



**MEDCOLCANNA ORGANICS INC.**

**(FORMERLY INTEGRATED ENERGY STORAGE CORP.)**

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**March 31, 2020**

**NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Medcolcanna Organics Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these 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 auditors.

# MEDCOLCANN ORGANICS INC.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, expressed in Canadian Dollars)

March 31, 2020

December 31, 2019

### Assets

#### Current Assets

Cash and cash equivalents	1,121,360	2,800,665
Accounts receivable (Note 6)	106,811	86,613
Due from related parties (Note 21)	-	9,324
Inventory (Note 7)	77,708	58,021
Prepays	333,705	265,921
	<b>1,639,584</b>	<b>3,220,544</b>

#### Non-Current Assets

Advances towards property, plant, and equipment	280,040	68,547
Property, plant and equipment (Note 8)	1,593,165	1,655,462
Right-of-use assets (Note 9)	407,028	472,224
Intangible assets (Note 10)	1,150,811	1,150,811

<b>Total Assets</b>	<b>5,070,628</b>	<b>6,567,588</b>
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### Liabilities

#### Current Liabilities

Accounts payable and accrued liabilities (Note 11)	461,633	575,221
Due to related parties (Note 21)	1,881	-
Unearned revenue	5,348	6,043
Current portion of lease liabilities (Note 9)	81,920	84,817
	<b>550,782</b>	<b>666,081</b>

#### Non-Current Liabilities

Lease liabilities (Note 9)	331,498	403,633
Advances received on transactions (Note 12)	298,103	-

<b>Total Liabilities</b>	<b>1,180,383</b>	<b>1,069,714</b>
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### Shareholders' Equity

Share capital (Note 13(a))	10,863,131	10,863,131
Shares to be issued (Note 13(b))	84,000	84,000
Purchase warrants (Note 14)	1,334,987	1,334,987
Compensation options (Note 15)	189,039	189,039
Contributed surplus (Note 16)	1,006,242	851,521
Deficit	(9,230,057)	(7,752,950)
Accumulated other comprehensive loss	(350,957)	(71,854)

Total equity attributable to Medcolcanna shareholders	3,896,385	5,497,874
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Non-Controlling Interests	(6,140)	-
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<b>Total Shareholders' Equity</b>	<b>3,890,245</b>	<b>5,497,874</b>
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<b>Total Liabilities and Shareholders' Equity</b>	<b>5,070,628</b>	<b>6,567,588</b>
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Going concern (Note 2)

Related party transactions (Note 21)

Commitments (Note 22)

Subsequent events (Note 25)

See accompanying notes to the condensed interim consolidated financial statements.

## MEDCOLCANNA ORGANICS INC.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31,

<i>(Unaudited, expressed in Canadian Dollars)</i>	2020	2019
<b>Revenue</b>		
Vape products	9,163	-
CBD isolate	17,794	-
	<b>26,957</b>	-
Cost of sales (Note 7)	19,589	-
<b>Gross profit</b>	<b>7,368</b>	-
<b>Expenses</b>		
Operating expenses	256,378	46,200
General and administrative (Note 17)	975,679	426,119
Selling, marketing and promotion	5,199	-
Transaction costs relating to the RTO (Note 5)	-	103,302
Depreciation and amortization (Note 8 and 9)	65,848	21,396
Business development	-	2,143
Research and development	16,799	-
Share-based compensation (Note 16)	154,721	-
Finance expense (income) (Note 18)	20,281	3,348
Foreign exchange loss (gain)	(1,614)	1,333
	<b>1,493,291</b>	603,841
Loss before income taxes	(1,485,923)	(603,841)
Current and deferred income tax	-	-
<b>Net loss</b>	<b>(1,485,923)</b>	(603,841)
<b>Other comprehensive income (loss)</b>		
Foreign currency translation adjustment	(278,620)	466
<b>Comprehensive loss</b>	<b>(1,764,543)</b>	(603,375)
<b>Net loss attributable to:</b>		
Medcolcanna Organics Inc.	(1,477,107)	(603,841)
Non-Controlling Interest	(8,816)	-
<b>Comprehensive loss attributable to:</b>		
Medcolcanna Organics Inc.	(1,756,210)	(603,375)
Non-Controlling Interest	(8,333)	-
Loss per share - basic and diluted (Note 19)	(0.02)	(0.01)
Weighted average number of shares outstanding	90,350,667	41,438,215

See accompanying notes to the condensed interim consolidated financial statements.

## MEDCOLCANNA ORGANICS INC.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, expressed in Canadian Dollars)</i>	Common Shares	Share Capital (Note 13(a))	Subscription Receipts (Note 13(a))	Shares to be issued (Note 13(b))	Purchase Warrants (Note 14)	Compensation Options (Note 15)	Contributed Surplus (Note 16)	Deficit	AOCL <sup>(1)</sup>	NCI <sup>(2)</sup>	Total
Balance at December 31, 2018	41,362,659	1,102,584	3,090,002	-	79,729	30,554	-	(538,482)	(1,284)	-	3,763,103
Shares issued for March 2019 placement	400,000	36,000.00									36,000
Share issuance costs		(3,187)									(3,187)
Subscription receipts issued			4,266,200								4,266,200
Subscription issuance costs			(320,770)								(320,770)
Compensation options issued			(134,805)			134,805					-
Shares issued pursuant to the RTO Transaction	12,899,968	2,708,993									2,708,993
Warrants issued pursuant to the RTO Transaction					405,450						405,450
Warrant issuance costs					(881)						(881)
Compensation options issued pursuant to the RTO Transaction						23,680					23,680
Shares issued for subscriptions	30,986,800	6,770,990	(6,770,990)								-
Share issuance costs		(739,509)	739,509								-
Warrants issued for subscriptions			(975,710)		975,710						-
Warrant issuance costs			106,564		(106,564)						-
Shares issued for acquisition of ICP	4,701,240	987,260									987,260
Warrants expired					(18,457)		18,457				-
Share-based compensation				84,000			833,064				917,064
Net loss for the period								(7,214,468)			(7,214,468)
Other comprehensive loss									(70,570)		(70,570)
<b>Balance at December 31, 2019</b>	<b>90,350,667</b>	<b>10,863,131</b>	<b>-</b>	<b>84,000</b>	<b>1,334,987</b>	<b>189,039</b>	<b>851,521</b>	<b>(7,752,950)</b>	<b>(71,854)</b>	<b>-</b>	<b>5,497,874</b>
NCI on incorporation of Medicina Nueva SAS										2,193	2,193
Share-based compensation							154,721				154,721
Net loss for the period								(1,477,107)		(8,816)	(1,485,923)
Other comprehensive income (loss)									(279,103)	483	(278,620)
<b>Balance at March 31, 2020</b>	<b>90,350,667</b>	<b>10,863,131</b>	<b>-</b>	<b>84,000</b>	<b>1,334,987</b>	<b>189,039</b>	<b>1,006,242</b>	<b>(9,230,057)</b>	<b>(350,957)</b>	<b>(6,140)</b>	<b>3,890,245</b>

<sup>(1)</sup> Accumulated Other Comprehensive Loss

<sup>(2)</sup> Non-Controlling Interest

See accompanying notes to the condensed interim consolidated financial statements.

# MEDCOLCANNA ORGANICS INC.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,

*(Unaudited, expressed in Canadian Dollars)*

**2020**

**2019**

### **Operating activities**

Net loss	<b>(1,485,923)</b>	(603,841)
Adjustments for:		
Depreciation and amortization	<b>65,848</b>	21,396
Accrued interest on leases	-	2,532
Share-based compensation	<b>154,721</b>	-
Unrealized foreign exchange loss (gain)	<b>18,608</b>	(316)
Change in non-cash working capital (Note 23)	<b>(194,537)</b>	49,744
<b>Cash used in operating activities</b>	<b>(1,441,283)</b>	(530,485)

### **Investing activities**

Advances towards property, plant and equipment	<b>(238,459)</b>	-
Expenditures on property, plant & equipment	<b>(185,288)</b>	(325,449)
Advances received on transactions	<b>298,103</b>	-
<b>Cash used in investing activities</b>	<b>(125,644)</b>	(325,449)

### **Financing activities**

Issue common shares, net of cash issuance costs	-	32,815
Funds received from short-term loan	-	330,000
Change in restricted cash	-	(6,131)
Principal portion of lease payments	<b>(29,702)</b>	(20,502)
Change in non-cash working capital (Note 23)	-	(2,250)
<b>Cash used in financing activities</b>	<b>(29,702)</b>	333,932

<b>Net decrease in cash</b>	<b>(1,596,629)</b>	(522,002)
Effects of variation in the exchange rate on cash	<b>(82,676)</b>	(1)
Cash, beginning of period	<b>2,800,665</b>	628,618
<b>Cash, end of period</b>	<b>1,121,360</b>	106,615

Cash interest paid	18,460	-
Cash interest received	2,019	-

*See accompanying notes to the condensed interim consolidated financial statements.*

## **MEDCOLCANN ORGANICS INC.**

Notes to the condensed interim consolidated financial statements  
For the periods ended March 31, 2020 and 2019  
(unaudited and expressed in Canadian dollars unless otherwise stated)



### **1. NATURE OF OPERATIONS**

Medcolcanna Organics Inc. (“Medcolcanna” or “MCCN”), which formerly operated under the name Integrated Energy Storage Corp. (“IES”), was incorporated on May 31, 2010 in the province of Alberta under the Business Corporations Act (Alberta).

On May 17, 2019, the Company completed a transaction whereby IES acquired all of the outstanding shares of Medcolcanna (BVI), Inc. (“Medcolcanna BVI” or “MCCN BVI” or the “Private Company”), a private company incorporated under the laws of the British Virgin Islands. The transaction constituted a reverse asset acquisition in accordance with International Financial Reporting Standards (“IFRS”), whereby the shareholders of Medcolcanna BVI took control of IES (the “Reverse Takeover Transaction” or “RTO Transaction” or “RTO”). Pursuant to the RTO Transaction, IES changed its name to Medcolcanna Organics Inc. and was continued into the province of British Columbia under the Business Corporations Act (British Columbia). See Note 5 for further details.

Through the Private Company’s wholly owned subsidiary, Medcolcanna S.A.S, (“MCCN SAS”), Medcolcanna Organics Inc. is licensed by the Colombian Ministry of Social Health and Protection and the Colombian Ministry of Justice and Law to use seeds for sowing, cultivate both psychoactive and non-psychoactive cannabis plants, and manufacture cannabis derivatives in Colombia. Medcolcanna is also involved in the cannabis vaping industry through its Switzerland subsidiary MCCN SA.

References within these financial statements to the “Company” for periods, dates and/or transactions prior to the RTO Transaction are in reference to the Private Company, as the corporate entity of interest pre-RTO Transaction. Alternatively, references within these financial statements to the “Company” for periods, dates and/or transactions subsequent to the RTO Transaction are in reference to Medcolcanna, as the corporate entity of interest post-RTO Transaction. The comparative periods reflected in these financial statements are those of the Private Company, as the financials are a continuance of MCCN BVI.

The Company’s corporate office address is Suite 800, 400 – 5<sup>th</sup> Avenue SW, Calgary, AB, T2P 0L6. Medcolcanna’s common shares are listed on the TSX Venture Exchange (“TSXV”) under the symbol “MCCN”.

### **2. GOING CONCERN**

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

During the three months ended March 31, 2020, the Company incurred a net loss of \$1,485,923 and used \$1,441,283 of cash flow in its operating activities. As at March 31, 2020, the Company had a working capital surplus of \$1,088,802 which indicates the Company has the ability to meet its current obligations as they come due. The available working capital is also sufficient to meet contractual capital construction and lease commitments identified in Note 22. However, the Company does not have consistent revenue generating assets as Medcolcanna is still in early stages of development. Until the Company has sustaining revenue streams, it will continue to exhaust its remaining financial resources to fund existing operations. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Company’s ability to continue as a going concern.

Management believes that the going concern assumption is appropriate for these condensed interim consolidated financial statements and that the Company will be able to meet its budgeted administrative and development costs during the upcoming year and beyond when considering the Company’s current financial forecast. Medcolcanna continues to enter into strategic agreements, joint ventures, and relationships to source funds and maintain its operations. As outlined in Note 25, subsequent to the three months ended March 31, 2020, the Company received

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final approvals from the Instituto Colombiano Agropecuario (“ICA”) for commercial production of certain strains of cannabis from its Colombian cannabis farm. However, there is no certainty that this will lead to sufficient revenues to fully sustain the Company’s activities.

The Company may need to seek further financing in the future to maintain its current level of activity. To date, Medcolcanna has been successful in raising funds to sustain operations. However, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company.

Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

### **3. BASIS OF PREPARATION**

#### **Statement of compliance**

The Company applies IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting.

These condensed interim consolidated financial statements follow the same accounting policies and method of computation as the Company’s annual audited consolidated financial statements for the year ended December 31, 2019, with the exception of certain disclosures that are normally required to be included in annual consolidated financial statements which have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2019.

These condensed interim consolidated financial statements have been approved and authorized for issuance by the Company’s Board of Directors on June 1, 2020.

#### **Basis of measurement**

The condensed interim consolidated financial statements have been prepared on a historical cost convention except for certain assets, liabilities, or equity instruments measured at fair value. The methods used to measure fair value are consistent with the Company’s year ended December 31, 2019 audited consolidated financial statements.

During the three months ended March 31, 2020, the global outbreak of COVID-19 (coronavirus), was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, Colombia, Switzerland, and the Netherlands have enacted 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 downturn. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on Medcolcanna as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by countries throughout the world to fight the virus. While the extent of the impact is unknown, it is possible this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company’s business and financial condition.

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Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

### Functional and presentation currency

The functional currency of Medcolcanna is the Canadian dollar. The consolidated financial statements and notes to the financial statements are expressed and presented in Canadian dollars unless otherwise stated.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of such transaction. At each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. Foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss.

At the financial reporting date, the foreign subsidiaries assets and liabilities are translated at the reporting period exchange rate. Revenues, expenses and cash flows are translated at the average exchange rate for the period. Shareholders' equity is translated at the rate effective at the time of the transaction. The resulting translation adjustments are recognized in other comprehensive income (loss) ("OCI") and in accumulated OCI in shareholders' equity.

### Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Subsidiaries are included in the consolidated financial results of the Company from the date of acquisition up to the date of disposition or loss of control. All intercompany balances and transactions are eliminated upon consolidation in preparing the financial statements. As at March 31, 2020, Medcolcanna had the following subsidiaries:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Ownership</u>	<u>Functional currency</u>
Medcolcanna (BVI), Inc.	British Virgin Islands	100%	Canadian Dollar (CAD)
Medcolcanna S.A.S	Colombia	100%	Colombian Peso (COP)
Extralia Labs SAS	Colombia	100%	Colombian Peso (COP)
Medicina Nueva SAS	Colombia	50.01%	Colombian Peso (COP)
Innovative CBD Products B.V.	Netherlands	100%	Euro
MCCN SA	Switzerland	100%	Swiss Franc (CHF)

### Significant accounting policies

The Company's significant accounting policies can be read in Note 4 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2019.

## 4. CORPORATE TRANSACTIONS

### Innovative CBD Products B.V.

In July 2019, the Company acquired all the issued and outstanding shares of Innovative CBD Products B.V. ("ICP"). ICP is the owner of various medicinal cannabinoid formulations and related intellectual property with respect to the development of cannabis and cannabis by-products. In exchange for the shares of ICP, Medcolcanna issued 4,701,240 shares of the Company to the seller. At a price of \$0.21 per share, the share consideration paid equated to \$987,260. Medcolcanna also incurred transaction costs relating to the acquisition of \$14,682, which has been included as part of the consideration paid by Medcolcanna. The total consideration of \$1,001,942 has been allocated



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entirely to the formulations owned by ICP as this was its only net asset.

<b>Consideration paid</b>	
4,701,240 common shares issued	987,260
Transaction costs	14,682
<b>Total consideration (inclusive of transaction costs)</b>	<b>1,001,942</b>
<b>ICP net assets acquired</b>	
<b>Medicinal cannabinoid formulations</b>	<b>1,001,942</b>

The operations of ICP did not meet the definition of a business under IFRS 3. Accordingly, the transaction has been recorded as an asset acquisition.

The Company has also granted a royalty to the seller of ICP of 10% of Medcolcanna's interest in products derived from the formulations that are subsequently produced, marketed, and sold. Additionally, should Medcolcanna license or sell any of the formulations to a third party, then the royalty entitles the seller of ICP to 10% of proceeds received by Medcolcanna for such license or sale. The royalty commenced in July 2019 and ends ten years thereafter.

## **5. REVERSE TAKEOVER TRANSACTION**

In May 2019, IES completed the transaction to acquire all of the issued and outstanding shares of MCCN BVI (41,762,659 shares) in consideration for shares of IES on a one-for-one basis. MCCN BVI also had 3,681,330 unit warrants, 1,000,000 private placement warrants, 1,859,208 compensation options, and 30,986,800 subscription unit receipts issued and outstanding. The warrants and compensation options were exchanged for an equal amount of purchase warrants and compensation options of Medcolcanna as outlined in Note 14 and Note 15. On completion of the RTO Transaction, MCCN BVI's 30,986,800 subscription receipts were converted into 30,986,800 shares and 15,493,400 purchase warrants of Medcolcanna (Note 13(a) and 14).

The Company (then being IES) did not meet the definition of a "business" under IFRS guidelines, thus causing the RTO Transaction to be treated as a reverse asset acquisition rather than a business combination, with IES' main attribute being its public listing. Under this premise, as consideration for 100% of the outstanding shares of IES, by way of reverse acquisition, the Private Company issued 12,899,968 shares to the shareholders of IES. These shares were assigned a fair value of \$0.21 per share for total share consideration of \$2,708,993. Additionally, as part of the RTO Transaction consideration, the 6,450,000 IES warrants were converted to 6,450,000 of Medcolcanna purchase warrants and were ascribed a total value of \$404,569 net of issuance costs (Note 14). The 267,656 IES compensation options were converted to 267,656 compensation options of Medcolcanna and were ascribed a total value of \$23,680 (Note 15). With the issuance of shares, purchase warrants, and compensation options, the total consideration paid on the RTO Transaction was \$3,137,242.

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The total consideration has been allocated first to the fair value of the net assets acquired with any excess to non-cash cost of the RTO Transaction as follows:

<b>Consideration paid</b>	
12,899,968 common shares issued	2,708,993
6,450,000 warrants issued	404,569
267,656 compensation options issued	23,680
<b>Total consideration</b>	<b>3,137,242</b>
<b>Net assets acquired of IES</b>	
Cash	208,604
Accounts receivable	15,942
Loan receivable	730,000
Accounts payable and accrued liabilities	(49,453)
<b>Total net assets acquired at fair value</b>	<b>905,093</b>
<b>Listing expense</b>	<b>2,232,149</b>
Transaction costs relating to the RTO Transaction	202,874
<b>Total cost of acquisition</b>	<b>2,435,023</b>

As at March 31, 2019, Medcolcanna incurred \$103,302 of the total \$202,874 transactions costs relating to the RTO Transaction.

**6. ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of the following:

	<b>March 31, 2020</b>	December 31, 2019
Sales receivable	<b>19,782</b>	683
Value added tax receivable	<b>82,189</b>	77,238
Other receivables	<b>4,840</b>	8,692
<b>Total</b>	<b>106,811</b>	86,613

**7. INVENTORY**

Medcolcanna inventories consist of raw materials and supplies to be consumed in the process of producing medicinal Colombian cannabis and vaping related products in Switzerland. Inventories also include finished goods vaping products which are held for sale in the ordinary course of business. The classification of inventories is as follows:

	<b>Cannabis production</b>	<b>Vaping products</b>	<b>Total</b>
Raw materials and supplies	31,332	16,394	47,726
Work in progress	-	-	-
Finished goods	-	29,982	29,982
<b>Balance at December 31, 2019</b>	<b>31,332</b>	<b>46,376</b>	<b>77,708</b>

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During the three months ended March 31, 2020, Medcolcanna sold \$19,589 (March 31, 2019 – nil) of vaping liquids, devices, and CBD isolate. The amount is included as cost of sales in the condensed interim consolidated statement of loss.

**8. PROPERTY, PLANT & EQUIPMENT (“PP&E”)**

The components of the Company’s property, plant and equipment (“PP&E”) assets are as follows:

**a) COST**

	Agricultural Facilities	Laboratory Equipment	Computer & Office Equipment	Leasehold Improvements	Total
Balance at December 31, 2018	50,384	-	-	-	50,384
Capital additions	758,452	184,979	183,716	599,864	1,727,011
Foreign currency translation	(19,345)	(3,968)	(3,942)	(12,869)	(40,124)
Balance at December 31, 2019	789,491	181,011	179,774	586,995	1,737,271
Capital additions	102,210	53,323	22,651	2,456	180,640
Foreign currency translation	(99,022)	(25,094)	(22,498)	(67,741)	(214,355)
<b>Balance at March 31, 2020</b>	<b>792,679</b>	<b>209,240</b>	<b>179,927</b>	<b>521,710</b>	<b>1,703,556</b>

**b) ACCUMULATED DEPRECIATION**

	Agricultural Facilities	Laboratory Equipment	Computer & Office Equipment	Leasehold Improvements	Total
Balance at December 31, 2018	-	-	-	-	-
Depreciation	(21,948)	(6,045)	(11,932)	(43,678)	(83,603)
Foreign currency translation	471	130	256	937	1,794
Balance at December 31, 2019	(21,477)	(5,915)	(11,676)	(42,741)	(81,809)
Depreciation	(12,775)	(5,163)	(9,001)	(14,360)	(41,299)
Foreign currency translation	3,493	1,094	2,063	6,067	12,717
<b>Balance at March 31, 2020</b>	<b>(30,759)</b>	<b>(9,984)</b>	<b>(18,614)</b>	<b>(51,034)</b>	<b>(110,391)</b>

**c) NET BOOK VALUE**

	Agricultural Facilities	Laboratory Equipment	Computer & Office Equipment	Leasehold Improvements	Total
As at December 31, 2019	768,014	175,096	168,098	544,254	1,655,462
<b>As at March 31, 2020</b>	<b>761,920</b>	<b>199,256</b>	<b>161,313</b>	<b>470,676</b>	<b>1,593,165</b>

**9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

As at March 31, 2020, Medcolcanna had lease agreements for commercial-use office space and for rural cannabis farm property. The rural farm property lease pays a fixed monthly rate increased annually for inflation. Additionally, the Company will pay an amount equal to 1% of the profits obtained from the sale of the products made with the cannabis grown on the leased property.

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A continuity of right-of-use assets and lease liabilities is presented below.

**Right-of-use assets**

	Property	Office	Total
Balance at December 31, 2018	-	-	-
IFRS 16 adoption	255,960	-	255,960
Additions	-	155,241	155,241
Remeasurement adjustment	182,120	-	182,120
Depreciation	(51,230)	(45,051)	(96,281)
Foreign currency translation	(17,780)	(7,036)	(24,816)
Balance at December 31, 2019	369,070	103,154	472,224
Remeasurement adjustment	-	9,705	9,705
Depreciation	(10,241)	(14,308)	(24,549)
Foreign currency translation	(41,650)	(8,702)	(50,352)
<b>Balance at March 31, 2020</b>	<b>317,179</b>	<b>89,849</b>	<b>407,028</b>

**Lease liabilities**

	Property	Office	Total
Balance at December 31, 2018	-	-	-
IFRS 16 adoption	255,960	-	255,960
Additions	-	155,241	155,241
Remeasurement adjustment	182,120	-	182,120
Interest expense	38,322	12,367	50,689
Payments	(73,172)	(57,192)	(130,364)
Foreign currency translation	(18,130)	(7,066)	(25,196)
Balance at December 31, 2019	385,100	103,350	488,450
Remeasurement adjustment	-	9,705	9,705
Interest expense	11,784	3,378	15,162
Payments	(17,672)	(30,490)	(48,162)
Foreign currency translation	(43,842)	(7,895)	(51,737)
<b>Balance at March 31, 2020</b>	<b>335,370</b>	<b>78,048</b>	<b>413,418</b>

For the three months ended March 31, 2020, \$15,434 (March 31, 2019 – nil) was expensed and \$13,618 (March 31, 2019 – nil) recognized as cash outflows in relation to short-term leases.

**Current vs non-current lease liabilities**

The current portion of lease liabilities as at March 31, 2020 and December 31, 2019, is presented in the table below:

	March 31, 2020	December 31, 2019
Current portion	81,920	84,817
Non-current portion	331,498	403,633
<b>Total</b>	<b>413,418</b>	<b>488,450</b>

**10. INTANGIBLE ASSETS**

Medcolcanna has been granted licenses to produce, manufacture, market and export cannabis derivatives and products in Colombia. The licenses are recorded as assets on the condensed interim consolidated financial

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statements at a value \$148,868 (December 31, 2019 - \$148,868). These assets are considered to have an indefinite life as there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company.

In July 2019, Medcolcanna acquired ICP (Note 4). The consideration paid in relation to this acquisition of \$1,001,943 was attributed entirely to various medicinal cannabinoid formulations and related intellectual property owned by ICP. The formulations are considered to have an indefinite life as there is no foreseeable limit to the period over which the assets are expected to generate future cash inflows to the Company.

### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised of the following:

	March 31, 2020	December 31, 2019
Trades payable	223,710	359,860
Accrued liabilities	97,108	98,121
Payroll related	129,545	85,524
Other payables	11,270	31,716
<b>Total</b>	<b>461,633</b>	<b>575,221</b>

### 12. ADVANCES RECEIVED ON TRANSACTIONS

In February 2020, Medcolcanna signed a Letter of Intent (“LOI”) with Dona Blanca Limited (“Dona Blanca”), an unlisted Australian corporation with operations in Colombia. Pursuant to the LOI, Dona Blanca will invest \$1,500,000 USD (\$2,128,000 CAD) for a 15% ownership stake in Extralia Labs SAS (“Extralia”), Medcolcanna’s wholly-owned subsidiary. Pursuant to the LOI, Dona Blanca provided a non-refundable deposit of \$25,000 USD (\$33,123 CAD) for the 15% ownership stake in Extralia which is recorded as an advance received on transactions on these financial statements.

In March 2020, Medcolcanna and Dona Blanca amended the LOI to extend the period to invest \$1,500,000 USD (\$2,128,000 CAD) for a 15% ownership stake in Extralia to October 15, 2020 in consideration for an additional non-refundable deposit of \$22,500 USD (\$31,786 CAD). This additional non-refundable deposit was received subsequent to the three months ended March 31, 2020 (Note 25).

Additionally, in March 2020, the Company signed a definitive agreement with Dona Blanca. Pursuant to the agreement Dona Blanca will invest up to \$1,000,000 USD (\$1,420,000 CAD), to build up to an additional two hectares of greenhouses on Medcolcanna’s fully licensed cultivation property which would earn Dona Blanca a 70% working interest in the economic rights to the output from such greenhouses. The \$1,000,000 USD (\$1,420,000 CAD) contribution amount includes all expected capital expenditures necessary for building two hectares of cultivation, recovery of investment done by Medcolcanna that will be used in the joint arrangement, soil preparation, licensing and certification, water availability, and operating costs until first harvest.

Dona Blanca will earn into the project in three stages as outlined below:

- Stage 1 – Dona Blanca will invest \$516,678 USD (approximately \$712,351 CAD) to earn a 35% working interest in the economic rights and benefits in the two hectares or 0.7 net hectares of the project.
- Stage 2 – Provided Dona Blanca has achieved Stage 1, Dona Blanca will acquire an additional 20% working interest (to hold an aggregate 55% working interest) or 1.11 net hectares by providing funding for the

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project of \$290,000 USD (approximately \$408,610 CAD) on or before May 15, 2020.

- Stage 3 – Provided Dona Blanca has achieved Stage 1 and 2, Dona Blanca will acquire an additional 15% working interest (to hold an aggregate of 70% working interest) by providing funding for the project of \$193,322 USD (approximately \$274,000 CAD) to Medcolcanna on or before July 1, 2020.

As at March 31, 2020, Medcolcanna had received \$200,000 USD (\$264,980 CAD) from Dona Blanca as an advance in relation to contributions required for the stage 1. As outlined in Note 25, subsequent to the three months ended March 31, 2020, Dona Blanca contributed sufficient funds to complete Stage 1 and 2.

### 13. SHARE CAPITAL

#### (a) Common shares

As at March 31, 2020, the Company was authorized to issue an unlimited number of common shares, with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared.

Common shares issued and outstanding are as follows:

	Common shares	Amount (\$)
Balance at December 31, 2018	41,362,659	1,102,584
Shares issued for subscription in March 2019 <sup>(1)</sup>	400,000	36,000
Share issuance costs		(3,187)
Share pursuant to the RTO Transaction (Note 5)	12,899,968	2,708,993
Fair value of units attributed to common shares <sup>(2)</sup>	30,986,800	6,770,990
Share issuance costs of units attributed to common shares		(739,509)
Shares issued to acquire ICP (Note 4)	4,701,240	987,260
<b>Balance at December 31, 2019 &amp; March 31, 2020</b>	<b>90,350,667</b>	<b>10,863,131</b>

(1) In March 2019, Medcolcanna completed a non-brokered private placement of 400,000 common shares at a price of \$0.09 per share for gross proceeds of \$36,000. Issuance costs totaling \$3,187 has been recognized in share capital in connection with this placement.

(2) Upon completion of the RTO Transaction, the subscription units issued by the Company were allocated to common shares and warrants based on the assessed fair value using the Black-Scholes valuation model. As at the RTO date, the subscription receipts had a gross value of \$7,746,700 and a net value of \$6,900,627 after issuance costs. The \$6,900,627 was held as restricted cash at the RTO date and only became available for the Company to use at the completion of the RTO Transaction. As a result of the RTO, 30,986,800 shares were issued to unit holders for a total gross value of \$6,770,990 and 15,493,400 warrants issued for a gross value of \$975,710. Issuance costs of \$739,509 were allocated to the shares, while \$106,564 issuance costs were allocated to the warrants for a net value of \$6,031,481 and \$869,146 respectively.

#### (b) Shares to be issued

Included in equity is \$30,000 of shares to be issued relating to the value of services provided by an external consultant in the year 2019. It was agreed that payment would be issued in the form of shares of the Company. As at March 31, 2020, the shares have not officially been issued.

Additionally, in November 2019, the Company hired a new executive officer of the Company and agreed to issue 720,000 shares up front as part of his employment contract. The shares were valued at \$54,000 on the grant date and were issued subsequent to March 31, 2020 (Note 25).

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**14. PURCHASE WARRANTS**

The following tables summarizes changes in the number of warrants:

	Purchase warrants	Amount (\$) (net of issuance costs)
Balance at December 31, 2018	4,681,330	79,729
Warrants issued pursuant to RTO <sup>(1)</sup>	6,450,000	404,569
Warrants issued from subscription units <sup>(1)</sup>	15,493,400	869,146
Warrants expired	(3,681,330)	(18,457)
<b>Balance at December 31, 2019 &amp; March 31, 2020</b>	<b>22,943,400</b>	<b>1,334,987</b>

(1) In May 2019, Pursuant to the RTO Transaction, 6,450,000 settlement warrants in IES were converted to 6,450,000 purchase warrants in Medcolcanna. Additionally, the 30,986,800 subscription units were converted into 30,986,800 common shares and 15,493,400 purchase warrants. The warrants issued are exercisable immediately at a price of \$0.40 per common share until May 2021.

The following table summarizes information about the warrants outstanding as at March 31, 2020:

Exercise price (\$)	Number of warrants outstanding	Weighted average term to expiry (years)	Number of warrants exercisable
0.40	22,943,400	1.11	22,943,400

The purchase warrants were allocated a fair value using the Black-Scholes option pricing model using the following assumptions:

	Purchase Warrants issued in 2018	Purchase Warrants issued in 2019
Risk-free interest rate	1.90%	1.64%
Expected dividend yield	0%	0%
Expected stock price volatility	85.3%	86.6%
Expected warrant life (years)	2.0	2.0
Fair value of warrants granted	\$0.0617	\$0.0630

**15. COMPENSATION OPTIONS**

Pursuant to the closing of subscription receipts (Note 13(a)), compensation options were awarded to agents of the subscription offering accumulating to 6% of the number of subscription units sold pursuant to the agency agreement under the offering.

Each compensation option entitles the holder thereof to acquire one Unit (a "Compensation Option Unit") at the offering price of \$0.25 for a period of 24 months following the date of issuance. Each compensation option unit is comprised of one common share and one-half of one warrant (each whole Warrant, a "Compensation Option Warrant"). Each compensation option warrant shall entitle the holder thereof to purchase one common share at a price of \$0.40 for a period of 24 months following the closing of the RTO Transaction.

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The following tables summarizes changes in the number of compensation options as at March 31, 2020:

	Compensation options	Amount (\$)
Balance at December 31, 2018	348,960	30,554
Compensation options issued pursuant to the RTO (Note 5)	267,656	23,680
Compensation options issued	1,510,248	134,805
<b>Balance at December 31, 2019 &amp; March 31, 2020</b>	<b>2,126,864</b>	<b>189,039</b>

The following table summarizes information about the Compensation Options outstanding as at March 31, 2020:

Exercise price (\$)	Number of compensation options outstanding	Weighted average term to expiry (years)	Number of compensation options exercisable
0.25	2,126,864	0.84	2,126,864

The compensation options were allocated a fair value using the Black-Scholes option pricing model using the following weighted average assumptions:

	Compensation Options issued in 2018	Compensation Options issued in 2019
Risk-free interest rate	1.90%	1.63%
Expected dividend yield	0%	0%
Expected stock price volatility	85.3%	87.2%
Expected compensation option life (years)	2.0	2.0
Fair value of compensation options granted	\$0.0876	\$0.0893

**16. CONTRIBUTED SURPLUS**

Pursuant to the RTO Transaction, Medcolcanna adopted the Incentive Stock Option Plan (the "Plan") dated May 16, 2019. Per the Plan, the Board will establish vesting and other terms and conditions for stock options at the time that they are granted. The plan provides that stock options may be granted up to a number equal to 10% of the Company's outstanding shares. The plan also indicates, subject to a minimum exercise price of \$0.05 per common share, the exercise price per common share for an option shall not be less than the discounted market price for the Company's common shares at the grant date. Options can have up to a maximum term of 10 years.

As at March 31, 2020, a total of 7,875,000 options were outstanding under this plan. The following table summarizes information about the changes in stock options as at March 31, 2020:

	Stock options	Exercise price (\$)
<b>Balance at December 31, 2018</b>	-	-
Options issued	8,100,000	0.40
Options forfeited	(225,000)	0.40
Expired options	-	-
<b>Balance at December 31, 2019 &amp; March 31, 2020</b>	<b>7,875,000</b>	<b>0.40</b>

In May 2019, 7,400,000 options were granted with an exercise price of \$0.40 per option. These options have 5-year term, expiring in May 2024. One-third of the options vested immediately on the grant date, one-third vests on the first anniversary of the grant date in May 2020, and one-third vests on the second anniversary of the grant date in May 2021.



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In July 2019, 700,000 options were granted with an exercise price of \$0.40 per option. These options have a 5-year term, expiring in July 2024. One-third of the options vested immediately on the grant date, one-third vests on the first anniversary of the grant date in July 2020, and one-third vests on the second anniversary of the grant date in July 2021.

The following summarizes information about stock options outstanding as at March 31, 2020:

Exercise price (\$)	Number of stock outstanding	Weighted average term to expiry (years)	Number of stock options exercisable
0.40	7,875,000	4.16	2,624,998

The stock options were allocated a fair value using the Black-Scholes option pricing model using the following assumptions:

	May 2019	July 2019
Risk-free interest rate	1.62%	1.51%
Estimated stock price	\$0.28	\$0.18
Forfeiture rate	10%	10%
Expected dividend yield	0%	0%
Expected stock price volatility	89.05%	87.47%
Expected option life	5 years	5 years
Fair value per stock option	\$0.18	\$0.09

The value of the stock options vesting during the period ended March 31, 2020 equated to \$154,721 in share-based compensation expense (March 31, 2019 – nil).

**17. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE**

General and administrative (“G&A”) expenses relate to day-to-day operations of the business, not directly attributable to the production of goods and services. The components of G&A expense are as follows:

For the three months ended March 31	2020	2019
Salary, wages, and benefits	511,923	118,903
Professional fees	187,657	110,875
Legal fees	63,522	81,919
General office <sup>(1)</sup>	40,814	30,757
Travel	35,416	11,361
Insurance	28,644	-
Director fees	26,488	-
Investor relations	17,937	33,000
Software and IT expenses	14,159	-
Transfer agent and filing fees	12,478	19,140
Other	36,641	20,164
<b>Total</b>	<b>975,679</b>	<b>426,119</b>

(1) General office expense includes rent on office equipment, communication costs, cleaning services, office supplies and stationery, etc.

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### 18. FINANCE EXPENSE (INCOME)

The components of finance expenses (income) are as follows:

<b>For the three months ended March 31</b>	<b>2020</b>	<b>2019</b>
Interest income	<b>(2,019)</b>	(7,891)
Lease interest expense (Note 12)	<b>15,162</b>	3,340
Bank charges	<b>7,138</b>	7,899
<b>Total</b>	<b>20,281</b>	3,348

### 19. BASIC AND DILUTED LOSS PER SHARE

For the three months ended March 31, 2020 and 2019, there is no difference between the calculated basic loss per share and diluted loss per share amounts. For the period ended March 31, 2020, 22,943,400 purchase warrants, 2,126,864 compensation options and 7,875,000 stock options have been excluded from the calculation as they have an anti-dilutive effect on the loss per share.

### 20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

As of March 31, 2020, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, due to related parties and accrued liabilities, and lease liabilities.

The Company characterizes its fair value measurements of financial instruments into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs other than quoted prices included within Level 1, that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 - inputs are unobservable for the asset or liability

A financial instrument is classified to the lowest level hierarchy for which a significant input has been used in measuring fair value. The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their respective fair values due to the short-term maturities of those instruments. The carrying amount of lease liabilities approximates its fair value as it is present valued using the discount rate implicit within the lease or the Company's incremental borrowing rate.

#### Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively. The principal financial risks arising from financial instruments are liquidity risk, credit risk, and market risks.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and describes the Company's ability to access cash. As at March 31, 2020 the Company's financial liabilities consist

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of accounts payable and accrued liabilities, due to related parties, and lease liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it has sufficient cash resources in order to finance operations, funds capital expenditures, and to repay financial liabilities. The Company manages its liquidity risk by preparing and monitoring operating budgets, reviewing capital requirements, and coordinating and authorizing project expenditures. As at March 31, 2020, the Company had a working capital surplus of \$1,088,802.

### **Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its contractual obligations. Financial instruments subject to credit risk include cash and cash equivalents and accounts receivables. All of the Company's cash and cash equivalents are held at reputable financial institutions. As of March 31, 2020, the Company's accounts receivable balance consists mainly of sales tax receivables (Note 6) that the Company expects to receive from the Government of Canada.

### **Market Risk**

Market risk is the risk or uncertainty that changes in price, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. Medcolcanna is exposed to two types of market risk, being foreign currency risk and interest rate risk as outlined below.

#### ***Foreign Currency Risk***

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's functional and reporting currency is the Canadian dollar but is exposed to foreign currency risk with respect to the expenditures incurred by its foreign subsidiaries. As at March 31, 2020, the Company had not entered into any foreign currency derivatives to manage its exposure to currency fluctuations.

#### ***Interest rate risk***

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk only on cash and cash equivalents. Fluctuations of interest rates for the period ending March 31, 2020 would not have had a significant impact on cash and cash equivalents.

### **Capital management**

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations, growth, and ongoing developmental activities. The Company is dependent upon funding these activities through a combination of available cash, debt and equity, which it considers to be the components of its capital structure as outlined below.

	<b>March 20, 2020</b>	December 31, 2019
Shareholders' equity	<b>3,890,245</b>	5,497,874
Cash	<b>1,121,360</b>	2,800,665
Working capital	<b>1,088,802</b>	2,554,463

## **21. RELATED PARTY TRANSACTIONS**

The following are related party transactions included in these condensed interim consolidated financial statements:

- a) During the period ended March 31, 2020, certain expenses were paid by members of management.

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Periodically advances were made to management in anticipation of expenses that they will be paying on behalf of the Company. From time to time, the amount may result in a net receivable position. As at December 31, 2019, a net receivable of \$9,324 existed as a result of these transactions. As at March 31, 2020, the balance switched to a net liability of \$1,881.

- b) During the three months ended March 31, 2020, Medcolcanna incurred accounting consulting fees of \$45,000 (March 31, 2019 – nil) to a firm affiliated with an officer of the Company. Fees are based on services rendered at prevailing market rates. The amount has been recorded as professional fees within general and administrative expense.

**22. COMMITMENTS**

The Company has entered into various agreements with different vendors relating to the construction and improvement of its agricultural facilities. The remaining construction work is expected to be completed and paid within the year 2020. The Company also had property and office lease commitments outstanding which have been recorded as lease liabilities on the financial statements (Note 9).

The following table summarizes the contractual commitments as at March 31, 2020:

<b>Commitments</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023 and thereafter</b>	<b>Total</b>
Property Lease	53,017	70,689	70,689	400,573	594,968
Office Leases	39,503	56,092	-	-	95,595
Capital constructions	126,717	-	-	-	126,717
<b>Total</b>	<b>219,237</b>	<b>126,781</b>	<b>70,689</b>	<b>400,573</b>	<b>817,280</b>

**23. SUPPLEMENTAL CASHFLOW INFORMATION**

<b>For the three months ended March 31</b>	<b>2020</b>	<b>2019</b>
Accounts receivable	(20,072)	(2,250)
Prepays	(96,968)	(16,912)
Due to/from related parties	23,486	(209,584)
Inventory	(19,063)	-
Accounts payable and accrued liabilities	(81,920)	276,240
<b>Change in non-cash working capital</b>	<b>(194,537)</b>	<b>47,494</b>
Relating to:		
Operating activities	(194,537)	49,744
Financing activities	-	(2,250)
<b>Change in non-cash working capital</b>	<b>(194,537)</b>	<b>47,494</b>

**24. GEOGRAPHICAL SEGMENTED INFORMATION**

The Company is engaged in the growth, cultivation, and development of medicinal cannabis and medicinal cannabis products through its Colombian and Netherland subsidiaries. The Company is also engaged in the cannabis vaping industry through its Swiss subsidiary. Management has defined the operating segments of the Company based on

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geographical areas, identifying operations held in Colombia, Switzerland, and the Netherlands as separate reporting segments. The Corporate segment reflects balances and expenses related to all Company operations outside of Colombia, Switzerland, and the Netherlands which collectively represent the corporate operations of the Company.

The following tables show information regarding the Company's segments for the three months ended March 31, 2020 and 2019

<b>For the three months ended March 31, 2020</b>	<b>Colombia</b>	<b>Switzerland</b>	<b>Netherlands</b>	<b>Corporate</b>	<b>Total</b>
<b>Revenue:</b>					
Vape products	-	(9,163)	-	-	(9,163)
CBD isolate	(17,794)	-	-	-	(17,794)
Cost of sales	15,662	3,927	-	-	19,589
<b>Gross Profit</b>	<b>(2,132)</b>	<b>(5,236)</b>	-	-	<b>(7,368)</b>
<b>Expenses:</b>					
Operating expenses	255,085	1,293	-	-	256,378
General and administrative	545,839	38,072	-	391,768	975,679
Selling, marketing and promotion	1,775	3,424	-	-	5,199
Depreciation and amortization	62,364	3,484	-	-	65,848
Research and development	12,225	4,574	-	-	16,799
Share-based compensation	-	-	-	154,721	154,721
Finance expense (income)	19,364	304	156	457	20,281
Foreign exchange loss (gain)	185	189	-	(1,988)	(1,614)
<b>Net Loss</b>	<b>894,705</b>	<b>46,104</b>	<b>156</b>	<b>544,958</b>	<b>1,485,923</b>
<b>Assets at March 31, 2020</b>	<b>2,954,975</b>	<b>124,125</b>	<b>1,001,943</b>	<b>989,585</b>	<b>5,070,628</b>
<b>Liabilities at March 31, 2020</b>	<b>566,668</b>	<b>23,563</b>	<b>163</b>	<b>589,989</b>	<b>1,180,383</b>

<b>For the three months ended March 31, 2019</b>	<b>Colombia</b>	<b>Switzerland</b>	<b>Netherlands</b>	<b>Corporate</b>	<b>Total</b>
<b>Expenses:</b>					
Operating expenses	46,200	-	-	-	46,200
General and administrative	195,766	-	-	230,353	426,119
Depreciation and amortization	21,396	-	-	-	21,396
Transaction costs relating to the RTO	-	-	-	103,302	103,302
Business development	-	-	-	2,143	2,143
Finance expense (income)	8,299	-	-	(4,951)	3,348
Foreign exchange loss (gain)	(301)	-	-	1,634	1,333
<b>Net Loss</b>	<b>271,360</b>	-	-	<b>332,481</b>	<b>603,841</b>
<b>Assets at December 31, 2019</b>	<b>2,108,017</b>	<b>88,438</b>	<b>1,001,943</b>	<b>3,369,190</b>	<b>6,567,588</b>
<b>Liabilities at December 31, 2019</b>	<b>791,125</b>	<b>32,631</b>	<b>150</b>	<b>245,808</b>	<b>1,069,714</b>

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**25. SUBSEQUENT EVENTS**

- a) In April 2020, Medcolcanna received final approval for commercial production of certain strains of cannabis from its Colombian operations.
- b) In April 2020, the Company issued the 720,000 shares outlined in Note 13(b) to the new executive officer of the Company.
- c) In April 2020, Medcolcanna received the additional non-refundable deposit from Dona Blanca of \$22,500 USD (\$31,786 CAD) for amending the LOI which allowed Dona Blanca to obtain a 15% ownership interest in Extralia (Note 12). Medcolcanna also received \$316,678 USD (\$447,371 CAD) from Dona Blanca to complete Stage 1 of the definitive agreement (Note 12).
- d) In May 2020, Medcolcanna received a further \$290,000 USD (\$408,610 CAD) from Donna Blanca to complete Stage 2 of the definitive agreement, thereby granting Dona Blanca an aggregate 55% working interest in the project as at the date of these financial statements (Note 12).