



**AYURCANN**

**Ayurcann Holdings Corp.**

**Condensed Interim Consolidated Financial Statements**

**For the Three and Nine Months  
Ended March 31, 2021**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Ayurcann Holdings Corp. (“Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under International Financial Reporting Standards (IFRS)) and reflect management’s best estimates and judgment based on information currently available. The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

**Ayurcann Holdings Corp.**  
**Condensed Interim Consolidated Statement of Financial Position**  
**(Unaudited)**  
(Expressed in Canadian dollars)

As at	Note	March 31, 2021	June 30, 2020
		\$	\$
<b>Assets</b>			
Current assets			
Cash		1,066,787	22,444
Trade and other receivables	4	1,357,639	350,365
Prepaid expenses and deposits		51,181	11,323
Harmonized sales tax recoverable		3,599	-
Inventories	5	858,904	281,949
		<b>3,338,108</b>	<b>666,081</b>
<b>Non-current assets</b>			
Property and equipment	6	894,075	553,978
Right-of-use assets	7	390,468	306,094
<b>Total assets</b>		<b>4,622,652</b>	<b>1,526,153</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	8	1,015,934	134,786
Harmonized sales tax payable		-	2,329
Current portion of lease liability	9	153,450	90,545
Due to related parties	13	221,219	149,219
Convertible promissory note	10, 16	-	161,357
		<b>1,390,603</b>	<b>538,236</b>
<b>Non-current liabilities</b>			
Lease liability	9	346,814	282,950
Long term debt	11	40,000	40,000
<b>Total liabilities</b>		<b>1,777,417</b>	<b>861,186</b>
<b>Shareholders' equity</b>			
Common share capital	14b	5,050,135	1,544,635
Contributed surplus	14c, 14d	851,454	821,771
Equity component of convertible promissory note	10, 16	-	36,454
Deficit		(3,056,354)	(1,737,893)
<b>Total shareholders' equity</b>		<b>2,845,235</b>	<b>664,967</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,622,652</b>	<b>1,526,153</b>
<b>Nature of operations and going concern</b>	<b>1</b>		
<b>Other events</b>	<b>16</b>		
<b>Subsequent events</b>	<b>18</b>		

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

Approved on behalf of the Board of Directors:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Ayurcann Holdings Corp.**  
**Condensed Interim Consolidated Statement of Comprehensive Loss**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Notes	Three months ended March 31		Nine months ended March 31	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>Revenues</b>					
Trade sales - cannabis distillate		2,202,484	-	3,871,741	-
Processing fees		424,032	9,453	1,102,828	9,453
		<b>2,626,516</b>	9,453	4,974,569	9,453
<b>Cost of goods sold</b>	15	<b>(784,355)</b>	(114,479)	(2,650,421)	(116,699)
<b>Gross margin</b>		<b>1,842,161</b>	(105,026)	2,324,148	(107,246)
<b>Expenses</b>					
Salaries and wages		375,406	74,688	576,673	106,960
Office and general		185,005	74,012	336,358	85,407
Share based payments		-	-	44,683	-
Professional fees		55,118	47,356	108,552	57,061
Business development		156,750	8,943	176,036	36,028
Consulting fees	14b, 14c	(3,395)	4,663	49,069	33,357
Travel		3,666	3,136	11,590	8,206
Depreciation of property and equipment	6	2,279	20,786	8,193	46,483
Marketing		58,580	-	293,191	-
Right-of-use assets amortization	7	-	10,203	-	30,609
		<b>833,407</b>	216,575	1,369,734	404,111
<b>Operating income (loss)</b>		<b>1,008,754</b>	(321,601)	954,413	(511,357)
Recapitalization cost		1,950,095	-	1,950,095	-
Other income		(19,727)	(101,167)	(68,671)	(3,227)
Debenture Settlement		-	3,227	100,000	-
Finance costs	14b, 14c	53,001	-	291,451	1,008
<b>Comprehensive loss (note 17)</b>		<b>(974,615)</b>	(217,207)	(1,318,461)	(509,138)
<b>Comprehensive loss per share - basic and diluted</b>		<b>(0.014)</b>	<b>(0.003)</b>	<b>(0.017)</b>	<b>(0.006)</b>
<b>Weighted average number of common shares outstanding *</b>		<b>85,770,422</b>	<b>82,724,937</b>	<b>78,933,877</b>	<b>80,876,206</b>

\* All share and per share numbers have been adjusted to reflect the share exchange ratio as if it had occurred at the beginning of all reported periods.

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

**Ayurcann Holdings Corp.**  
**Condensed Interim Consolidated Statement of Changes in Equity**  
**(Unaudited)**  
(Expressed in Canadian dollars)

Notes	Common share capital	Contributed surplus	Equity component of convertible promissory note	Deficit	Total equity	
	#	\$	\$	\$	\$	
<b>Balance June 30, 2019</b>	<b>75,106,132</b>	<b>1,345,485</b>	<b>492,600</b>	<b>-</b>	<b>(1,127,371)</b>	<b>710,714</b>
Adoption of IFRS 16	-	-	-	-	(5,962)	(5,962)
<b>Balance June 30, 2019, as restated</b>	<b>75,106,132</b>	<b>1,345,485</b>	<b>492,600</b>	<b>-</b>	<b>(1,133,333)</b>	<b>704,752</b>
Common shares issued for services	7,494,450	510,000	-	-	-	510,000
Stock option issuance	-	-	14,571	-	-	14,571
Warrants issued for services	-	-	314,600	-	-	314,600
Net loss for the period	-	-	-	-	(291,931)	(291,931)
<b>Balance December 31, 2019</b>	<b>82,600,582</b>	<b>1,855,485</b>	<b>821,771</b>	<b>-</b>	<b>(1,425,264)</b>	<b>1,251,992</b>
<b>Balance June 30, 2020</b>	<b>77,253,0733</b>	<b>1,544,635</b>	<b>821,771</b>	<b>36,454</b>	<b>(1,737,893)</b>	<b>664,967</b>
Common shares issued- RTO transaction & severance	16,097,729	3,000,000	-	-	-	3,000,000
Convertible debt exchanged for shares	7,347,500	453,000	-	(36,454)	-	416,546
Exercise of warrants	275,531	52,500	(15,000)	-	-	37,500
Stock option issuance	-	-	44,683	-	-	44,683
Net loss for the period	-	-	-	-	(1,318,461)	(1,318,461)
<b>Balance March 31, 2021</b>	<b>100,973,833</b>	<b>5,050,135</b>	<b>851,454</b>	<b>-</b>	<b>(3,056,354)</b>	<b>2,845,235</b>

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

**Ayurcann Holdings Corp.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

For the nine months ended March 31,	Notes	2021	2020
		\$	\$
<b>Operating activities</b>			
Net loss.		(1,318,461)	(509,138)
Items not affecting cash:			
Depreciation of property and equipment		128,870	46,483
Amortization of right-of-use assets		74,455	30,609
Accretion of finance costs		307,689	135,768
Interest on right-of-use assets		-	17,494
Amortization of deferred lease inducement		-	39,315
Share based payments		29,683	14,571
Shares for services		-	10,000
		<b>(777,765)</b>	<b>(214,897)</b>
Changes in non-cash working capital balances			
Trade and other receivables		(1,007,274)	(2,087)
Prepays		(39,858)	(17,050)
Harmonized sales tax recoverable		(5,927)	(25,669)
Inventories		(576,955)	-
Trade and other payables		881,148	(24,047)
		<b>(748,866)</b>	<b>(68,853)</b>
<b>Net cash used in operating activities</b>		<b>(1,526,631)</b>	<b>(285,750)</b>
<b>Investing activities</b>			
Property and equipment additions		(404,270)	(334,030)
<b>Net cash used in investing activities</b>		<b>(404,270)</b>	<b>(334,030)</b>
<b>Financing activities</b>			
Finance lease payments		(96,756)	-
Advances from related parties		72,000	169,927
Proceeds from issuance of shares		3,000,000	-
Proceeds from warrant exercise		-	-
<b>Net cash provided by financing activities</b>		<b>2,975,244</b>	<b>169,927</b>
<b>(Decrease) increase in cash flow</b>		<b>1,044,343</b>	<b>(449,853)</b>
Cash, beginning of period		22,444	495,736
<b>Cash, end of period</b>		<b>1,066,787</b>	<b>45,883</b>

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

**Ayurcann Holdings Corp.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended March 31, 2021**

**1. Nature of Operations and Going Concern**

Pacific Coal Corp. (the "Company") was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc. On March 26, 2021, the Company was renamed to Ayurcann Holdings Corp., following the reverse-takeover transaction with Ayurcann Inc., Ayurcann Inc. was incorporated under the *Canada Business Corporations Act* ("CBCA") on June 22, 2018. which is a wholly-owned subsidiary of Ayurcann Holdings Corp.. These consolidated financial statements reflect the continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, Ayurcann Inc. (see Note 16). The Company's principal business activity consists of providing post-harvest outsourcing solutions to licensed cannabis producers.

The Company's registered head office is 1080 Brock Road, Unit 6, Pickering, L1W 3H3.

The Company's website is <https://ayurcann.com/>.

These unaudited condensed interim consolidated financial statements have been prepared based on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company incurred a comprehensive loss of \$1,318,461 during the nine months ended March 31, 2021, and as at March 31, 2021, the Company's accumulated deficit was \$3,056,354. It is important to note that loss for the period was largely due to the qualifying transaction costs pertaining to legal fees and shell take-over costs. Ayurcann Inc., the operating subsidiary of the Company, reported net income of \$842,916 during the same period. Majority of the losses were also equity based and not on a cash basis.

The unaudited condensed interim financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to continue as a going concern and achieve profitable commercial operations and/or obtain adequate financing and support from its shareholders and trade creditors.

If the going concern assumption was not appropriate for these unaudited condensed interim financial statements, adjustments would be necessary to the carrying values of assets and liabilities, net and comprehensive loss, and statements of financial position classifications used. Such adjustments could be material.

Since December 31, 2019, 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 in future periods.

**Ayurcann Holdings Corp.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended March 31, 2021**

## **2. Basis of Preparation**

### ***Statement of compliance***

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited interim financial statements are based on IFRSs issued and outstanding as of May 12, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2020. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 2020 annual consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending June 30, 2021 could result in restatement of these unaudited condensed interim financial statements.

### ***Basis of measurement***

These unaudited condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

### ***Functional and presentation currency***

The unaudited interim financial statements financial statements are presented in Canadian dollars, the Company's functional currency.

## **3. New Accounting Pronouncements**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. There was no impact on the Company's interim financial statements.

Business Combinations ("IFRS 3") - In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company adopted the amendments to IFRS 3 effective July 1, 2020 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy. There was no impact on the Company's interim financial statements.



**Ayurcann Holdings Corp.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended March 31, 2021**

**4. Trade and Other Receivables**

Trade and other receivables are collectible from customer sales. The following is an aging analysis of the Company's trade and other receivables:

	Total Receivable	Aging in Days			
		Current	31 to 60	61 to 90	91+
June 30, 2020	\$ 350,365	\$ 189,363	\$ 161,002	\$ -	\$ -
<b>March 31, 2021</b>	<b>\$ 1,357,639</b>	<b>\$ 1,232,384</b>	<b>-</b>	<b>\$81,733</b>	<b>\$ 43,522</b>

As at March 31, 2021 and June 30, 2020, no impairment was recorded for any portion of the accounts receivable. The company held no collateral for any receivable amounts outstanding as at March 31, 2021 and June 30, 2020.

**5. Inventories**

	March 31, 2021	June, 30 2020
As at		
	\$	\$
Work-in-progress	539,149	88,718
Finished goods	319,755	193,231
	<b>858,904</b>	281,949

Write-downs to net realizable value for obsolete and slow-moving inventories for the nine months ended March 31, 2021, of \$nil (Nine months ended March 31, 2020, - \$nil) were included in cost of goods sold for the period. Inventories recognized as an expense in the nine months periods ended March 31, 2021 and 2020 is equal to cost of goods sold presented in the statements of comprehensive loss.

Ayurcann Holdings Corp.  
Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)  
For the three and nine months ended March 31, 2021

6. Property and Equipment

	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Computer	Signs	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
30-Jun-19	2,014	280,554	-	-	-	282,568
Additions	5,129	305,644	61,561	27,997	825	401,156
<b>30-Jun-20</b>	<b>7,143</b>	<b>586,198</b>	<b>61,561</b>	<b>27,997</b>	<b>825</b>	<b>683,724</b>
<b>Accumulated Depreciation</b>	\$	\$	\$	\$	\$	\$
30-Jun-19	201	28,055	-	-	-	28,256
Depreciation	876	86,676	6,156	7,699	83	101,490
<b>30-Jun-20</b>	<b>1,077</b>	<b>114,731</b>	<b>6,156</b>	<b>7,699</b>	<b>83</b>	<b>129,746</b>
<b>Carrying Value</b>	\$	\$	\$	\$	\$	\$
<b>30-Jun-20</b>	<b>6,066</b>	<b>471,467</b>	<b>55,405</b>	<b>20,298</b>	<b>742</b>	<b>553,978</b>

	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Computer	Signs	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
30-Jun-20	7,143	586,198	61,561	27,997	825	683,724
Additions	8,856	293,326	164,921	1,874	-	468,977
<b>31-March-21</b>	<b>15,999</b>	<b>879,523</b>	<b>226,481</b>	<b>29,871</b>	<b>825</b>	<b>1,152,700</b>
<b>Accumulated Depreciation</b>	\$	\$	\$	\$	\$	\$
30-Jun-20	1,077	114,731	6,156	7,699	83	129,746
Depreciation	1,743	97,782	21,162	8,086	107	128,880
<b>31-March-21</b>	<b>2,820</b>	<b>212,513</b>	<b>27,318</b>	<b>15,785</b>	<b>190</b>	<b>258,625</b>
<b>Carrying Value</b>	\$	\$	\$	\$	\$	\$
<b>31-March-21</b>	<b>13,179</b>	<b>667,010</b>	<b>199,163</b>	<b>14,086</b>	<b>635</b>	<b>894,075</b>

**Ayurcann Holdings Corp.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended March 31, 2021**

**7. Right-of-Use-Assets**

	<b>Production facility</b>
	<b>\$</b>
<b>Cost</b>	
Balance, June 30, 2019	-
Additions – IFRS 16	387,720
<b>Balance, June 30, 2020</b>	<b>387,720</b>
Additions – IFRS 16	158,829
<b>Balance, March 31, 2021</b>	<b>546,549</b>
<b>Accumulated amortization</b>	
Balance, June 30, 2019	-
Amortization for the year	81,626
Balance, June 30, 2020	81,626
Amortization for the period	74,455
<b>Balance, March 31, 2021</b>	<b>156,081</b>
<b>Carrying value</b>	
Balance, June 30, 2020	306,094
<b>Balance, March, 2021</b>	<b>390,468</b>

Right-of-use assets comprise of production facility lease and are amortized over 60 months.

**8. Trade and Other Payables**

Trade and other payables are principally comprised of amounts outstanding for trade purchases on operating activities. The following comprises trade and other payables:

As at	<b>March 31, 2021</b>	June 30, 2020
	<b>\$</b>	<b>\$</b>
Trade payables.	<b>923,277</b>	111,210
Accrued & other current liabilities	<b>92,657</b>	23,576
	<b>1,015,934</b>	134,786

The standard maturity terms of the Company's trade and other payables are 30 to 60 days.

**Ayurcann Holdings Corp.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
(Expressed in Canadian Dollars)  
**For the three and nine months ended March 31, 2021**

9.

**Lease Liability**

	<b>Production facility</b>
Balance, June 30, 2019	
Additions – IFRS 16	393,682
Lease inducement	31,039
Interest expense	43,890
Lease payments	(95,116)
<b>Balance, June 30, 2020</b>	<b>373,495</b>
Interest expense	35,541
Additions – IFRS 16	158,829
Lease Inducement	(10,275)
Lease payments	(96,756)
Other adjustments	31,918
Amortization of rent inducement	7,512
<b>Balance, March 31, 2021</b>	<b>500,264</b>
<b>Allocated as:</b>	<b>\$</b>
Current	153,450
Non-current	346,814
<b>Balance, March 31, 2021</b>	<b>500,264</b>

The lease payments are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate. The first lease has an initial expiry date of March 24, 2024 with the Company holding two five-year renewal options. The Company entered into a new lease agreement with a neighboring unit at 1080 Brock Road, Pickering Ontario. The new lease began November 1, 2020 and has an expiry date of October 31, 2025.

**10. Convertible Promissory Note**

On January 10, 2020, the Company issued a \$500,000 convertible promissory note (the "Note") to ExpoWorld Ltd. The Note matured on January 10, 2021 and bore interest at the rate of 8% per annum, payable quarterly. The Note carried a conversion feature at the option of the holder, into common shares of the Company at a conversion price of \$0.10 per share. The Note was secured by a general security interest in all present and future assets of the Company.

The Note is a compound instrument comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 14.74%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in equity reserves on the statement of financial position. The financial liability portion, net of the equity component, are accreted using the effective interest method over the term of the Note such that the carrying amount of the financial liability will equal the principal balance at maturity.

Pursuant to consulting agreements, the Company issued 5,000,000 common shares valued at \$500,000 and 4,000,000 warrants valued at \$314,600 (see note 14) to financial consultants who assisted in structuring the convertible promissory note. The shares and warrants are accounted as financing costs and amortized over the term of the convertible promissory note.

**Ayurcann Holdings Corp.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
(Expressed in Canadian Dollars)  
**For the three and nine months ended March 31, 2021**

**10. Convertible Promissory Note (Continued)**

<b>Balance, June 30, 2019</b>	-
Principal issuance during the year	500,000
Equity allocation	(36,455)
Finance costs	(814,600)
Accretion of equity allocation	14,599
Accretion of financing costs	497,813
<b>Balance, June 30, 2020</b>	<b>161,357</b>
Accretion of equity allocation	7,710
Accretion of financing costs	283,933
Converted to shares	(453,000)
<b>Balance, March 31, 2021</b>	<b>-</b>

The Note was converted to common shares on November 23, 2020.

**11. Long-Term Debt**

On April 17, 2020, the Company received a \$40,000 loan through the Canada Emergency Response Account (“CEBA”). In December 2020, the Company received an additional \$20,000 through the CEBA program. The loan is non-interest bearing until December 31, 2022, at which time if paid back in full, \$20,000 is forgivable, and if not, the loan becomes a three-year interest-bearing term loan.

**12. Key Management Compensation**

The Company defines key management personnel as its President, Chief Executive Officer and Directors. Key management compensation for the nine months ended March 31, 2021 comprised salary and short-term benefits of \$175,384 (nine months ended March 31, 2020 - \$nil) and share based payments of \$nil nine months ended March 31, 2020 - \$nil). Key management compensation for the three months ended March 31, 2021 comprised salary and short-term benefits of \$60,000 (three months ended March 31, 2020 - \$nil) and share based payments of \$nil (three months ended March 31, 2020 - \$nil).

**13. Related Party Transactions and Balances**

For the nine-month period ending March 31, 2021, there are related party loan balances payable to the President, Chief Executive Officer and a corporation controlled by the CEO of \$82,268, \$102,468 and \$39,482 respectively. The loans bear interest at 10% per annum, are secured by a security interest in the equipment held by the Company and are repayable in fiscal 2022.

In connection with the arranging and sourcing of these loans, the Company incurred transaction costs of \$32,050.

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**14. Share Capital**

**a. Authorized Shares**

An unlimited number of common shares

**b. Issued Shares**

During the nine-month periods ended March 31, 2021 and 2020, the Company issued common shares as follows:

**Shares for Services**

On August 6, 2019, pursuant to a consulting agreement, the Company issued 100,000 common shares in exchange for consulting services valued at \$10,000.

On August 13, 2019, pursuant to consulting agreements, the Company issued 5,000,000 common shares valued at \$500,000 and 4,000,000 warrants valued at \$314,600 in exchange for assistance in structuring the convertible promissory note (see note 10).

**Convertible Debt**

On November 23, 2020, 5,000,000 shares were issued at a deemed price of \$0.10 per share in satisfaction of a \$500,000 convertible loan debt.

**Warrants**

On December 8, 2020, 187,500 warrants were exercised for shares at a price of \$0.20 per share.

**c. Warrants**

A summary of the Company's warrant activities for the nine months period ended December 31, 2020 and year ended June 30, 2020 is presented below:

	Warrants #	Weighted average exercise price \$
<b>Outstanding, June 30, 2019</b>	<b>6,000,000</b>	<b>0.20</b>
Granted (i)	4,000,000	0.20
<b>Outstanding, June 30, 2020</b>	<b>10,000,000</b>	<b>0.20</b>
Exercised	(187,500)	0.20
<b>Post-Split at 1.4695x, March 25, 2021</b>	<b>14,419,461</b>	
<b>Re-Issued Warrants from Canada Coal</b>	<b>2,500,000</b>	
<b>Outstanding, March 31, 2021</b>	<b>16,919,461</b>	

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**14. Share Capital (Continued)**

As at March 31, 2021 the following warrants were outstanding and exercisable:

<b>Date of grant</b>	<b>Number of warrants</b>	<b>Exercise price per share</b>	<b>Expiry date</b>
August 13, 2019	5,878,000	0.1361	August 13, 2022
June 10, 2019	1,469,500	0.1361	June 10, 2022
May 31, 2019 (i)	7,071,961	0.1361	May 31, 2022
January 23, 2020 (i)	2,500,000	0.40	January 23, 2022

- i. On August 13, 2019, the Company issued 4,000,000 warrants to consultants of the Company. Each warrant is exercisable into one common share at a price of \$0.20 per share and expires on August 13, 2022. The fair value of \$314,600 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 1.31%; dividend yield - 0%; expected stock volatility – 163.5% and an expected life of 3 years (see convertible promissory note 10). On March 25, 2021, the warrants from Ayurcann Inc were re-issued on the basis of 1.4695 new warrants for every warrant outstanding. Canada Coal (now Ayurcann Holdings Corp) also had 2,500,000 warrants outstanding after the transaction.

**d. Stock options**

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

	<b>Exercise price</b>	<b>Options</b>
	<b>\$</b>	<b>#</b>
<b>Balance, June 30, 2019</b>	-	-
Granted (i)	0.15	325,000
Cancelled	0.15	(200,000)
<b>Balance, June 30, 2020</b>	<b>0.15</b>	<b>125,000</b>
Granted (ii)	0.15	408,334
<b>Post-Split at 1.4695x, March 25, 2021</b>	<b>783,733</b>	
<b>Warrants from Canada Coal</b>	<b>625,000</b>	
<b>Balance, March 31, 2021</b>	<b>0.09-0.20</b>	<b>1,408,733</b>

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- (i) On September 5, 2019, the Company granted 325,000 stock options to employees and consultants of the Company exercisable at \$0.15 per common share until September 5, 2022. From the total, 125,000 options vest immediately and 200,000 options vests in thirds on each of the first, second and third anniversary dates. The grant date fair value of \$26,228 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.10, expected dividend yield of 0%, expected volatility of 161.5%, risk-free rate of return of 1.38% and an expected maturity of 3 years. For the nine months period ended March 31, 2021, \$nil (Nine months period ended December 31, 2020 - \$14,571) was expensed as share based payments in operations.
- (ii) On September 16, 2020, the Company granted 333,334 stock options to a consultant of the Company exercisable at \$0.15 per common share until September 16, 2023. The options vest immediately. The grant date fair value of \$38,942 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.10, expected dividend yield of 0%, expected volatility of 141%, risk-free rate of return of 0.27% and an expected maturity of 3 years. For the six months period ended December 31, 2020, \$38,942 (six months period ended December 31, 2019 - \$nil) was expensed as share based payment expense in operations.
- (iii) On November 16, 2020, the Company granted 75,000 stock options to a consultant for advisory services. The options are exercisable at \$0.14 per common share until November 16, 2023. The options vest immediately. The grant date fair value of \$5,741 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.14, expected dividend yield of 0%, expected volatility of 93.57%, risk-free rate of return of 0.2% and an expected maturity of 2 years. For the six months period ended December 31, 2020, \$5,741 (six months period ended December 31, 2019 - \$nil) was expensed as share based payment expense in operations.

The following table reflects the stock options issued and outstanding as of March 31, 2021:

Expiry date	Exercise price \$	Options #	Weighted average contractual life (years)	Number of options vested (exercisable)
September 5, 2022	0.102	183,687	1.67	183,687
September 16, 2023	0.102	489,834	2.71	489,834
November 16, 2023	0.0952	110,212	2.87	110,212
March 25, 2022	0.20	625,000	-	625,000
	<b>0.15</b>	<b>1,408,733</b>	<b>2.49</b>	<b>1,408,733</b>



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**15. Cost of Sales**

For the three & nine months ended March 31,	9 months ended March 31, 2021	3 months ended March 31, 2021
	\$	\$
Purchases and direct service costs	2,828,269	902,373
Direct labour	143,771	49,350
Quality control	47,497	-
Utilities	43,423	10,666
Rental facility & equipment costs	234,591	110,193
Change in inventory	(647,130)	(319,755)
	<b>2,650,421</b>	<b>753,007</b>

**16. Other events**

On November 24, 2020 Ayurcann Inc. executed a definitive business combination agreement with Canada Coal Inc. (TSXV:CCK.H) whereby Ayurcann Inc., subject to certain conditions and applicable shareholder and regulatory approvals, will affect a reverse takeover of Canada Coal Inc. by way of a "three-cornered amalgamation" with Ayurcann Inc. and 12487772 Canada Inc, a wholly-owned subsidiary of Canada Coal Inc. ("Subco").

On March 16, 2021, Canada Coal Inc. ("Canada Coal") and Ayurcann Inc. closed a "three-cornered amalgamation" under the provisions of the CBCA, whereby 12487772 Canada Inc., a wholly-owned subsidiary of Canada Coal, Subco amalgamated with Ayurcann Inc. and continue as one amalgamated corporation ("Amalco"), as a wholly-owned subsidiary of Canada Coal, which has since been renamed "Ayurcann Holdings Corp." (the "Transaction"). The continuing company trading symbol is (CSE: AYUR).

As part of the Transaction, Canada Coal consolidated all of its common shares (the "CCK Shares") on the basis of two (2) CCK Shares for each one (1) Canada Coal post-consolidation share ("CCK Post-Consolidation Share"). Ayurcann shareholders received 1.4695 Post-Consolidation Shares for each Ayurcann share. As a result of the amalgamation there are 100,973,833 Post-Consolidation Shares issued and outstanding, as flows:

	Number outstanding	Percentage
Ayurcann - Opening	57,758,501	
Share exchange adjustment	27,117,603	
Ayurcann - adjusted	84,876,104	84%
Canada Coal	16,097,729	16%
Total after the Transaction	100,977,833	100%

As a result of the share exchange between Canada Coal and the Ayurcann Inc., described above, the former shareholders of Ayurcann Inc. will acquire control of Canada Coal. Accordingly, the acquisition is accounted for as a reverse takeover of Canada Coal, and therefore Canada Coal does not constitute a business as defined under IFRS 3 Business Combination. The business combination is accounted for under IFRS 2 Share-Based Transaction. As Ayurcann Inc. is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the financial statements at their

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historical carrying value.

**17. Operational net income**

The table below summarizes the net income from the operating entity of the Company, Ayurcann Inc., for the Nine (9) months ending March 31, 2021. While the Company incurred a \$1,318,461 consolidated net loss over the same period, it is important to note that majority of the loss was attributed to a one-time transactional cost from the transaction with Canada Coal, and majority of the expense was not cash-based. Ayurcann Inc., reported positive gross and net income of \$2,324,148 and \$862,994 respectively.

	<b>Ayurcann Inc.</b> <b>(9 months ended March 31)</b>
<b>Revenue</b>	4,974,569
COGS	(2,650,421)
<b>Gross profit margin</b>	2,324,148
Operating expenses	(1,138,374)
<b>Operating income</b>	1,185,774
Non-operating activity	(322,780)
<b>Comprehensive income</b>	862,994

**18. Subsequent events**

On April 16, 2021, the Company announced that it has granted incentive stock options to directors, officers, employees and consultants of the Company to purchase an aggregate of 1,000,100 common shares under the Company's Stock Option Plan. Each option is exercisable at a price of \$0.16 per common share, expires three years from the date of grant and vest six months from the date of the grant. The Company has also granted restricted share unit grants, pursuant to the Company's Restricted Share Unit plan, dated April 1, 2021, totaling 1,548,875 to certain eligible participants.

On April 28, 2021, the Company announced the closing of its oversubscribed non-brokered private placement first announced on April 12, 2021. The Financing consisted of 3,189,585 units at a price of \$0.189 per Unit for total aggregate gross proceeds of \$602,831.72. Each Unit consisted of a common share in the capital of the Company and one-half of one common share purchase warrant, with each full Warrant entitling its holder to acquire one additional Common Share at an exercise price of \$0.38 per Common Share for a period of 36 months from the date of issuance.