



**BIOME GROW INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(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, 2021.**

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. (the "Company") for the interim period ended March 31, 2021, 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

As at March 31, 2021 and December 31, 2020

(Expressed in Canadian dollars) - Unaudited

	Notes	2021	2020
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		368,991	98,113
Restricted cash		471,850	471,386
Goods and services tax recoverable		8,329	38,211
Prepaid expenses and deposits		237,106	307,600
Investments	5	28,230,835	11,152,935
<b>Total current assets</b>		<b>29,317,111</b>	<b>12,068,245</b>
Investments	5	-	512,362
<b>TOTAL ASSETS</b>		<b>29,317,111</b>	<b>12,580,607</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,999,305	2,358,723
Current portion of loans payable	7	3,474,545	1,250,000
<b>Total current liabilities</b>		<b>5,473,850</b>	<b>3,608,723</b>
Loans payable	7	-	2,455,545
<b>Total liabilities</b>		<b>5,473,850</b>	<b>6,064,268</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	23,183,398	23,183,398
Reserves		2,508,841	2,492,497
Deficit		(1,848,978)	(19,159,556)
<b>Total shareholders' equity</b>		<b>23,843,261</b>	<b>6,516,339</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>29,317,111</b>	<b>12,580,607</b>

Nature of operations and going concern (Note 1)

Commitments (Note 12)

Subsequent events (Note 13)

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 31, 2021. They are signed on the Company's behalf by:

"Khurram Malik"

Director

"J. 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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars, except number of shares) - Unaudited

	Notes	2021	2020
		\$	\$
<b>Operating expenses</b>			
Insurance		29,599	112,345
Professional fees		28,648	75,537
Stock-based compensation	8, 11	16,344	-
Accretion expense	7	9,286	427,299
General and administration		5,923	26,698
Transfer agent fees		5,310	7,447
Donations		2,500	-
Advertising and promotion		-	2,175
Consulting		-	34,234
Salaries and wages		-	252,279
Travel		-	15,081
<b>Loss before other items</b>		<b>(97,610)</b>	<b>(953,095)</b>
<b>Other expenses (income)</b>			
Interest expense	7	108,735	59,208
Realized gain on investments sold	5	(512,554)	-
Change in unrealized fair value on investments	5	(16,976,298)	-
Gain on settlement of debt		(28,071)	-
		<b>(17,408,188)</b>	<b>59,208</b>
<b>Net income (loss) from continuing operations before taxes</b>		<b>17,310,578</b>	<b>(1,012,303)</b>
Income tax expense		-	88,333
<b>Net income (loss) from continuing operations</b>		<b>17,310,578</b>	<b>(1,100,636)</b>
Net loss from discontinued operations	4	-	(805,191)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>17,310,578</b>	<b>(1,905,827)</b>
<b>Earnings (loss) from continuing operations per share</b>			
Basic		0.15	(0.01)
Diluted		0.15	(0.01)
<b>Earnings (loss) per share</b>			
Basic		0.15	(0.02)
Diluted		0.15	(0.02)
<b>Weighted average number of common shares outstanding</b>			
Basic		112,417,435	110,256,309
Diluted		118,991,782	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, 2021 and 2020

(Expressed in Canadian dollars, except number of shares) – Unaudited

	Common Shares		Special Class C Shares		Shares to be (cancelled) issued	Reserves	Deficit	Total
	Number #	Amount \$	Number #	Amount \$				
Balance, December 31, 2019	111,599,899	20,774,095	1	2,336,000	515,000	2,464,531	(19,170,357)	6,919,269
Cancellation of shares issuable	-	-	-	-	(15,000)	-	-	(15,000)
Net loss from discontinued operations	-	-	-	-	-	-	(805,191)	(805,191)
Net loss for the period from continuing operations	-	-	-	-	-	-	(1,100,636)	(1,100,636)
<b>Balance, March 31, 2020</b>	<b>111,599,899</b>	<b>20,774,095</b>	<b>1</b>	<b>2,336,000</b>	<b>500,000</b>	<b>2,464,531</b>	<b>(21,076,184)</b>	<b>4,998,442</b>
Cancellation of shares issuable	-	-	-	-	(250,000)	-	-	(250,000)
Cancellation of Back Home shares issuable	-	-	-	-	(250,000)	-	250,000	-
Cancellation of Back Home share capital	-	(100)	-	-	-	-	-	(100)
Issuance of shares to settle liabilities	817,536	73,403	-	-	-	-	-	73,403
Stock-based compensation	-	-	-	-	-	27,966	-	27,966
Net income from discontinued operations	-	-	-	-	-	-	2,283,072	2,283,072
Net loss for the period from continuing operations	-	-	-	-	-	-	(616,444)	(616,444)
<b>Balance, December 31, 2020</b>	<b>112,417,435</b>	<b>20,847,398</b>	<b>1</b>	<b>2,336,000</b>	<b>-</b>	<b>2,492,497</b>	<b>(19,159,556)</b>	<b>6,516,339</b>
Stock-based compensation	-	-	-	-	-	16,344	-	16,344
Net income for the period	-	-	-	-	-	-	17,310,578	17,310,578
<b>Balance, March 31, 2021</b>	<b>112,417,435</b>	<b>20,847,398</b>	<b>1</b>	<b>2,336,000</b>	<b>-</b>	<b>2,508,841</b>	<b>(1,848,978)</b>	<b>23,843,261</b>

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, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

	2021	2020
	\$	\$
<b>Operating activities</b>		
Net income (loss) from continuing operations for the period	17,310,578	(1,100,636)
Adjustments for non-cash items:		
Accretion	9,286	427,299
Stock-based compensation	16,344	-
Change in unrealized fair value on investments	(16,976,298)	-
Gain on debt settlement	(28,071)	-
Realized gain on investments sold	(512,554)	-
Interest expense	108,735	-
Deferred income tax expense	-	88,333
Wages and salaries	-	(15,000)
Changes in non-cash working capital items:		
Goods and services tax recoverable	29,882	3,579
Prepaid expenses and deposits	70,494	444
Accounts payable and accrued liabilities	(331,347)	194,280
<b>Net cash used in operating activities</b>	<b>(302,951)</b>	<b>(401,701)</b>
<b>Net cash used in discontinued operating activities</b>	<b>-</b>	<b>(440,083)</b>
<b>Investing activities</b>		
Proceeds on sale of investments	923,314	-
<b>Cash provided by investing activities</b>	<b>923,314</b>	<b>-</b>
<b>Cash provided by discontinued investing activities</b>	<b>-</b>	<b>55,064</b>
<b>Financing activities</b>		
Advance of term loan	-	400,000
Repayment of loan payable	(240,286)	(1,000,000)
Interest paid on loan payable	(108,735)	-
<b>Cash used in financing activities</b>	<b>(349,021)</b>	<b>(600,000)</b>
<b>Cash used in discontinued financing activities</b>	<b>-</b>	<b>(4,266)</b>
Change in cash, continuing operations	271,342	(1,001,701)
Change in cash, discontinued operations	-	(389,285)
Cash, and restricted cash beginning of period	569,499	2,064,805
<b>Cash, and restricted cash, end of period</b>	<b>840,841</b>	<b>673,819</b>

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, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

**1. NATURE OF OPERATIONS AND GOING CONCERN**

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.

The Company's principal business activity is pursuing opportunities in the cannabis industry. On May 19, 2017, the Company acquired a 100% interest in Highland Grow Inc. ("HGI"). On July 31, 2020, the Company completed the sale of HGI (Note 4).

These condensed interim consolidated financial statements (the "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. Excluding the \$16,976,298 unrealized change in fair value on investments and the \$512,554 gain on sale of investments in the three months ended March 31, 2021 (noting that share price market risk exists), the Company has incurred losses since its inception and has an accumulated deficit of \$1,848,978 as at March 31, 2021 (December 31, 2020 - \$19,159,556). There is a material uncertainty related to these conditions that casts 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 realize sufficient cash from the sale of its marketable securities and 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 including variants which continues to spread, and related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. During 2021 vaccines became available and certain restrictions have begun to ease. The Company and its prior operations had not been drastically impacted by the pandemic, but management continues to monitor the situation.

**2. BASIS OF PRESENTATION**

## a) Statement of compliance

These 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. 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 ended December 31, 2020 and 2019 ("annual financial statements").

## b) Reclassification of prior amounts

The Company has reclassified certain items on the comparative consolidated statements of income (loss) and comprehensive income (loss) and consolidated statements of cash flows to conform with current period presentation.

## c) Basis of consolidation

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

<b>Subsidiaries</b>	<b>Percentage ownership</b>
Cultivator Catalyst Corp.	100%
Great Lake Cannabis Company Inc.	100%
Red Sands Craft Cannabis Company Inc.	100%
Weed Virtual Retail Inc.	100%

## **BIOME GROW INC.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

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## **2. BASIS OF PRESENTATION (continued)**

As at December 31, 2020, the Company had entered into a share buy back agreement to dispose of its investment in The Back Home Medical Cannabis Corporation ("Back Home") (Note 4). As a result, the interim financial statements have been prepared with Back Home included as discontinued operations.

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.

As at July 31, 2020 the Company sold its investment in HGI (Note 4). As a result, the interim financial statements have been prepared with the results of HGI included within discontinued operations for the current and comparative periods.

## **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 Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of the interim financial statements. In addition, the preparation of the financial data requires that the Company's management to make assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

## **4. DISCONTINUED OPERATIONS**

### **Highland Grow Inc.**

On July 31, 2020, the Company completed the sale of 100% of the Company's interest in HGI to MYM Nutraceuticals Inc. ("MYM").

The total consideration received by the Company was \$12,021,901 consisting of:

- (i) \$1.5 million in cash;
- (ii) 42,813,985 common shares in the capital of MYM (each a "MYM Shares"), representing 19% of MYM's total issued and outstanding share capital post-closing; and
- (iii) 132,551,040 newly-created non-voting Class A Special Shares of MYM International Brands Inc., which may be exchanged for MYM Shares in accordance with the Class A Special Shares' rights and restrictions ("Exchangeable Shares"); and
- (iv) MYM's agreement to make the MYM Loan (as described below).

Each Exchangeable Share may be exchanged for one MYM Share at the option of the Company or MYM on the earlier of July 31, 2022 or a corporate reorganization of MYM.

In addition, MYM also loaned the Company an amount equal to \$1,000,000 in cash plus \$1,664,141 for outstanding debts previously incurred in Highland (the "MYM Loan") (Note 7).



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

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

**4. DISCONTINUED OPERATIONS (continued)**

As security for the MYM Loan, 38,461,538 of the MYM Shares received on closing were held in escrow ("Escrow Shares"). The Escrow Shares are subject to certain vesting conditions and released monthly at the greater of 2,000,000 shares or 25% of the average of the monthly trading volume of MYM on the Canadian Securities Exchange ("CSE") for a period of 20 months commencing on August 1, 2020. Pursuant to the terms of the escrow agreement, these shares were released by way of a joint notice (see Note 13).

Any proceeds received by the Company from the sale of such Escrow Shares shall be used to repay the Loan until such time as the MYM Loan is discharged in full.

The following table summarizes the gain on sale of HGI:

<b>Assets transferred</b>	<b>\$</b>
Cash and cash equivalents	235,781
Accounts receivable	1,318,713
Inventory	1,242,074
Biological assets	17,501
Prepaid expenses and deposits	191,232
Note receivable	1,664,141
Property, plant, and equipment	3,195,427
Goodwill	4,374,313
	<b>12,239,182</b>
<b>Liabilities transferred</b>	
Accounts payable and accrued liabilities	1,935,311
Lease liability	41,129
	<b>1,976,440</b>
<b>Net assets transferred</b>	<b>10,262,742</b>
<b>Consideration</b>	
Fair value of 132,551,040 Exchangeable Shares	7,953,062
Fair value of 38,461,538 Escrow Shares at \$0.06 per share	2,307,692
Fair value of 4,352,447 MYM Shares at \$0.06 per share	261,147
Cash	1,500,000
<b>Total consideration</b>	<b>12,021,901</b>
<b>Gain on sale of HGI</b>	<b>1,759,159</b>

**BIOME GROW INC.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

**4. DISCONTINUED OPERATIONS (continued)**

The discontinued operations include the income of HGI during the period up to the date of disposal and the gain on disposal. Income from HGI for the three months ended March 31, 2020, is as follows:

	2020
	\$
<b>Revenue</b>	1,718,480
Cost of sales	1,491,033
Gross margin before fair value changes	227,447
Change in fair value of inventory sold	(43,434)
Unrealized gain (loss) on fair value of biological assets	32,474
<b>Gross profit</b>	216,487
<b>Operating expenses</b>	
Advertising and promotion	1,063
Depreciation	56,698
General and administration	27,441
Professional fees	5,939
Salaries and wages	23,124
Travel	9,460
Utilities	9,531
	133,256
<b>Other expenses</b>	
Write-down of inventory	888,422
<b>Net loss from discontinued operations</b>	805,191

Cash flows related to discontinued operations for the three months ended March 31, 2020, is as follows:

	2020
	\$
<b>Operating activities of discontinued operations</b>	
Loss from discontinued operations	(805,191)
Adjustments for non-cash items:	
Amortization	56,698
Unrealized gain on fair value of biological assets	32,474
Changes in fair value of inventory sold	(43,434)
Write-down of inventory	888,422
Changes in non-cash working capital items:	
Accounts receivable	75,355
Accounts payable and accrued liabilities	(3,500)
Biological assets	(46,767)
Inventory	(594,140)
Cash used in discontinued operating activities	(440,083)
<b>Investing activities of discontinued operations</b>	
Return of equipment	55,064
Cash provided by discontinued investing activities	55,064
<b>Financing activities of discontinued operations</b>	
Repayment of lease liability	(4,266)
Cash used in discontinued investing activities	(4,266)
<b>Change in cash, discontinued operations</b>	(389,285)

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

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

**4. DISCONTINUED OPERATIONS (continued)****b) Back Home Medical Cannabis Corporation**

On November 9, 2020 the Company entered into a share buy back agreement with the previous owners of Back Home to return the Company's interest in Back Home to the previous owners. Pursuant to the share buy back agreement, the previous owners are to return 187,000 common shares of the Company previously issued to them and the Company is no longer required to issue common shares previously recorded as shares to be issued of \$250,000. Accordingly, the Company has reclassified the \$250,000 from shares issuable to deficit.

The following table summarizes the loss on the share buy back agreement:

<b>Assets transferred</b>	<b>\$</b>
Account receivable	870,973
<b>Consideration</b>	
Cash paid as part of closing	(15,000)
<b>Loss on share buy back agreement</b>	<b>885,973</b>

During the three months ended March 31, 2020, Back Home incurred no expenses and had no cash transactions.

**5. INVESTMENTS**

	MYM Shares	Escrow Shares	Exchangeable Shares	Total
	\$	\$	\$	\$
<b>Cost</b>				
As at December 31, 2019	-	-	-	-
Additions	261,147	2,307,692	7,953,063	10,521,902
Transferred	978,597	(599,817)	(378,780)	-
Cost sold or transferred for debt settlement	(505,020)	-	(2,240,017)	(2,745,037)
<b>As at December 31, 2020</b>	<b>734,724</b>	<b>1,707,875</b>	<b>5,334,266</b>	<b>7,776,865</b>
Transferred	791,012	(791,012)	-	-
Cost sold or transferred for debt settlement	(410,760)	-	-	(410,760)
<b>As at March 31, 2021</b>	<b>1,114,976</b>	<b>916,863</b>	<b>5,334,266</b>	<b>7,366,105</b>
<b>Fair value</b>				
As at December 31, 2019	-	-	-	-
Additions	261,147	2,307,692	7,953,063	10,521,902
Transferred	978,597	(599,817)	(378,780)	-
Net proceeds on sales	(565,224)	-	-	(565,224)
Transfer for debt settlement	-	-	(2,613,353)	(2,613,353)
Realized gain on investments sold / transferred	60,204	-	373,336	433,540
Change in unrealized fair value on investments	367,362	853,937	2,667,133	3,888,432
<b>As at December 31, 2020</b>	<b>1,102,086</b>	<b>2,561,812</b>	<b>8,001,399</b>	<b>11,665,297</b>
Transferred	791,012	(791,012)	-	-
Net proceeds on sales	(923,314)	-	-	(923,314)
Realized gain on investments sold	512,554	-	-	512,554
Change in unrealized fair value on investments	2,785,836	1,743,842	12,446,620	16,976,298
<b>As at March 31, 2021</b>	<b>4,268,174</b>	<b>3,514,642</b>	<b>20,448,019</b>	<b>28,230,835</b>

On July 31, 2020, the Company received 4,352,447 MYM Shares, 38,461,538 Escrow shares and 132,551,040 Exchangeable Shares of MYM as consideration for the sale of HGI (Note 4). During the year ended December 31, 2020, the Company disposed of a total of 8,417,000 Exchangeable shares, Escrow Shares and MYM shares and realized a gain of \$433,540.

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

For the three months ended March 31, 2021 and 2020

(Expressed in Canadian dollars) - Unaudited

**5. INVESTMENTS (continued)**

In connection with the sale of HGI, the Company entered into various debt settlements and bonus payments with former employees of the Company and HGI which were settled with the issuance of either Exchangeable shares or MYM shares.

As at March 31, 2021, the Company held 33,863,985 MYM Shares, 15,801,252 Escrow Shares, and 88,904,428 Exchangeable Shares. For the three months ended March 31, 2021, the Company recorded a \$16,976,298 (2020 - \$nil) unrealized gain on its revaluation of these shares, and a \$512,554 (2020 - \$nil) realized gain on investments sold.

The remaining Escrow Shares are expected to be released within the next 12 months and have been classified as current on the statement of financial position (2019 – \$512,362 of Escrow Shares were not expected to vest within 12 months and classified as non-current).

**6. PROPERTY, PLANT AND EQUIPMENT**

	Computer and software	Equipment	Land and building	Leasehold improvements	Leased vehicles	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
Balance, December 31, 2019	34,927	387,439	595,465	2,615,647	-	3,633,478
Additions	-	-	-	-	52,266	52,266
Disposals	(34,927)	(387,439)	(595,465)	(2,615,647)	(52,266)	(3,685,744)
<b>Balance, December 31, 2020 and March 31, 2021</b>	-	-	-	-	-	-
<b>Accumulated depreciation</b>						
Balance, December 31, 2019	11,882	105,086	-	243,449	-	360,417
Depreciation	4,105	43,142	-	76,132	12,793	136,172
Disposals	(15,987)	(148,228)	-	(319,581)	(12,793)	(496,589)
<b>Balance, December 31, 2020 and March 31, 2021</b>	-	-	-	-	-	-
<b>Carrying amount</b>						
<b>Balance, December 31, 2020 and March 31, 2021</b>	-	-	-	-	-	-

During the year ended December 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 this return of equipment.

On July 31, 2020, all property, plant and equipment was disposed of for \$1 pursuant to sale of HGI (Note 4).

**7. LOANS PAYABLE**

- a) On July 31, 2020, in connection with sale of HGI, MYM agreed to loan the Company an amount equal to \$1,000,000 (the "MYM Loan – Tranche #1") plus the balance of certain liabilities of HGI, which will continue to be owed by HGI post-closing in the amount of \$1,664,141 (the "MYM Loan – Tranche #2"), both 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 (together the "MYM Loan". The MYM Loan bears interest at a rate of 17.5% per annum.

Pursuant to the loan and security agreement, the Company incurred a one-time set-up fee equal to 8% of the MYM Loan – Tranche #1 advance. Interest on the MYM Loan is calculated from July 31, 2020 and is payable monthly beginning on November 30, 2020. The total debt issuance costs of \$80,000 were applied against the loan principle in the amount of \$2,664,141 and are accreted over the term of the loan.

**BIOME GROW INC.**

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**7. LOANS PAYABLE (continued)**

A continuity of the MYM Loan obligation is as follows:

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Opening balance	<b>2,455,545</b>	-
Proceeds from issuance of term loan	-	2,664,141
Issuance costs and transaction fees	-	(80,000)
Principal repayments, net	<b>(240,286)</b>	(163,676)
Accretion expense	<b>9,286</b>	35,080
<b>Ending balance</b>	<b>2,224,545</b>	2,455,545
Less: current portion	<b>(2,224,545)</b>	-
Non-current portion	-	2,455,545

During the three months ended March 31, 2021, the Company incurred interest expense of \$105,247 (2020 - \$nil) in connection with this loan.

- 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, 2021, the carrying value of these loans are \$1,250,000 (December 31, 2020 - \$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, and is due on November 21, 2021. The loan 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. Funds in the trust account have been utilized to service legal costs pursuant to the terms of the trust agreement and the balance as at December 31, 2020 was \$471,386.

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 estimated the fair value of the share purchase warrants being \$979,475, which was 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 principal amount of \$3,000,000 and are accreted over the term of the loan.

A continuity of the loan obligation is as follows:

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Opening balance	-	1,661,571
Accretion expense	-	1,338,429
Principal repayments, net	-	(3,000,000)
<b>Ending balance</b>	-	-

During the year ended December 31, 2020, the Company repaid the principal amount of \$3,000,000 and recorded interest expense of \$140,662 related to the loan payable.

During the three months ended March 31, 2021, the Company recorded interest and accretion expense of \$nil (three months ended March 31, 2020 - \$427,299) related to the loan payable. 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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**8. SHARE CAPITAL****a) Authorized**

- Unlimited number of voting common shares without par value
- Unlimited number of Special Class C Shares without par value subject to special rights or restrictions
- Unlimited number of Class B Preferred Shares without par values subject to special rights or restrictions

As at March 31, 2021 and December 31, 2020, there was 112,417,435 common shares outstanding and 1 Special Class C share outstanding.

**b) Issued shares**

There were no common share transactions during the three months ended March 31, 2021.

The Company had the following common share transactions during the year ended December 31, 2020:

- The Company issued 417,536 common shares to settle liabilities with a fair value of \$33,402 or \$0.08 per common share.
- The Company issued 400,000 common shares to settle liabilities with a fair value of \$40,000 or \$0.10 per common share.

**c) 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 stock option transactions are as follows:

	Number of stock options	Weighted average exercise price
	#	\$
Balance, December 31, 2019	400,000	1.60
Granted	1,500,000	0.08
Forfeited	(200,000)	1.60
<b>Balance, December 31, 2020, and March 31, 2021</b>	<b>1,700,000</b>	<b>0.26</b>

The following table summarizes stock options outstanding and exercisable as at March 31, 2021 and December 31, 2020:

Grant date	Expiry date	Exercise price	March 31, 2021	December 31, 2020
		\$	#	#
October 19, 2018	October 19, 2021	1.60	<b>200,000</b>	200,000
July 31, 2020	July 31, 2025	0.08	<b>1,500,000</b>	1,500,000
<b>Total outstanding</b>			<b>1,700,000</b>	1,700,000
<b>Total exercisable</b>			<b>200,000</b>	200,000
Weighted average remaining contractual life of stock options outstanding at the end of the period			<b>3.8 years</b>	3.8 years

During the three months ended March 31, 2021, the Company recognized share-based compensation of \$16,344 (2020 - \$nil) that was recorded in the condensed interim consolidated statement of income (loss) and comprehensive income (loss). The stock-based compensation represents the fair value of stock options vested during the period and is estimated on the grant date using the Black-Scholes option pricing model.

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**8. SHARE CAPITAL (continued)****d) Share purchase warrants**

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, December 31, 2019	6,796,039	0.87
Expired	(401,159)	6.39
Balance, December 31, 2020	6,394,880	0.52
Expired	(20,534)	20.00
<b>Balance, March 31, 2021</b>	<b>6,374,346</b>	<b>0.44</b>

As at March 31, 2021 and December 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, 2021	December 31, 2020
		\$	#	#
November 21, 2019	November 21, 2023	0.28	<b>5,357,143</b>	5,357,143
February 1, 2016	February 1, 2021	20.00	-	12,592
February 16, 2016	February 16, 2021	20.00	-	5,242
March 4, 2016	March 4, 2021	20.00	-	2,700
April 18, 2016	April 18, 2021	20.00	<b>14,712</b>	14,712
August 16, 2016	August 16, 2021	20.00	<b>1,866</b>	1,866
October 3, 2018	October 3, 2021	1.00	<b>1,000,000</b>	1,000,000
October 19, 2018	October 19, 2021	1.60	<b>625</b>	625
Total outstanding and exercisable			<b>6,374,346</b>	6,394,880
Weighted average remaining contractual life of share purchase warrants outstanding at the end of the period			<b>2.3 years</b>	2.5 years

**9. 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 goods and services tax recoverable, accounts payable and current loans payable approximate their respective fair values due to the short-term nature of these instruments. The fair value of loans payable approximates fair value as it is discounted using a market rate of interest. The fair value of investments has been determined in whole by reference to the bid price of the shares on the Canadian Securities Exchange ("CSE") at each reporting date.

As at March 31, 2021, the Company's financial instruments consist of cash, restricted cash, investments, accounts payable and accrued liabilities and loans payable.

**BIOME GROW INC.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)****Financial risk management objectives and policies**

The Company's financial instruments include cash, restricted cash, goods and services tax recoverable, investments, accounts payable and accrued liabilities 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, 2021, 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 debt and other accounts payable relative to the sale of investments (marketable securities). Due to the ongoing COVID 19 pandemic, liquidity risk has been assessed as high.

*(iv) Maturity risk*

The Company's cash balance as at March 31, 2021 was in the amount of \$368,918. As at March 31, 2021, the Company had accounts payable and accrued liabilities of \$1,999,305 loans payable of \$3,474,545. All accounts payable and accrued liabilities and loans are current.

As at March 31, 2021, 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.



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**9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)**

The following table summarizes the maturities of the Company's financial liabilities as at March 31, 2021 based on the undiscounted contractual cash flows:

	Carrying value	Principal amount	Less than 1 year
	\$	\$	\$
Accounts payable and accrued liabilities	1,999,305	1,999,305	1,999,305
Loans payable	3,474,545	3,510,178	-
<b>March 31, 2021</b>	<b>5,473,850</b>	<b>5,509,483</b>	<b>1,999,305</b>

(vi) *Market risk*

The Company is exposed to market risk because of the fluctuating values of its publicly traded investment in MYM. The Company has no control over these fluctuations and does not hedge its investments. Based on the March 31, 2021 value of investments, a 10% increase or decrease in the share price of MYM would have impacted income (loss) for the year, up or down, by approximately \$2,823,084 (2019 - \$1,166,530) before income taxes.

**10. 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.

**11. RELATED PARTY BALANCES AND TRANSACTIONS**

Parties are considered 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 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, 2021 and 2020, key management compensation consisted of the following:

	2021	2020
	\$	\$
Consulting fees	-	1,864
Salaries and wages	-	107,000
Stock-based compensation	<b>16,344</b>	-
	<b>16,344</b>	108,864

As at March 31, 2021, \$nil (March 31, 2020 - \$108,864) was owing to key management personnel for fees and expenses.

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**11. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities	<b>325,906</b>	325,906
Loans payable	<b>1,250,000</b>	1,250,000
	<b>1,575,906</b>	1,575,906

As at March 31, 2021, accounts payable and accrued liabilities include \$220,985 (December 31, 2020 - \$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, 2021 accounts payable and accrued liabilities include \$104,921 (December 31, 2020 - \$104,921) for fees payable to the former CFO of the Company. The amount is unsecured, non-interest bearing and due on demand.

As at March 31, 2021, the Company has loans payable totaling \$1,250,000 (December 31, 2020 - \$1,250,000) to an entity under control of a significant shareholder of the Company (see Note 7(b)). The balance payable is secured by promissory notes, non-interest bearing and due on demand.

During the three months ended March 31, 2021, the Company granted 1,500,000 stock options to officers and directors of the Company (see Note 8(c)).

**12. COMMITMENTS**

From time to time, the Company enters into contracts for services in the normal course of operations. The Company's current contractual commitments vary in terms and can be terminated upon sufficient notice. From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

**13. SUBSEQUENT EVENTS**Investments

On May 21, 2021, the Company, through its wholly owned subsidiary, exchanged all 88,904,428 remaining Exchangeable Shares for 88,904,428 MYM Shares.

Share purchase warrants

On April 18, 2021, 14,712 share purchase warrants with an exercise price of \$20.00 expired.