



**PHARMADRUG INC.**

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020  
(EXPRESSED IN CANADIAN DOLLARS)

## **NOTICE TO READER**

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 condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Pharmadrug Inc.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**PHARMADRUG INC.**

Unaudited Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Notes	As at March 31, 2021 \$	As at December 31, 2020 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash		3,532,912	2,134,866
Other receivables	5	224,024	183,694
Inventories	6	20,375	39,902
Prepaid expenses	7	146,338	57,804
Other investments	8	1,032,409	2,269,504
<b>Total Current Assets</b>		<b>4,956,058</b>	4,685,770
Property and equipment	9	99,851	122,013
Intangible assets	10	7,859,234	4,291,733
Goodwill	10	10,233,697	4,589,084
<b>Total Assets</b>		<b>23,148,840</b>	13,688,600
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	11	590,960	562,130
Lease liabilities – current	14	56,460	57,173
<b>Total Current Liabilities</b>		<b>647,420</b>	619,303
Lease liabilities	14	17,511	35,581
Convertible debentures	15	781,881	1,033,082
Provisions	23	86,306	91,270
Deferred tax liabilities		829,816	996,415
<b>Total Liabilities</b>		<b>2,362,934</b>	2,775,651
<b>Shareholders' Equity</b>			
Share capital	16	30,428,680	21,831,792
Equity component of convertible debentures		248,945	248,945
Reserve for share-based payments	17	943,542	813,256
Reserve for warrants	18	5,587,773	2,866,900
Accumulated other comprehensive loss		(256,758)	(246,952)
Accumulated deficit		(17,329,368)	(15,856,884)
<b>Equity Attributable to Shareholders of Pharmadrug Inc.</b>		<b>19,622,814</b>	9,657,057
<b>Non-Controlling Interest</b>	20	<b>1,163,092</b>	1,255,892
<b>Total Equity</b>		<b>20,785,906</b>	10,912,949
<b>Total Liabilities and Shareholders' Equity</b>		<b>23,148,840</b>	13,688,600
Nature of operations and going concern	1		
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Approved on behalf of the Board of Directors:

"Daniel Cohen" (signed)  
Director

"Al Quong" (signed)  
Director

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

**PHARMADRUG INC.**

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
For the Three Months Ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	Notes	2021	2020
		\$	\$
<b><u>Revenue</u></b>			
Sales revenue		<b>136,655</b>	178,615
Cost of goods sold	6	<b>(130,089)</b>	(140,306)
<b>Gross Profit</b>		<b>6,566</b>	38,309
<b><u>Expenses</u></b>			
Salaries and consulting fees	19	<b>237,521</b>	98,936
Professional fees	19	<b>285,123</b>	127,019
Office and general		<b>109,014</b>	83,447
Depreciation on office equipment	9	<b>1,422</b>	1,649
Depreciation on right-of-use assets	9	<b>11,188</b>	9,911
Amortization on intangible assets	10	<b>310,837</b>	302,175
Filing fees		<b>31,242</b>	9,235
Travel and promotional		<b>191,714</b>	7,254
Share-based compensation	17	<b>222,496</b>	3,418
		<b>(1,400,557)</b>	(643,044)
<b>Loss before Other Expenses</b>		<b>(1,393,991)</b>	(604,735)
<b><u>Other Expenses</u></b>			
Realized loss on disposals of investments	8	<b>903,060</b>	221,321
Fair value change in investments	8	<b>(925,701)</b>	80,062
Finance costs	12,13,14,15	<b>(42,953)</b>	(105,036)
Foreign exchange (loss) gain		<b>(459,494)</b>	183,443
		<b>(525,088)</b>	379,790
<b>Net Loss before Income Taxes</b>		<b>(1,919,079)</b>	(224,945)
Deferred tax recovery		<b>87,202</b>	-
<b>Net Loss</b>		<b>(1,831,877)</b>	(224,945)
<b><u>Other Comprehensive Loss</u></b>			
Exchange (loss) gain on translation of foreign operations		<b>(9,806)</b>	214,226
<b>Net Loss and Comprehensive Loss</b>		<b>(1,841,683)</b>	(10,719)
<b>Total Net Loss Attributable to:</b>			
Shareholders of Pharmadrug Inc.		<b>(1,739,077)</b>	(134,141)
Non-Controlling Interest	20	<b>(92,800)</b>	(90,804)
<b>Net Loss</b>		<b>(1,831,877)</b>	(224,945)
<b>Net Loss per Share</b>			
Basic and diluted		<b>(0.006)</b>	(0.003)
<b>Weighted Average Number of Outstanding Shares</b>			
Basic and diluted		<b>302,308,621</b>	83,302,274

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

**PHARMADRUG INC.**

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Notes	2021	2020
		\$	\$
<b><u>Operating Activities</u></b>			
Net loss for the period		(1,831,877)	(224,945)
Adjustments for non-cash items:			
Share-based compensation	17	222,496	3,418
Depreciation on office equipment	9	1,422	1,649
Depreciation on right-of-use assets	9	11,188	9,911
Amortization on intangible assets	10	310,837	302,175
Realized gains on disposals of investments	8	(903,060)	(221,321)
Fair value change on investments	8	925,701	(80,062)
Finance costs	12,13,14,15	35,434	104,301
Deferred tax recovery		(87,202)	-
Foreign exchange loss		-	60
		(1,315,061)	(104,814)
Net change in non-cash working capital items:			
Other receivables	5	(50,052)	(19,739)
Inventories	6	19,527	22,795
Prepaid expenses	7	(88,534)	44,135
Accounts payable and accrued liabilities	11	14,036	24,063
Income tax payable		-	(116,281)
<b>Cash Flows used in Operating Activities</b>		(1,420,084)	(149,841)
<b><u>Financing Activities</u></b>			
Interest payment made on debentures	15	(1,635)	-
Proceeds received on loan from third party	12	-	250,000
Lease payments	14	(17,035)	(10,208)
Proceeds from exercise of options	16	72,250	-
Proceeds from exercise of warrants	16	724,070	-
Proceeds from exercise of broker options	16	67,640	-
<b>Cash Flows provided by Financing Activities</b>		845,290	239,792
<b><u>Investing Activities</u></b>			
Cash acquired on business acquisitions	4	361,982	-
Proceeds from disposals of investments	8	1,214,454	-
<b>Cash Flows provided by Investing Activities</b>		1,576,436	-
<b>Increase in cash</b>		1,001,642	89,951
Effects of foreign exchange on cash		396,404	(145,887)
Cash, beginning of period		2,134,866	73,677
<b>Cash, end of period</b>		3,532,912	17,741
<b><u>Supplemental Information</u></b>			
Bridge Loan Facility settled with proceeds on sale of other investments	8,12	-	741,375

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

## PHARMADRUG INC.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
For the Three Months Ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	Notes	Share Capital		Equity Component of Debentures	Reserve for Share-Based Payments	Reserve for Warrants	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total
		Number of Shares	Amount							
		#	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2019</b>		<b>83,302,274</b>	<b>13,215,765</b>	<b>63,491</b>	<b>240,498</b>	<b>1,656,243</b>	<b>(715,349)</b>	<b>(11,482,682)</b>	<b>1,480,132</b>	<b>4,458,098</b>
Share-based compensation	17	-	-	-	3,418	-	-	-	-	3,418
Cancellation of options	17	-	-	-	(62,407)	-	-	62,407	-	-
Exchange gain on translating foreign operations		-	-	-	-	-	214,226	-	-	214,226
Net loss for the period		-	-	-	-	-	-	(134,141)	(90,804)	(224,945)
<b>Balance, March 31, 2020</b>		<b>83,302,274</b>	<b>13,215,765</b>	<b>63,491</b>	<b>181,509</b>	<b>1,656,243</b>	<b>(501,123)</b>	<b>(11,554,416)</b>	<b>1,389,328</b>	<b>4,450,797</b>
<b>Balance, December 31, 2020</b>		<b>241,632,183</b>	<b>21,831,792</b>	<b>248,945</b>	<b>813,256</b>	<b>2,866,900</b>	<b>(246,952)</b>	<b>(15,856,884)</b>	<b>1,255,892</b>	<b>10,912,949</b>
Issuance on conversion of debentures	15,16	5,700,000	213,993	-	-	71,007	-	-	-	285,000
Issuance on business acquisition	4,16	75,000,000	6,750,000	-	-	3,593,184	-	-	-	10,343,184
Share-based compensation	17	-	-	-	222,496	-	-	-	-	222,496
Exercise of options	16,17	850,000	135,724	-	(63,474)	-	-	-	-	72,250
Expiry and cancellation of options	17	-	-	-	(28,736)	-	-	28,736	-	-
Exercise of warrants	16,18	15,834,200	1,497,171	-	-	(705,461)	-	-	-	791,710
Expiry of warrants	18	-	-	-	-	(237,857)	-	237,857	-	-
Exchange loss on translating foreign operations		-	-	-	-	-	(9,806)	-	-	(9,806)
Net loss for the period		-	-	-	-	-	-	(1,739,077)	(92,800)	(1,831,877)
<b>Balance, March 31, 2021</b>		<b>339,016,383</b>	<b>30,428,680</b>	<b>248,945</b>	<b>943,542</b>	<b>5,587,773</b>	<b>(256,758)</b>	<b>(17,329,368)</b>	<b>1,163,092</b>	<b>20,785,906</b>

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

# PHARMADRUG INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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## 1. Nature of Operations and Going Concern

Pharmadrug Inc. (“Pharmadrug” or the “Company”) is a specialty pharmaceutical company focused on the research, development and commercialization of controlled-substances and natural medicines such as psychedelics, cannabis and naturally-derived approved drugs. The Company owns an 80% equity in Pharmadrug Production GmbH (“Pharmadrug GmbH”), a medical cannabis distributor in Germany with a Schedule I European Union (“E.U.”) narcotics license and German EuGMP certification allowing for the importation and distribution of medical cannabis to pharmacies in Germany and throughout the E.U. The Company also owns and operates an early-stage retail company focused on consolidating the psychedelic smartshop market in the Netherlands, and a Canadian biotech company that specializes in researching and reformulating established natural medicines with a goal of bringing them through regulatory and research driven clinical trials. The address of the Company’s registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

The Company’s common shares are listed on the Canadian Securities Exchange under the trading symbol “BUZZ”. The Company’s shares are also traded in the United States (the “U.S.”) on the Pink Open Market under the ticker symbol “LMLLF”.

The business of cannabis and psychedelics involves a high degree of risk, and there is no assurance that any prospective projects in the cannabis industry and psychedelic domain will be successfully initiated or implemented. Further, regulatory evolution and uncertainty may require the Company to alter its business plan to react to regulatory changes.

For the three months ended March 31, 2021, the Company incurred a net loss of \$1,831,877 and negative cash flow from operations of \$1,420,084, and as at March 31, 2021, the Company had an accumulated deficit of \$17,329,368 (December 31, 2020 – deficit of \$15,856,884). The Company’s ability to continue as a going concern is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. The unpredictability of the medical cannabis and psychedelic business, and the continued evolution of the coronavirus (“COVID-19”) pandemic represent material uncertainties which may cast significant doubt upon the Company’s ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## 2. Basis of Presentation

### (a) Statement of Compliance

The Company’s unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements.

These unaudited condensed interim consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the “Board”) of the Company on May 31, 2021.

### (b) Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments carried at fair value. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## PHARMADRUG INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 2. Basis of Presentation (continued)

#### (c) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

Name	Jurisdiction	Percentage Owned
Pharmadrug Inc.	Ontario, Canada	100%
Aura Health Corp.	Ontario Canada	100%
Interrobang Ltd.	Ontario, Canada	100%
Sairiyo Therapeutics Inc.	Ontario, Canada	100%
Green Global Properties Inc.	Delaware, U.S.	100%
Interrobang Online Ltd.	Delaware, U.S.	100%
Pharmadrug Production GmbH	Hamburg, Germany	80%
Interrobang Tiel B.V.	Tiel, Netherlands	100%

The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

#### (d) Functional Currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars (“\$” or “CAD”), which is the Company’s functional currency. The functional currency is the currency of the primary economic environment in which the Company operates. The functional currency of the subsidiaries is: (i) CAD for Aura Health Corp., Interrobang Ltd. (“Interrobang”) and Sairiyo Therapeutics Inc. (“Sairiyo”), (ii) U.S. dollar (“USD”) for Green Global Properties Inc. and Interrobang Online Ltd., and (iii) Euro (“€” or “EUR”) for Pharmadrug GmbH and Interrobang Tiel B.V.

#### (e) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

##### *Going concern*

At each reporting period, management exercises judgment in assessing the Company’s ability to continue as a going concern by reviewing the Company’s performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management’s strategic planning. The assumptions used in management’s going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company’s business obligations for at least the next 12 months, after taking into account expected cash flows and the Company’s cash position at period-end.



## PHARMADRUG INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2021 and 2020  
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### 2. Basis of Presentation (continued)

#### (e) Significant Accounting Judgments and Estimates (continued)

##### *Business combination*

In a business acquisition, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the acquisition date at their respective fair values. The date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree – the closing date. However, the acquirer might obtain control on a date that is either earlier or later than the closing date. Management exercises judgment in considering all pertinent facts and circumstances in identifying the acquisition date.

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets.

Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Purchase consideration also includes consideration of any pre-existing relationships that are effectively settled as a result of the acquisition at their fair values.

##### *Fair value of financial assets and financial liabilities*

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

##### *Estimated useful lives, depreciation of property and equipment and amortization of intangible assets*

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts which take into account factors such as economic conditions, market conditions and the useful lives of assets.

Amortization of intangible assets is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

##### *Determination of cash generating units*

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (each a “Cash-Generating Unit” or a “CGU”) can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified the German subsidiary as a separate CGU, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

## PHARMADRUG INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars)

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### 2. Basis of Presentation (continued)

#### (e) Significant Accounting Judgments and Estimates (continued)

##### *Impairment*

Long-lived assets, including property and equipment and intangible assets, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of: (i) value-in-use; or (ii) fair value less cost to sell. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the CGU or group of CGUs to which goodwill has been allocated is valued using present value techniques. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The determination of the recoverable amount involves significant estimates and assumptions. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

##### *Warrants and options*

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model ("Black-Scholes"). This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

##### *Income taxes*

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

##### *Expected credit losses on financial assets*

Determining an allowance for expected credit losses for amounts receivable and all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

## PHARMADRUG INC.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
For the Three Months Ended March 31, 2021 and 2020  
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### 2. Basis of Presentation (continued)

#### (e) Significant Accounting Judgments and Estimates (continued)

##### *Provisions*

The Company recognizes provisions if there is a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and the obligation can be reliably estimated. The amount recognized as a provision reflects management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

### 3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as noted in the Company's audited consolidated financial statements for the year ended December 31, 2020, unless otherwise noted below.

#### (a) Adoption of New Accounting Standards

The Company adopted the following amendments, effective January 1, 2021. These changes were made in accordance with the applicable transitional provisions:

##### *Amendments to IAS 1 – Presentation of Financial Statements (“IAS 1”)*

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. The Company early-adopted these amendments as permitted, and had assessed that the adoption of these amendments did not have any material impact on the unaudited condensed interim consolidated financial statements.

#### (b) Recent Accounting Pronouncements

As at the date of authorization of these unaudited condensed interim consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its unaudited condensed interim consolidated financial statements:

##### *Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)*

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

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### 4. Business Acquisition

#### *Sairiyo Acquisition*

On January 24, 2021, the Company entered into a share exchange agreement (the “Agreement”) to acquire Sairiyo, a biotechnology company focused on developing improved formulations of naturally-derived compounds for serious, rare, and life-threatening diseases.

On February 2, 2021 (the “Acquisition Date”), the Company completed the acquisition of Sairiyo (the “Sairiyo Acquisition”). Under the terms of the Agreement, the Company acquired all of the issued and outstanding shares of Sairiyo in consideration for the issuance of an aggregate of 75,000,000 units (“Units”) of Pharmadrug. Each Unit is comprised of one common share and one common share purchase warrant (“Warrant”) of Pharmadrug. Each Warrant entitles the holder thereof to acquire one common share in the capital of Pharmadrug at any time on or before the August 2, 2022 at an exercise price of \$0.10 per share.

Goodwill of \$5,894,237 is not tax deductible and was recognized due to the expected synergies from combining operations of the Company and Sairiyo. The Company determined that the Sairiyo Acquisition was a business combination in accordance to the definition of IFRS 3 – Business Combination, and as such, has accounted for it in accordance with this standard, with the Company being the acquirer on the Acquisition Date.

The following table sets forth a preliminary allocation of the purchase price to the assets acquired, based on the preliminary estimate of fair value. The preliminary allocation is subject to adjustments, specifically related to the valuation of intangible assets acquired:

	\$
<b>Purchase Price Consideration Paid</b>	
Fair value of common shares issued <sup>(i)</sup>	6,750,000
Fair value of warrants issued <sup>(ii)</sup>	3,593,184
	<b>10,343,184</b>
<b>Net Identifiable Assets Acquired</b>	
Cash	361,983
Licenses and rights to patents	4,101,760
Accounts payable and accrued liabilities	(14,796)
	<b>4,448,947</b>
<b>Goodwill</b>	<b>5,894,237</b>

Goodwill consists largely of the synergies and economies of scale expecting from combining the operations of the Company and Sairiyo. The synergies include improved sales and marketing, lower management salaries and wages, and the sharing of strategy development to commence value-adding research in the psychedelic space.

Consideration paid consisted entirely of shares and warrants of the Company which were measured at the estimated fair value on the date of the Sairiyo Acquisition, as follows:

- (i) The fair value of the 75,000,000 common shares, issued to former Sairiyo shareholders, was determined to be \$6,750,000 based on the closing share price of Pharmadrug on the Acquisition Date on February 2, 2021.
- (ii) The estimated fair value of the 75,000,000 Warrants as consideration are based on Black-Scholes with the following assumptions: current stock price – \$0.09 per share, expected dividend yield – 0%, expected volatility – 125%, risk-free interest rate – 0.15%, exercise price of \$0.10, and an expected life of 18 months. In making the assumptions for expected volatility, the Company used the estimated average volatility of comparable companies operating in the cannabis industry.

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### 5. Other Receivables

	March 31, 2021	December 31, 2020
	\$	\$
Sales taxes receivable	121,654	116,978
Trade receivables	39,594	37,342
Other receivables	62,776	29,374
	<b>224,024</b>	183,694

### 6. Inventories

As at March 31, 2021, the Company's inventories consisted of finished goods held with Pharmadrug GmbH in Germany, and the Smart Shop in the Netherlands. For the three months ended March 31, 2021, inventories of \$130,089 (2020 – \$140,306) were expensed and included in cost of goods sold.

### 7. Prepaid Expenses

	March 31, 2021	December 31, 2020
	\$	\$
Prepaid insurance	78,611	28,187
Advances made to suppliers and deposits	67,727	29,617
	<b>146,338</b>	57,804

### 8. Other Investments

#### *FSD Pharma Inc.*

On April 17, 2019, Pharmadrug entered into a share exchange transaction (the "Share Exchange Agreement") with FSD Pharma Inc. ("FSD"), a licensed producer under the Cannabis Act (Canada), whereby, among other things, FSD issued 13,181,019 FSD Class B Subordinate Voting Shares (the "FSD Shares") valued at \$3 million to the Company in exchange (the "FSD Share Exchange") for 13,562,387 Pharmadrug common shares ("Pharmadrug Shares") valued at \$3 million. The FSD Shares were collateralized by the Company against a Bridge Loan Facility (defined hereafter in Note 12) received from a private lender (the "Lender"). The Share Exchange Agreement governing the FSD Share Exchange contains adjustment provisions that depend on the price of the FSD Shares at the end of the statutory hold period. If the volume weighted average trading price of the FSD Shares is lower than the issuance price as of the hold period expiry date, FSD will issue the Company an additional number of FSD shares.

The Company classifies the FSD Shares at FVTPL, with gains and losses recorded in the consolidated statements of loss and comprehensive loss.

On August 19, 2019, the FSD Shares were sold for \$1,374,715, which was applied as a partial repayment on the Bridge Loan Facility. A realized loss of \$1,625,285 was recorded on the disposition of the FSD Shares.

On September 19, 2019, FSD issued an additional 12,440,298 common shares of FSD (the "FSD Additional Shares") to the Company as part of the make-whole provision, subject to the applicable statutory hold period. As the FSD Additional Shares were under the make-whole provision, they were assigned a cost of \$nil. Upon the expiry of the statutory hold period on the FSD Additional Shares, the Company may sell the FSD Additional Shares for gross proceeds that would be further used to repay the outstanding balance of the Bridge Loan Facility.

On October 11, 2019, FSD completed a consolidation of its Class A Multiple Voting Shares and the FSD Shares, each on a 1 to 201 basis (the "Consolidation"). As at December 31, 2019, the Company held a position of 61,892 post-Consolidation FSD Additional Shares measured at a fair value of \$440,052.

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### 8. Other Investments (continued)

#### *FSD Pharma Inc. (continued)*

On January 13, 2020, the 61,892 post-Consolidation FSD Additional Shares were sold for proceeds of \$741,375, which was applied as a partial repayment on the Bridge Loan Facility. For the three months ended March 31, 2020, a realized gain of \$221,321, and a fair value increase of \$80,062 upon the disposition of the FSD Additional Shares.

#### *Red Light Holland Corp.*

On July 16, 2020, the Company entered into a share exchange agreement (the “RLH Share Exchange”) with Red Light Holland Corp. (“RLH”), an Ontario-based corporation positioned to engage in the production, growth and sale of magic truffles to the legal, recreational market within the Netherlands.

Under the terms of RLH Share Exchange, the Company issued 9,333,333 Units to RLH at a price of \$0.075 per Unit, and RLH issued 4,242,424 units (the “RLH Units”) to Pharmadrug. Each RLH Unit is comprised of one common share in the capital of RLH (a “RLH Share”) and one RLH share purchase warrant (a “RLH Warrant”). Each RLH Warrant entitles the Company to purchase one additional RLH Share at an exercise price of \$0.26 for 48 months from issuance of the RLH Warrant, subject to an accelerated expiry option. On completion of the RLH Share Exchange, the RLH Shares and RLH Warrants were valued at \$305,836 and \$253,252, respectively, and were classified at FVTPL. As at December 31, 2020, the RLH Shares and Warrants were measured at a total fair value of \$2,269,504.

During the three months ended March 31, 2021, the Company disposed of the RLH Shares for total proceeds of \$1,214,454, and recorded a realized gain of \$903,060. As at March 31, 2021, the RLH Warrants were measured at a total fair value of \$1,032,409. During the three months ended March 31, 2021, the Company had recorded a fair value increase of \$56,844 on the RLH Warrants.

### 9. Property and Equipment

	Right-of-use assets	Office equipment	Total
	\$	\$	\$
<b>Cost at:</b>			
December 31, 2019	114,566	32,774	147,340
Additions	42,043	18,331	60,374
Disposals	(7,796)	-	(7,796)
Effects of foreign exchange on translation	8,053	2,304	10,357
December 31, 2020	156,866	53,409	210,275
Effects of foreign exchange on translation	(8,533)	(2,905)	(11,438)
<b>March 31, 2021</b>	<b>148,333</b>	<b>50,504</b>	<b>198,837</b>
<b>Accumulated depreciation at:</b>			
December 31, 2019	26,403	9,930	36,333
Depreciation	41,500	7,891	49,391
Effect of foreign exchange on translation	1,856	682	2,538
December 31, 2020	69,759	18,503	88,262
Depreciation	11,188	1,422	12,610
Effect of foreign exchange on translation	(746)	(1,140)	(1,886)
<b>March 31, 2021</b>	<b>80,201</b>	<b>18,785</b>	<b>98,986</b>
<b>Net book value:</b>			
December 31, 2020	87,107	34,906	122,013
<b>March 31, 2021</b>	<b>68,132</b>	<b>31,719</b>	<b>99,851</b>

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### 10. Intangible Assets and Goodwill

	Licenses and Permits	Supply Relationship	Goodwill	Total
	\$	\$	\$	\$
<b>Cost at:</b>				
December 31, 2019	5,556,278	394,202	4,287,713	10,238,192
Effects of foreign exchange on translation	390,145	27,214	301,372	718,731
December 31, 2020	5,946,423	421,416	4,589,084	10,956,923
Acquired on business acquisition	4,101,760	-	5,894,237	9,995,997
Effects of foreign exchange on translation	(323,457)	(22,923)	(249,624)	(596,004)
<b>March 31, 2021</b>	<b>9,724,726</b>	<b>398,493</b>	<b>10,233,697</b>	<b>20,356,916</b>
<b>Accumulated depreciation at:</b>				
December 31, 2019	701,834	49,867	-	751,701
Amortization	1,162,899	84,283	-	1,247,183
Effect of foreign exchange on translation	73,763	3,460	-	77,222
December 31, 2020	1,938,496	137,610	-	2,076,106
Amortization	290,248	20,589	-	310,837
Effect of foreign exchange on translation	(114,386)	(8,572)	-	(122,958)
<b>March 31, 2021</b>	<b>2,114,358</b>	<b>149,627</b>	<b>-</b>	<b>2,263,985</b>
<b>Net book value:</b>				
December 31, 2020	4,007,927	283,806	4,589,084	8,880,817
<b>March 31, 2021</b>	<b>7,610,368</b>	<b>248,866</b>	<b>10,233,697</b>	<b>18,092,931</b>

### 11. Accounts Payable and Accrued Liabilities

	March 31, 2021	December 31, 2020
	\$	\$
Trade payables	501,120	353,246
Accrued liabilities	89,840	208,884
	<b>590,960</b>	<b>562,130</b>

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

### 12. Loans Payable

#### Bridge Loan Facility

On May 9, 2019, the Company received a \$3 million bridge facility (the "Bridge Loan Facility") from the Lender, for which the proceeds were applied on closing of the Pharmadrug Acquisition. The Bridge Loan Facility bears interest at a rate of 18% per annum and matures on September 24, 2019. To secure the Bridge Loan Facility, the Company: (i) entered into a general security agreement ("GSA") with the Lender, (ii) granted the Lender exclusive control over the FSD Shares, and (iii) granted the Lender a power of attorney or trading authority in respect of the FSD shares.

On August 19, 2019, the FSD Shares were sold for \$1,374,715 and the proceeds were applied as a partial repayment on the principal amount of the Bridge Loan Facility.

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### 12. Loans Payable (continued)

#### *Bridge Loan Facility (continued)*

On October 3, 2019, the Bridge Loan Facility was amended to extend the maturity for a further six months to March 24, 2020 (the “Extended Maturity Date”). In connection to the Extended Maturity Date, the Company agreed to pay the Lender a restructuring fee of \$180,000 (the “Restructuring Fee”), payable in cash or in shares at the option of the Lender, and to also issue to the Lender additional shares having a value equal to 20% of the net proceeds from the sale of the FSD Additional Shares based on Pharmadrug’s share price.

On January 13, 2020, the remaining 61,892 post-Consolidation FSD Shares were sold for \$741,375 and the proceeds were further applied as a partial repayment on the principal amount of the Bridge Loan Facility.

During the three months ended March 31, 2020, the Company recorded interest of \$44,285 under the Bridge Loan Facility.

On July 16, 2020, the Company repaid the full balance of the Bridge Loan Facility through a combination of cash payment and issuance of common shares.

#### *Private loan*

On February 7, 2020, the Company secured a private loan (the “Private Loan”) of \$250,000 from an arm’s length third-party lender, in connection to a non-binding letter of intent (the “LOI”) previously entered on December 24, 2019. The Private Loan carries an interest rate of 9% per annum accruing every 90 days, payable on maturity with such interest increasing to 15% per annum from the date of the occurrence of an event of default. The Private Loan is secured by: (i) GSAs from the Company and its material subsidiaries, (ii) a pledge of shares by the Company of its interest in Pharmadrug GmBH, and (iii) guarantees from the Company’s material subsidiaries. The Private Loan is due on the earlier of: (i) the closing of a proposed transaction, and (ii) 180 days following the termination of the non-binding LOI. On May 21, 2020, the parties mutually terminated the LOI.

During the three months ended March 31, 2020, the Company recorded interest of \$2,800 under the Private Loan.

On June 29, 2020, the Company repaid the Private Loan.

### 13. Notes Payable

On January 28, 2019, the Company issued promissory notes (the “Notes”) in the principal amount of \$600,000, bearing interest at 2% per month and due on March 28, 2019. \$400,000 were advanced by the Chief Executive Officer (“CEO”) and a former officer of the Company, with the remaining balance being advanced from an arm’s length third-party. The Notes are payable on demand.

During the three months ended March 31, 2020, the Company recorded interest of \$36,000 under the Notes.

On July 17, 2020, the Company completed a restructuring on certain of its outstanding indebtedness (the “Restructuring”), of which (i) the \$400,000 principal amount of the Notes owing to the CEO and the arm’s length third-party, plus accrued interest of \$139,209, were exchanged as part of an aggregate of \$1,005,620 principal amount of 12% convertible debentures (the “Replacement Debentures”) maturing on July 17, 2023 (see Note 15(c) for details), and (ii) the remaining \$200,000 principal amount of the Notes owing to a former officer, plus accrued interest of \$69,604, were exchanged for 5,392,080 Units at a deemed price of \$0.05 per Unit. Each Unit is comprised of one common share and one-half (1/2) of a Warrant exercisable into one common share at \$0.07 per share at any time on or before July 17, 2023.



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### 14. Lease Liabilities

As part of the German operations under Pharmadrug GmbH, the Company is party to the following lease agreements as at March 31, 2021:

- (i) A lease for its office in Rostock, Germany expiring in June 2022.
- (ii) A lease for office equipment expiring in December 2023.
- (iii) A lease for a vehicle expiring in February 2022.
- (iv) A lease for office equipment expiring in January 2024, and
- (v) A lease for office equipment expiring in June 2026.

In the Netherlands, the Company is party to a lease for its retail location in the town of Tiel, in central Netherlands, expiring in September 2022.

The movements and carrying amounts of the Company's right-of-use assets under leases as per disclosed in Note 9, are summarized as follows:

	<b>Buildings and leaseholds</b>	<b>Office equipment</b>	<b>Total</b>
	\$	\$	\$
<b>Cost at:</b>			
December 31, 2019	81,515	33,051	<b>114,566</b>
Additions	26,584	15,460	<b>42,044</b>
De-recognition	(7,796)	-	<b>(7,796)</b>
Effects of foreign exchange on translation	5,729	2,323	<b>8,052</b>
December 31, 2020	106,032	50,834	<b>156,866</b>
Effects of foreign exchange on translation	(5,768)	(2,765)	<b>(8,533)</b>
<b>March 31, 2021</b>	<b>100,264</b>	<b>48,069</b>	<b>148,333</b>
<b>Accumulated depreciation at:</b>			
December 31, 2019	18,786	7,617	<b>26,403</b>
Depreciation	33,373	15,923	<b>49,296</b>
De-recognition	(7,796)	-	<b>(7,796)</b>
Effect of foreign exchange on translation	1,320	536	<b>1,856</b>
December 31, 2020	45,683	24,076	<b>69,759</b>
Depreciation	7,272	3,916	<b>11,188</b>
Effect of foreign exchange on translation	(2,720)	1,974	<b>(746)</b>
<b>March 31, 2021</b>	<b>50,235</b>	<b>29,966</b>	<b>80,201</b>
<b>Net book value:</b>			
December 31, 2020	60,349	26,578	<b>87,107</b>
<b>March 31, 2021</b>	<b>50,029</b>	<b>18,103</b>	<b>68,132</b>

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### 14. Lease Liabilities (continued)

The following table reflects the reconciliation of the lease liabilities as at March 31, 2021:

	\$
<b>Lease liabilities, December 31, 2019</b>	<b>94,443</b>
Additions	42,043
Lease payments	(52,349)
Interest on lease obligations	1,967
Effects of foreign exchange	6,650
<b>Lease liabilities, December 31, 2020</b>	<b>92,754</b>
Lease payments	(17,035)
Effects of foreign exchange	(1,748)
<b>Lease liabilities, March 31, 2021</b>	<b>73,971</b>
Current	<b>56,460</b>
Non-current	<b>17,511</b>
	<b>73,971</b>

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at March 31, 2021 are as follows:

	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years
	\$	\$	\$	\$	\$
Lease payments	125,518	64,606	30,198	11,569	19,145
	<b>125,518</b>	<b>64,606</b>	<b>30,198</b>	<b>11,569</b>	<b>19,145</b>

### 15. Convertible Debentures

#### (a) Unsecured Debentures

On October 26, 2018, the Company closed a non-brokered private placement offering of unsecured convertible debentures (the “Unsecured Debentures”) for gross proceeds of \$400,000. The Unsecured Debentures bear interest at a rate of 10% per annum, payable quarterly in arrears, and are due on October 26, 2020. Each Unsecured Debenture is convertible at the conversion price of \$0.365 into units of the Company consisting of one common share and one-half (1/2) of a Warrant, with each whole such Warrant exercisable at the conversion price of \$0.50 to acquire one common share of the Company for a period of 24 months from the date of issuance.

Total costs of raising the Unsecured Debentures include legal costs of \$20,000, which had been capitalized.

The Unsecured Debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debentures being less than face value. The discount is being accreted over the term of the debentures utilizing the effective interest rate method at a 23.15% discount rate.

On July 17, 2020, the Company completed the Restructuring, of which a \$400,000 principal amount of the Unsecured Debentures, plus accrued interest of \$45,632, were part of the exchange for an aggregate of \$1,005,620 principal amount of Replacement Debentures maturing on July 17, 2023 (see Note 15(c) for more details).

#### (b) Pharmadrug Debentures

On June 12, 2020, the Company entered into a definitive agreement with Interrobang d/b/a Super Smart, pursuant to which Pharmadrug acquired all of the issued and outstanding shares of Super Smart, to be effected by way of a three-cornered amalgamation between Pharmadrug, Super Smart and a wholly-owned subsidiary of Pharmadrug (the “Super Smart Transaction”).

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### 15. Convertible Debentures (continued)

#### *(b) Pharmadrug Debentures (continued)*

On June 15, 2020, the Super Smart Transaction closed. Pursuant to the terms of the Super Smart Transaction, each Super Smart share, warrant or finder's warrants was exchanged for one equivalent security in the capital of Pharmadrug. Super Smart previously issued on May 23, 2020, 2,500 subscription receipts (the "Debentures Subscription Receipts") for an outstanding principal amount of \$2,500,000 of senior secured convertible debentures (the "Super Smart Debentures"). Each Debentures Subscription Receipt entitles the holder to receive, without payment of any additional consideration or further action, and subject to adjustment, one 12% senior secured Super Smart Debenture automatically immediately prior to the completion of the Super Smart Transaction. The purchase price and other terms of the Super Smart Transaction were negotiated at arm's length with the Board of Pharmadrug and Interrobang.

On completion of the Super Smart Transaction, the Debentures Subscription Receipts were converted into the Super Smart Debentures, which were then exchanged pursuant to their terms into debentures of Pharmadrug (the "Pharmadrug Debentures") which bear interest at a rate of 12% per annum from the date of issue payable monthly in cash and ranking pari passu with one another. The Pharmadrug Debentures are secured by first ranking security of Super Smart and second ranking security of Pharmadrug. The Pharmadrug Debentures mature three years from the issuance date, on May 19, 2023 (the "Maturity Date").

Pharmadrug has a right to prepay or redeem a part or the entire principal amount of the Pharmadrug Debentures at par plus accrued and unpaid interest at any time by providing written notice of the date (the "Redemption Date") for such redemption to the holder at least a minimum of 30 days and a maximum 60 days' prior to the Redemption Date. Each Pharmadrug Debenture is convertible into Units at the option of the holder at any time prior to the close of the third business day prior to the earlier of: (i) the Maturity Date and (ii) the Redemption Date at a price of \$0.05 per Unit with each Unit consisting of one common share of Pharmadrug (the "Pharmadrug Share") and one-half (1/2) of a common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Pharmadrug Share at an exercise price of \$0.05 for a period of 36 months from the date of issuance of the Pharmadrug Debentures. In the event that the Pharmadrug Shares have a closing price on such exchange on which the Pharmadrug Shares may be traded at such time of greater than \$0.15 per share for a period of 10 consecutive trading days, the Company will be able to cause the Pharmadrug Debentures to be converted into Units.

The Pharmadrug Debentures are compound financial instruments. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The fair value of the liability was calculated as \$2,500,000 using a discount rate of 12%. No proceeds were allocated to the conversion option.

From the period from the completion of the Super Smart Transaction to December 31, 2020, holders had converted a combined total of \$2,215,000, principal amount of the Pharmadrug Debentures resulting in the issuance of 44,300,000 Units of the Company. On conversions, the Company reduced the carrying amount of the liability by \$2,215,000.

During the three months ended March 31, 2021, the remaining principal amount of \$285,000 of the Pharmadrug Debentures were converted by holders into 5,700,000 Units of the Company.

#### *(c) Replacement Debentures*

On July 17, 2020, the Company completed the Restructuring on certain of its outstanding indebtedness. Under the terms of the Restructuring, (i) the \$400,000 principal amount of the Unsecured Debentures plus accrued interest of \$45,632 (see Note 16(a)), and (ii) the \$400,000 principal amount of the Notes owing to the CEO and an arm's length third-party plus accrued interest of \$139,209 (see Note 13), were exchanged for an aggregate of \$1,005,620 principal amount of the Replacement Debentures. The Replacement Debentures bear interest at a rate of 12% per annum, payable annually in arrears, and are due on July 17, 2023. The Replacement Debentures are convertible into Units at a price of \$0.05 per Unit. Each Unit is comprised of one common share and one-half (1/2) of a Warrant exercisable into one common share at \$0.07 per share at any time on or before July 17, 2023.

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### 15. Convertible Debentures (continued)

#### (c) Replacement Debentures (continued)

The Company also assessed whether the exchange of debt amounted to a substantial modification of the terms of the of the existing debts. The 'exchange' of the debts into the Replacement Debentures is intended to defer the overdue repayment of interest and principal to a later time period. However, the obligations remained with the same creditors. The Company assessed whether the 'exchange' amounted to a substantial modification of the terms of the of the existing debts.

In determining whether the change of terms is substantially different, the Company determined whether the present value of the new cash flows under the Replacement Debentures is at least 10% different from the present value of remaining balance under the old debts. It was assessed that the difference is greater than 10%, and the Notes and the Unsecured Debentures were derecognized and accounted for as extinguishments, with the Replacement Debentures being recognize separately.

The present value of the Replacement Debentures was valued at \$791,460, with the present value of the old debts determined to be \$1,005,620 (as the Notes were already due on demand, and with the Unsecured Debentures approaching its maturity, their respective carrying amounts were taken as their present value at the time of the exchange).

The Replacement Debentures are compound financial instruments. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The face value of the liability was calculated using a discount rate of 20%.

The difference between the principal amount of the Replacement Debentures and the discounted cash flows is allocated to the conversion feature which was classified within equity, using the residual value method. Accretion of the liability portion and interest payable on the Convertible Debentures are included in finance costs in the consolidated statements of loss and comprehensive loss.

On December 18, 2020, a principal amount of \$134,802 of the Replacement Debentures were converted into 2,696,045 Units of the Company at a conversion price of \$0.05 when the carrying of the liability was \$115,047.

During the three months ended March 31, 2021, the Company had recorded accretion expense on the Replacement Debentures of \$35,434 which is included in finance costs on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of convertible debentures as at March 31, 2021:

	\$
<b>Balance, December 31, 2019</b>	<b>404,431</b>
Issuance on business acquisition	2,500,000
Conversion of Pharmadrug Debentures into common shares	(2,215,000)
Extinguishment of Unsecured Debentures	(445,632)
Issuance of Replacement Debentures on settlement	791,460
Interest and accretion expense	175,005
Conversion of Replacement Debentures	(115,047)
Payment of interest on debentures	(62,135)
<b>Balance, December 31, 2020</b>	<b>1,033,082</b>
Interest and accretion expense	35,434
Conversion of Pharmadrug Debentures into common shares	(285,000)
Payment of interest on debentures	(1,635)
<b>Balance, March 31, 2021</b>	<b>781,881</b>

## PHARMADRUG INC.

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### 16. Share Capital

#### *Authorized share capital*

The Company is authorized to issue an unlimited number of common shares without par value.

#### *Authorized share capital*

The Company is authorized to issue an unlimited number of common shares without par value.

Common shares issued and outstanding as at March 31, 2021 are as follows:

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Issued: 339,016,383 common shares (December 31, 2020 – 241,632,183)	<b>30,428,680</b>	21,831,792

#### *Share capital transactions for the three months ended March 31, 2021*

On February 2, 2021, the Company issued 75,000,000 Units in exchange for common shares of Sairiyo on closing of the Sairiyo Acquisition (see Note 4). Each Unit is comprised of one common share of the Company and one Warrant exercisable at a price of \$0.10 for 18 months from closing of the Sairiyo Acquisition.

During the three months ended March 31, 2021, the remaining principal amount of \$285,000 of the Pharmadrug Debentures were converted into 5,700,000 Units of the Company at a price of \$0.05 per share. Each Unit is comprised of one common share of the Company and one-half (1/2) of a Warrant exercisable at \$0.05 for a period of 36 months from the date of issuance of the Pharmadrug Debentures (see Note 15(b)).

During the three months ended March 31, 2021, 850,000 common shares were issued as a result of the exercise of options for cash proceeds of \$72,250.

During the three months ended March 31, 2021, 14,481,400 common shares were issued as a result of the exercise of Warrants for cash proceeds of \$724,070.

During the three months ended March 31, 2021, 1,352,800 common shares were issued as a result of the exercise of Finders' Warrants for cash proceeds of \$67,640.

During the three months ended March 31, 2021, 531,840 common shares were also issued as a result of the exercise of broker options for cash proceeds of \$26,592.

#### *Share capital transactions for the three months ended March 31, 2020*

There were no share capital transactions during the three months ended March 31, 2020.

### 17. Reserve for Share-Based Payments

The Company maintains a stock option plan (the "Option Plan") whereby certain key officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Option Plan is limited to 10% of the number of issued and outstanding common shares. Under the Option Plan, the exercise price of each option may not be less than the closing price of the Company's shares on the trading day prior to the grant date or the grant date itself, whichever is higher. Vesting of options is determined at the discretion of the Board.

As at March 31, 2021, the Company had 13,551,638 common shares available for issuance under the Option Plan.

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### 17. Reserve for Share-Based Payments (continued)

The following summarizes the stock option activity for the three months ended March 31, 2021 and 2020:

	March 31, 2021		March 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
<b>Outstanding, beginning of period</b>	<b>16,350,000</b>	<b>0.09</b>	3,132,000	0.20
Granted	5,200,000	0.085	-	-
Exercised	(850,000)	0.085	-	-
Expired	(350,000)	0.235	-	-
Cancelled	-	-	(350,000)	0.31
<b>Outstanding, end of period</b>	<b>20,350,000</b>	<b>0.08</b>	2,770,000	0.19
<b>Exercisable, end of period</b>	<b>12,308,333</b>	<b>0.09</b>	2,645,000	0.19

#### *Option grants for the three months ended March 31, 2021*

On February 4, 2021, the Company granted 4,250,000 options to various officers and directors at an exercise price of \$0.085, expiring on February 4, 2021, of which these options vest in one-third increments after three months, six months and 12 months until fully vested. The Company also granted 950,000 options to various consultants under the same terms and expiry, of which the options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.47%, forfeiture rate of 0% and an expected life of five years. The grant date fair value attributable to these options was \$388,313, of which \$184,405 was recorded as share-based compensation in connection with the vesting of these options during the three months ended March 31, 2021.

#### *Option grants for the three months ended March 31, 2020*

There were no option grants during the three months ended March 31, 2020.

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2021:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	\$	Years
May 24, 2021	100,000	100,000	0.22	0.15
May 28, 2021	600,000	475,000	0.22	0.16
September 24, 2021	300,000	300,000	0.31	0.48
May 31, 2025	5,500,000	5,500,000	0.11	4.17
August 31, 2025	8,500,000	4,833,333	0.05	4.42
December 8, 2025	1,000,000	1,000,000	0.06	4.69
February 4, 2026	4,350,000	100,000	0.085	4.85
	<b>20,350,000</b>	<b>12,308,333</b>	<b>0.09</b>	<b>4.25</b>

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### 18. Reserve for Warrants

The following summarizes the warrant activity for the three months ended March 31, 2021 and 2020:

	March 31, 2021		March 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted Average exercise price
	#	\$	#	\$
<b>Outstanding, beginning of period</b>	<b>68,493,942</b>	<b>0.12</b>	25,213,698	0.30
Issued from business acquisition	75,000,000	0.10	-	-
Issued from conversion of debentures	2,850,000	0.05	-	-
Exercised	(15,157,800)	0.05	-	-
Expired	(5,869,159)	0.25	-	-
<b>Outstanding, end of period</b>	<b>125,316,981</b>	<b>0.12</b>	25,213,698	0.30

#### *Warrant issuances for the three months ended March 31, 2021*

On February 2, 2021, the Company issued 75,000,000 Warrants to warrant holders of Sairiyo on completion of the Sairiyo Acquisition (see Note 4).

During the three months ended March 31, 2021, the remaining principal amount of \$285,000 of the Pharmadrug Debentures were converted into 5,700,000 Units, where 2,850,000 Warrants exercisable at \$0.05 were issued (see Note 15(b)).

#### *Warrant issuances for the three months ended March 31, 2020*

There were no warrant issuances during the three months ended March 31, 2020.

The following table summarizes information of warrants outstanding as at March 31, 2021:

<b>Date of expiry</b>	<b>Number of warrants outstanding</b>	<b>Exercise price</b>	<b>Weighted average remaining contractual life</b>
	#	\$	Years
April 17, 2021	813,743	0.22	0.05
May 9, 2021	12,280,912	0.28	0.11
August 2, 2022	75,000,000	0.10	1.34
June 12, 2023	9,415,750	0.05	2.20
June 15, 2023	7,240,000	0.05	2.21
July 17, 2023	7,218,545	0.07	2.30
July 17, 2023	1,348,023	0.05	2.30
July 16, 2024	3,600,000	0.08	3.30
July 16, 2024	8,400,000	0.13	3.30
	<b>125,316,981</b>	<b>0.11</b>	<b>1.58</b>

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### 19. Key Management Personnel Compensation and Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

#### *Key management personnel compensation*

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2021 and 2020 were as follows:

	2021	2020
	\$	\$
Management salaries and consulting fees	30,000	-
Professional fees	47,500	23,500
Share-based compensation	151,554	-
	<b>229,054</b>	<b>23,500</b>

Effective September 1, 2020, the Company and the CEO entered into an executive agreement, whereas the Company agreed to pay an annual base salary of \$120,000 for CEO services. The annual base salary shall be increased to \$180,000, exclusive of bonuses, benefits and other compensation, once the Company has raised a minimum of \$1,500,000. During the three months ended March 31, 2021, the Company recorded management salaries of 30,000 in relation to the CEO's employment compensation. During the three months ended March 31, 2020, the CEO did not charge the Company for any consulting services provided for. As at March 31, 2021, no balance was owed to the CEO (December 31, 2020 – \$nil).

During the three months ended March 31, 2021, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") and Corporate Secretary of the Company is employed, charged fees of \$47,500 (2020 – \$23,500), for providing CFO services to the Company, as well as other accounting and administrative services. As at March 31, 2021, no balance was owed to Branson (December 31, 2020 – \$39,550, included in accounts payable and accrued liabilities).

On August 31, 2020, the Company granted 5,500,000 options to various officers and directors an exercise price of \$0.05, expiring on August 31, 2025. The options vest in one-third increments after six months, 12 months and 18 months until fully vested. The grant date fair value attributable to these options was \$154,971, of which \$38,091 was recorded as share-based compensation in connection with the vesting of these options during the three months ended March 31, 2021.

On February 4, 2021, the Company granted 4,250,000 options to various officers and directors at an exercise price of \$0.085, expiring on February 4, 2021. These options vest in one-third increments after three months, six months and 12 months until fully vested. The grant date fair value attributable to these options was \$317,371, of which \$113,463 was recorded as share-based compensation in connection with the vesting of these options during the three months ended March 31, 2021.

### 20. Non-Controlling Interest

The 20% interest attributable is presented as "non-controlling interest" within shareholders' equity on the unaudited condensed interim consolidated statements of financial position. For the three months ended March 31, 2021, the Company recorded a net loss of \$92,800 (2020 – net loss of \$90,804) attributable to the non-controlling interest.



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### **21. Capital Management**

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, equity component of convertible debentures, reserves for share-based payments and warrants, accumulated other comprehensive loss and accumulated deficit. As at March 31, 2021, the Company's capital consisted of an equity attributable to the shareholders of Pharmadrug Inc. of \$19,622,814 (December 31, 2020 – equity attributable to the shareholders of Pharmadrug Inc. of \$9,657,057).

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements and issuance of convertible debentures. There can be no assurance that the Company will be able to continue raising capital in this manner.

The Company is not subject to externally imposed capital requirements.

### **22. Financial Risks**

#### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, other receivables and note receivable, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with reputable chartered banks in Canada, Germany and the Netherlands, and in trust with the Company's legal counsel. Management believes that the credit risk concentration with respect to financial instruments included in cash and other receivables is minimal.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities.

As at March 31, 2021, the Company had a cash balance of \$3,532,912 (December 31, 2020 – \$2,134,866) and liquid investments valued at \$1,032,409 (December 31, 2020 – \$2,269,504), to settle current liabilities of \$647,420 (December 31, 2020 – \$619,303).

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### 22. Financial Risks (continued)

#### *Liquidity risk (continued)*

As at March 31, 2021, the Company had the following contractual obligations:

	Less than 1 year	1 to 3 years	3 to 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	647,420	-	-	647,420
Lease liabilities	64,606	41,767	19,145	125,518
Provisions	86,306	-	-	86,306
Convertible debentures	-	781,881	-	781,881
<b>Total</b>	<b>798,332</b>	<b>823,648</b>	<b>19,145</b>	<b>1,641,125</b>

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

During the year ended December 31, 2020, the Company completed the Restructuring in order to improve its solvency and liquidity position. Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position as at period-end.

#### *COVID-19*

In December 2019, COVID-19 surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout Europe and the Middle East and there have been cases of COVID-19 in Canada and the U.S., and has continued to cause companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The duration of the business disruptions internationally and related financial impact to the global economy remains highly uncertain at this time, as COVID-19 continues to evolve.

The Company's German operations had been impacted by limited supply of cannabis products caused by shipment delays from the Netherlands, but management expects the situation to improve once lockdown restrictions will be lifted with vaccine roll-out. Ultimately, the extent to which the COVID-19 pandemic impacts the Company's financial results will depend on future developments, which remain highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic and actions taken to contain it or its impact, among others. 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 Canada, Germany, the Netherlands and other countries to fight the virus. While the extent of the impact remains unknown, the Company anticipates this outbreak may cause supply chain disruptions, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

#### *Market risk*

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices. A 1% change in closing trade price of the Company's other investments would impact net income or loss by approximately \$10,300 based upon balances as at March 31, 2021.

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### 22. Financial Risks (continued)

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates. As at March 31, 2021, the Company had no hedging agreements in place with respect to floating interest rates.

#### *Foreign exchange risk*

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company has operations in Europe where there are financial instruments and transactions denominated in foreign currencies, notably in EUR. The Company's primary exposure to foreign exchange risk is that transactions denominated in EUR may expose the Company to the risk of exchange rate fluctuations.

#### *Fair value*

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, other receivables, other investments accounts payables and accrued liabilities, lease liabilities and convertible debentures.

The fair value of cash, receivables, other investments, and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair values of the lease liabilities and convertible debentures approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Other investments	-	1,032,409	-	<b>1,032,409</b>

As at March 31, 2021, the Company's financial instruments carried at fair value consisted of its other investments, which have been classified as Level 2 (for investments in warrants securities). There were no other transfers between Levels 2 and 3 for recurring fair value measurements during the three months ended March 31, 2021 and the year ended December 31, 2020.

### 23. Contingencies

The Company's cannabis operations are subject to a variety of local regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. In Germany, the legalization of medical cannabis in March 2017 gave rise to a formal medical cannabis program nationwide. However, Germany does not currently have a legally permissible adult-use, or recreational cannabis market. While management believes that the Company is in compliance with applicable local regulations as at March 31, 2021, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

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### 23. Contingencies (continued)

The Company may, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Liabilities associated with legal proceedings are recorded when: (i) the liabilities are a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligations, and (iii) a reliable estimate can be made of the amount of obligation. As at March 31, 2021, the Company had the following claims:

On August 20, 2019, THoR Beteiligungen GmbH (“THoR”) incorrectly transferred an amount of €6,804 to Pharmadrug GmbH’s business account and subsequently demanded its repayment. On October 22, 2019, Pharmadrug GmbH declared that the Company would offset this amount against a counterclaim against THoR, which subsequently issued a notice of assignment, according to which the claim had been assigned to Pharmadrug International GmbH (“Pharmadrug International”) on September 27, 2019. Pharmadrug International has since filed a claim for repayment of a mismatch transfer against Pharmadrug GmbH for the same amount.

On February 21, 2020, Thor Investments GmbH (“Thor Investments”) filed a lawsuit with Pharmadrug GmbH for a repayment of a loan in the amount of €34,222 plus interest. The loan with Thor Investments dates back to March 2019.

As at March 31, 2021, the Company had recorded a provision of approximately \$86,306 (€58,747) for the estimated potential damages it is expected to pay out on the above claims.

### 24. Commitments

On July 21, 2020, the Company entered into a supply agreement (the “NMC Supply Agreement”) with Natural MedCo Ltd., a Canadian Licensed Producer of medical cannabis and a wholly-owned subsidiary of Eve & Co Incorporated, for bulk and finished EuGMP medical cannabis. Pursuant to the NMC Supply Agreement, the Company is required to purchase and import into Germany between 250 to 500 kg of cannabis flower on a bulk basis. The NMC Supply Agreement shall remain in force and effect for a period of three years, and will automatically renew for additional successive two-year terms.

On January 4, 2021, the Company entered into a supply agreement with a Canadian-based multinational cannabis company for EuGMP certified medical cannabis. The supply is already registered and approved for sale in the German market. Pursuant to the supply agreement, Pharmadrug GmbH will purchase branded medical cannabis from the supplier’s German subsidiary. Pharmadrug GmbH has already received regulatory approval to distribute the cannabis and the product has been added to their license. The flower will be imported into Germany by the global supplier and sold under the supplier’s medical cannabis brand.

### 25. Segmented Information

As at March 31, 2021, the Company’s operations comprise of the corporate division and Sairiyo in Canada, the distribution operations of medical cannabis in Germany, and the retail Smart Shop in the Netherlands. As at and for the three months ended March 31, 2021 and 2020, the breakdown between operations in Canada, Germany and the Netherlands are as follows:

*As at and for the three months ended March 31, 2021*

	Canada	Germany	Netherlands	Total
	\$	\$	\$	\$
Non-current assets	9,995,997	8,162,881	33,904	18,192,782
Revenue	-	136,655	-	136,655

*As at and for the three months ended March 31, 2020*

	Canada	Germany	Total
	\$	\$	\$
Non-current assets	-	9,927,022	9,927,022
Revenue	-	178,615	178,615

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### **26. Reclassification of Comparative Figures**

For comparative purposes, the Company had reclassified certain items on the unaudited condensed interim consolidated statements of loss and comprehensive loss and the unaudited condensed interim consolidated statements of cash flows to conform with current period's presentation.

### **27. Subsequent Events**

On April 17, 2021, 813,743 Compensation Options previously issued in connection to the Share Exchange with FSD exercisable at \$0.22, expired unexercised.

On May 9, 2021, 12,280,912 Warrants exercisable at \$0.28, expired unexercised.

On May 12, 2021, the Company granted 2,000,000 options to an officer. The options are exercisable at a price of \$0.09 per common share for a period of five years. 500,000 options vested immediately on grant; 750,000 options will vest six months from date of issuance, and the remaining 750,000 options will vest 12 months from date of issuance.

On May 24, 2021, 100,000 options exercisable at \$0.22, expired unexercised.

On May 28, 2021, 600,000 options exercisable at \$0.22, also expired unexercised.

Subsequent to March 31, 2021, the Company issued 1,300,000 common shares as a result of the exercises of 1,300,000 Warrants for cash proceeds of \$65,000.