



**NEXT GREEN WAVE HOLDINGS INC.**

**CONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS**

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

---

**September 30, 2020**

---

Consolidated Condensed Interim Statements of Financial Position.....	2
Consolidated Condensed Interim Statements of Operations and Comprehensive Income (Loss).....	3
Consolidated Condensed Interim Statements of Changes in Equity.....	4
Consolidated Condensed Interim Statements of Cash Flows.....	5
Notes to the Consolidated Condensed Interim Financial Statements.....	6 - 22

# NEXT GREEN WAVE HOLDINGS INC.

## Consolidated Condensed Interim Statements of Financial Position

As at September 30, 2020

(Expressed in US Dollars)

	September 30, 2020	December 31, 2019
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 2,266,690	\$ 1,241,747
Accounts receivable	230,341	7,665
Inventory (Note 3)	708,773	1,383,903
Biological assets (Note 4)	787,945	524,306
Investments (Note 6)	1,704,957	750,222
Prepays & deposits	5,986	249,918
<b>Total Current Assets</b>	<b>5,704,692</b>	<b>4,157,761</b>
<b>Non-current</b>		
Property, plant and equipment (Note 5)	13,447,998	11,689,920
<b>Total Assets</b>	<b>\$ 19,152,690</b>	<b>\$ 15,847,681</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable & accrued liabilities (Note 9)	\$ 463,556	\$ 343,581
Convertible debentures - Current (Note 10)	-	144,000
Lease liability - Current (Note 8)	-	88,245
<b>Total Current Liabilities</b>	<b>463,556</b>	<b>575,826</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)	3,557,471	3,287,664
<b>Total Liabilities</b>	<b>4,021,027</b>	<b>4,680,940</b>
<b>Equity</b>		
Share capital (Note 11)	26,134,241	25,211,208
Reserves	5,765,361	5,338,166
Convertible Debenture - Equity Portion (Note 10)	-	146,560
Accumulated other comprehensive income	(134,507)	(123,355)
Accumulated deficit	(16,633,432)	(19,405,838)
<b>Total Shareholders' Equity</b>	<b>15,131,663</b>	<b>11,166,741</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 19,152,690</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 November 30, 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 Nine Months Ended September 30, 2020 and 2019

(Expressed in US Dollars)

	For the three months ended		For the nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<b>Revenue</b>	<b>\$ 3,582,416</b>	<b>\$ 83,894</b>	<b>\$ 7,933,704</b>	<b>\$ 141,917</b>
<b>Cost of Sales</b>	<b>(1,688,971)</b>	<b>(38,597)</b>	<b>(2,368,215)</b>	<b>(56,308)</b>
<b>Gross profit before fair value adjustments</b>	<b>1,893,445</b>	<b>45,297</b>	<b>5,565,489</b>	<b>85,609</b>
Fair value changes in biological assets included in inventory sold	113,526	-	(2,645,991)	-
Unrealized fair value adjustment on growth of biological assets	(285,993)	895,330	158,232	592,616
<b>Gross profit</b>	<b>1,720,978</b>	<b>940,627</b>	<b>3,077,730</b>	<b>678,225</b>
<b>Operating Expenses</b>				
Bank charges	49,237	2,504	99,909	6,501
Depreciation (Note 5)	206,307	229,189	651,762	362,949
Directors fees (Note 17)	16,561	4,525	42,866	18,089
Foreign exchange loss	(10,476)	11,359	(1,514)	34,522
General office	6,790	129,909	99,431	288,309
Insurance	109,676	40,878	251,498	187,593
Investor relations and communications	13,122	152,489	127,379	1,174,134
Royalty payments (Note 9)	6,467	24,644	62,058	46,099
Professional fees	66,448	45,826	122,105	224,810
Consulting services (Note 17)	31,766	118,960	122,330	474,034
Regulatory and filing fees	13,607	8,761	24,818	33,184
Salaries and management fees (Note 17)	162,745	232,333	602,003	454,272
Stock-based compensation (Notes 12 & 17)	271,138	126,471	427,195	921,216
Travel, meals and entertainment	12,706	36,064	76,184	115,501
Total operating expenses	956,094	1,163,912	2,708,024	4,341,213
<b>Income (loss) from operations</b>	<b>764,884</b>	<b>(223,285)</b>	<b>369,706</b>	<b>(3,662,988)</b>
<b>Other Expenses (Income)</b>				
Transaction costs	(348)	-	70,694	750,000
Unrealized (gain) loss on investments (Note 6)	5,449	345,729	(954,735)	345,729
Reversal of impairment loss of assets (Note 5)	-	-	(2,447,948)	-
Interest and accretion expense (Notes 8, 10 & 14)	359,072	220,959	931,551	281,061
Interest income	(1,296)	(22)	(2,262)	(6,899)
<b>Net income (loss) for the period</b>	<b>402,007</b>	<b>(789,951)</b>	<b>2,772,406</b>	<b>(5,032,879)</b>
<b>Other comprehensive income (loss)</b>				
Cumulative translation income (loss)	862	(11,595)	(11,152)	15,362
<b>Total comprehensive income (loss) for the period</b>	<b>\$ 402,869</b>	<b>\$ (801,546)</b>	<b>\$ 2,761,254</b>	<b>\$ (5,017,517)</b>
<b>Loss per common share, basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>	<b>\$ 0.02</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>162,006,783</b>	<b>84,217,783</b>	<b>168,208,675</b>	<b>84,217,783</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 Nine Months Ended September 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 13)	1,023,563	548,342	-	(89,478)	-	-	458,864
Shares issued for services at CDN\$0.67 per common share (Note 11)	223,880	112,124	-	-	-	-	112,124
Stock options exercised (Note 11 & 12)	200,000	141,374	-	(51,574)	-	-	89,800
Stock based compensation	-	-	-	921,216	-	-	921,216
Fair value of the equity portion of the Convertible Debentures (Note 10)	-	-	53,570	-	-	-	53,570
Fair value assigned to the warrants on the issuance of Convertible Debentures (Note 10)	-	-	-	1,439,934	-	-	1,439,934
Transaction costs assigned to the warrants on the issuance of Convertible Debentures	-	-	-	(175,790)	-	-	(175,790)
Shares issued for services at CDN\$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	-	-	-	-	750,000
Shares issued as a result of the CGOC Investment (Note 11)	11,000,000	2,097,475	-	-	-	-	2,097,475
Shares issued for cash at CDN\$0.25 per Share Unit (Note 11)	2,000,000	377,415	-	-	-	-	377,415
Fair value assigned to the warrants on the issuance of the Share Units (Note 11)	-	(79,590)	-	79,590	-	-	-
Net income (loss) for the period	-	-	-	-	15,362	(5,032,879)	(5,017,517)
Balance, September 30, 2019	158,003,522	25,160,020	53,570	10,379,084	(100,482)	(8,233,269)	27,258,923
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)	-	-	-	427,195	-	-	427,195
Return to treasury - SDC assets purchase (Note 7 and 11)	(5,163,406)	(201,489)	-	-	-	-	(201,489)
Shares issued for debenture conversion at CDN\$0.15 per common share (Note 10 and 11)	10,000,000	1,124,522	(146,560)	-	-	-	977,962
Net income (loss) for the period	-	-	-	-	(11,152)	2,772,406	2,761,254
Balance, September 30, 2020	169,506,783	26,134,241	-	5,765,361	(134,507)	(16,633,432)	15,131,663

(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 Nine Months Ended September 30, 2020 and 2019

(Expressed in US Dollars)

	September 30, 2020	September 30, 2019
<b>Cash flows from (used in) operating activities</b>		
Net income (loss) for the period	\$ 2,772,406	\$ (5,032,879)
Items not affecting cash		
Share-based payments	427,195	921,216
Services paid with shares	-	112,124
Depreciation	651,762	362,949
Unrealized loss on fair value adjustment on growth of biological asset	(158,232)	(592,616)
Reversal of 2019 impairment charge	(2,447,948)	-
Interest and accretion expenses	931,551	-
Unrealized gain on investments	(954,735)	-
Effect of foreign exchange on cash	-	965
Cash flow used in operating activities before changes in non-cash working capital items	1,221,999	(4,228,241)
Changes in non-cash working capital items:		
Interest and other receivables	(222,676)	27,787
Prepays & deposits	43,932	7,592
Inventory	421,615	(572,441)
Accounts payable & accrued liabilities	119,975	(97,181)
Cash flow used in operating activities	1,584,845	(4,862,484)
<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)	(1,313,728)
Lease payments	(36,139)	-
Cash flow used in investing activities	(210,194)	873,199
<b>Cash flows from financing activities</b>		
Convertible debenture - net proceeds	-	1,771,382
Convertible debenture - principal paid	-	117,112
Convertible debenture - interest expense	-	(13,483)
Convertible debenture - interest paid	(135,469)	-
Shares issued for cash	-	377,415
Secured loan - interest paid	(187,764)	-
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	(323,233)	3,926,090
<b>Foreign exchange on cash</b>	(26,475)	(52,840)
<b>Increase in cash and cash equivalent during the year</b>	1,024,943	(116,035)
<b>Cash and cash equivalents, beginning of the year</b>	1,241,747	415,020
<b>Cash and cash equivalents, end of the year</b>	\$ 2,266,690	\$ 298,985
<b>Supplemental Cash Flow Disclosure:</b>		
Interest paid	323,233	13,483
Taxes paid	-	-
<b>Non-cash transactions:</b>		
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 issued as a result of the debenture conversion	1,124,522	-
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 nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

---

### **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 for issuance by the Board of Directors of the Company on November 30, 2020.

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 September 30, 2020, the Company had working capital of \$5,241,136, revenues of \$7,933,704 and had an accumulated deficit of \$16,633,432. 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 nine months ended September 30, 2020 and 2019  
(Expressed in US Dollars)

---

### **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. Certain prior period amounts have been reclassified to be consistent with current period presentation. 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.



**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

**3. Inventory**

	<b>September 30,</b>		<b>December 31,</b>	
	<b>2020</b>		<b>2019</b>	
Harvested Cannabis	\$	288,706	\$	1,359,413
Concentrate		395,780		-
CBD packaged goods		24,287		24,490
	\$	708,773	\$	1,383,903

On 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 7).

**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		158,232
Production costs capitalized		4,306,985
Transferred to inventory upon Harvest		(4,201,578)
Balance at September 30, 2020	\$	787,945

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 nine months ended September 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>September 30, 2020</b>	<b>10% Change as at September 30, 2020</b>
Selling price per gram	\$ 5.07	\$ 92,487
Stage of growth	5 weeks	78,795
Yield by plant (average)	56 grams	78,795
Wastage	5%	4,147
Post-harvest costs per gram	\$ 0.75	\$ 13,692

	<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 nine months ended September 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 September 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	\$ 9,278,552	\$ 447,215	\$ 222,830	\$ 813,000	\$ 14,719,509
Additions	-	-	174,055	-	-	174,055
Disposals	-	-	(57,419)	(222,830)	-	(280,249)
Balance, September 30, 2020	\$ 3,957,912	\$ 9,278,552	\$ 563,851	\$ -	\$ 813,000	\$ 14,613,315
Depreciation and impairment losses						
Balance, December 31, 2019	\$ -	\$ 2,978,899	\$ -	\$ 37,138	\$ 13,552	\$ 3,029,589
Additions	-	603,679	1,892	30,948	15,243	651,762
Reversal of impairment	-	(2,447,948)	-	-	-	(2,447,948)
Disposals	-	-	-	(68,086)	-	(68,086)
Balance, September 30, 2020	\$ -	\$ 1,134,630	\$ 1,892	\$ -	\$ 28,795	\$ 1,165,317
Carrying amounts						
As at December 31, 2019	\$ 3,957,912	\$ 6,299,653	\$ 447,215	\$ 185,692	\$ 799,448	\$ 11,689,920
Balance, September 30, 2020	\$ 3,957,912	\$ 8,143,922	\$ 561,959	\$ -	\$ 784,205	\$ 13,447,998

For the year ended December 31, 2019, an impairment of \$2,447,948 was recognized for the property, plant and equipment. During the nine-month period ended September 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 nine months that the financial results from the cultivation of crops is better than previously expected.

**6. Investments**

	September 30, 2020	December 31, 2019
Investment in CGOC	\$ 232,313	\$ 378,253
Investment in OMG	1,472,644	371,969
Investment at fair value	\$ 1,704,957	\$ 750,222

On June 29, 2019, the Company acquired 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 11). As at September 30, 2020, the fair value of the investment in CGOC was US\$232,313 (December 31, 2019: US\$378,253) and the Company recorded an unrealized loss on the consolidated condensed interim statements of operations and comprehensive income (loss) of US\$145,939 for the nine months ended September 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).

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

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

---

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

In addition, under the term of this investment, the Company might receive the following, none of which have materialized as of September 30, 2020.

- 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 nine months ended September 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 and recorded an unrealized gain of US\$1,100,674.

### **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.

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 nine months ended September 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 Licensing Agreement		-
Leasehold Improvements (Note 5)		57,418
Right-of-use asset (Note 5)		154,744
Lease liability (Note 8)		<u>(158,783)</u>
Total allocation	\$	201,489

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

---

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

The employment agreements of the Employees were also terminated on 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 nine months ended September 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**

	September 30, 2020	December 31, 2019
Trade accounts payable	\$ 434,027	\$ 203,635
Royalty payments	6,467	101,449
Accrued liabilities	22,490	38,497
Customer Deposit	572	-
	<u>\$ 463,556</u>	<u>\$ 343,581</u>

As part of the acquisition of SDC Ventures, LLC (Note 7), 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.

**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.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

**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 be \$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 nine months ended September 30, 2020 and 2019  
(Expressed in US Dollars)

---

### **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.

During the nine month period ended September 30, 2020, the Debentures were fully converted at a price of CDN\$0.15 per share, which led to the issuance of 10,000,000 common shares (Note 11). The Company recognized \$264,504 of interest and accretion expense during the nine-month period ended September 30, 2020.

### **11. Share Capital**

#### Authorized

Unlimited number of common shares without par value

#### Issued

During the nine-month period ended September 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 (\$89,800).

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 (Note 7).

On June 29, 2019, the Company issued CGOC 11,000,000 common shares of the Company, at CDN\$0.25 per share, in exchange for CDN\$1,500,000 in cash and an CDN\$1,250,000 investment in CGOC (Note 6).

On September 12, 2019, the Company completed a private placement (the "\$0.25 Private Placement") for a total of 2,000,000 units at a price of CDN\$0.25 per unit for gross proceeds of CDN\$500,000 (\$377,415). Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.35 per share for 24 months after issuance. The Company issued 1,000,000 common share purchase warrants.

During the nine-month period ended September 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.

During the three-month period ended September 30, 2020, the Company issued 10,000,000 common shares relating to a debenture conversion (Note 10).

As at September 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 nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

**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 September 30, 2020:

Expiry Date	Exercise Price (CDN\$)	Incentive Stock Options				
		Balance December 31, 2019	Granted	Exercised	Forfeited	Balance September 30, 2020
November 21, 2024	\$ 0.15	3,530,000	-	-	(500,000)	3,030,000
January 9, 2025	\$ 0.15	-	1,700,000	-	-	1,700,000
February 27, 2025	\$ 0.15	-	750,000	-	(100,000)	650,000
July 6, 2025	\$ 0.15	-	3,000,000	-	-	3,000,000
September 30, 2025	\$ 0.25	-	2,450,000	-	-	2,450,000
Total outstanding		3,530,000	7,900,000	-	(600,000)	10,830,000
Total exercisable		-	-	-	-	3,582,500
Weighted Average Exercise Price		\$ 0.15	\$ 0.18	\$ -	\$ 0.15	\$ 0.17
Weighted Average Remaining Life		4.5 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 July 6, 2020, the Company granted 3,000,000 stock options to Directors, 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 September 30, 2020, the Company granted 2,450,000 stock options to Directors, with an exercise price of CDN\$0.25 per share:

- 1,600,000 options, which vest 100% on the grant date, 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.

During the nine-month period ended September 30, 2020, 600,000 options were forfeited.

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

**12. Stock Options (continued)**

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

Share price on grant date	CDN\$0.08 - \$0.20
Risk-free interest rate	1.1% - 1.6%
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 nine months ended September 30, 2020, the Company recognized \$427,195 of stock-based compensation for options vested.

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

<i>Incentive Stock Options</i>						
Expiry Date	Exercise Price (CDN\$)	Balance December 31, 2018	Granted	Exercised	Forfeited	Balance September 30, 2019
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	-	-	(1,125,000)	3,500,000
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	-	(2,300,000)	-
Total outstanding		6,753,000	3,950,000	(200,000)	(4,175,000)	6,328,000
Total exercisable		1,156,250				3,057,000
Weighted Average Exercise Price	\$	0.47	\$ 0.58	\$ 0.60	\$ 0.53	\$ 0.49
Weighted Average Remaining Life		4.8 years				4.1 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.

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

**12. Stock Options (continued)**

During the nine-month period ended September 30, 2019, 4,175,000 options were cancelled or forfeited.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock option grants for the nine months period ended September 30, 2019:

Share price on grant date	CDN\$0.35 - \$0.75
Risk-free interest rate	1.8% - 2.1%
Expected life of options	2 - 5 years
Annualized volatility	100%
Dividend rate	nil

During the nine months ended September 30, 2019, the Company recognized \$921,216 of stock-based compensation for options vested.

**13. Warrants**

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

		<i>Warrants</i>				
Expiry Date	Exercise Price (CDN\$)	Balance December 31, 2019	Granted	Exercised	Forfeited	Balance September 30, 2020
May 29, 2021	\$ 0.20	7,732,357	-	-	-	7,732,357
September 12, 2021	\$ 0.25	1,000,000	-	-	-	1,000,000
November 15, 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		1.6 years				0.9 years

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

		<i>Warrants</i>				
Expiry Date	Exercise Price (CDN\$)	Balance December 31, 2018	Granted	Exercised	Forfeited	Balance September 30, 2019
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
September 12, 2021	\$ 0.35	-	1,000,000	-	-	1,000,000
Total outstanding		25,371,391	8,732,357	(986,642)	(15,929,855)	17,187,251
Weighted Average Exercise Price		\$ 0.69	\$ 0.47	\$ 0.60	\$ 0.60	\$ 0.66
Weighted Average Remaining Life		2.3 years				1.6 years

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

**13. Warrants (continued)**

In June 2019, the Company granted 7,732,357 warrants at price of CDN\$0.485 with a fair value of \$1,439,934.

In September 2019, the Company granted 1,000,000 warrants at price of CDN\$0.35 with a fair value of \$79,590.

During the nine-month period ended September 30, 2019, there were 986,642 warrants exercised at price of CDN\$0.60 for gross proceeds of CDN\$591,985 (\$458,864).

During the nine-month period ended September 30, 2019, 15,929,855 warrants were cancelled or forfeited.

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

Expiry Date	Exercise Price (CDN\$)	<i>Finders Warrants</i>				Balance September 30, 2020
		Balance December 31, 2019	Granted	Exercised	Forfeited	
May 29, 2021	\$ 0.49	541,265	-	-	-	541,265
Total outstanding		541,265	-	-	-	541,265
Weighted Average Exercise Price		\$ 0.49				\$ 0.49
Weighted Average Remaining Life		1.4 years				0.7 years

As at September 30, 2019, the Company had outstanding finder's warrants, enabling the holders to acquire common shares as follows:

Expiry Date	Exercise Price (CDN\$)	<i>Finders Warrants</i>				Balance September 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	\$ 0.49	-	541,265	-	-	541,265
Total outstanding		2,441,099	541,265	(36,921)	(1,704,235)	1,241,208
Weighted Average Exercise Price		\$ 0.70		\$ 0.60	\$ 0.60	\$ 0.70
Weighted Average Remaining Life		2.2 Years				1.5 years

During the month of March 2019, there were 36,921 finders fee warrants exercised at price of CDN\$0.60 for gross proceeds of CDN\$22,153.

On May 29, 2019, the Company issued 541,265 finders fee warrants at a price of CDN\$0.49, in connection with the Debentures (Note 10).

During the nine-month period ended September 30, 2019, 1,704,235 finders warrants were cancelled or forfeited.

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

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

---

### **14. Secured Loan**

On November 15, 2019, the Company entered into 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 September 30, 2020:

- a. The Company recognized \$657,572 of interest and accretion expenses during the nine months ended September 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 September 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.

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 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.

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

---

**15. Financial Instruments (continued)****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 September 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 September 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 may continue to rely on additional financings to further its operations and to meet its capital requirements. Liquidity risk is assessed as high.

**Market risk**

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

		\$CDN
Cash	\$	28,818
Interest and other receivable		4,679
Accounts payable and accrued liabilities		(36,343)
	\$	(2,846)

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.

**NEXT GREEN WAVE HOLDINGS INC.**

Notes to the consolidated condensed interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in US Dollars)

**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		Nine Month Period Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Management fee (1)	\$ 91,110	\$ 30,000	\$211,378	\$ 90,000
Director and consulting fees (2)	33,532	114,392	96,565	214,127
Stock based compensation (3)	271,138	46,695	427,195	342,988
Total	\$ 396,180	\$ 191,087	\$ 735,135	\$ 647,115

- 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 nine months ended September 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.

**19. Events After the Reporting Period**

On October 28, 2020, 212,500 options were exercised at a price of CDN\$0.15 for gross proceeds of CDN\$31,875.