



The Green Organic Dutchman Holdings Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2022 and March 31, 2021

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(expressed in thousands of Canadian dollars, except common shares outstanding)

	Notes	As at March 31, 2022	As at December 31, 2021*
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,975	\$ 4,089
Restricted cash	17	1,405	219
Trade receivables	17	7,773	8,833
Biological assets	8	4,058	3,149
Inventories	9	22,192	20,942
Prepaid expenses and deposits		2,883	1,502
Other current assets	10	1,788	1,841
Due from related parties		964	573
Assets held for sale	4	12,280	13,612
		<u>\$ 55,318</u>	<u>\$ 54,760</u>
Non-current assets			
Property, plant and equipment	6	108,553	117,980
Intangible assets	7	15,242	15,585
Goodwill	7	3,939	3,939
Other assets	10, 16	1,734	1,735
		<u>\$ 184,786</u>	<u>\$ 193,999</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 16,647	\$ 17,664
Sales taxes payable		467	248
Current portion of loans	5	5,875	2,021
Current portion of lease liabilities	12	1,049	1,049
Loan payable to disposal group	4	5,419	5,492
Liabilities held for sale	4	2,072	2,570
Current portion of contingent consideration	11	4,783	—
		<u>36,312</u>	<u>29,044</u>
Non-current liabilities			
Lease liabilities	12	6,483	6,517
Loans	5	18,476	18,204
Contingent consideration	11	—	3,423
		<u>24,959</u>	<u>28,144</u>
Total liabilities		<u>\$ 61,271</u>	<u>\$ 57,188</u>
Shareholders' equity			
Share capital	13	508,696	508,504
Contributed surplus	14	109,363	108,836
Deficit		(492,203)	(478,697)
Reserve for foreign currency translations		(1,478)	(969)
Total Shareholders' Equity attributed to The Green Organic Dutchman Holdings Ltd.		<u>\$ 124,378</u>	<u>\$ 137,674</u>
Non-controlling interests		<u>(863)</u>	<u>(863)</u>
Total Shareholders' Equity		<u>123,515</u>	<u>136,811</u>
Total Liabilities and Shareholders' Equity		<u>\$ 184,786</u>	<u>\$ 193,999</u>
Total number of common shares outstanding		<u>751,074,489</u>	<u>749,660,647</u>
Going concern	2		
Commitments and contingencies	16		
Events after the reporting period	20		

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

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(expressed in thousands of Canadian Dollars, except per share amounts)

	Notes	For the three months ended	
		March 31, 2022	March 31, 2021 Restated*
Continuing operations			
Revenue		\$ 14,353	\$ 6,668
Excise duties		(3,778)	(1,279)
Net revenue		10,575	5,389
Cost of sales		6,868	5,348
Gross profit before change in fair value of biological assets		3,707	41
Realized fair value adjustment on sale of inventories		(2,435)	(1,530)
Unrealized gain on changes in fair value of biological assets	8	4,305	3,321
Gross profit		\$ 5,577	\$ 1,832
Operating expenses			
Sales and marketing expenses		\$ 1,893	\$ 941
Research and development expenses		133	331
General and administrative expenses		3,918	3,932
Share based compensation	14	567	613
Depreciation and amortization	6, 7	3,527	1,503
Total operating expenses		\$ 10,038	\$ 7,320
Loss from operations		(4,461)	(5,488)
Foreign exchange gain	17[c]	85	192
Finance costs		(969)	(1,888)
Accretion expense	5	(323)	(1,282)
Finance income		4	24
Revaluation gain (loss) of contingent consideration	11	(1,360)	39
Gain (loss) on disposal of assets	6	(5)	209
Reversal of impairment / (impairment) charge for non-financial assets	6	(6,183)	21,811
Loss on derecognition on investment in joint venture		—	(761)
Net income (loss) from continuing operations		\$ (13,212)	\$ 12,856
Discontinued operations			
Loss from discontinued operation	4	(294)	(393)
Net income (loss) from operations		(13,506)	12,463

* Comparative information has been re-stated due to a discontinued operation and change in classification. See Note 4.

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

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE
INCOME (LOSS) (CONTINUED)

(Unaudited)

(expressed in thousands of Canadian Dollars, except per share amounts)

	For the three months ended	
	March 31, 2022	March 31, 2021 Restated*
Other comprehensive loss		
Foreign currency translation loss	509	1,304
Comprehensive income (loss)	\$ (14,015)	\$ 11,159
Net income (loss) attributable to:		
The Green Organic Dutchman Holdings Ltd.	(13,506)	12,518
Non-controlling interests	—	(55)
Comprehensive income (loss) attributable to:		
The Green Organic Dutchman Holdings Ltd.	(14,015)	11,214
Non-controlling interests	—	(55)
Basic and diluted income (loss) per share	\$ (0.02)	\$ 0.02
Basic and diluted income (loss) per share - Continuing operations	\$ (0.02)	\$ 0.03
Weighted average number of outstanding common shares	750,471,978	508,747,227

* Comparative information has been re-presented due to discontinued operations. See Note 4.

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

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(expressed in thousands of Canadian Dollars, except number of shares)

	Notes	Share Capital		Contributed Surplus						Reserve for foreign currency translations	Accumulated deficit	Non-Controlling Interests	Total
		Common Shares	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Shares to be issued	Total Contributed surplus				
		#	\$	\$	\$	\$	\$	\$	\$				
Balance, December 31, 2021		749,660,647	508,504	21,653	10,375	76,768	40	—	108,836	(969)	(478,697)	(863)	136,811
Issuance of common shares	13[a]	904,000	102	—	—	—	—	—	—	—	—	—	102
Share based compensation	14[a,c]	—	—	567	—	—	—	—	567	—	—	—	567
Restricted share units exercised during period - escrowed	13[c]	9,842	40	—	—	—	(40)	—	(40)	—	—	—	—
Shares and warrants issued in connection with debt modification	13[b]	500,000	50	—	—	—	—	—	—	—	—	—	50
Comprehensive loss		—	—	—	—	—	—	—	—	(509)	(13,506)	—	(14,015)
Balance, March 31, 2022		751,074,489	508,696	22,220	10,375	76,768	—	—	109,363	(1,478)	(492,203)	(863)	123,515

	Notes	Share Capital		Contributed Surplus						Reserve for foreign currency translations	Accumulated deficit	Non-Controlling Interests	Total
		Common Shares	Amount	Reserve for share based payments	Reserve for warrants	Other contributed surplus	Escrowed share units	Shares to be issued	Total Contributed surplus				
		#	\$	\$	\$	\$	\$	\$	\$				
Balance, December 31, 2020		486,675,760	468,379	23,258	66,111	11,129	7,972	404	108,874	255	(436,559)	(1,145)	139,804
Issuance of common shares		14,341,958	7,655	—	—	—	—	—	—	—	—	—	7,655
Share based compensation		—	—	613	—	—	—	—	613	—	—	—	613
Exercise of warrants		24,198,600	8,684	—	(1,124)	—	—	—	(1,124)	—	—	—	7,560
Expiry of stock options		—	—	(4,102)	—	4,102	—	—	—	—	—	—	—
Expiry of warrants		—	—	—	(37,638)	37,638	—	—	—	—	—	—	—
Restricted share units exercised during period		390,810	175	(175)	—	—	—	—	(175)	—	—	—	—
Shares issued to settle accounts payable		1,591,535	404	—	—	—	—	(104)	(104)	—	—	—	300
Comprehensive income		—	—	—	—	—	—	—	—	(1,304)	12,518	(55)	11,159
Elimination of non-controlling interest on disposal of Denmark		—	—	—	—	—	—	—	—	5	—	441	446
Balance, March 31, 2021		527,198,663	485,297	19,594	27,349	52,869	7,972	300	108,084	(1,044)	(424,041)	(759)	167,537

An unlimited number of common shares are authorized for issue.

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

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(expressed in thousands of Canadian dollars)

	Notes	For the three months ended	
		March 31, 2022	March 31, 2021
OPERATING ACTIVITIES			
Net income (loss) from operations		\$ (13,506)	\$ 12,463
Items not affecting cash:			
(Reversal of impairment) / Impairment of property, plant and equipment	6	6,183	(17,765)
Reversal of impairment of intangible assets		—	(4,046)
Share based compensation	14	567	613
Depreciation of property, plant and equipment	6	3,184	1,647
Amortization of intangible assets	7	343	340
Realized fair value adjustment on sale of inventories		2,435	1,530
Unrealized gain on change in fair value of biological assets	8	(4,305)	(3,321)
Accretion expense	5	323	1,282
Revaluation loss (gain) of contingent consideration	11	1,360	(39)
Loss (gain) on disposal of assets	6	5	(210)
Loss on derecognition on investment in joint venture		—	761
Deferred financing costs expensed		—	225
Deferred income tax recovery		—	21
Changes in non-cash operating working capital items	15	(316)	962
Net cash used in operating activities		\$ (3,727)	\$ (5,537)
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(283)	(4,208)
Proceeds on disposal of assets	6	74	662
Transfer (to) from restricted cash	17[c]	(1,186)	363
Net cash inflow on sale of investment		—	1,242
Net cash used in investing activities		\$ (1,395)	\$ (1,941)
FINANCING ACTIVITIES			
Proceeds from issuance of shares and warrants, net of share issue costs	13	102	7,655
Proceeds from the exercise of stock options and warrants	13, 14	—	7,560
Interest received		4	19
Interest paid on lease liabilities	12	(229)	(139)
Interest paid on debt	5	(768)	(1,539)
Principal payments of lease liabilities	12	(144)	(163)
Principal payments of debt	5	—	(687)
Net proceeds of borrowings and repayments under the Revolver Loan	5	3,853	945
Net cash provided by financing activities		\$ 2,818	\$ 13,651
Net cash inflow (outflow)		\$ (2,304)	\$ 6,173
Net effects of foreign exchange		(244)	(866)
Cash, beginning of period		4,930	11,212
Cash related to assets held for sale	4	(407)	—
Cash and cash equivalents, end of period		\$ 1,975	\$ 16,519

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

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

1. NATURE OF ACTIVITIES

The Green Organic Dutchman Holdings Ltd. (“Company”) was incorporated on November 16, 2016, under the *Canada Business Corporations Act* (“CBCA”). The Company is a reporting issuer domiciled in Canada whose common shares (the “Common Shares”) are publicly traded on the Canadian Securities Exchange (“CSE”) under the symbol “TGOD” and on the OTCQX under the symbol “TGODF”. The Company also has four classes of warrants listed on the CSE under the symbols “TGOD.WS”, “TGOD.WR”, “TGOD.WA” and “TGOD.WB”. The Company’s registered and head office is located at 6205 Airport Road, Building A – Suite 200, Mississauga, ON, L4V 1E3. These unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and March 31, 2021 (“Interim Consolidated Financial Statements”) include the financial statements of The Green Organic Dutchman Holdings Ltd. and its subsidiaries from the date the Company gained control of each subsidiary.

The Company’s wholly-owned Canadian subsidiaries, The Green Organic Dutchman Ltd. (“TGOD”) and Galaxie Brands Corporation (“Galaxie”) are licensed producers under the *Cannabis Act* (Canada) and hold licences to produce cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and sell such cannabis products within Canada to provincially authorized retailers or distributors and federally licensed entities. The Company owns cannabis cultivation facilities near Hamilton, Ontario (the “**Hamilton Facility**”), Puslinch, Ontario (the “**Puslinch Facility**”) and also has a presence in Québec with certain continuing operations out of its previously owned facility located in Valleyfield, Québec (the “**Quebec Facility**”).

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing an international growth strategy, and has established strategic partnerships for the distribution of cannabis and hemp-derived medical products in Mexico, Germany, Australia, South Africa and other countries as regulations allow.

The outbreak of the novel strain of the coronavirus, SARS-COV-2 (“COVID-19”), and its eventual declaration as a pandemic by the World Health Organization (“WHO”) on March 11, 2020, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. The Company implemented measures to protect its global workforce from COVID-19 and endeavours to mitigate any long-term impact of the pandemic on its business which remain unknown. While it is difficult to predict the impact of COVID-19 on the Company’s business, the Company continues to seek to mitigate these impacts through various means including engagement with its retailers, transition of its staff to working remotely where possible, increasing safety protocols and sanitation measures within the workplace, and monitoring developments in order to adapt and respond in order to protect the health and safety of the Company’s employees and the best interests of the Company.

2. BASIS OF PRESENTATION

[i] Going concern

These Interim Consolidated Financial Statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

As of March 31, 2022, the Company had working capital of \$19,006 (inclusive of non-cash contingent consideration of \$4,783) (December 31, 2021 –\$25,716) and an accumulated deficit of \$492,203 (December 31, 2021 - \$478,697). During the three months ended March 31, 2022, the Company used cash in operating activities of \$3,727 (three months ended March 31, 2021 - \$5,537) resulting primarily from the loss from operations \$4,461 (three months ended March 31, 2021 - \$5,488) offset by items not affecting cash such as depreciation, amortization and share based compensation. The Company has insufficient cash on hand to fund its planned operations. The Company’s ability to continue as a going concern is dependent upon its ability to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient funding to meet its obligations.

The Company will need to obtain further funding in the form of asset sales, debt, equity or a combination thereof to continue operations for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If positive operating cash flows are not achieved, debt obligations are not repaid, or adequate funding is not available, the Company may be required to delay or reduce the scope of any or all of its operations. In addition, the terms of the renewed secured revolving credit facility (the “Revolver Loan”) require the Company to satisfy various affirmative and negative covenants and to meet certain future financial tests. A failure to comply with these covenants, including a failure to meet the financial tests, would result in an event of default under the Revolver Loan and if not cured would allow the lender to accelerate the repayment of the debt, which could materially and adversely affect the business, results of operations and financial condition of the Company. These conditions indicate the

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existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These Interim Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operating and/or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these Interim Consolidated Financial Statements should such events impair the Company's ability to continue as a going concern.

[ii] Interim Financial Reporting

These Interim Consolidated Financial Statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these Interim Consolidated Financial Statements as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2021.

These Interim Consolidated Financial Statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2021 which are made available on SEDAR at www.sedar.com.

These Interim Consolidated Financial Statements were approved by the Board of Directors of the Company and authorized for issue by the Board of Directors of the Company on May 25, 2022.

[iii] Reclassification

Certain comparative figures have been reclassified to conform to the current period presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these Interim Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Consolidated Financial Statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2021.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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4. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATION

As at March 31, 2022, management was committed to a plan to sell the Company’s wholly owned hemp cultivation and extraction business based in Poland. Accordingly, the Company has presented HemPoland S.p.a. Z.o.o. (“HemPoland”) as a disposal group held for sale (“Disposal Group”). Efforts to sell the Disposal Group have started and a sale is expected within the next twelve months.

Results of discontinued operation

	For the three months ended	
	March 31, 2022	March 31, 2021
Revenue	\$ 874	\$ 2,314
Gross profit	\$ 227	\$ 1,298
Expenses	\$ 625	\$ 1,670
Loss from discontinued operations	\$ (398)	\$ (372)
Deferred tax recovery (expense)	\$ 104	\$ (21)
Loss from discontinued operations, net of tax	\$ (294)	\$ (393)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)

Cash flows from (used in) discontinued operation

	For the three months ended	
	March 31, 2022	March 31, 2021
Net cash provided by (used in) operating activities	\$ (292)	\$ 528
Net cash used in investing activities	(32)	(112)
Net cash used in financing activities	(110)	(160)
Net cash (outflows) inflows for the year	\$ (434)	\$ 256

Fair Value related to the disposal group

The fair value of the Disposal Group’s net assets was estimated to be \$10,908 (before estimated costs to sell of \$700) using a market approach (level 2 on the fair value hierarchy), from a non-binding competitive offer received subsequent to quarter end, which provided reliable information to determine the fair value of the Disposal Group.

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Assets and liabilities of disposal group held for sale

As at March 31, 2022, the Disposal Group was stated at fair value less costs to sell and comprised of the following assets and liabilities.

	Disposal Group
Cash and cash equivalents	407
Refundable sales taxes receivable	70
Trade receivables	213
Prepaid expenses and deposits	209
Inventories	2,815
Property, plant and equipment	1,340
Intangible assets	1,807
Loan receivable from the Company	5,419
Assets held for sale	12,280
Accounts payable and accrued liabilities	501
Lease liabilities	1,127
Loans	444
Liabilities held for sale	2,072

5. LOANS

The following tables illustrate the continuity schedule and presentation of the Company's loans:

	For the three months ended March 31, 2022	For the year ended December 31, 2021
Opening Balance	\$ 20,225	\$ 40,755
Additions	—	7,000
Addition through business combination	—	1,152
Deferred financing fee	(50)	(1,000)
Accretion	323	5,445
Debt modification	—	(1,187)
Principal payments	—	(32,200)
Effects of movements in foreign exchange	—	(33)
Reclassification to liabilities held for sale	—	(473)
Net proceeds related to the borrowing from and repayments to the Revolver Loan	3,853	766
Ending Balance	\$ 24,351	\$ 20,225

	March 31, 2022	December 31, 2021
Loans	\$ 24,351	\$ 20,225
Current portion	(5,875)	(2,021)
Long term portion	\$ 18,476	\$ 18,204
Revolver Loan	\$ 23,165	\$ 19,045
Promissory notes to related parties	1,186	1,180
	\$ 24,351	\$ 20,225

Revolver Loan

The Company entered into the Revolver Loan on April 22, 2020, which was amended and restated on September 29, 2021, and further amended on November 29, 2021 (the "Amended and Restated Agreement"). The Revolver Loan has a credit limit \$25,000, bears interest of 12%, with a maturity date of June 30, 2023. The Company must comply with certain financial covenants as set out in the Amended and Restated Agreement relating to the achievement of positive EBITDA (as defined in the Amended and Restated Agreement).

On March 10, 2022, the Company entered into a second amendment to the Amended and Restated Agreement (the "Second

The Green Organic Dutchman Holdings Ltd.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Amendment”) whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from \$25,000 to \$30,000, allow certain eligible inventory to be included as collateral to the Revolver Loan, and relax certain covenants set forth in the Amended and Restated Agreement relating to the Revolver Loan. As consideration for the Second Amendment, the Company issued 500,000 Common Shares worth \$50 to the lender.

Subsequent to the three months ended March 31, 2022, on April 29, 2022, the Company entered into a third amendment to the Amended and Restated Agreement (the “Third Amendment”), whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from \$30,000 to \$34,000, increase the term portion of the Revolver Loan from \$20,000 to \$24,000, amend the EBITDA financial covenant to take effect June 30, 2022, remove the covenant requiring a \$6,000 prepayment through funds raised by public issuance of equity securities in the Company, remove the covenant requiring a \$4,000 prepayment through funds raised by the sale of HemPoland, and introduce certain prepayment fees in the combined amount of 2% of any prepayments, subject to the satisfaction of the various conditions set out therein.

The Revolver Loan is secured by a first lien over the Hamilton Facility and assets of the Company, including a lien over substantially all of the cannabis and cannabis derived inventories and Canadian trade receivables. As the accounts receivable balance eligible for collateral increases, additional credit is available to the Company.

As at March 31, 2022, the total principal balance outstanding related to the Revolver Loan was \$25,075. The Revolver Loan has other non-financial covenants which the Company met as at March 31, 2022.

Promissory notes to related parties

In connection with the acquisition of all of the issued and outstanding shares of Galaxie on November 17, 2021 (the “Galaxie Acquisition”), the Company assumed shareholder loans with principal note balances totaling \$1,300 (the “Promissory Notes”). The fair value of the shareholder loans at acquisition date was determined to be \$1,152, based on the time to maturity. The Promissory Notes are subordinate to the Revolver Loan. On May 17, 2022, subsequent to the three months ended March 31, 2022, Promissory Note #1 and Promissory Note #3 were repaid in full plus accrued interest (see note 20).

	<u>Principal note balance</u>	<u>Amortized Cost</u>	<u>Agreement Date</u>	<u>Maturity Date</u>	<u>Terms</u>
Promissory Note #1	\$ 400	400	2021-10-28	2022-01-31	No interest to maturity, 10% interest compounded monthly if note not repaid in full at maturity
Promissory Note #2	400	400	2021-10-28	2022-01-31	No interest to maturity, 10% interest compounded monthly if note not repaid in full at maturity
Promissory Note #3	500	386	2021-05-26	2026-06-01	\$100 to be repaid on June 1, 2023 \$100 to be repaid on June 1, 2024 \$100 to be repaid on June 1, 2025 \$200 plus interest to be repaid on June 1, 2026
Total Promissory Notes to related parties	\$ 1,300	1,186			

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

6. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and fixtures	Production equipment	Building improvements	Computer equipment	Automobiles	Right-of-use assets	Total
Balance, December 31, 2021	\$ 2,775	\$ 63,086	\$ 420	\$ 65,734	\$ 9,920	\$ 1,374	\$ 294	\$ 7,134	\$ 150,737
Additions	—	—	1	18	—	—	—	—	19
Disposals	—	—	—	(159)	—	—	—	—	(159)
Balance, March 31, 2022	\$ 2,775	\$ 63,086	\$ 421	\$ 65,593	\$ 9,920	\$ 1,374	\$ 294	\$ 7,134	\$ 150,597
Accumulated depreciation and impairment:									
Balance, December 31, 2021	\$ —	\$ 8,417	\$ 143	\$ 22,124	\$ 452	\$ 845	\$ 227	\$ 549	\$ 32,757
Depreciation	—	683	14	2,202	123	44	5	113	3,184
Disposals	—	—	—	(80)	—	—	—	—	(80)
Impairment	—	—	—	—	6,183	—	—	—	6,183
Balance, March 31, 2022	\$ —	\$ 9,100	\$ 157	\$ 24,246	\$ 6,758	\$ 889	\$ 232	\$ 662	\$ 42,044
Net book value, March 31, 2022	\$ 2,775	\$ 53,986	\$ 264	\$ 41,347	\$ 3,162	\$ 485	\$ 62	\$ 6,472	\$ 108,553

Subsequent to March 31, 2022, the Company committed to selling its leasehold improvements acquired through the Galaxie Acquisition at the Puslinch Facility. The Company tested the leasehold improvements for impairment and recognized an impairment loss of \$6,183 for the three months ended March 31, 2022. The Company obtained a binding offer subsequent to March 31, 2022 to determine the fair value less costs of disposal of the leasehold improvements which was estimated to be \$2,900 using a market approach (level 2 on the fair value hierarchy).

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7. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets is as follows:

	Health Canada Licences	Technology Licences	Website	Brands	Other acquired rights	Goodwill	Total
Cost:							
Balance, December 31, 2021	\$ 10,302	\$ 2,613	\$ 400	\$ 2,783	\$ 2,667	\$ 3,939	\$ 22,704
Additions	—	—	—	—	—	—	—
Balance, March 31, 2022	\$ 10,302	\$ 2,613	\$ 400	\$ 2,783	\$ 2,667	\$ 3,939	\$ 22,704
Accumulated amortization and impairment:							
Balance, December 31, 2021	\$ 1,752	\$ 1,186	\$ 179	\$ 15	\$ 48	\$ —	\$ 3,180
Amortization for the period	123	103	16	35	66	—	343
Balance, March 31, 2022	\$ 1,875	\$ 1,289	\$ 195	\$ 50	\$ 114	\$ —	\$ 3,523
Net book value, March 31, 2022	\$ 8,427	\$ 1,324	\$ 205	\$ 2,733	\$ 2,553	\$ 3,939	\$ 19,181

8. BIOLOGICAL ASSETS

As at March 31, 2022, the Company's biological assets consisted of cannabis seeds and cannabis plants. The continuity of the Company's biological assets is as follows:

	Capitalized cost	Biological asset fair value adjustment	Amount
Balance, December 31, 2021	\$ 1,482	\$ 1,667	\$ 3,149
Unrealized gain on changes in fair value of biological assets	—	4,305	4,305
Production costs capitalized	2,078	—	2,078
Transfer to inventories upon harvest	(1,866)	(3,608)	(5,474)
Balance, March 31, 2022	\$ 1,694	\$ 2,364	\$ 4,058

The Company measures its biological assets at their fair values less estimated costs to sell. This is determined using a model which estimates the expected harvest yields in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram, waste and also for any additional costs to be incurred, such as post-harvest cost.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Estimated selling price per gram – calculated as the expected approximate future per gram selling prices of the Company's cannabis products.
- Stage of growth – represents the weighted average number of weeks out of the estimated week growing cycle that biological assets have reached as of the measurement date based on historical experience. The Company accretes fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.
- Yield by plant – represents the expected number of grams of finished cannabis inventories which are expected to be obtained from each harvested cannabis plant based on historical experience.

The inter-relationship between these aforementioned unobservable inputs and the fair-value of the biological assets is such that the carrying value of the biological assets as at March 31, 2022 and December 31, 2021 would increase (decrease) if any of these inputs were to be higher (lower).

Other unobservable, level 3 inputs into the biological asset model include estimated post-harvest costs, costs to complete and wastage. These additional level 3 inputs are not considered to be significant.

The following table quantifies each significant unobservable input, and provides the impact of a 10% increase or decrease in each input would have on the fair value of biological assets:

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	As at March 31, 2022	As at December 31, 2021	Impact of 10% change as at March 31, 2022	Impact of 10% change as at December 31, 2021
Estimated net selling price per gram (1)	\$1.83 to \$4.79	\$1.83 to \$4.79	\$ 637	\$ 535
Estimated stage of growth	7 to 8 weeks	8 to 9 weeks	\$ 1,216	\$ 824
Estimated yield of agricultural produce by plant (2)	94 to 115 grams	80 to 100 grams	\$ 462	\$ 357

- (1) The estimated net selling price per gram is based on the negotiated distribution selling prices which exclude excise duties.
- (2) The estimated yield varies based on the Company's different cannabis strains.

The Company's estimates are, by their nature, subject to change. Changes in the significant assumptions described will be reflected in future changes in the gain or loss on biological assets. There were no changes between fair value hierarchy levels during the three months ended March 31, 2022.

9. INVENTORIES

The Company's inventory assets include the following as of March 31, 2022 and December 31, 2021:

	As at March 31, 2022	As at December 31, 2021
Raw Materials and Packaging	\$ 3,097	2,617
Work-in-progress	16,827	14,946
Finished Goods	2,268	3,379
Total Inventories	\$ 22,192	20,942

During the three months ended March 31, 2022, inventories expensed directly to cost of sales were \$4,423 (three months ended March 31, 2021 - \$2,426).

10. OTHER ASSETS

A summary of the Company's other assets is presented as follows:

	Notes	As at March 31, 2022	As at December 31, 2021
Term deposits held as letter of credit collateral	16,17	935	935
Term deposits not held as letter of credit collateral		100	100
Other		2,487	2,541
		3,522	3,576
Less: Current portion		(1,788)	(1,841)
Non current portion		1,734	1,735

11. CONTINGENT CONSIDERATION

As part of the purchase price paid in connection with the Galaxie Acquisition, the Company issued up to 85,714,286 Common Shares valued at \$5,235 (the "Contingent Milestone Shares"). The Contingent Milestone Shares are subject to revaluation based on the modified probability assessment of asymmetric payment structures model at each period end (combination of level 1 and level 3 inputs on the fair value hierarchy). As at March 31, 2022, the contingent consideration was revalued to \$4,783, resulting in a loss on revaluation of \$1,360 for the three months ended March 31, 2022. The Contingent Milestone Shares are to be released no later than January 31, 2023, subject to the achievement of certain financial targets.

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12. LEASES

Below is a summary of the activity related to the Company's lease liabilities:

		For the three months ended March 31, 2022	For the year ended December 31, 2021
Opening Balance		\$ 7,566	\$ 5,570
Additions	12[a]	—	2,049
Additions from business combination		—	3,665
Interest on lease liabilities		229	535
Interest payments on lease liabilities		(229)	(535)
Principal payments on lease liabilities		(34)	(704)
Extinguishment of lease liabilities	12[b]	—	(1,687)
Reclassification to liabilities held for sale		—	(1,235)
Foreign exchange differences		—	(92)
Closing Balance		\$ 7,532	\$ 7,566
Current portion lease liabilities		\$ 1,049	\$ 1,049
Long-term portion lease liabilities		\$ 6,483	\$ 6,517

[a] Puslinch Lease

In connection with the Galaxie Acquisition, the Company acquired a 20-year lease on the land on which the Puslinch Facility is located, which commenced on December 1, 2020.

[b] Valleyfield Lease

In connection with the Quebec Disposition, the Company entered into a two-year lease for 80,000 square feet, representing cultivation, processing and manufacturing spaces in the Quebec Facility. On September 24, 2021, the lease was terminated and modified to an operating agreement in conjunction with the landlord obtaining its own Health Canada licence.

13. SHARE CAPITAL

		For the three months ended March 31, 2022		For the year ended December 31, 2021	
		Number of shares	Amount	Number of shares	Amount
Balance - beginning of period	[i]	749,660,647	\$508,504	486,675,760	\$468,379
Issuance of common shares	[a]	904,000	102	21,035,458	9,322
Shares issued in connection with debt modification	[b]	500,000	50	—	—
Restricted share units exercised during period - escrowed	[c]	9,842	40	314,933	1,276
Issuance of common shares in relation to acquisition				122,805,153	19,035
Issuance of contingent shares in relation to acquisition				85,714,286	—
Exercise of warrants		—	—	24,198,600	8,684
Shares issued to settle accounts payable		—	—	4,241,712	704
Shares issued in connection with debt modification				2,736,842	520
Restricted share units exercised during period		—	—	1,937,903	584
Balance - end of period		751,074,489	\$508,696	749,660,647	\$508,504

[i] Includes 85,714,286 shares that are issued contingent upon certain milestones being achieved in 2022 related to the Galaxie Acquisition (note 11).

[i] Authorized

An unlimited number of Common Shares.

[ii] Issued capital

- During the three months ended March 31, 2022, 904,000 Common Shares were issued under the Company's at-the-market prospectus supplement dated December 2, 2020, for gross proceeds of \$105 (net proceeds of \$102).
- During the three months ended March 31, 2022, 500,000 Common Shares were issued to the lender of the Revolver Loan worth \$50 related to the modification (see note 5).

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- c) During the three months ended March 31, 2022, 9,842 Common Shares of the Company were issued to former shareholders of HemPoland as a result of the conversion of 9,842 escrowed restricted share units (“RSUs”) issued to such former shareholders. There are no proceeds related to the conversion of such escrowed RSUs.

14. CONTRIBUTED SURPLUS

[a] Share based payments

For the three months ended March 31, 2022, the Company recorded \$287 in non-cash share-based compensation expense pursuant to the grant of stock options (three months ended March 31, 2021 - \$544).

The following is a summary of the changes in options issued pursuant to the Company’s employee stock option plan:

	For the three months ended March 31, 2022		For the year ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	24,607,998	1.01	24,339,401	1.74
Granted	500,000	0.10	10,035,000	0.26
Cancelled/Expired	(1,862,002)	0.86	(9,766,403)	2.04
Outstanding, end of period	23,245,996	1.01	24,607,998	1.01
Exercisable, end of period	8,710,995	2.16	7,836,325	2.08

Grant date	Options Outstanding #	Options Exercisable #	Exercise Price \$	Weighted Average remaining contractual life of outstanding options in years
June 25, 2018 - December 14, 2018	1,040,000	1,040,000	\$3.08 - \$6.91	1.24 - 1.71
January 8, 2019 - August 21, 2019	2,978,333	2,806,672	\$2.67 - \$5.13	1.78 - 2.39
November 18, 2019	619,000	412,672	\$0.83	2.64
March 13, 2020 - December 21, 2020	10,361,997	4,066,660	\$0.26 - \$0.51	2.95 - 3.73
March 12, 2021 - January 24, 2022	8,246,666	384,991	\$0.10 - \$0.36	3.95 - 4.82
Balance, March 31, 2022	23,245,996	8,710,995		3.50

In determining the amount of share-based compensation, the Company uses the Black-Scholes option pricing model to establish the fair value as at the grant date of options granted. Stock options granted during the respective periods highlighted below were fair valued based on the following weighted average assumptions:

	Averages for the three months ended March 31, 2022	Averages for the year ended December 31, 2021
Risk-free interest rate	1.55%	0.78%
Expected dividend yield	Nil	Nil
Expected annualized volatility	100.00%	85.00%
Expected life of options (years)	3.50	3.49
Black-Scholes value of each option	\$0.06	\$0.15

Volatility was estimated by using the historical volatility of the Company. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may also not necessarily be the actual outcome. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based upon the Canada government bonds with a remaining term equal to the expected life of the options.

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[b] Reserve for warrants

The following table reflects the continuity of warrants:

	Number of warrants #	Weighted Average Exercise Price \$	Amount, net of warrant issue costs \$
Balance, December 31, 2021	160,591,440	0.47	10,375
Balance, March 31, 2022	160,591,440	0.47	10,375

As at March 31, 2022, the following warrants were outstanding:

Expiry Date	Exercise Price \$	Number of Warrants #
December 19, 2022	1.00	20,607,500
April 1, 2023	0.39	3,000,000
April 13, 2023	0.39	1,500,000
April 27, 2023	0.38	10,813,052
May 27, 2024	0.50	500,000
June 12, 2024	0.50	45,712,500
October 23, 2025	0.30	24,873,354
November 2, 2025	0.30	8,500,000
December 10, 2025	0.35	42,085,034
November 29, 2026	0.14	3,000,000
		160,591,440

[c] Restricted share units

Under the Company's RSU plan (the "RSU Plan"), RSUs may be granted up to a fixed maximum of 10,000,000 Common Shares, which entitle the holder to receive one Common Share without payment of additional consideration at the end of the restricted period, as determined by the Board of Directors at the time of the grant. The RSUs vest in tranches based on certain performance conditions being met, with share-based compensation expense being recognized from grant date to the expected performance completion date.

As at March 31, 2022, 3,525,830 (December 31, 2021 – 4,651,040) shares of the Company were reserved for issuance under the RSU Plan. For the three months ended March 31, 2022, the Company recorded \$280 in non-cash share-based compensation related to RSU compensation (three months ended March 31, 2021 – \$69).

	For the three months ended March 31, 2022		For the year ended December 31, 2021	
	Number of Units	Weighted Fair Value	Number of Units	Weighted Fair Value
Outstanding - beginning of period	4,651,040	0.30	1,243,845	0.33
Granted	-	-	6,170,098	0.30
Exercised	-	-	(1,937,903)	0.30
Forfeited	(1,125,210)	0.28	(825,000)	0.30
Outstanding, end of period	3,525,830	0.31	4,651,040	0.30

The accounting fair value of the equity settled RSUs as at the grant date is calculated using the number of RSUs expected to be earned multiplied by the grant date fair market value of a share of the Company's stock. Each reporting period, the number of RSUs that are expected to be earned is re-determined and the fair value of these RSUs is amortized over the remaining requisite period less amounts previously recognized.

[d] Employee Stock Purchase Plan

The Company has established an employee stock purchase plan which created a reserve of 3,000,000 Common Shares that may be issued from treasury. As at March 31, 2022, no securities were issued from treasury under this plan.

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15. SUPPLEMENTARY CASH FLOW INFORMATION

The changes in non-cash working capital items are as follows:

	For the three months ended	
	March 31, 2022	March 31, 2021
Prepaid expenses and deposits	\$ (1,423)	\$ (206)
Refundable sales taxes receivable	(13)	(256)
Trade receivables	1,293	4,806
Capitalized cost of biological assets	1,654	1,820
Inventories	(1,723)	(3,121)
Due from related parties	(391)	—
Other current assets	53	(19)
Other assets	1	24
Accounts payable and accrued liabilities	14	(2,086)
Sales taxes payable	219	—
Total	\$ (316)	\$ 962

16. COMMITMENTS AND CONTINGENCIES

The Company has the following gross contractual obligations as at March 31, 2022, which are expected to be payable in the following respective periods:

	Contractual cash flows - 12 months ending ⁽¹⁾⁽²⁾							
	Carrying amount	Total	March 2023	March 2024	March 2025	March 2026	March 2027	Thereafter
	\$	\$	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	16,647	16,647	16,647	-	-	-	-	-
Sales taxes payable	467	467	467	-	-	-	-	-
Loan payable to disposal group	5,419	5,419	5,419	-	-	-	-	-
Loans	24,351	29,666	8,515	20,751	100	100	200	-
Lease liabilities	7,532	17,530	1,056	1,066	1,070	1,118	1,198	12,022
Total contractual obligations	54,416	69,729	32,104	21,817	1,170	1,218	1,398	12,022

⁽¹⁾ Contractual cash flows include expected interest payable until the maturity date.

⁽²⁾ Contractual cash flows are exclusive of any obligations of the HemPoland operations currently held for sale which primarily are all due within one year of March 31, 2022.

[a] Construction agreements

In prior years, the Company entered into contracts to facilitate the construction of the Hamilton Facility with various vendors. Pursuant to some of these agreements, as at March 31, 2022, the Company has letters of credit in the amount of \$585 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates (“GIC”) securing the letters as collateral. The Company has pledged corresponding GICs as collateral, which have been recorded in other assets. As at March 31, 2022, there have been no material breaches as defined by the agreements and no amounts have been drawn on the letters of credit.

The Company entered into escrow agreements in prior years with its construction partners and as such \$219 is included in the restricted cash balance as at March 31, 2022 related to a construction partner.

[b] Other contractual commitments

The lease for the office space of the Company’s headquarters required the issuance of a letter of credit in the amount \$350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at March 31, 2022, there have been no breaches and no amounts have been drawn upon this letter of credit.

[c] Claims and Litigation

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends

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to defend itself vigorously against all legal claims. The Company is subject to certain employment related claims by a former employee for which a provision in accounts payable and accrued liabilities has been recognized only to the extent that it is likely to result in future economic outflows. The Company has also been subject to a claim by former warrant holders for approximately \$1,250. No provision in relation to these claims has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for these claims. On August 3, 2020, the Company was named as a defendant in a litigation matter commenced in the United States District Court for the Middle District of Georgia relating to a disposed of minority investment in a US based beverage incubation business, seeking, among other things, unquantified compensatory damages and injunctive relief. No provision in relation to this claim has been recognized as the Company estimates that it is more likely than not that a present obligation does not exist that will result in a payment to be made by the Company for this claim and the Company intends to vigorously defend the matter. Other than the claims previously described, the Company is not aware of any other material or significant claims against the Company.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Fair values

The Company's financial instruments were comprised of the following as at March 31, 2022: cash and cash equivalents; restricted cash; trade receivables; due from related parties; certain other current assets; accounts payable and accrued liabilities; sales taxes payable; loans and contingent consideration.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instruments recorded at amortized costs that the instruments' fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three months ended March 31, 2022, there were no transfers of amounts between levels (year ended December 31, 2021 – none).

[c] Management of risks arising from financial instruments

[i] Market risk

All foreign currencies shown in this note are also presented in thousands.

Foreign currency risk

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at March 31, 2022, a portion of the Company's financial assets and liabilities were held in US dollars and European Euros which consisted of cash and cash equivalents. The Company has not used foreign exchange contracts to hedge its exposure to foreign currency cash flows for the three months ended March 31, 2022 as management has determined that this risk is not significant at this time.

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Interest rate risk

The Company's exposure to interest rate risk relates to any investments of surplus cash as the Company's debt is fixed at a prescribed rate. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at March 31, 2022, the Company had term deposits of \$585 bearing interest between 0.80% and 1.00% (December 31, 2021 - \$585, bearing interest between 0.80% and 1.00%). The Company also has \$219 in restricted cash held in trust related to the Quebec Facility construction projects and earning a conventional rate of interest from a reputable top tier Canadian bank as well as \$1,186 of restricted cash in a separate account related to the Revolver Loan.

[ii] Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, trade receivables, refundable sales taxes receivable, prepaid expenses and deposits, and other assets represents the maximum exposure to credit risk as at March 31, 2022. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with stable, creditworthy parties and through frequent reviews of exposures to individual entities.

The Company assesses the credit risk of trade receivables by evaluating the aging of trade receivables based on the invoice date and credit worthiness. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of loss and comprehensive loss. The Company had two customers whose balances individually were greater than 10% of total trade receivables as at March 31, 2022 (December 31, 2021 – two customers). Customer A accounted for 47% and Customer B accounted for 22% of trade receivables as at March 31, 2022 (December 31, 2021 – Customer A accounted for 48% and Customer B accounted for 24%).

The following tables set forth details of trade receivables, including aging of trade receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
	\$	\$
Total trade receivables	7,773	8,833
Less allowance for expected credit losses	—	—
Total trade receivables, net	<u>7,773</u>	<u>8,833</u>
Of which		
Current	6,402	6,447
31-90 days	1,332	2,256
Over 90 days	39	130
Less allowance for expected credit losses	—	—
Total trade receivables, net	<u>7,773</u>	<u>8,833</u>

[iii] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements in relation to its current cash balances, maturity schedules and internal budgets. Refer to Note 16 – Commitments and Contingencies.

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18. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern (See Note 2[i] – Going Concern). Management defines capital as the Company's shareholders' equity and loans. The Company's Board of Directors does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders. As at March 31, 2022, total managed capital was comprised of share capital and loans of \$533,047 (December 31, 2021 - \$528,729), contributed surplus of \$109,363 (December 31, 2021 - \$108,836), and reserve for foreign currency translations of \$1,478 (December 31, 2021 – \$969). There were no changes in the Company's approach to capital management during the three months ended March 31, 2022 (year ended December 31, 2021 – no changes).

19. OPERATING EXPENSES

The following table presents share-based compensation, depreciation, and amortization by nature:

	For the three months ended	
	March 31, 2022	March 31, 2021
Cost of sales related to inventory production	\$ 2,543	\$ 1,143
Sales and marketing expenses	267	142
Research and development expenses	112	69
General and administrative expenses	1,172	762

20. EVENTS AFTER THE REPORTING PERIOD

- a) On April 7, 2022, the Company granted options to purchase an aggregate of up to 29,552,000 Common Shares to certain directors, officers, employees, and consultants of the Company. Each option is exercisable into one Common Share at an exercise price per option equal to \$0.13. In addition, pursuant to the RSU Plan, RSUs representing the right to receive up to an aggregate of 350,000 Common Shares, subject to the satisfaction of certain vesting conditions, were also awarded to a consultant of the Company.
- b) On April 29, 2022, the Company entered into a third amendment to the Amended and Restated Agreement (the "Third Amendment"), whereby the Revolver Loan was amended to increase the overall Revolver Loan limit from \$30,000 to \$34,000, increase the term portion of the Revolver Loan from \$20,000 to \$24,000, amend the EBITDA financial covenant to take effect June 30, 2022, remove the covenant requiring a \$6,000 prepayment through funds raised by public issuance of equity securities in the Company, remove the covenant requiring a \$4,000 prepayment through funds raised by the sale of HemPoland, and introduce certain prepayment fees in the combined amount of 2% of any prepayments, subject to the satisfaction of the various conditions set out therein.
- c) On May 17, 2022, the Company announced that it had closed an agreement of purchase and sale of its leasehold improvements of the Puslinch Facility (the "Puslinch Transaction") with the landlord for \$3,000 (the "Consideration"). \$2,000 of the Consideration will be paid by the Company in cash, and \$1,000 of the Consideration will settle previous loans advanced to the Company by the landlord, including all accrued interest and transaction costs thereon. In connection with the Puslinch Transaction, the Company has also agreed to an increase in rent of \$25,000 a month for the remainder of the lease term on the Puslinch Facility of approximately 19 years.