
Unrealized loss on fair value adjustment on growth of biological asset	(444,225)	302,714
Reversal on 2019 impairment charge	(2,447,948)	-
Interest and accretion expenses	572,479	60,102
Unrealized gain on investments	(960,184)	-
Effect of foreign exchange on cash	12,014	23,163
Cash flow used in operating activities before changes in non-cash working capital items	(295,953)	(2,816,320)
Changes in non-cash working capital items:		
Interest and other receivables	(179,878)	(25,054)
Prepays & deposits	44,180	34,376
Inventory	717,750	(636,431)
Accounts payable & accrued liabilities	294,919	(33,285)
Cash flow used in operating activities	581,018	(3,476,714)
<b>Cash flows from (used in) investing activities</b>		
Maturity of short term investments	-	2,408,895
Cash paid for investment in OMG	-	(371,968)
Transaction costs paid with shares	-	750,000
Cash paid for acquisition of SDC	-	(600,000)
Purchases of property, plant and equipment	(174,055)	(1,003,965)
Lease payments	(36,139)	-
Cash flow used in investing activities	(210,194)	1,182,962
<b>Cash flows from financing activities</b>		
Convertible debenture - net proceeds	-	1,771,382
Convertible debenture - principal paid	(63,750)	-
Secured loan - interest paid	(59,288)	(13,483)
Proceeds from exercise of stock options	-	89,800
Proceeds from exercise of warrants	-	458,864
Proceeds from CGOC investment	-	1,125,000
Cash flow from financing activities	(123,038)	3,431,563
<b>Foreign exchange on cash</b>	(12,014)	(29,478)
<b>Increase in cash and cash equivalent during the year</b>	235,772	1,108,333
<b>Cash and cash equivalent, beginning of the year</b>	1,241,747	415,020
<b>Cash and cash equivalent, end of the year</b>	\$ 1,477,519	\$ 1,523,353

### Supplemental Cash Flow Disclosure:

#### Non-cash transactions:

Property, plant and equipment services paid with shares	-	773,800
Transfer of construction in process to property, plant and equipment	-	8,214,374
Common shares returned to treasury as consideration for transfer of assets and rights	201,489	-

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

## **NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

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### **1. Nature and Continuance of Operations**

Next Green Wave Holdings Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia on July 6, 2011. The Company’s registered office address is Suite 300, 1055 West Hastings Street, Vancouver, B.C. V6E 2E9. The Company is listed on the Canadian Securities Exchange (“CSE”) under the symbol “NGW” and the OTCQX Best Market in the United States under the symbol “NXGWF”. The Company, through its wholly owned subsidiaries, is a cannabis cultivator and producer and is licensed for medical and recreational marijuana cultivation and production in the State of California. The Company’s facilities are used for cannabis cultivation as well as the processing, production and packaging of dry flower, cannabis oils and concentrates.

The consolidated condensed interim financial statements were authorized by the Board of Directors of the Company on August 31, 2020 for issuance.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

#### **Going concern assumption**

These consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company’s continuing operations are dependent upon its ability to raise capital and generate cash flows. At June 30, 2020, the Company had working capital of \$2,760,720, revenues of \$4,351,288 and had an accumulated deficit of \$17,035,439. These circumstances indicate the existence of material uncertainty that casts significant doubt as to the Company’s ability to meet its business plans and its obligations as they become due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The consolidated condensed interim financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future and does not reflect the adjustments to assets and liabilities that would be necessary if it were unable to obtain adequate financing. Such adjustments could be material. If the Company is unable to raise funds and execute its business plans, it may not be able to continue as a going concern.

## **NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements  
For the three and six months ended June 30, 2020 and 2019  
(Expressed in US Dollars)

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### **2. Significant Accounting Policies**

#### *(a) Basis of presentation and Statement of Compliance*

##### Statement of Compliance with IFRS

The consolidated condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies applied in these financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2019. There have been no changes from the accounting policies applied in the December 31, 2019 financial statements. The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In management's opinion, all adjustments considered necessary for fair presentation have been included in these consolidated condensed interim financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019.

For a description of the critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements for the year ended December 31, 2019.

##### Basis of measurement

These consolidated condensed interim financial statements are presented on a historical cost basis in U.S. dollars, except for financial instruments classified as at fair value through profit and loss ("FVTPL"), and biological assets carried at fair value. In addition, these consolidated condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### *(b) Basis of consolidation*

These consolidated condensed interim financial statements include the accounts of the Company and its wholly-owned subsidiaries listed below:

1. Crossgate Capital U.S. Holdings Corp. (registered in the United States)
2. NGW Holdings, LLC (registered in the United States)
3. Next Green Wave, LLC (registered in the United States)
4. SDC Ventures LLC (registered in the United States)

All intercompany balances, transactions, revenues and expenses are eliminated upon consolidation. Certain information and note disclosures which are considered material to the understanding of the Company's consolidated condensed interim financial statements are provided below.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

#### *(c) Significant accounting policies*

The accounting policies applied by the Company in these consolidated condensed interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2019.



## NEXT GREEN WAVE HOLDINGS INC.

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

### 3. Inventory

	June 30,		December 31,	
	2020		2019	
Harvested Cannabis	\$	201,802	\$	1,359,413
Finished goods		483,657		24,490
	\$	685,459	\$	1,383,903

Finished goods inventory comprise packaged ready-for-sale CBD and THC products.

During the period ended June 30, 2020, the Company transferred finished goods with a fair value of \$148,110 to two former employees of the Company as part of the consideration paid for the reacquisition of 5,163,406 common shares of the Company (Note 8).

### 4. Biological Assets

The Company's biological assets consist of cannabis plants that are cultivated at the Company's own grow facility. The changes in the carrying value of biological assets are as follows:

Balance at December 31, 2019	\$	524,306
Changes in fair value less costs to sell due to biological transformation		444,225
Production costs capitalized		2,429,910
Transferred to inventory upon Harvest		(2,597,324)
Balance at June 30, 2020	\$	801,117

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred, such as post-harvest costs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Selling price – calculated as the determined wholesale fair market value for the period of future sales
- Stage of growth – represents the average number of weeks out of the growing cycle that biological assets have reached as of the measurement date
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
- Wastage – represents the average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

**4. Biological Assets (continued)**

- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials and labor related to labelling, packaging and selling costs.

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets.

	<b>June 30, 2020</b>	<b>10% Change as at June 30, 2020</b>
Selling price per gram	\$ 4.21	\$ 97,484
Stage of growth	9 weeks	80,112
Yield by plant (average)	56 grams	80,112
Wastage	5%	1,943
Post-harvest costs per gram	\$ 0.75	\$ 8,007

	<b>December 31, 2019</b>	<b>10% Change as at December 31, 2019</b>
Selling price per gram	\$ 4.40	\$ 66,894
Stage of growth	14 weeks	52,431
Yield by plant (average)	56 grams	52,431
Wastage	5%	2,760
Post-harvest costs per gram	\$ 0.75	\$ 10,824

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a cannabis plant that is 50% through its growing cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments) less remaining costs to complete and sell.

Mother plants (bearer plants), clones and seeds are not included in the calculation of biological assets.

## NEXT GREEN WAVE HOLDINGS INC.

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

### 5. Property, Plant and Equipment

The following is a summary of activities from December 31, 2019 to June 30, 2020:

Cost	Land	Facility A	Office and equipment	Right of use Asset (Note 8)	Electrical Backbone	Total
Balance, December 31, 2019	\$ 3,957,912	\$ 6,830,604	\$ 447,215	\$ 222,830	\$ 813,000	\$ 12,271,561
Additions	-	-	174,055	-	-	174,055
Reversal of impairment	-	2,447,948	-	-	-	-
Disposals	-	-	(57,418)	(222,830)	-	-
Balance, June 30, 2020	\$ 3,957,912	\$ 9,278,552	\$ 563,852	\$ -	\$ 813,000	\$ 12,445,616
Depreciation and impairment losses						
Balance, December 31, 2019	\$ -	\$ 530,951	\$ -	\$ 37,138	\$ 13,552	\$ 581,641
Additions	-	402,453	1,892	30,948	10,162	445,455
Disposals	-	-	-	(68,086)	-	(68,086)
Balance, June 30, 2020	\$ -	\$ 933,404	\$ 1,892	\$ -	\$ 23,714	\$ 959,010
Carrying amounts						
As at December 31, 2019	\$ 3,957,912	\$ 6,299,653	\$ 447,215	\$ 185,692	\$ 799,448	\$ 11,689,920
Balance, June 30, 2020	\$ 3,957,912	\$ 8,345,148	\$ 561,960	\$ -	\$ 789,286	\$ 13,654,306

For the year ended December 31, 2019, an impairment of \$2,447,948 was recognized for the property, plant and equipment. During the six-month period ended June 30, 2020, the impairment of \$2,447,948 for the property, plant and equipment was reversed due to the fact that the Company has demonstrated in the past six months that that the financial results from the cultivation of crops is better than previously expected.

### 6. Investments

	June 30, 2020	December 31, 2019
Investment in CGOC	\$ 237,762	\$ 378,253
Investment in OMG	1,472,644	371,969
Investment at fair value	\$ 1,710,406	\$ 750,222

On June 29, 2019, the Company received 726,744 common shares of Cannabis Growth Opportunity Corporation ("CGOC") at a price of \$1.72 per share for a total cost of CDN\$1,250,000 (US\$953,398) as part of the consideration for the issuance of 11,000,000 common shares of the Company (Note 12). As at June 30, 2020, the fair value of the investment in CGOC was US\$237,762 (December 31, 2019: US\$378,253) and the Company recorded an unrealized gain on the consolidated condensed interim statements of operations and comprehensive income (loss) of US\$960,184 for the six months ended June 30, 2020 (2019: \$nil)

On March 15, 2019, the Company made an investment in Organic Medical Growth OMG3 Inc., ("OMG") a Canadian based company focused on producing and commercializing CBD products derived from medicinal and industrial cannabis in Colombia. Under the terms of this investment, the Company subscribed for 2,000,000 common shares of OMG at CDN\$0.25 per share for a total amount of CDN\$500,000 (USD\$371,969). In addition, under the term of this investment, the Company might receive the following, none of which have materialized as of June 30, 2020:

## **NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

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### **6. Investments (continued)**

- 4,300,600 common shares representing 10% of the share capital of OMG post its first round of financing, in exchange for NGW's provision of collaborative and commercial strategic support services under a services agreement.
- An option to purchase 2,395,000 shares of OMG at CDN\$0.50 per share, or such other number of shares equivalent to 5% of the share capital following its first round of financing.

During the six months ended June 30, 2020, OMG completed a financing at CDN\$1.00 per share with a third party. As a result, the Company has adjusted the market value of its investment in OMG to reflect the increase in the value per share.

### **7. Acquisition of SDC Ventures, LLC**

On April 1, 2019, the Company acquired 100% of SDC Ventures, LLC ("SDC") (the "Acquisition"). SDC has eight leading cannabis brands with 45 CBD and THC products. Management determined that the acquisition did not have the inputs and processes capable of producing outputs necessary to meet the definition of a business as defined by IFRS 3. Accordingly, the acquisition was accounted for as a share-based payment, whereby the Company allocated the fair value of the consideration paid to the assets acquired. Any contingent consideration payable will be recorded when paid.

The Company acquired all of the membership interests and other equity interests in SDC for aggregate consideration of \$6,578,881, comprised of \$600,000 cash, \$764,117 of transaction costs paid with 1,567,342 common shares and 19,361,296 common shares of the Company with a fair value of \$5,214,764.

The consideration for the acquisition also included a contingent share consideration of \$4,639,443 to be paid out by way of issuance of common shares of the Company in three tranches on the first, second and third anniversaries of the period beginning 120 days after the acquisition date, subject to the achievement of future milestones. Each of the SDC Securityholders have entered into an escrow agreement such that the common shares issued will continue to be held in voluntary escrow and released over a 36-month period pursuant to the terms of those escrow agreements.

The milestones, and resulting share issuances, were as follows:

- \$5,000,000 at the end of the period beginning one-hundred and twenty (120) days after Closing ("Year 1") on achieving Year 1 Net Sales of \$12,000,000 ("Year 1 Net Sales") and adjusted downwards by the pro-rata amount of the Year 1 Net Sales if such Year 1 Net Sales are between \$9,000,000 and \$12,000,000 (as adjusted, the "Year 1 Sales Payment"), to be satisfied by the issuance of the common shares each at a deemed price of \$1 per share.
- \$5,000,000 at the end of the twelve (12) month period immediately following Year 1 ("Year 2") on achieving Year 2 Net Sales of \$30,000,000 (the "Year 2 Net Sales"), adjusted downwards by the pro-rata amount of the Year 2 Net Sales if such amount is between \$22,500,000 and \$30,000,000;

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

**7. Acquisition of SDC Ventures, LLC (continued)**

At the year ended December 31, 2019, Management estimated, based on the current revenues of SDC and the projection for the oncoming years, that the probability to achieve the milestones outlined above was improbable. Accordingly, no amounts were recorded related to the contingent consideration.

<b>Consideration paid</b>	
Cash	\$ 600,000
Transaction costs	764,117
Shares issued at closing	<u>5,214,764</u>
	\$ 6,578,881
SDC Brand Name	\$ 666,069
Brand Licensing Agreements	5,787,903
Employment Agreements	<u>424,907</u>
	6,578,879
Impairment	<u>(6,578,879)</u>
Balance at December 31, 2019	\$ -

During the year ended December 31, 2019, the Company determined that the intangible asset resulting from the acquisition of SDC was fully impaired. This was based on the expected revenues to be generated from the brand license agreements, SDC brand name and employment agreements, being materially different from the Company expectations when the asset purchase took place.

On May 31, 2020, the Company executed an Asset Purchase Agreement (“the Agreement”) with two former employees (the “Employees”) of the Company and former shareholders of SDC, where the Company transferred to the Employees the following SDC’s assets for the return to treasury of 5,163,406 common shares (the “Treasury Shares”) previously issued by the Company to the Employees for the Acquisition:

- SD Cannabis brand name
- Inventory
- One brand license agreement.
- A lease agreement (Note 8)

The SDC’s assets transferred to the Employees (the “SDC’s assets”) were accounted for, in accordance with IAS.32, related to the cost of the Company reacquiring its own equity instruments. Accordingly, the fair value of the SDC assets given up were deducted from the Company’s equity and no gain or loss was recognized related to the reacquisition of the Company’s common shares.

The fair value allocated to the reacquisition of the 5,163,406 common shares was calculated as follows:

Inventory (Note 3)	\$ 148,110
SDC Brand Name	-
Brand Licesing Agreement	-
Leasehold Improvements (Note 5)	57,418
Right-of-use asset (Note 8)	154,743
Lease liability (Note 8)	<u>(158,782)</u>
Total Allocation	\$ 201,489

## NEXT GREEN WAVE HOLDINGS INC.

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### 7. Acquisition of SDC Ventures, LLC (continued)

The employment agreements of the Employees were also terminated during the period ended June 30, 2020 and compensation expense of \$60,000 was recognized based on the cash payments made.

### 8. Right-of-use asset and lease liability

The Company adopted IFRS 16 on January 1, 2019. The Company had one lease agreement for its CBD's store in San Diego, California (the "Lease Agreement") which was entered into on June 1, 2019. The lease agreement expires on May 31, 2022. The Company recorded the right-of-use asset based on the corresponding lease liability as at January 1, 2019.

On May 31, 2020, the Company assigned the Lease Agreement to the two former employees of the Company (Note 7) and the carrying values of the right-of-use assets, leasehold improvements and lease liability were derecognized during the six months ended June 30, 2020. Before the assignment of the Lease Agreement, the Company recognized interest expense of \$9,475 during the period from January 1, 2020 to May 31, 2020.

### 9. Accounts payable and accrued liabilities

	June 30, 2020	December 31, 2019
Trade accounts payable	\$ 424,546	\$ 203,635
Royalty payments	-	101,449
Accrued liabilities	22,014	38,497
Customer Deposit	182,570	-
	\$ 629,130	\$ 343,581

As part of the acquisition of SDC Ventures, LLC, the Company is subject to the following Royalty payments:

- Loki Naturals: The Company shall pay the licensor a royalty in an amount equal to 50% of wholesale revenue net of costs of goods sold, commissions and distribution costs.
- Hart Luck: The Company shall pay the licensor a royalty in an amount equal to 50% of wholesale revenue net of costs of goods sold, commissions and distribution costs.
- King Louie: The Company shall pay the licensor a royalty in an amount equal to 30% of wholesale revenue net of costs of goods sold, commissions and distribution costs.

### 10. Convertible Debentures

On May 29, 2019, the Company issued CDN\$3,000,000 convertible debentures (the "Debentures") and 7,732,357 transferable common share purchase warrants (the "Debenture Warrants") with the following terms:

- the Debentures mature on May 29, 2021 (the "Maturity date"), and the principal amount of the Debentures, together with accrued and any unpaid interest, will be payable on the Maturity Date;
- the Debentures bear interest at a rate of 8.5% per annum, payable semi-annually;

**NEXT GREEN WAVE HOLDINGS INC.**

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**10. Convertible Debentures (continued)**

- The principal amount of the Debentures are convertible, for no additional consideration, into common shares of the Company at the option of the holder at any time prior to the close of business on the Maturity Date, at a price of CDN\$0.388 (the "Conversion Price").
- The subscribers of the Debentures have been issued Debenture Warrants entitling them to collectively purchase 7,732,357 shares for a period of 24 months from the date of issue at an exercise price of CDN\$0.485. Beginning on the date that is four months plus one day following the closing date, the Company may force the conversion of the Debentures, if, for any twenty (20) consecutive trading days, the daily volume weighted average trading price of the common shares is greater than a 80% premium to the Conversion Price.

On initial recognition, the Company bifurcated CDN\$198,061 to equity and CDN\$1,988,851 to the carrying value of the loan. The Company incurred transaction costs of CDN\$813,088.

	\$CDN	\$USD
Proceeds bifurcated to carrying value of the loan	1,988,851	1,471,697
Proceeds bifurcated to equity	198,061	146,560
Transaction costs related to the Debentures	813,088	601,664
Proceeds on issuance of Convertible Debentures	3,000,000	2,226,145

Transaction costs included the following:

- \$374,168 (CDN\$505,649) legal expenses paid in cash.
- \$155,402 (CDN\$210,010) finder fees paid with 541,265 Finder Units. Each Finder Unit is convertible into one common share and one common share purchase warrant at a price of CDN\$0.388. The fair value of purchase warrants was determined to \$72,094 (CDN\$97,429) based on Black-Scholes Option Pricing Model valuation using the following inputs

Share price on grant date	CDN\$0.38
Risk-free interest rate	1.53%
Expected life of options	2 years
Annualized volatility	100%
Dividend rate	nil

On December 13, 2019, the Company completed an agreement to reduce its current debt of CDN\$3,000,000 million in outstanding convertible notes (the "Notes") to CDN\$1,500,000, the Company has also agreed to a Non Brokered Private placement of 6,666,667 shares (the "Shares") at a price of CDN\$0.15 per Share for gross proceeds of CDN\$1,000,000 (the "Financing"). The Financing, in addition to a CDN\$500,000 payment from the Company, was used to reduce the Notes from CDN\$3,000,000 million in outstanding convertible notes to CDN\$1,500,000 (the "New Notes"). There were no finders fees incurred as a result of the Financing. With respect to the remaining CDN\$1,500,000 in New Notes, the Company has amended the terms of the remaining CDN\$1,500,000 from its current conversion rate (CDN\$0.388) whereby the remaining principal amount of the New Notes are convertible, for no additional consideration, into common shares of NGW at the option of the holder at any time prior to the close of business on the maturity date, at a price of CDN\$0.15.

## **NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in US Dollars)

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### **10. Convertible Debentures (continued)**

In addition, the Company has repriced 7,732,357 share purchase warrants (the "Warrants") previously issued as a result of the Notes, entitling them to collectively purchase shares for a period of 24 months from the date of issue at an exercise price of CDN\$0.485 (the "Exercise Price") to a price of CDN\$0.20. The terms of the Warrants, including the acceleration clause shall remain in force. The Company recognized during the year ended December 31, 2019, CDN\$477,328 (\$369,509) stock-based compensation for the repricing of the purchase warrants and conversion price of the convertible debentures.

The carrying value of the convertible debt as at June 30, 2020 is \$947,932 (December 31, 2019: \$864,250) and the Company recognized interest and accretion expenses during the six month period ended June 30, 2020 of \$126,048 (2019: \$60,102).

During the period ended June 30, 2020, the Company repaid CDN\$63,750 of the principal amount. The face value of the convertible debenture as at June 30, 2020 is CDN\$1,436,250 (December 31, 2019: CDN\$ 1,500,000)

### **11. Share Capital**

#### Authorized

Unlimited number of common shares without par value

#### Issued

During the six-month period ended June 30, 2019:

On March 29, 2019, 223,880 common shares were issued at CDN\$0.67 in exchange for investor relation services.

On March 29, 2019, 200,000 options were exercised at a price of CDN\$0.60 for gross proceeds of CDN\$120,000.

On April 12, 2019, 1,884,317 common shares were issued at CDN\$0.55 for completion of Facility A.

In June 2019, 1,567,342 common shares were issued to consultants and 19,361,296 common shares were issued to SDC Security Holders in relation to the closing of the acquisition of SDC Ventures, LLC.

On June 29, 2019, the Company issued CGOC 11,000,000 common shares of the Company, at CDN\$0.25 / share, in exchange for CDN\$1,500,000 in cash and an CDN\$1,250,000 investment in CGOC.

During the six-month period ended June 30, 2019, 986,642 warrants were exercised at a price of CDN\$0.60 for gross proceeds of \$442,232 (CDN\$591,985). 36,921 finders fee warrants were exercised for gross proceeds of \$16,630 (CDN\$22,153).

During the six-month period ended June 30, 2020:

On May 31, 2020, the Company reacquired 5,163,406 common shares at a deemed value of \$201,489 (Note 7), from two former employees.

As at June 30, 2020, the Company had 32,637,250 shares held in escrow (December 31, 2019 – 40,183,000).



## NEXT GREEN WAVE HOLDINGS INC.

Notes to the consolidated condensed interim financial statements

For the three and six months ended June 30, 2020 and 2019

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### 12. Stock Options

The Company has an incentive stock option plan (the “Plan”) whereby it may grant options to directors, officers, employees, and consultants of the Company. On April 6, 2018 and subsequently amended on October 18, 2018 to conform to CSE guidelines, the Directors approved the Plan whereby a maximum of 10% of the Company’s issued and outstanding common shares will be reserved for issuance.

The following incentive stock options were issued and outstanding at June 30, 2020:

Expiry Date	Exercise Price (CDN\$)	Incentive Stock Options				Balance June 30, 2020
		Balance December 31, 2019	Granted	Exercised	Forfeited	
November 21, 2024	\$ 0.15	3,530,000	-	-	(250,000)	3,280,000
January 9, 2025	\$ 0.15	-	1,700,000	-	-	1,700,000
February 27, 2025	\$ 0.15	-	750,000	-	-	750,000
Total outstanding		3,530,000	2,450,000	-	(250,000)	5,730,000
Total exercisable		-	-	-	-	-
Weighted Average Exercise Price	\$	0.15	\$ 0.15	\$ -	\$ 0.15	\$ 0.15
Weighted Average Remaining Life		4.9 years				4.5 years

On January 9, 2020, the Company granted a total of 1,700,000 stock options to Directors, with an exercise price of CDN\$0.15 per share:

- 850,000 options, which vest 25% at the end of every 3 months for a period of 12 months, with a term of five years.
- 850,000 options, which vest 25% at the end of every 6 months for a period of 24 months, with a term of five years.

On February 27, 2020, the Company granted 750,000 options to employees and with an exercise price of CDN\$0.15 per share which vest 25% at the end of every 6 months for a period of 24 months, with a term of five years.

On March 31, 2020, 250,000 options were forfeited.

The following weighted-average assumptions were used in the Black-Scholes valuation of stock option grants for the six months ended June 30, 2020:

Share price on grant date	CDN\$0.08 - \$0.09
Risk-free interest rate	0.01% - 0.02%
Expected life of options	5 years
Annualized volatility <sup>(1)</sup>	100%
Dividend rate	nil

<sup>(1)</sup> Expected volatility was determined by reference to historical volatility of similar entities following a comparable period of lives

During the six months ended June 30, 2020, the Company recognized \$156,057 of stock-based compensation for options vested.

**NEXT GREEN WAVE HOLDINGS INC.**

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**12. Stock Options (continued)**

The following incentive stock options were issued and outstanding at June 30, 2019:

Expiry Date	Exercise Price (CDN\$)	<i>Incentive Stock Options</i>				Balance June 30, 2019
		Balance December 31, 2018	Granted	Exercised	Forfeited	
October 17, 2021	\$ 0.75	1,578,000	-	-	(200,000)	1,378,000
February 5, 2021	\$ 0.57	-	650,000	-	-	650,000
March 7, 2022	\$ 0.60	-	1,000,000	(200,000)	-	800,000
April 17, 2023	\$ 0.35	4,625,000	-	-	(700,000)	3,925,000
July 23, 2023	\$ 0.60	350,000	-	-	(350,000)	-
October 17, 2023	\$ 0.75	200,000	-	-	-	200,000
February 5, 2024	\$ 0.57	-	2,300,000	-	(600,000)	1,700,000
Total outstanding		6,753,000	3,950,000	(200,000)	(1,850,000)	8,653,000
Total exercisable		1,156,250				2,338,250
Weighted Average Exercise Price		\$ 0.47	\$ 0.58	\$ 0.60	\$ 0.64	\$ 0.50
Weighted Average Life						4.4 years

On February 5, 2019, the Company granted:

- 650,000 options to consultants and with an exercise price of CDN\$0.57 per share which vest 25% at the end of every 3 months for a period of 12 months, with a term of three years.
- 2,300,000 options to employees, directors and consultants with an exercise price of CDN\$0.57 per share which vest 25% at the end of every 6 months for a period of 24 months, with a term of five years.

On March 7, 2019, the Company granted 1,000,000 options to a consultant and with an exercise price of CDN\$0.60 per share which vest 100% on the grant date, with a term of three years.

On March 29, 2019, 200,000 options were exercised at a price of CDN\$0.60 for gross proceeds of CDN\$120,000.

During the six-month period ended June 30, 2019, 1,850,000 options were cancelled or forfeited.

The following weighted-average assumptions were used in the Black-Scholes valuation of stock option grants for the six months ended June 30, 2019:

Share price on grant date	CDN\$0.57
Risk-free interest rate	1.63% - 1.84%
Expected life of options	2 - 5 years
Annualized volatility	100%
Dividend rate	nil

During the six months ended June 30, 2019, the Company recognized \$794,745 of stock-based compensation for options vested.

**NEXT GREEN WAVE HOLDINGS INC.**

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**13. Warrants**

As at June 30, 2020, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price (CDN\$)	Warrants				Balance June 30, 2020
		Balance December 31, 2019	Granted	Exercised	Forfeited	
May 29, 2021	\$ 0.20	7,732,357	-	-	-	7,732,357
September 12, 2021	\$ 0.25	1,000,000	-	-	-	1,000,000
November 21, 2022	\$ 0.20	6,500,000	-	-	-	6,500,000
Total outstanding		15,232,357	-	-	-	15,232,357
Weighted Average Exercise Price		\$ 0.20	\$ -	\$ -	\$ -	\$ 0.20
Weighted Average Remaining Life		2.4 years				1.56 years

As at June 30, 2019, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price (CDN\$)	Warrants				Balance June 30, 2019
		Balance December 31, 2018	Granted	Exercised	Forfeited	
August 27, 2019	\$ 0.60	2,254,657	-	(306,500)	-	1,948,157
September 28, 2019	\$ 0.60	14,179,640	-	(197,942)	-	13,981,698
October 17, 2019	\$ 0.60	3,142,436	-	(482,200)	-	2,660,236
December 25, 2019	\$ 0.60	275,071	-	-	-	275,071
December 25, 2019	\$ 1.00	5,509,587	-	-	-	5,509,587
February 13, 2020	\$ 0.60	10,000	-	-	-	10,000
May 29, 2021	\$ 0.485	-	7,732,357	-	-	7,732,357
Total outstanding		25,371,391	7,732,357	(986,642)	-	32,117,106
Weighted Average Exercise Price		\$ 0.69	\$ 0.485	\$ 0.60		\$ 0.64
Weighted Average Life						1.6 years

In May 2019, the Company granted 7,732,357 warrants with a fair value of \$362,878 which were issued as part of the convertible debentures.

During the six-month period ended June 30, 2019, 986,642 warrants were exercised at price of CDN\$0.60 for gross proceeds of \$442,232 (CDN\$591,985).

As at June 30, 2020, the Company had outstanding finders warrants, enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price (CDN\$)	Finders Warrants				Balance June 30, 2020
		Balance December 31, 2019	Granted	Exercised	Forfeited	
May 29, 2021	\$ 0.20	541,265	-	-	-	541,265
Total outstanding		541,265	-	-	-	541,265
Weighted Average Exercise Price		\$ 0.20				\$ 0.20
Weighted Average Remaining Life		1.4 years				0.9 years

## NEXT GREEN WAVE HOLDINGS INC.

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### 13. Warrants (continued)

As at June 30, 2019, the Company had outstanding finders warrants, enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price (CDN\$)	Finders Warrants				Balance June 30, 2019
		Balance December 31, 2018	Granted	Exercised	Forfeited	
August 27, 2019	\$ 0.60	215,639	-	-	-	215,639
September 28, 2019	\$ 0.60	1,525,517	-	(36,921)	-	1,488,596
October 17, 2019	\$ 0.60	95,178	-	-	-	95,178
December 25, 2019	\$ 1.00	604,765	-	-	-	604,765
May 29, 2021	\$ 0.20	-	541,265	-	-	541,265
Total outstanding		2,441,099	541,265	(36,921)	-	2,945,443
Weighted Average Exercise Price		\$ 0.64	\$ 0.20	\$ 0.60		\$ 0.70
Weighted Average Life		1.1 years				0.5 years

### 14. Secured Loan

On November 15, 2019, the Company secured an asset backed loan (the "Loan") for proceeds of \$4,000,000. The Loan is for a two-year term. Interest on the Loan will be paid monthly in cash: (i) at a rate of 10.5% per annum; plus (ii) the greater of (a) 2.5% and (b) LIBOR rate; plus any default rate and is collateralized by real property, buildings, machinery and equipment.

In addition, the Lender will receive a total of 6,500,000 warrants having a term of 36 months exercisable at a price of CDN\$0.20 per share (Note 13).

As at June 30, 2020:

- Interest payments for the next twelve months, totaling \$530,000, are included in short term liabilities.
- The Company recognized \$436,956 of interest and accretion expenses during the six months ended June 30, 2020. As at December 31, 2019, \$200,000 was withheld by the lender as securing for post-closing covenants and included in the prepaids and deposits on the consolidated statements of financial position. The reserve was netted against the interest payments made during the period ended June 30, 2020.

### 15. Financial Instruments

The Company's financial instruments consist of cash, investments, accounts receivable, accounts payable, convertible debenture and secured loan.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

## NEXT GREEN WAVE HOLDINGS INC.

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### 15. Financial Instruments (continued)

The fair value of cash and the investment in CGOC (Note 7) was determined based on level 1 inputs. The investment in OMG (Note 6) was determined based on the last private placement of OMG at CDN\$0.25 (level 3 inputs). The fair value of biological assets is based on level 3 inputs (Note 3).

The carrying amount of the accounts payable is considered to be a reasonable approximation of its fair value because of its short-term maturities. The fair value of the convertible debentures approximates to its face value of CDN\$1,436,250 (Note 10).

The fair value of the secured loan approximates to its face value of \$4,000,000 (Note 14).

#### Overview

The Company has exposure to the following financial instrument related risks.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amounts of cash and accounts receivable on the consolidated condensed interim financial position represent the Company's maximum credit exposure at June 30, 2020. The Company reduces its credit risk on cash by placing cash with institutions of high credit worthiness and by monitoring customers creditworthiness on an ongoing basis. All accounts receivable as at June 30, 2020 are less than 90 days old and no allowance for doubtful accounts have been recognized.

#### Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in liquid instruments and is available on demand. The Company will continue to rely on additional financings to further its operations and to meet its capital requirements. Liquidity risk is assessed as high.

#### Market risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange. The Company believes interest rate risk is not material.

The Company is exposed to foreign exchange risk as it conducts business in both the United States and Canada. Management monitors its foreign currency balances and the Company does not engage in any hedging activities to reduce its foreign currency risk.

At June 30, 2020, the Company was exposed to currency risk through the following monetary assets and liabilities in CDN Dollars.

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		\$CDN
Cash	\$	25,950
Interest and other receivable		12,464
Convertible Debentures		(1,291,841)
Accounts payable and accrued liabilities		(48,548)
	\$	(1,301,975)

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## NEXT GREEN WAVE HOLDINGS INC.

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### 15. Financial Instruments (continued)

The contractual interest of the convertibles debentures is fixed and the secured loan is variable at a rate of 10.5% per annum; plus (ii) the greater of (a) 2.5% and (b) LIBOR rate; plus any default rate. Management monitors the variable interest rate and the Company does not engage in any hedging activities to reduce its interest rate risk.

### 16. Capital Management

As the Company is building its business, its principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to develop new business opportunities for the benefit of its shareholders. To meet the objectives, management monitors the Company's ongoing capital requirements on specific business opportunities on a case-by-case basis. The capital structure of the Company consists of cash and equity attributable to common shareholders, consisting of issued share capital and deficit. There was no change to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

### 17. Related Party Transactions

A summary of compensation for directors, officers and key management personnel is as follows:

	Three Month Period Ended		Six Month Period Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Management fee (1)	\$ 59,948	\$ 30,000	\$ 120,269	\$ 60,000
Director and consulting fees (2)	29,418	48,975	63,032	99,735
Stock based compensation (3)	56,703	120,543	111,172	296,293
Total	\$ 146,069	\$ 199,518	\$ 294,473	\$ 456,028

- 1) The CEO and CFO's management fees are included in Management fees on the consolidated condensed interim statements of operations and comprehensive income (loss) for each of the periods presented.
- 2) Director and consulting fees are paid to the directors of the Company to provide accounting, management consulting and director services. These fees are included on the consolidated condensed interim statements of operations and comprehensive income (loss) for each of the periods presented.
- 3) Amounts recognized for related party stock-based compensation are included in Share-based payments on the consolidated condensed interim statements of operations and comprehensive income (loss) for each of the periods presented.

### 18. Segmented Information

The Company operates in one reportable operating segment, being the cultivation and distribution of cannabis. As at the six months ended June 30, 2020 and 2019 the majority of the Company's non-current assets, being property, plant and equipment, are located in the U.S.A. All revenues are generated in the USA.

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

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**19. Events After the Reporting Period**

On July 07, 2020, the Company granted 3,000,000 stock options under its Stock Option Plan, exercisable at a price of CDN\$0.15 per share for two directors. The stock options have a five-year life and vests 25% every six months for a period of two years.

On August 13, 2020, CDN\$750,000 of the Debentures (Note 10) were converted at a price of CDN\$0.15 and resulted in the issuance of 5,000,000 common shares of the Company.