



BIOME GROW INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED)

(Expressed in Canadian Dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2020.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Biome Grow Inc. for the interim period ended March 31, 2020, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Manning Elliott LLP, have not performed a review of these interim financial statements

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BIOME GROW INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars) - Unaudited

	Note	March 31 2020	December 31 2019
ASSETS			
Current Assets			
Cash		\$ 173,819	\$ 1,564,805
Restricted cash	11(c)	500,000	500,000
Amounts receivable	4	1,286,930	1,365,864
Prepaid expenses and deposits	5	184,604	181,548
Biological assets	6	169,713	168,258
Inventory	7	1,993,908	2,278,686
Total current assets		4,308,974	6,059,161
Deferred tax asset		176,667	265,000
Property, plant and equipment	8	3,213,565	3,273,061
Goodwill	9	4,374,313	4,374,313
TOTAL ASSETS		\$ 12,073,519	\$ 13,971,535
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11(c),15	\$ 4,023,209	\$ 3,875,695
Lease liability	10	21,316	-
Loans payable	11(a)(b)	1,650,000	1,250,000
Total current liabilities		5,694,525	5,125,695
Lease liability	10	26,684	-
Loans payable	11(c)	1,353,870	1,926,571
Total liabilities		7,075,079	7,052,266
EQUITY			
Share capital	12	23,110,095	23,110,095
Shares issuable		500,000	515,000
Reserves		2,464,531	2,464,531
Deficit		(21,076,186)	(19,170,357)
Total equity		4,998,440	6,919,269
TOTAL LIABILITIES AND EQUITY		\$ 12,073,519	\$ 13,971,535

Nature of operations (Note 1)

Commitments (Note 16)

Subsequent events (Note 17)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 27, 2020. They are signed on the Company's behalf by:

"KHURRAM MALIK"

Director

"MICHAEL WIENER"

Director

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

BIOME GROW INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

	Note	2020	2019
Revenue		\$ 1,718,480	\$ 340,574
Cost of sales		1,491,033	136,151
Gross margin before fair value changes		227,447	204,423
Changes in fair value of inventory sold	7	(43,434)	-
Unrealized gain on fair value of biological assets	6	32,474	426,301
		216,487	630,724
Operating expenses			
Accretion expense	11(c)	427,299	-
Advertising and promotion		3,238	233,444
Consulting	15	34,234	62,916
Depreciation	8	56,698	63,744
Insurance		112,345	62,343
Office and miscellaneous		54,141	178,886
Professional fees		81,476	61,314
Salaries and wages		275,403	537,968
Transfer agent fees		7,447	15,665
Travel		24,541	8,654
Utilities		9,531	47,619
		1,086,353	1,272,553
Net loss before other items		(869,866)	(641,829)
Other items			
Interest expense	10,11	(59,208)	-
Write-off of inventory	7	(888,422)	-
Net loss before income taxes		(1,817,496)	(641,829)
Deferred income tax expense	11(c)	88,333	-
Net loss and comprehensive loss for the period		\$ (1,905,829)	\$ (641,829)
Net loss per share			
Basic and diluted		\$ (0.02)	(0.01)
Weighted average number of common shares outstanding			
Basic and diluted		111,599,899	110,256,309

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

BIOME GROW INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars - Unaudited)

	Common shares		Special Class C Shares	Subscriptions Receivable	Shares Issuable	Reserves	Deficit	Total
	Number of Shares	Amount						
Balance, December 31, 2018	110,128,609	\$ 20,366,283	\$ 2,336,000	\$ -	\$ 515,000	\$ 1,485,056	\$ (9,689,529)	\$ 15,012,810
Warrant exercised	120,420	26,251	-	(15,000)	-	-	-	11,251
Share issued for services and settlement of accounts payable	32,786	20,000	-	-	-	-	-	20,000
Net loss for the period	-	-	-	-	-	-	(641,829)	(641,829)
Balance, March 31, 2019	110,281,815	\$ 20,412,534	\$ 2,336,000	\$ (15,000)	\$ 515,000	\$ 1,485,056	\$ (10,331,358)	\$ 14,402,232
Warrants exercised	287,500	57,500	-	15,000	-	-	-	72,500
Share issued for services and settlement of accounts payable	1,030,584	261,471	-	-	-	-	-	261,471
Recovery of share issuance costs	-	42,590	-	-	-	-	-	42,590
Fair value of warrants issuable	-	-	-	-	-	979,475	-	979,475
Net loss for the period	-	-	-	-	-	-	(8,838,999)	(8,838,999)
Balance, December 31, 2019	111,599,899	\$ 20,774,095	\$ 2,336,000	\$ -	\$ 515,000	\$ 2,464,531	\$ (19,170,357)	\$ 6,919,269
Cancellation of shares issuable	-	-	-	-	(15,000)	-	-	(15,000)
Net loss for the period	-	-	-	-	-	-	(1,905,829)	(1,905,829)
Balance, March 31, 2020	111,599,899	\$ 20,774,095	\$ 2,336,000	\$ -	\$ 500,000	\$ 2,464,531	\$ (21,076,186)	\$ 4,998,440

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

BIOME GROW INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

	Note	2020	2019
Operating activities			
Net loss for the period		\$ (1,905,829)	\$ (641,829)
Adjustments for non-cash items:			
Depreciation	8	56,698	63,744
Unrealized gain on fair value of biological assets	6	(32,474)	(426,301)
Changes in fair value of inventory sold	7	43,434	-
Wages and salaries		(15,000)	-
Accretion	11(c)	427,299	-
Interest expense	10,11(c)	51,507	-
Deferred income tax expense		88,333	-
Write-off of inventory	7	888,422	-
Changes in non-cash working capital items:			
Amounts receivable		78,934	158,080
Prepaid expenses and deposits		(3,056)	(148,238)
Biological assets		31,019	38,798
Inventory		(647,078)	97,353
Accounts payable and accrued liabilities		146,667	(239,654)
Net cash used in operating activities		(791,124)	(1,098,047)
Investing activities			
Additions of property, plant and equipment	8	-	(554,317)
Return of equipment	8	55,064	-
Cash provided by (used in) investing activities		55,064	(554,317)
Financing activities			
Advances from short-term loan	11(a)(b)	400,000	500,000
Shares issued to employees	12	-	20,000
Shares issued pursuant to exercise of warrants	12	-	11,251
Repayment of loan payable	11(c)	(1,000,000)	-
Interest paid on loan payable	11(c)	(50,660)	-
Repayment of lease liability	10	(4,266)	-
Cash (used in) provided by financing activities		(654,926)	531,251
Decrease in cash		(1,390,986)	(1,121,113)
Cash, beginning of the period		1,564,805	1,859,505
Cash, end of the period		\$ 173,819	\$ 738,392

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

BIOME GROW INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

1. NATURE OF OPERATIONS

Biome Grow Inc. (the "Company") was incorporated under the *Business Corporations Act* of British Columbia on December 31, 2013. The head office and principal business location of the Company is 1401-480 University Avenue, Toronto, Ontario.

On October 3, 2018, the Company acquired Cultivator Catalyst Corp. ("CCC") through a reverse acquisition. CCC was incorporated on November 22, 2016, under the laws of the Province of Ontario.

The Company's principal business activity is pursuing opportunities in the cannabis industry. On May 19, 2017, the Company acquired 100% interest in Highland Grow Inc. ("HGI"). As at March 31, 2020, HGI holds a licence to cultivate, process and sell cannabis in accordance with the Cannabis Act and Cannabis Regulations in Canada. During the period ended March 31, 2020, HGI cultivated and produced cannabis at its facility located in the province of Nova Scotia.

These unaudited condensed interim consolidated financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. The Company has incurred losses since its inception and has an accumulated deficit of \$21,076,186 as at March 31, 2020. There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future.

In March 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. BASIS OF PRESENTATION

a) Statement of compliance

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee. As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years December 31, 2019 and 2018 ("annual financial statements").

b) Reclassification of Prior Year Amounts

The Company has reclassified certain immaterial items on the comparative consolidated statements of operations and comprehensive loss to conform with current period presentation.

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

2. BASIS OF PRESENTATION (continued)

c) Basis of consolidation

These interim financial statements include the accounts of the Company and the following Canadian subsidiaries:

Subsidiaries	Percentage ownership
Cultivator Catalyst Corp.	100%
Great Lake Cannabis Company Inc.	100%
Highland Grow Inc.	100%
Red Sands Craft Cannabis Company Inc.	100%
The Back Home Medical Cannabis Corporation	100%
Weed Virtual Retail Inc.	100%

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 to the Company's audited annual financial statements. The following is a condensed version of some of the policies applicable to these interim financial statements:

a) Significant accounting judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Significant accounting judgments and estimates(continued)

Estimated useful lives and impairment considerations

Depreciation and amortization of property, plant and equipment and intangible assets are 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 that take into account factors such as economic and market conditions and the useful lives of assets.

Share-based compensation and warrants

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. In calculating the fair value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the common share, and the risk-free interest rate.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assess whether it is probable that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Going concern

Management applies judgment in its evaluation of the Company's ability to continue as a going concern.

b) Revenue recognition

The Company's revenue is comprised of sales of its products which consists of cannabis which is internally harvested and purchased from wholesale suppliers for resale purposes. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

Effective October 17, 2018, Canada Revenue Agency ("CRA") began levying an excise tax on the sale of medical and consumer cannabis products. The Company becomes liable for these excise duties when cannabis products are delivered to the customer. The excise taxes payable is the higher of (i) a flat-rate duty which is imposed when a cannabis product is packaged, and (ii) an advalorem duty that is imposed when a cannabis product is delivered to the customer. Effective May 1, 2019, excise tax calculated on edible cannabis products, cannabis extracts and cannabis topicals will prospectively be calculated as a flat rate based on the quantity of total tetrahydrocannabinol (THC) contained in the final product. There were no changes in the legislation in calculating excise taxes for fresh cannabis, dried cannabis, seeds and plants. Where the excise

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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tax has been billed to customers, the Company has reflected the excise tax as part of revenue in accordance

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

with IFRS 15. Revenue from sale of goods, as presented on the consolidated statements of comprehensive loss, represents revenue from the sale of goods less applicable excise taxes. Given that the excise tax payable/paid to CRA cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that affects gross margin to the extent that it is not recovered from its customers.

c) Biological assets

While the Company's biological assets, consisting of cannabis plants, are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, utilities, facilities costs. Capitalized costs are subsequently recorded and expensed when inventory is sold in the consolidated statements of comprehensive loss in the period that the related product is sold.

The Company measures biological assets, at fair value less cost to sell up to the point of harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are separately recorded in the consolidated statement of comprehensive loss for the related period.

The Company values cannabis plants at cost, which approximates fair value from the date of initial clipping from mother plants until the plants begin the propagation cycle. The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less processing and selling costs.

The selling price used in the valuation of biological assets is based on the average selling price of all cannabis products and can vary based on strain, as well as the proportion derived from wholesale compared to retail. Expected yield is also subject to a variety of factors including strain and length of growth cycle.

c) Inventory

The Company values inventories at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined using the weighted average cost basis.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write down previously recorded is reversed.

Storage costs, indirect administrative overhead and certain other selling costs related to inventories are expensed in the period incurred.

d) Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair

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(Expressed in Canadian dollars) - Unaudited

value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of long-lived assets (continued)

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.

e) Goodwill

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

f) Property, plant and equipment

Property and equipment are measured at cost less accumulated amortization and impairment losses. The Company uses the following amortization rates for its property and equipment:

Building	25 years	straight line
Computer and software	5 years	straight line
Equipment	5 years	straight line
Leasehold improvements	Lease term	straight line
Leased vehicles	Lease term	straight line

g) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

h) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive loss except to the extent that it related to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars) - Unaudited

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Income taxes

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

i) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued. The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units.

j) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

4. AMOUNTS RECEIVABLE

	March 31, 2020	December 31, 2019
Trade receivables	\$ 582,286	\$ 669,873
GST receivable	704,644	695,991
	\$ 1,286,930	\$ 1,365,864

GST Receivable includes both GST and HST amounts receivable.

5. PREPAID EXPENSES AND DEPOSITS

	March 31, 2020	December 31, 2019
Prepaid expenses	\$ 59,604	\$ 56,548
Deposits	25,000	25,000
Advances	100,000	100,000
	\$ 184,604	\$ 181,548

6. BIOLOGICAL ASSETS

	March 31, 2020	December 31, 2019
Balance, beginning of period	\$ 168,258	\$ 197,163
Production costs capitalized	185,589	925,375
Changes in fair value less costs to sell	32,474	153,806
Transferred to inventory upon harvest	(216,608)	(1,108,086)
Balance, end of period	\$ 169,713	\$ 168,258

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars) - Unaudited

6. BIOLOGICAL ASSETS (continued)

Biological assets are measured at fair value less costs to sell until harvest. All production costs are capitalized. As at March 31, 2020 the carrying value of biological assets consisted entirely of live cannabis plants. The fair value measurements for biological assets have been categorized as Level 3. These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in gain or loss on biological assets in future periods.

Increases in cost required up to the point of harvest, harvesting costs and selling costs will decrease the fair value of biological assets, while increases in sales price and expected yield for the cannabis plant will increase the fair value of biological assets.

The fair value was determined using an expected cash flow model which assumes the biological assets will grow to maturity, be harvested and converted into finished goods inventory, and be sold in the retail cannabis market.

The significant assumptions used in determining the fair value of cannabis plants include:

Assumption	March 31, 2020	December 31, 2019
Estimated sales price per gram	\$ 5.50	\$ 7.44
Weighted average stage of growth	13 weeks	12 weeks
Duration of the production cycle	16 weeks	16 weeks
Expected yields by plant strain	60 grams	50 grams
Wastage	1%	1%
Post-harvest cost per gram	\$ 0.82	\$ 1.49

As at March 31, 2020, it is estimated that the Company's biological assets will yield approximately 43,000 (2019 – 37,000) grams of cannabis when harvested.

Management has quantified the sensitivity of the inputs and determined the following:

a) Estimated sales price per gram

A decrease in the average selling price per gram by 5% would result in the biological asset value decreasing by \$10,000 and inventory decreasing by \$11,000.

b) Expected yields by plant strain

A decrease in the anticipated yield per plant of 5% would result in the biological asset value decreasing by \$9,000.

7. INVENTORY

	March 31, 2020	December 31, 2019
Balance, beginning of period	\$ 2,278,686	\$ 644,689
Transferred from biological assets	216,608	1,108,086
Inventory purchased	1,519,392	2,840,858
Post-harvest and purchase costs capitalized	364,666	1,368,291
Inventory sold and expensed to cost of sales	(1,453,588)	(3,395,323)
Write-off of non-sellable inventory	(888,422)	(133,000)
Changes in value of inventory sold	(43,434)	(154,915)
Balance, end of period	\$ 1,993,908	\$ 2,278,686

As at March 31, 2020, the Company's inventory consisted of approximately 415,000 grams of dried cannabis (2019 – 398,000 grams) awaiting release for sale.

BIOME GROW INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Expressed in Canadian dollars) - Unaudited

8. PROPERTY, PLANT AND EQUIPMENT

	Computer and Software	Construction in Progress	Equipment	Land and Building	Leasehold Improvements	Leased Vehicles	Total
Cost							
Balance, December 31, 2018	\$ 32,681	\$ 2,154,218	\$ 304,135	\$ 595,466	\$ 2,681,430	\$ -	\$ 5,767,930
Additions	2,246	1,492,273	83,304	169,767	-	-	1,747,590
Impairment and other	-	(3,646,491)	-	(169,768)	(65,783)	-	(3,882,042)
Balance, December 31, 2019	34,927	-	387,439	595,465	2,615,647	-	3,633,478
Additions (disposals)	-	-	(55,064)	-	-	52,266	(2,798)
Balance, March 31, 2020	\$ 34,927	\$ -	\$ 332,375	\$ 595,465	\$ 2,615,647	\$ 52,266	\$ 3,630,680
Accumulated depreciation							
Balance, December 31, 2018	\$ 6,364	\$ -	\$ 48,177	\$ -	\$ 120,626	\$ -	\$ 175,167
Depreciation	5,518	-	56,909	-	122,823	-	185,250
Balance, December 31, 2019	11,882	-	105,086	-	243,449	-	360,417
Depreciation	1,759	-	32,629	-	16,827	5,483	56,698
Balance, March 31, 2020	\$ 13,641	\$ -	\$ 137,715	\$ -	\$ 260,276	\$ 5,483	\$ 417,115
Carrying amount							
Balance, December 31, 2019	\$ 23,045	\$ -	\$ 282,353	\$ 595,465	\$ 2,372,198	\$ -	\$ 3,273,061
Balance, March 31, 2020	\$ 21,286	\$ -	\$ 194,660	\$ 595,465	\$ 2,355,371	\$ 46,783	\$ 3,213,565

During the three months ended March 31, 2020, the Company returned equipment to the supplier for full refund of the original purchases price of \$55,064. No gain or loss occurred as a result the return of equipment.

During the year ended December 31, 2019, the Company recorded impairment of property, plant and equipment totaling \$3,816,259 as it was determined that the recoverable amount was \$nil. The Company also recorded an adjustment to previously capitalized leasehold improvements of \$65,783 to reflect a credit received.

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9. GOODWILL AND INTANGIBLE ASSETS

Goodwill was recognized upon the acquisition of HGI during the year ended December 31, 2017. The amount represents the sales and growth potential of HGI, is not subject to amortization, and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment.

During the year ended December 31, 2019, the Company recorded an impairment loss of \$1,728,107 with respect to intangible assets. The carrying value of intangible assets as of December 31, 2019 was \$nil.

10. LEASE LIABILITY

The Company leases two vehicles for use in operations. The leases have been recorded as finance leases. The lease liability is as follows:

	March 31, 2020	December 31, 2019
Balance, beginning of period	\$ -	\$ -
Finance lease obligation	52,266	-
Repayment of lease obligation	(5,550)	-
Interest expense	1,284	-
Balance, end of period	48,000	-
Less: Non-current portion	26,684	-
Current portion of lease liability	\$ 21,316	\$ -

11. LOANS PAYABLE

- a) On March 9, 2020, the Company entered into a promissory note with a director of the Company in the amount of \$400,000. The promissory note bears interest at a monthly rate of 1.5% and was due on April 23, 2020 and has been extended for up to 45 days to June 7, 2020. The Company received cash proceeds of \$387,000 with \$9,000 held back for prepaid interest and \$4,000 held back for a loan origination fee. Prepaid interest of \$4,600 is included in prepaid expenses (Note 5). During the three months ended March 31, 2020, the Company recorded interest expense of \$4,400 (three months ended March 31, 2019 - \$nil) related to the promissory note payable.
- b) During the year ended December 31, 2019, the Company received a series of advances from a related party totaling \$1,250,000. The amounts are secured by promissory notes, bear no interest and are due on demand. As at March 31, 2020, the carrying value of this loan is \$1,250,000.
- c) On November 21, 2019, the Company entered into a credit agreement pursuant to which the Company received a loan in the amount of \$3,000,000. The loan bears interest at 10% per annum payable monthly, is due on November 21, 2021. The amount is secured by, amongst other guarantees and assignments, a general security agreement and a first priority security interest over all common shares of HGI. Of the total loan amount, \$500,000 has been placed in a lawyer's trust account pursuant to an escrow agreement which restricts the use of the funds subject to certain conditions to be fulfilled by the Company and its management.

Pursuant to the credit agreement, the Company incurred a one-time aggregate commitment fee of \$105,000, paid costs of the lender totaling \$51,000, and committed to issue 5,357,143 share purchase warrants exercisable for a period of four years at a price of \$0.28 per common share. The Company has estimated the fair value of the share purchase warrants being \$979,475, which has been calculated using the Black-Scholes Option Pricing Model using the following estimates: stock price on date of grant- \$0.24; expected life of warrants - 4 years; volatility - 125%; dividend rate - 0%; risk-free rate - 1.51%. The total debt issuance costs of \$1,135,475 were applied against the loan principle amount of \$3,000,000, and are accreted over the term of the loan.

During the three months ended March 31, 2020, the Company recorded interest expense of \$51,507 (three months ended March 31, 2019 - \$nil) related to the loan payable. As at March 31, 2020 interest payable of \$9,066 is included in accounts payable and accrued liabilities (December 31, 2019 - \$8,219).

The Company also recorded a deferred income tax asset of \$265,000 relating to the difference between the Company's accounting and tax basis. The deferred income tax asset was reduced by \$88,333 upon repayment of \$1,000,000 of the principal amount outstanding during the three months ended March 31, 2020.

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11. LOANS PAYABLE (continued)

A continuity of the loan obligation is as follows:

	March 31, 2020	December 31, 2019
Opening balance	\$ 1,926,571	\$ -
Proceeds from issuance of term loan	-	3,000,000
Issuance costs and transaction fees	-	(156,000)
Amount allocated to warrant reserve	-	(979,475)
Impact of deferred income tax	-	(265,000)
Principal repayments	(1,000,000)	-
Accretion expense	427,299	62,046
Subtotal	\$ 1,353,870	\$ 1,661,571
Reclassification of deferred income tax	-	265,000
Ending balance	\$ 1,353,870	\$ 1,926,571

During the three months ended March 31, 2020, the Company reclassified deferred income tax to assets on the consolidated statements of financial position. The impact of the re-classification is shown in the continuity schedule above.

12. SHARE CAPITAL**a) Authorized**

Unlimited number of voting common shares without par value and unlimited number of non-voting and redeemable Special Class B and C shares without par value.

As at March 31, 2020, there was 111,599,899 common shares outstanding and 1 Special Class C share outstanding (December 31, 2019 - 111,599,899 common shares outstanding and 1 Special Class C share outstanding).

b) Escrow Shares

The Company has common shares subject to trading restrictions and escrow which are measured in tranches through April 4, 2020. As of March 31, 2020, a total of 15,801,252 common shares were subject to these escrow restrictions.

c) Issued Shares

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

The Company had the following common share transactions during the year ended December 31, 2019:

- The Company issued 407,920 common shares upon exercise of warrants for gross proceeds of \$83,751.
- The Company issued 1,063,870 common shares pursuant to employment agreements and settlement of accounts payable. The fair value of the shares issued was \$281,471.

d) Stock Options

The Company has adopted a stock option plan for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

A summary of the stock option transactions during the three months ended March 31, 2020 is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2018	400,000	\$1.60
Granted	-	-
Balance, December 31, 2019	400,000	\$1.60
Granted	-	-
Balance, March 31, 2020	400,000	\$1.60

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12. SHARE CAPITAL (continued)

The following table summarizes stock options outstanding and exercisable as at March 31, 2020:

Grant Date	Expiry Date	Exercise price	March 31, 2019	December 31, 2019
October 19, 2018	October 19, 2021	\$1.60	400,000	400,000
Total			400,000	400,000
Weighted average remaining contractual life of stock options outstanding at the end of the period			1.6 years	1.8 Years

During the three months ended March 31, 2020, the Company recognized share-based compensation of \$nil (2019 - \$nil) that was recorded in the condensed interim consolidated statement of comprehensive loss. The share-based compensation represents the fair value of stock options granted during the period and is estimated on the grant date using the Black-Scholes option pricing model.

e) Share Purchase Warrants

A summary of share purchase warrant transactions during the three months ended March 31, 2020 is as follows:

	Number of warrants	Weighted Average Exercise Price
Balance, December 31, 2018	1,984,636	\$ 2.23
Granted	(407,920)	\$ (0.06)
Exercised	(137,820)	\$ (0.06)
Balance, December 31, 2019	1,438,896	\$ 3.10
Expired	(85,160)	\$ 0.60
Balance, March 31, 2020	1,353,736	\$ 3.14

At March 31, 2020, the Company had share purchase warrants outstanding to acquire common shares of the Company as follows:

Grant date	Expiry Date	Exercise price	March 31, 2020	December 31, 2019
January 19, 2018	January 19, 2020	\$0.60	-	85,160
December 12, 2018	April 1, 2020	\$1.00	54,930	54,930
May 11, 2015	May 11, 2020	\$27.50	18,715	18,715
July 27, 2015	July 27, 2020	\$20.00	15,577	15,577
July 28, 2015	July 28, 2020	\$20.00	8,976	8,976
August 30, 2018	August 30, 2020	\$1.00	23,800	23,800
September 17, 2018	September 17, 2020	\$1.00	1,500	1,500
September 25, 2018	September 25, 2020	\$19.75	37,766	37,766
September 28, 2018	September 28, 2020	\$1.00	111,375	111,375
October 1, 2018	October 1, 2020	\$1.00	15,715	15,715
November 30, 2015	November 30, 2020	\$20.00	27,645	27,645
February 1, 2016	February 1, 2021	\$20.00	12,592	12,592
February 16, 2016	February 16, 2021	\$20.00	5,242	5,242
March 4, 2016	March 4, 2021	\$20.00	2,700	2,700
April 18, 2016	April 18, 2021	\$20.00	14,712	14,712
August 16, 2016	August 16, 2021	\$20.00	1,866	1,866
October 3, 2018	October 3, 2021	\$1.00	1,000,000	1,000,000
October 19, 2018	October 19, 2021	\$1.60	625	625
Total			1,353,736	1,438,896
Weighted average remaining contractual life of share purchase warrants outstanding at the end of the period			1.2 years	1.4 years

In addition to the share purchase warrants outstanding as noted above, the Company has also committed to issue certain share purchase warrants in connection with a loan received during the year ended December 31, 2019 (see Note 11c).

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**Fair value measurement of financial assets and liabilities**

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IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices 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 that are not based on observable market data.

The fair value of cash and restricted cash is measured using Level 1 inputs. The carrying values of amounts receivable, accounts payable and current loans payable approximate their respective fair values due to the short-term nature of these instruments. The fair value of long-term loans payable approximates fair value as it is discounted using a market rate of interest.

As at March 31, 2020, the Company's financial instruments consist of cash, amounts receivable, other receivable, accounts payable and loans payable.

Financial risk management objectives and policies

The Company's financial instruments include cash, amounts receivable, other receivables, accounts payable and loans payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

(ii) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. At present, the Company holds its cash in Canadian rated financial institutions and will only consider investment of excess cash in highly rated government and corporate debt securities or guaranteed certificates from Canadian chartered banks. The Company has established guidelines, including diversification, credit ratings and maturities, to ensure safety and liquidity of its cash.

As at March 31, 2020, the Company's exposure is the carrying value of the financial instruments. The Company's maximum exposure to credit risk is the carrying value of its financial assets.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, the Board of Directors considers securing additional funds through issuances of equity and debt or partnering transactions. The Board of Directors approves any material transactions outside the ordinary course of business. Management regularly reviews the Company's operating and capital budgets and maintains short-term cash flow forecasts.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable. Due to the ongoing COVID 19 pandemic, liquidity risk has been assessed as high.

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13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)*(iv) Maturity risk*

The Company's cash balance at March 31, 2020 was in the amount of \$673,819. At March 31, 2020, the Company had amounts receivable of \$1,286,930, other receivables of \$100,000, accounts payable of \$4,023,209 and loans payable of \$3,003,870. All accounts payable and accrued liabilities are current.

As at March 31, 2020, the Company did not have derivative financial liabilities with contractual maturities.

Management of liquidity risk: Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses and commitments for a period of 90 days. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

The following table summarizes the maturities of the Company's financial liabilities as at March 31, 2020 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 3 years
Accounts payable	\$ 4,023,209	\$ 4,023,209	\$ 4,023,209	\$ -
Lease liability	48,000	48,000	21,316	26,684
Loans payable	3,003,870	4,650,000	1,650,000	3,000,000
	\$ 7,074,963	\$ 8,721,093	\$ 5,594,409	\$ 3,026,684

14. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

15. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer ("CFO"). During the three months ended March 31, 2020 and 2019, key management compensation consisted of the following:

	2020	2019
Consulting fees	\$ 1,864	\$ 26,592
Salaries and wages	107,111	28,833
	\$ 108,846	\$ 55,425

As at March 31, 2020, \$2,047,569 (December 31, 2019 - \$1,470,985) was owing to key management personnel for fees and expenses.

	March 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$ 397,569	\$ 220,985
Loans payable	1,650,000	1,250,000
	\$ 2,047,569	\$ 1,470,985

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15. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at March 31, 2020, accounts payable include \$220,985 (December 31, 2019 - \$220,985) in wages for consulting expenses to an entity which is under common control of a former director of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2020, accounts payable include wages payable of \$105,000 (December 31, 2019 - \$40,000) and reimbursable expenses of \$29,583 (December 31, 2019 - \$nil) due to a director for unpaid fees and expense reimbursement. The amounts are unsecured, non-interest bearing and due on demand.

As at March 31, 2020, accounts payable include \$42,000 (December 31, 2019 - \$nil) for salaries and wages of the CFO of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2020, the Company has a loans payable totaling \$400,000 (December 31, 2019 - \$nil) to a director of the Company (see Note 11a). The amount accrues interest at a monthly rate of 1.5% and is due on demand.

As at March 31, 2020, the Company has loans payable totaling \$1,250,000 (December 31, 2019 - \$1,250,000) to an entity under control of a significant shareholder of the Company (see Note 11b). The balance payable is secured by promissory notes, non-interest bearing and due on demand.

16. COMMITMENTS

- a) In November 2018, the Company entered into a supply and production agreement with the Province of Newfoundland and Labrador and the Newfoundland and Labrador Liquor Corporation. As part of the supply and production agreement, the Company has committed to providing \$500,000 to the Province of Newfoundland and Labrador over a period of five years to support a directed research and development program associated with cannabis innovation and sector growth. During the three months ended March 31, 2020, the agreement was terminated.
- b) The Company has entered into an employment agreement pursuant to which the Company will issue up to \$50,000 per year in common shares of the Company to an employee on each employment anniversary until 2022.
- c) The Company obtained lease agreements for its premises in Ontario and Newfoundland through its acquisition of Great Lakes and Back Home for periods of 20 years and 10 years, respectively. Pursuant to the lease agreements, the Company does not have any significant financial commitments resulting from these lease agreements as the total lease was \$1 per premise and has been fully paid.
- d) The Company has agreements in place, to potentially purchase wholesale cannabis from licensed producers, in Canada which meets certain quality specifications. These contracts are managed in the normal course of business. The Company has determined there to be no hedging or derivative relationship with these contracts.

17. SUBSEQUENT EVENTS

On April 4, 2020, a total of 15,801,252 common shares were released from escrow. Subsequent to the release, the Company has no shares subject to escrow restrictions.