



BIOME GROW INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 and six months ended June 30, 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 June 30, 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

BIOME GROW INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars) - Unaudited

	Note	June 30 2020	December 31 2019
ASSETS			
Current Assets			
Cash		\$ 448,864	\$ 1,564,805
Restricted cash	11(c)	469,232	500,000
Amounts receivable	4	1,672,785	1,365,864
Prepaid expenses and deposits	5	297,434	181,548
Biological assets	6	-	168,258
Inventory	7	1,424,153	2,278,686
Total current assets		4,312,468	6,059,161
Deferred tax asset		176,667	265,000
Property, plant and equipment	8	3,215,170	3,273,061
Goodwill	9	4,374,313	4,374,313
TOTAL ASSETS		\$ 12,078,618	\$ 13,971,535
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11(a)(c),16	\$ 4,718,020	\$ 3,875,695
Lease liability	10	20,741	-
Loans payable	11(a)(b)	1,550,000	1,250,000
Total current liabilities		6,288,761	5,125,695
Lease liability	10	22,127	-
Loans payable	11(c)	1,439,698	1,926,571
Total liabilities		7,750,586	7,052,266
EQUITY			
Share capital	12	23,110,095	23,110,095
Shares issuable		250,000	515,000
Reserves		2,464,531	2,464,531
Deficit		(21,496,594)	(19,170,357)
Total equity		4,328,032	6,919,269
TOTAL LIABILITIES AND EQUITY		\$ 12,078,618	\$ 13,971,535

Nature of operations (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

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

"Steven Poirier"
Director

"Mark Lievonen"
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 and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

		Three months ended		Six months ended	
			June		June
	Note	2020	30, 2019	2020	30, 2019
Revenue		\$ 2,250,568	\$ 1,347,019	\$ 4,218,882	\$ 1,687,593
Cost of sales		1,577,498	752,977	3,088,274	889,128
Gross margin before fair value changes		673,070	594,042	1,130,608	798,465
Changes in fair value of inventory sold	7	17,527	-	(25,907)	-
Unrealized (loss) gain on fair value of biological assets	6	(125,188)	40,450	(92,714)	466,751
		565,409	594,042	1,011,987	1,265,216
Operating expenses					
Accretion expense	11(c)	91,297	-	508,904	-
Advertising and promotion		200	335,052	3,438	568,496
Consulting	16	156,724	124,045	190,958	186,961
Bad debt expense	4	320,000	-	320,000	-
Depreciation	8	59,604	62,238	116,302	125,982
Insurance		67,090	19,770	179,435	82,113
Office and miscellaneous		132,729	104,814	186,788	204,197
Professional fees		134,875	98,329	216,351	159,643
Salaries and wages	16	231,418	624,767	485,375	1,162,735
Transfer agent fees		11,914	-	19,361	12,901
Travel		3,008	22,855	27,549	31,509
Utilities		11,847	13,680	21,378	61,299
		1,220,706	1,405,550	2,275,839	2,678,103
Net loss before other items		(655,297)	(771,058)	(1,263,852)	(1,412,887)
Other items					
Interest expense	10,11,16	88,883	-	179,124	-
Other income	13	(499,247)	-	(499,247)	-
Inventory impairment	7	405,753	-	1,294,175	-
Net loss before income taxes		(650,686)	(771,058)	(2,237,904)	(1,412,887)
Deferred income tax expense	11(c)	-	-	88,333	-
Net loss and comprehensive loss for the period		\$ (650,686)	\$ (771,058)	\$ (2,326,237)	\$ (1,412,887)
Net loss per share					
Basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding					
Basic and diluted		111,599,899	110,566,156	111,599,899	110,412,088

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 six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars - Unaudited)

	Common Shares		Special Class C Shares	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	-	-	-	-	11,251
Issuance of shares to employees	32,786	20,000	-	-	-	-	20,000
Net loss for the period	-	-	-	-	-	(641,829)	(641,829)
Balance, June 30, 2019	110,281,815	\$ 20,412,534	\$ 2,336,000	\$ 515,000	\$ 1,485,056	\$ (10,331,358)	\$ 14,402,232
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	-	-	-	(265,000)	-	-	(265,000)
Net loss for the period	-	-	-	-	-	(2,326,237)	(2,326,237)
Balance, June 30, 2020	111,599,899	\$ 20,774,095	\$ 2,336,000	\$ 250,000	\$ 2,464,531	\$ (21,496,594)	\$ 4,328,032

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 six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

	Note	2020	2019
Operating activities			
Net loss for the period		\$ (2,326,237)	\$ (1,412,887)
Adjustments for non-cash items:			
Depreciation	8	116,302	125,982
Unrealized gain on fair value of biological assets	6	92,714	(466,751)
Changes in fair value of inventory sold	7	25,907	-
Bad debt expense	4	(320,000)	-
Wages and salaries		(15,000)	-
Consulting	13	(250,000)	-
Accretion	11(c)	508,904	-
Interest expense	10,11(c)	52,205	-
Deferred income tax expense		88,333	-
Inventory impairment	7	1,294,175	-
Changes in non-cash working capital items:			
Amounts receivable		13,079	(19,963)
Prepaid expenses and deposits		(115,886)	(65,507)
Biological assets		75,544	582,883
Inventory		(465,549)	(577,012)
Accounts payable and accrued liabilities		840,780	(66,662)
Net cash used in operating activities		(384,729)	(1,899,917)
Investing activities			
Additions of property, plant, and equipment	8	-	(694,705)
Return of equipment	8	55,064	-
Purchase of equipment	8	(61,209)	-
Cash provided by (used in) investing activities		(6,145)	(694,705)
Financing activities			
Advances from short-term loan	11(a)(b)	400,000	1,250,000
Repayment of short-term loan	11(a)	(100,000)	-
Shares issued to employees	12	-	20,000
Shares issued pursuant to exercise of warrants	12	-	83,751
Repayment of loan payable	11(c)	(995,777)	-
Interest paid on loan payable	11(c)	(50,660)	-
Repayment of lease liability	10	(9,398)	-
Cash (used in) provided by financing activities		(755,835)	1,353,751
Change in cash		(1,146,709)	(1,240,871)
Cash, beginning of the period		2,064,805	1,859,505
Cash, end of the period		\$ 918,096	\$ 618,634
Cash, of the of the period, being			
Cash		\$ 448,864	\$ 618,634
Restricted cash		469,232	-
Cash, end of the period		\$ 918,096	\$ 618,634

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 and six months ended June 30, 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 June 30, 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 June 30, 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 \$21,496,594 as at June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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**

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

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

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

For the three and six months ended June 30, 2020 and 2019

(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**

For the three and six months ended June 30, 2020 and 2019

(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

	June 30, 2020	December 31, 2019
Trade receivables	\$ 994,717	\$ 669,873
GST receivable	678,068	695,991
	\$ 1,672,785	\$ 1,365,864

GST Receivable includes both GST and HST amounts receivable.

An allowance for doubtful accounts of \$320,000 (year ended December 31, 2019 - \$nil), has been provided amounts receivable, which the Company has determined represents a reasonable estimate of amounts that may be unrecoverable. The amount is included in bad debt expense on the consolidated statements of loss and comprehensive loss.

5. PREPAID EXPENSES AND DEPOSITS

	June 30, 2020	December 31, 2019
Prepaid expenses	\$ 47,434	\$ 56,548
Deposits	155,000	25,000
Advances	100,000	100,000
	\$ 297,434	\$ 181,548

The Company's lease agreements for its premises in Ontario, through its acquisition of Great Lakes, was amended in July 2020 whereby the parties have mutually agreed to terminate the lease agreement effective July 1, 2020 without penalty to either party. In consideration for the landlord agreeing to terminate the lease agreement without penalty, the Company has agreed to forgive the \$100,000 advance.

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

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars) - Unaudited

6. BIOLOGICAL ASSETS

	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ 168,258	\$ 197,163
Production costs capitalized	344,709	925,375
Changes in fair value less costs to sell	(92,714)	153,806
Transferred to inventory upon harvest	(420,253)	(1,108,086)
Balance, end of period	\$ -	\$ 168,258

Biological assets are measured at fair value less costs to sell until harvest. All production costs are capitalized. The carrying value of biological assets consists 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	June 30, 2020	December 31, 2019
Estimated sales price per gram	Not applicable	\$7.44
Weighted average stage of growth	Not applicable	12 weeks
Duration of the production cycle	16 weeks	16 weeks
Expected yields by plant strain	Not applicable	50 grams
Wastage	Not applicable	1%
Post-harvest cost per gram	Not applicable	\$1.49

As at June 30, 2020, the Company had no plants in production. A subsequent crop was planted in July 2020. As at December 31, 2019 it was estimated that the Company's biological assets would yield approximately 37,000 grams of cannabis when harvested.

7. INVENTORY

	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ 2,278,686	\$ 644,689
Transferred from biological assets	420,253	1,108,086
Inventory purchased	2,444,423	2,840,858
Post-harvest and purchase costs capitalized	607,998	1,368,291
Inventory sold and expensed to cost of sales	(3,022,978)	(3,395,323)
Write-off of non-sellable inventory	(1,294,175)	(133,000)
Changes in value of inventory sold	(10,054)	(154,915)
Balance, end of period	\$ 1,424,153	\$ 2,278,686

As at June 30, 2020, the Company's inventory consisted of approximately 295,000 grams of dried cannabis (2019 – 398,000 grams) awaiting release for sale.

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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	-	-	6,145	-	-	52,266	58,411
Balance, June 30, 2020	\$ 34,927	\$ -	\$ 393,584	\$ 595,465	\$ 2,615,647	\$ 52,266	\$ 3,691,889
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	3,518	-	65,256	-	36,561	10,967	116,302
Balance, June 30, 2020	\$ 15,400	\$ -	\$ 170,342	\$ -	\$ 280,010	\$ 10,967	\$ 476,719
Carrying amount							
Balance, December 31, 2019	\$ 23,045	\$ -	\$ 282,353	\$ 595,465	\$ 2,372,198	\$ -	\$ 3,273,061
Balance, June 30, 2020	\$ 19,527	\$ -	\$ 223,242	\$ 595,465	\$ 2,335,637	\$ 41,299	\$ 3,215,170

During the six months ended June 30, 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 this this 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:

	June 30, 2020	December 31, 2019
Balance, beginning of period	\$ -	\$ -
Finance lease obligation	52,266	-
Repayment of lease obligation	(11,839)	-
Interest expense	2,441	-
Balance, end of period	42,868	-
Less: Non-current portion	22,127	-
Current portion of lease liability	\$ 20,741	\$ -

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. On May 15, 2020, the Company repaid \$100,000 of the outstanding principal balance. During the three and six months ended June 30, 2020, the Company recorded interest expense of \$15,900 and \$20,300, respectively (three and six months ended June 30, 2019 - \$nil and \$nil respectively) related to the promissory note payable. On June 30, 2020 interest payable of \$7,300 is included in accounts payable and accrued liabilities (December 31, 2019 - \$nil).
- 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 June 30, 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 and six months ended June 30, 2020, the Company recorded interest expense of \$55,480 and \$107,686, respectively (three and six months ended June 30, 2019 - \$nil and \$nil, respectively) related to the loan payable. On June 30, 2020 interest payable of \$14,260 is included in accounts payable and accrued liabilities (December 31, 2019 - \$nil).

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11. LOANS PAYABLE (continued)

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 six months ended June 30, 2020.

A continuity of the loan obligation is as follows:

	June 30, 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)
Principal repayments, net	(995,777)	-
Accretion expense	508,904	62,046
Ending balance	\$ 1,439,698	\$ 1,926,571

During the six months ended June 30, 2020, the Company repaid principal of \$1,025,777 and incurred a prepayment penalty of \$30,000 for net principal repayments of \$995,777. As at June 30, 2020, the principal balance owing on the loan was \$2,004,223. The loan was repaid subsequent to June 30, 2020 (Note 18).

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 June 30, 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 had common shares subject to trading restrictions and escrow which are measured in tranches through April 4, 2020. 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.

c) Issued Shares

There were no share transactions during the three months ended June 30, 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.

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12. SHARE CAPITAL (continued)

A summary of the stock option transactions during the six months ended June 30, 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, June 30, 2020	400,000	\$1.60

The following table summarizes stock options outstanding and exercisable as at June 30, 2020:

Grant Date	Expiry Date	Exercise price	June 30, 2020	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 and six months ended June 30, 2020, the Company recognized share-based compensation of \$nil and \$nil, respectively (three and six months ended June 30, 2019 - \$nil and \$nil, respectively). 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 activities are 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	(158,805)	\$ 3.91
Balance, June 30, 2020	1,280,091	\$ 2.88

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12. SHARE CAPITAL (continued)

At June 30, 2020, the Company had share purchase warrants outstanding to acquire common shares of the Company as follows:

Grant date	Expiry Date	Exercise price	June 30, 2020	December 31, 2019
January 19, 2018	January 19, 2020	\$0.60	-	85,160
December 12, 2018	April 1, 2020	\$1.00	-	54,930
May 11, 2015	May 11, 2020	\$27.50	-	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			1,280,091	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. OTHER INCOME

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cancellation of shares to be issued	\$ 250,000	\$ -	\$ 250,000	\$ -
COVID-19 relief	207,038	-	207,038	-
Other	42,209	-	42,209	-
	\$ 499,247	\$ -	\$ 499,247	\$ -

During the year ended December 31, 2018, the Company entered a consulting contract whereby the Company was to issue common shares with a fair value of \$250,000 in exchange for consulting services. Due to non-performance under the consulting contract, the Company has reversed the obligation to issue the common shares and recorded a recovery of the previously expensed consulting contract.

During the three and six months ended June 30, 2020, the Company received \$207,038 from the Government of Canada for COVID-19 relief, specifically as a salary and wage subsidy (three and six months ended June 30, 2019 - \$nil).

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

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 June 30, 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 June 30, 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.

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14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

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.

(iv) Maturity risk

The Company's cash balance at June 30, 2020 was in the amount of \$918,096. At June 30, 2020, the Company had amounts receivable of \$1,672,785, other receivables of \$100,000 (Note 18), accounts payable of \$4,718,020 and loans payable of \$2,989,698. All accounts payable and accrued liabilities are current.

As at June 30, 2020, the Company did not have derivative financial liabilities with contractual maturities.

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 June 30, 2020 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year	1 - 3 years
Accounts payable	\$ 4,718,020	\$ 4,718,020	\$ 4,718,020	\$ -
Lease liability	42,868	42,868	20,741	22,127
Loans payable	2,989,698	3,554,223	1,550,000	2,004,223
	\$ 7,750,586	\$ 8,315,111	\$ 6,288,761	\$ 2,026,350

15. 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 adjusts it considering 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.

16. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are 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 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 and six months ended June 30, 2020 and 2019, key management compensation consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Consulting fees	\$ -	\$ 3,108	\$ 1,846	\$ 29,700
Salaries and wages	84,249	29,500	191,360	58,333
Interest expense	4,400	-	20,300	-
	\$ 88,649	\$ 32,608	\$ 213,506	\$ 88,033

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16. RELATED PARTY BALANCES AND TRANSACTIONS

As at June 30, 2020, \$2,052,938 (December 31, 2019 - \$1,470,985) was owing to key management personnel for fees and expenses.

	June 30, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$ 502,938	\$ 220,985
Loans payable	1,550,000	1,250,000
	\$ 2,052,938	\$ 1,470,985

As at June 30, 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 June 30, 2020, accounts payable include wages payable of \$170,000 (December 31, 2019 - \$nil) and reimbursable expenses of \$23,293 (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 June 30, 2020, accounts payable include \$81,360 (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 June 30, 2020, the Company has a loans payable totaling \$300,000 and accrued interest of \$7,300 (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 June 30, 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 11(b)). The balance payable is secured by promissory notes, non-interest bearing and due on demand.

17. 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 six months ended June 30, 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. The Great Lakes lease agreement was subsequently amended in July 2020 (Note 18).
- 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.

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18. SUBSEQUENT EVENTS**Sale of HGI**

The Company and MYM Nutraceuticals Inc. ("MYM") entered into an agreement whereby the Company has sold 100% of its wholly-owned subsidiary HGI to MYM.

The total consideration to be received by the Company will be approximately \$12,898,727 consisting of: (i) \$1.5 million in cash; (ii) 42,813,985 common shares in the capital of MYM (each a "MYM Share") at a deemed per share price of \$0.065, representing 19% of MYM's total issued and outstanding share capital post-closing (the "Consideration Shares"); and (iii) 132,551,040 newly-created non-voting Class A Special Shares of MYM International Brands Inc., which non-voting shares may be exchanged for MYM Shares in accordance with the Class A Special Shares' rights and restrictions; and (iv) MYM's agreement to make the Loan (as described below).

MYM has also agreed to loan the Company an amount equal to \$1 million (the "Biome Loan") for a term of 18 months with an option to extend for an additional 6 months at the sole discretion of the Company upon the Company paying an extension fee. The Biome Loan shall bear interest at a face rate of 17.5% per annum. The Company shall also pay a set-up fee equal to 3% of the amount advanced and an immediate interest payment equal to 5% of the amount advanced separate from and in addition to the 17.5% per annum interest payable under the Biome Loan. Interest on the Loan shall be payable monthly beginning on the day that is 4 months following the advance of the Loan. The principal amount of the Biome Loan shall be increased by the amount of certain liabilities of HGI, which will continue to be owing by HGI post-closing estimated to be approximately \$1.4M.

Upon completion of the transaction, Michael Wiener resigned as a director of the Company.

As security for the Biome Loan, 38,461,538 Consideration Shares will be placed into escrow and released to the Company on regular intervals. Any proceeds received by the Company from the sale of such Consideration Shares shall be used to repay the Loan until such time as the Biome Loan is discharged in full.

Loans Payable

On July 24, 2020, the Company repaid \$2,098,918, representing the principal balance outstanding of \$2,004,223 (Note 11(c)), accrued interest of \$16,701, legal fees of \$8,743, prepayment penalty of \$66,751 and prepaid legal expenses of \$2,500. The loan was repaid using proceeds from the sale of HGI. In addition to the cash payment, the Company issued 417,535 common shares with a deemed value of \$44,403 or \$0.08 per common share.

The deferred income tax asset was reduced by \$176,667 upon repayment of the loan.

The Company has no further obligation with respect to this loan obligation.

Share Purchase Warrants

On July 27, 2020, 15,577 share purchase warrants with an exercise price of \$20.00 expired.

On July 28, 2020, 8,976 share purchase warrants with an exercise price of \$20.00 expired.

Advances

The Company's lease agreements for its premises in Ontario, through its acquisition of Great Lakes, was amended in July 2020 whereby the parties have mutually agreed to terminate the lease agreement effective July 1, 2020 without penalty to either party. In consideration for the landlord agreeing to terminate the lease agreement without penalty, the Company has agreed to forgive the \$100,000 advance.

Debt Settlement

On July 24, 2020, the Board of Directors approved the settlement of accounts payable in the amount of \$508,721 through the assignment of 7,267,441 MYM Shares at a deemed value of \$0.07 per MYM Share.