NEXT GREEN WAVE HOLDINGS INC.

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three and Nine Month Period Ended September 30, 2021

(Expressed in US dollars)

September 30, 2021

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NEXT GREEN WAVE HOLDINGS INC.

Consolidated Condensed Interim Statements of Financial Position

As at September 30, 2021

(Expressed in US Dollars)

		September 30, 2021		December 31, 2020
Assets				
Current				
Cash (Note 13)	$	4,943,652	$	3,973,634
Accounts and other receivables (Note 13)		1,633,446		513,796
Inventory (Note 3)		1,118,899		699,469
Biological assets (Note 4)		1,160,064		1,562,184
Investments (Note 6)		157,085		157,085
Deferred income tax asset (Note 18)		588,837		-
Prepaids and deposits		30,046		24,572
Total Current Assets		9,632,029		6,930,740
Non-current				
Property, plant and equipment (Note 5)		13,057,196		13,362,951
Total Assets	$	22,689,225	$	20,293,691
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Notes 8 and 13)	$	269,438	$	533,918
Lease liability (Note 7)		36,180		36,180
Secured Loan (Note 12)		-		2,673,043
Income tax payable		389,453		-
Total Current Liabilities		695,071		3,243,141
Non-current				
Lease liability (Note 7)		37,650		64,729
Total Liabilities		732,721		3,307,870
Equity				
Share capital (Note 9)		30,444,696		27,835,784
Reserves		5,091,132		5,230,417
Accumulated other comprehensive loss		(132,091)		(130,290)
Accumulated deficit		(13,447,233)		(15,950,090)
Total Shareholders' Equity		21,956,504		16,985,821
Total Liabilities and Shareholders' Equity	$	22,689,225	$	20,293,691

Nature and Continuance of Operations - Note 1
Events After the Reporting Period - Note 19

Approved on behalf of the Board on November 29, 2021

"Norm Mayr"
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

For the Three and Nine Month Period Ended September 30, 2021 and 2020

(Expressed in US Dollars)

	For the three month period ended		For the nine month period ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue (Note 17)	**$ 4,294,386**	**$ 3,582,416**	**$ 12,712,607**	**$ 7,933,704**
Cost of Sales (Notes 15 and 17)	**(2,213,194)**	**(1,688,971)**	**(6,372,448)**	**(2,368,215)**
Gross profit before fair value adjustments	**2,081,192**	**1,893,445**	**6,340,159**	**5,565,489**
Fair value changes in biological assets included in inventory sold	(975,165)	113,526	(4,861,386)	(2,645,991)
Unrealized fair value adjustment on growth of biological assets	1,442,443	(285,993)	4,878,697	158,232
Gross profit	2,548,470	1,720,978	6,357,470	3,077,730
Operating Expenses				
Bank charges	20,830	49,237	54,119	99,909
Depreciation (Note 5)	89,824	206,307	439,716	651,762
Directors fees (Note 15)	11,932	16,561	57,990	42,866
Foreign exchange loss (gain)	(2,884)	(10,476)	(26,358)	(1,514)
General office	17,552	6,790	59,273	99,431
Insurance	82,822	109,676	207,760	251,498
Investor relations, marketing and communications	6,720	13,122	146,670	127,379
Royalty payments	-	6,467	-	62,058
Professional fees	55,444	66,448	99,014	122,105
Consulting services (Note 15)	24,979	31,766	63,092	122,330
Regulatory and filing fees	7,983	13,607	46,597	24,818
Salaries and management fees (Note 15)	71,737	162,745	195,810	602,003
Stock-based compensation (Notes 10 and 15)	53,897	271,138	399,313	427,195
Travel, meals and entertainment	26,935	12,706	75,921	76,184
Total operating expenses	467,771	956,094	1,818,917	2,708,024
Income from operations	2,080,699	764,884	4,538,553	369,706
Other Expenses (Income)				
Transaction costs	20,296	(348)	539,835	70,694
Unrealized gain on investments (Note 6)	-	5,449	-	(954,735)
Reversal of impairment of assets (Note 5)	-	-	-	(2,447,948)
Interest and accretion expense (Notes 7 and 12)	255,226	359,072	649,095	931,551
Interest income	(7,100)	(1,296)	(18,890)	(2,262)
Net income for the period, before provision for income taxes	**1,812,277**	**402,007**	**3,368,513**	**2,772,406**
Current tax expense	394,354	-	1,454,493	-
Deferred income tax (Note 18)	(77,593)	-	(588,837)	-
Net income for the period	**$ 1,495,516**	**$ 402,007**	**$ 2,502,857**	**$ 2,772,406**
Other comprehensive income				
Cumulative translation income (loss)	(59,358)	862	(1,801)	(11,152)
Total comprehensive income for the period	**$ 1,436,158**	**$ 402,869**	**$ 2,501,056**	**$ 2,761,254**
Basic Income per common share	$ 0.01	$ 0.00	$ 0.01	$ 0.02
Diluted Income per common share	$ 0.01	$ 0.00	$ 0.01	$ 0.02
Weighted average number of common shares outstanding basic	188,272,920	162,006,783	184,699,069	168,208,675
Weighted average number of common shares outstanding diluted	195,640,420	162,006,783	192,066,569	168,208,675

(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 Nine Month Period Ended September 30, 2021 and 2020
(Expressed in US Dollars)

	Share Capital		Equity portion		Accumulated other		
	Number of Common shares	Amount	of convertible debentures	Reserves	comprehensive income	Accumulated Deficit	Total
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 10)	-	-	-	427,195	-	-	427,195
Return to treasury - SDC assets purchase (Note 9)	(5,163,406)	(201,489)	-	-	-	-	(201,489)
Shares issued for debenture conversion at CDN$0.15 per common share (Note 19)	10,000,000	1,124,522	(146,560)	-	-	-	977,962
Net income 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
Balance, December 31, 2020	177,394,283	$ 27,835,784	$ -	$ 5,230,417	$ (130,290)	$ (15,950,090)	$ 16,985,821
Stock based compensation (Note 10)	-	-	-	399,313	-	-	399,313
Shares issued for subscription of finders units (Note 9)	541,265	163,809	-	-	-	-	163,809
Shares issued for subscription of warrants (Note 9)	9,273,622	2,021,115	-	(393,441)	-	-	1,627,674
Shares issued for exercise stock options (Note 9)	1,850,000	423,989	-	(145,157)	-	-	278,832
Net income for the period	-	-	-	-	(1,801)	2,502,857	2,501,056
Balance, September 30, 2021	189,059,170	$ 30,444,696	$ -	$ 5,091,132	$ (132,091)	$ (13,447,233)	$ 21,956,504

(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 Month Period Ended September 30, 2021 and 2020

(Expressed in US Dollars)

	September 30, 2021	September 30, 2020
Cash flows from operating activities		
Income for the period	$ 2,502,857	$ 2,772,406
Items not affecting cash		
Stock-based compensaton	399,313	427,195
Depreciation	439,716	651,762
Unrealized loss on fair value adjustment on growth of biological asset	4,861,386	(158,232)
Fair value changes in biological assets included in inventory sold	(4,878,697)	-
Reversal of impairment charge	-	(2,447,948)
Accretion expense	388,365	931,551
Other non-cash transactions	-	-
Deferred income tax	(588,837)	-
Unrealized (gain) loss on investment	-	(954,735)
Cash flow from operating activities before changes in non-cash working capital items	3,124,103	1,221,999
Changes in non-cash working capital items:		
Accounts and other receivables	(895,329)	(222,676)
Prepaids and deposits	(5,474)	43,932
Inventory	-	421,615
Accounts payable & accrued liabilities	126,083	119,975
Cash flow from operating activities	2,349,383	1,584,845
Cash flows from (used in) investing activities		
Purchases of property, plant and equipment	(133,961)	(174,055)
Cash flow used in investing activities	(133,961)	(174,055)
Cash flows from financing activities		
Convertible debenture - interest paid	-	(135,469)
Lease payments	(28,188)	(36,139)
Secured loan principal paid	(3,025,000)	-
Secured loan - interest paid	(260,730)	(187,764)
Proceeds from subcriptions of finders units	163,809	-
Proceeds from exercise of stock options	278,832	-
Proceeds from warrant subscriptions	1,627,674	-
Cash flow from (used in) financing activities	(1,243,603)	(359,372)
Foreign exchange on cash	(1,801)	(26,475)
Increase in cash during the period	970,018	1,024,943
Cash, beginning of the period	3,973,634	1,241,747
Cash, end of the period	$ 4,943,652	$ 2,266,690

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

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 29, 2021.

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 from operations. At September 30, 2021, the Company had an accumulated deficit of $13,447,223 and the Company had historically incurred losses. Although the Company achieved profitability for the nine months ended September 30, 2021, it has yet to demonstrate that it can maintain profitability on a sustained basis. 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.

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 consolidated condensed interim financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2020. There have been no changes from the accounting policies applied in the December 31, 2020 consolidated 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 consolidated condensed interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2020.

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, 2020.

Basis of measurement

These consolidated condensed interim financial statements are presented on a historical cost basis in U.S. dollars, except for financial instruments, which are 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. NGWB, LLC (registered in the United States)
5. SDC Ventures, LLC (registered in the United States) (dissolved on December 31, 2020)

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.

3. Inventory

		September 30, 2021		December 31, 2020
Harvested cannabis	$	974,377	$	172,957
Packaged cannabis		46,317		143,815
Concentrate		98,205		381,697
	$	1,118,899	$	699,469

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, 2020	$	1,562,184
Changes in fair value less costs to sell due to biological transformation		2,008,860
Production costs capitalized		(399,937)
Transferred to inventory upon harvest		(2,011,043)
Balance at September 30, 2021	$	1,160,064

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 estimated 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

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 trimming of the plant 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.

	September 30, 2021	**10% Change as at September 30, 2021**
Selling price per gram	$ 4.02	$ 142,223
Stage of growth	2-8 weeks	131,939
Yield by plant (average)	79 grams	131,939
Wastage	5%	6,944
Post-harvest costs per gram	$ 0.26	10,284

	December 31, 2020	**10% Change as at December 31, 2020**
Selling price per gram	$ 5.07	$ 135,437
Stage of growth	2-8 weeks	128,370
Yield by plant (average)	69 grams	158,171
Wastage	5%	6,757
Post-harvest costs per gram	$ 0.26	7,067

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.

5. Property, Plant and Equipment

The following is a summary of activities from December 31, 2019 to September 30, 2021:

Cost	Land	Facility A	Facility B	Office and equipment	Right of use Asset (Note 7)	Electrical Backbone	Total
Balance, December 31, 2019	$ 3,957,912	$ 9,278,552	$ -	$ 447,215	$ 222,830	$ 813,000	$ 14,719,509
Additions	-	-	-	174,057	152,669	-	326,726
Disposals	-	-	-	(57,419)	(222,830)	-	(280,249)
Balance, December 31, 2020	$ 3,957,912	$ 9,278,552	$ -	$ 563,853	$ 152,669	$ 813,000	$ 14,765,986
Additions	-	-	92,104	41,857	-	-	133,961
Disposals	-	-	-	-	-	-	-
Balance, September 30, 2021	$ 3,957,912	$ 9,278,552	$ 92,104	$ 605,710	$ 152,669	$ 813,000	$ 14,899,947
Depreciation and impairment losses							
Balance, December 31, 2019	$ -	$ 2,978,900	$ -	$ -	$ 37,138	$ 13,552	$ 3,029,590
Depreciation	-	804,905	-	1,892	62,358	20,324	889,479
Reversal of impairment	-	(2,447,948)	-	-	-	-	(2,447,948)
Disposals	-	-	-	-	(68,086)	-	(68,086)
Balance, December 31, 2020	$ -	$ 1,335,857	$ -	$ 1,892	$ 31,410	$ 33,876	$ 1,403,035
Depreciation	-	390,878	-	-	33,594	15,244	439,716
Disposals	-	-	-	-	-	-	-
Balance, September 30, 2021	$ -	$ 1,726,735	$ -	$ 1,892	$ 65,004	$ 49,120	$ 1,842,751
Carrying amounts							
Balance, December 31, 2020	$ 3,957,912	$ 7,942,695	$ -	$ 561,961	$ 121,259	$ 779,124	$ 13,362,951
Balance, September 30, 2021	$ 3,957,912	$ 7,551,817	$ 92,104	$ 603,818	$ 87,665	$ 763,880	$ 13,057,196

For the year ended December 31, 2019, an impairment of $2,447,948 was recognized for the property, plant and equipment. During the year ended December 31, 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 prior twelve months that the financial results from the cultivation of crops are better than previously expected.

The amount capitalized into the right of use asset account during the year ended December 31, 2020 includes a $25,000 down payment for the vehicle lease.

The additions to Facility B primarily relate to building application fees and general contractor fees.

6. Investments

	September 30, 2021	December 31, 2020
Fair value investment of OMG	$ 157,085	$ 157,085

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 $371,969 (CDN$500,000).

The Company determined the fair market value of its investment in OMG as at September 30, 2021 based on the most recent private placement completed by OMG.

The Company recognized $Nil unrealized gain on change in investments during the nine month period ended September 30, 2021 (September 30, 2020: $954,735)

6. Investments (continued)

In addition, under the terms of this investment agreement, the Company might receive the following, none of which have materialized as of September 30, 2021:

- 4,300,600 common shares representing 10% of the share capital of OMG post it's 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.

7. Right-of-use asset and lease liability

During the year ended December 31, 2020, the Company entered into three vehicle lease agreements. For the nine months ended September 30, 2021 the Company recognized interest expense of $1,109 in the consolidated condensed interim statements of operations and comprehensive income (loss). The annual interest rates for the vehicle leases are between 0.90% and 1.99%.

The recognized right-of-use assets relates to the Company's lease agreements, which is included in property and equipment on the consolidated condensed interim statements of financial position, is as follow:

		September 30, 2021		December 31, 2020
Right-of-use asset, net book value (Note 5)	$	87,665	$	121,259
Lease Liability	$	73,829	$	100,909

The current balance of the lease liability as at September 30, 2021 is $36,180 (December 31, 2020: $36,180)

The lease liability for Company vehicles is as follows:

		Vehicles
Balance at December 31, 2020	$	100,909
Interest		1,109
Payments		(28,188)
Balance at September 30, 2021	$	73,830
Current portion	$	(36,180)
Long-term portion	$	37,650

8. Accounts payable and accrued liabilities

		September 30, 2021		December 31, 2020
Trade accounts payable	$	106,330	$	360,251
Accrued liabilities		163,108		173,667
	$	269,438	$	533,918

9. Share Capital

Authorized

Unlimited number of common shares without par value.

Issued

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 from two former employees.
- The Company issued 10,000,000 common shares relating to a debenture conversion.

During the nine month period ended September 30, 2021:

- 1,850,000 stock options were exercised (Note 10) for gross proceeds of $278,832 (CDN$359,999)
- 7,732,357 warrants (Note 11) were exercised at price of CDN$0.20 for gross proceeds of $1,209,508 (CDN$1,546,481).
- 1,000,000 warrants (Note 11) were exercised at price of CDN$0.25 for gross proceeds of $195,745 (CDN$250,000).
- 541,265 finders fee warrants were exercised (Note 11) at a price of CDN$0.488 for gross proceeds of $222,421 (CDN$250,873). These warrants were issued to a broker in connection with the finders' fees related to the issuance of convertible debentures during the year end December 31, 2019.
- 541,265 finders fee units (Note 11) were exercised at a price of CDN$0.388 for gross proceeds of $163,809 (CDN$221,650). These units were issued to a broker in connection with the finders' fees related to the issuance of convertible debentures during the year end December 31, 2019.

As at September 30, 2021, 16,745,750 (December 31, 2020: 24,891,500) shares were held in escrow.

10. 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.

10. Stock Options (continued)

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

		Incentive Stock Options				
Expiry Date	Exercise Price (CDN$)	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.

10. 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 [1]	100%
Dividend rate	nil

[1] 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, 2021:

		Incentive Stock Options				
Expiry Date	Exercise Price (CDN$)	Balance December 31, 2020	Granted	Exercised	Forfeited	Balance September 30, 2021
October 8, 2021	$ 0.15	850,000	-	(850,000)	-	-
October 8, 2021	$ 0.25	400,000	-	(400,000)	-	-
November 21, 2024	$ 0.15	2,655,000	-	(187,500)	-	2,467,500
February 27, 2025	$ 0.15	650,000	-	(200,000)	-	450,000
July 6, 2025	$ 0.15	850,000	-	-	-	850,000
September 30, 2025	$ 0.25	1,250,000	-	-	-	1,250,000
December 3, 2025	$ 0.35	850,000	-	(212,500)	(637,500)	-
December 16, 2025	$ 0.35	2,350,000	-	-	-	2,350,000
Total outstanding		9,855,000	-	(1,850,000)	(637,500)	7,367,500
Total exercisable		2,952,500				3,735,000
Weighted Average Exercise Price		$ 0.23		$ 0.19	$ 0.35	$ 0.23
Weighted Average Remaining Life		4.03 years				3.7 years

During the nine month period ended September 30, 2021:

- 1,237,500 options were exercised at a price of CDN$0.15 for gross proceeds of $147,552 (CDN$185,625).
- 400,000 options were exercised at a price of CDN$0.25 for gross proceeds of $78,902 (CDN$100,000).
- 212,500 options were exercised at a price of CDN$0.35 for gross proceeds of $52,378 (CDN$74,375).

The weighted average of the share prices at the dates when the stock options were exercised during the period ended September 30, 2021 was $0.61 (CDN$0.77)

On September 6, 2021, 637,500 options were forfeited.

During the nine month period ended September 30, 2021, the Company recognized $399,313 of stock-based compensation for options vested in the period.

11. Warrants

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

		Warrants				
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

		Finders Warrants				
Expiry Date	Exercise Price (CDN$)	Balance December 31, 2019	Granted	Exercised	Forfeited	Balance September 30, 2020
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, 2021, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

		Warrants				
Expiry Date	Exercise Price (CDN$)	Balance December 31, 2020	Granted	Exercised	Forfeited	Balance September 30, 2021
May 29, 2021	$ 0.20	7,732,357	-	(7,732,357)	-	-
September 12, 2021	$ 0.25	1,000,000	-	(1,000,000)	-	-
Total outstanding		8,732,357	-	(8,732,357)	-	-
Weighted Average Exercise Price		$ 0.21	$ -	$ 0.21	$ -	$ -
Weighted Average Remaining Life		0.5 years				

11. Warrants (continued)

		Finders Warrants				
Expiry Date	Exercise Price (CDN$)	Balance December 31, 2020	Granted	Exercised	Forfeited	Balance September 30, 2021
May 29, 2021	$ 0.488	541,265	-	(541,265)	-	-
Total outstanding		541,265	-	(541,265)	-	-
Weighted Average Exercise Price		$ 0.488		$ 0.488		
Weighted Average Remaining Life		0.4 years				

During the nine month period ended September 30, 2021:

- 7,732,357 warrants were exercised at price of CDN$0.20 for gross proceeds of $1,209,508 (CDN$1,546,481).
- 1,000,000 warrants were exercised at price of CDN$0.25 for gross proceeds of $195,745 (CDN$250,000).
- 541,265 finders fee warrants were exercised at a price of CDN$0.488 for gross proceeds of $222,421 (CDN$250,873). These warrants were issued to a broker in connection with the finders' fees related to the issuance of convertible debentures during the year end December 31, 2019.
- 541,265 finders fee units were exercised at a price of CDN$0.388 for gross proceeds of $163,809 (CDN$221,650). These units were issued to a broker in connection with the finders' fees related to the issuance of convertible debentures during the year end December 31, 2019.

12. 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.

On September 28, 2021, the Loan was repaid in full. The carrying value as at December 31, 2020 was $2,673,043. During the nine month period ended September 30, 2021, the Company recognized interest expense of $260,730 and accretion expense of $387,257 (September 30, 2020: $187,764).

13. Financial Instruments

The Company's financial instruments consist of cash, investments, accounts receivable, accounts payable, 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.

13. Financial Instruments (continued)

The fair value of cash 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$0.10 (level 3 inputs). The fair value of biological assets is based on level 3 inputs (Note 4).

The carrying amount of the accounts receivable and accounts payable is considered to be a reasonable approximation of their fair value because of their short-term maturities.

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 September 30, 2021. 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. Account receivable from one customer represents 86% of the total trade receivable as at September 30, 2021. All accounts receivable as at September 30, 2021 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, 2021, the Company was exposed to currency risk through the following monetary assets and liabilities in CDN Dollars.

	September 30, 2021	**December 31, 2020**
	$CDN	$CDN
Cash	$ 1,788,650	$ 439,538
Interest and other receivable	7,978	11,034
Accounts payable and accrued liabilities	(91,636)	(156,133)
	$ 1,704,992	$ 294,439

Based on the net exposure and assuming all other variables remain constant, a 10% change in the appreciation or depreciation of the Canadian dollar relative to the US dollar would result in a change of approximately CDN$170,499 (December 31, 2020: $29,444) to operations.

14. 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, a secured loan 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.

15. 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, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Management fee (1)	$ 99,665	$ 91,110	$ 299,919	$ 211,378
Director and consulting fees (2)	14,646	33,532	44,330	96,565
Stock based compensation (3)	45,160	271,138	202,699	427,195
Total	$ 159,471	$ 396,180	$ 546,948	$ 735,135

1) The CMO, CEO and CFO's management fees are included in salaries and management fees, and cost of sales on the consolidated condensed interim statements of operations and comprehensive income for each of the periods.

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 for each of the periods.

3) Amounts recognized for related party stock-based compensation are included in stock-based compensation on the consolidated condensed interim statements of operations and comprehensive income for each of the periods.

16. Segmented Information

The Company operates in one reportable operating segment, being the cultivation and distribution of cannabis. As at and for the nine months ended September 30, 2021 and 2020 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.

17. Revenue

During the nine month period ended September 30, 2021, the Company commenced a new type of revenue generating activity ("Distribution Revenue") involving buying and selling third party flower. As the margins on Distribution Revenue are substantially lower than Facility Revenue, the Company has chosen to provide separately, revenue and cost of sales relating to both activities.

The revenue and related cost of sales is broken out as follows:

	Three Month Period Ended		Nine Month Period Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Facility Revenue	$ 4,000,363	$ 3,582,416	$ 11,894,158	$ 7,933,704
Cost of Sales	(1,929,690)	(1,688,971)	(5,584,452)	(2,368,215)
Gross Profit	$ 2,070,673	$ 1,893,445	$ 6,309,706	$ 5,565,489

	Three Month Period Ended		Nine Month Period Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Distribution Revenue	$ 294,023	$ -	$ 818,449	$ -
Cost of Sales	(283,504)	-	(787,996)	-
Gross Profit	$ 10,519	$ -	$ 30,453	$ -

18. Deferred Income Tax Asset

As at September 30, 2021, the Company has approximately $5,600,000 of net operating loss carry forwards available to reduce future taxable income in the State of California. The recognized deferred income tax asset ("DTA") arose from the suspension of California net operating loss deduction by State of California tax legislation until 2023. The Company also has recognized DTA's associated with fixed assets from the capitalization of interest on construction of new facilities. It is the Company's position that it is probable that these DTA's will be utilized.

19. Events After the Reporting Period

On October 1, 2021, the Company granted 1,700,000 stock options to contractors and a director, with an exercise price of CDN$0.50 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 November 5, 2021, the Company granted 600,000 stock options to three directors, with an exercise price of CDN$0.50 per share, which vest 25% at the end of every 6 months for a period of 24 months, with a term of five years.