



FIRST QUARTER 2020  
CONDENSED CONSOLIDATED  
INTERIM FINANCIAL  
STATEMENTS



FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

	Note	March 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 2,093	\$ 1,077,741
Term deposit		-	14,000
Accounts receivable	5	85,612	81,744
Prepaid expenses, deposits and other		154,240	182,840
Inventory	6	236,940	-
Biological assets	7	139,138	70,072
		618,023	1,426,397
Retail assets held for sale	18	-	866,514
Current assets		618,023	2,292,911
<b>Non-current assets</b>			
Intangible asset	8	2,581,828	2,598,148
Investment	10	73,532	16,714
Non-current prepaid expenses and deposits		280,685	280,685
Property, plant and equipment	9	10,486,214	10,579,066
Right of use asset	15	691,120	729,901
<b>Total Assets</b>		<b>\$ 14,731,402</b>	<b>\$ 16,497,425</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 2,043,663	\$ 1,640,159
Current portion of lease obligations	15	144,906	142,845
Credit Facility	16	2,011,669	1,972,050
		4,200,238	3,755,054
Retail lease liabilities held for sale	18	-	598,021
Current liabilities		4,200,238	4,353,075
<b>Non-Current liabilities</b>			
Lease obligations	15	565,637	591,691
Shareholder loan	20	100,000	-
<b>Total Liabilities</b>		<b>4,865,875</b>	<b>4,944,766</b>
<b>Shareholders' equity</b>			
Share capital	11	35,621,339	35,621,339
Contributed surplus		6,370,745	6,211,492
Deficit		(32,126,557)	(30,280,172)
		9,865,527	11,552,659
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 14,731,402</b>	<b>\$ 16,497,425</b>

Nature of operations and going concern assumption (Note 1)

Commitments (Note 19)

Subsequent events (Note 22)

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

SIGNED ON BEHALF OF THE BOARD

"Dan Wilson"

Director

"John Kondrosky"

Director



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS  
AND COMPREHENSIVE LOSS  
*unaudited, expressed in Canadian dollars unless otherwise  
noted*

	Note	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Unrealized fair value loss on growth of biological asset	7	48,622	-
<b>Expenses</b>			
General and administrative	17	\$ 1,263,447	\$ 1,031,865
Stock based compensation	13	159,253	210,136
Interest and finance costs		73,742	187
Depreciation and amortization	8,9	163,813	-
Depreciation on right-of-use assets	15	38,780	5,981
Net loss (gain) on investment	10	43,182	(963,968)
Accretion expense	16	39,619	-
Loss on divestiture of retail assets and other	18	15,927	-
<b>Total expenses</b>		<b>1,797,763</b>	<b>284,201</b>
<b>Loss and comprehensive loss</b>		<b>(1,846,385)</b>	<b>(284,201)</b>
<b>Total loss and comprehensive loss</b>		<b>(1,846,385)</b>	<b>(284,201)</b>
Loss and comprehensive loss per share, basic and diluted	14	\$ (0.00)	\$ (0.00)

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF  
CHANGES IN SHAREHOLDERS' EQUITY  
*unaudited, expressed in Canadian dollars unless otherwise  
noted*

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
Balance At December 31, 2018	355,463,381	\$ 33,487,057	4,995,283	(23,219,815)	\$ 15,262,525
Exercise of warrants	69,000	6,900	-	-	6,900
Stock-based compensation	-	-	210,136	-	210,136
Comprehensive loss for the period	-	-	-	(284,201)	(284,201)
Balance At March 31, 2019	355,532,381	\$ 33,493,957	5,205,419	(23,504,016)	\$ 15,195,360

	Number of common shares	Share capital	Contributed surplus	Deficit	Total
Balance At December 31, 2019	393,768,532	\$ 35,621,339	6,211,492	(30,280,172)	\$ 11,552,659
Stock-based compensation (Note 13)	-	-	159,253	-	159,253
Comprehensive loss for the period	-	-	-	(1,846,385)	(1,846,385)
Balance At March 31, 2020	<b>393,768,532</b>	<b>\$ 35,621,339</b>	<b>6,370,745</b>	<b>(32,126,557)</b>	<b>\$ 9,865,527</b>

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



CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS  
*unaudited, expressed in Canadian dollars unless otherwise noted*

Three months ended	Note	March 31, 2020	March 31, 2019
<b>Cash used in operating activities:</b>			
<b>Loss and comprehensive loss for the period</b>		\$ (1,846,385)	\$ (284,201)
Adjustments for non-cash items:			
Net loss (gain) on investment	10	43,182	(963,968)
Depreciation and amortization	8,9,15	202,593	5,981
Stock based compensation	13	159,253	210,136
Accretion expense	16	39,619	-
Change in unrealized fair value of biological asset	7	48,622	-
Loss on divestiture of retail assets and other	18	15,094	-
Change in term deposit		14,000	-
Change in non-cash working capital		73,609	884,518
<b>Cash used in operating activities</b>		<b>(1,250,413)</b>	<b>(147,534)</b>
<b>Cash provided by (used in) investing activities:</b>			
Additions to property, plant and equipment	9	(54,641)	(2,551,313)
Net proceeds from divestiture of retail assets	18	153,399	-
Proceeds from investment	10	-	824,161
<b>Cash provided by (used in) investing activities</b>		<b>98,758</b>	<b>(1,727,152)</b>
<b>Cash provided by (used in) financing activities:</b>			
Proceeds from shareholder loan	20	100,000	-
Issuance of common shares	11	-	6,900
Repayment of lease obligations	15	(23,993)	(7,239)
<b>Cash provided by (used in) financing activities</b>		<b>76,007</b>	<b>(339)</b>
<b>Decrease in cash</b>		<b>(1,075,648)</b>	<b>(1,875,025)</b>
Cash, beginning of period		1,077,741	3,821,548
Cash, end of period		\$ 2,093	\$ 1,946,523

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

## 1. Nature of operations and going concern assumption

Sugarbud Craft Growers Corp. ("Sugarbud" or the "Company") is a federally licensed, publicly traded cannabis company. Sugarbud is incorporated in Alberta and listed on the TSX Venture Exchange ("TSXV") under the symbols "SUGR" (common shares), "SUGR.WT" (common share purchase warrants) and "SUGR.RT" (rights offering). The Company operates primarily in Alberta and its head office is located at Suite #620, 634 6th Avenue SW, Calgary, Alberta T2P 0S4. The Company became a reporting issuer in April 2004 and was previously an oil and natural gas company.

During the year ended December 31, 2018, the Company completed a change of business with the TSXV to be listed as a Tier 2 Life Sciences Issuer. The TSXV formally approved the Company's name change from "Relentless Resources Ltd." to "Sugarbud Craft Growers Corp." and the common shares ("Common Shares") commenced trading on the TSXV under the Company's new name and new trading symbol "SUGR" at the market opening on October 26, 2018.

### Going concern assumption

The condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019 have been prepared on the going concern basis, which assumes that the Company will continue to operate and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

As at March 31, 2020, the Company had cash available of \$2,093 and a working capital deficit of \$3,582,215. For the period then ended, the Company recorded a comprehensive loss of \$1,846,385 and negative cash flows from operations of \$1,250,413. The matters and conditions noted indicate the existence of material uncertainty that may cast significant doubt about the Company being able to continue as a going concern as at March 31, 2020.

The ability to continue as a going concern is dependent on obtaining continued financial support, either through equity or debt financings, and executing the Company's expansion plans that will enable the Company to have positive operating cashflow by Q4 2020.

Subsequent to March 31, 2020, the Company successfully completed the First Calgary Credit Facility (as defined below) for proceeds of \$5 million.

In addition, the Company has launched a public offering of a convertible debenture to raise up to \$4 million (\$4.6 million if the over-subscription option is exercised).

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected sales volumes and pricing, the availability of additional financing, and the timing and extent of capital and operating expenditures.

The condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019 do not reflect adjustments that would be necessary if the going concern basis was not appropriate. As such, adjustments would then be necessary to the carrying amounts of the Company's assets, liabilities, revenues, expenses, and financial position. Such adjustments, if required, could be material.

## 2. Basis of preparation

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements and notes thereto in the Company's December 31, 2019 Annual Report available on SEDAR at [www.sedar.com](http://www.sedar.com).

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on June 9, 2020.

### (b) Basis of consolidation

These condensed consolidated financial statements include the accounts of Sugarbud and its wholly owned subsidiary, Trichome Holdings Corp. ("Trichome"). Trichome is fully consolidated from the date of acquisition, being the date of which the Company obtained control, and continues to be consolidated until such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. Any balances, unrealized gains or losses, or income or expenses from intra-company transactions are fully eliminated upon consolidation.

## 2. Basis of preparation (continued)

### (c) Basis of measurement

These financial statements have been prepared on the historical cost basis except for share based payment transactions and certain financial instruments which are measured at fair value.

### (d) New accounting policies

#### Inventory

Inventories for finished goods and packaging and supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. The direct and indirect costs of finished goods inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials and labour. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded within cost of sales on the condensed consolidated interim statements of loss and comprehensive loss at the time cannabis is sold. Inventory is measured at lower of cost or net realizable value on the statements of financial position.

### (e) COVID-19

During 2019, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. During the global outbreak, the production and sale of cannabis have been recognized as essential services in Canada. The Company believes that it can maintain safe operations with pandemic related procedures and protocols in place.

## 3. Significant accounting judgments estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and expenses during the reporting year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

In the process of applying the Company's accounting policies, the significant accounting judgements are consistent with Note 4 of the Company's December 31, 2019 consolidated financial statements, however, management has made the following additional judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements:

### (a) Inventory

The valuation of biological assets at the point of harvest is used as the measurement basis for all cannabis-based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable to inventory. The valuation of work-in-progress and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount of the inventory. The Company must also determine if the carrying value of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

#### 4. Fair value measurements

The Company's financial instruments are measured using level 1 inputs.

- (i) Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- (ii) Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- (iii) Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

#### 5. Accounts receivable

The accounts receivable balance primarily consists of goods and services tax receivable.

The following is a table with an aging analysis of the outstanding accounts receivable as at March 31, 2020:

Period Outstanding	March 31, 2020		December 31, 2019	
< 30 days	\$	55,745	\$	43,044
31 to 60 days		-		10,500
61 to 90 days		-		-
Over 90 days		29,867		28,200
Grand Total	\$	85,612	\$	81,744

#### 6. Inventory

Inventory is comprised of:

	Capitalized cost	Fair value adjustment	March 31, 2020		December 31, 2019	
Work-in-progress harvested cannabis	\$358,021	(\$133,507)	\$	224,514	\$	-
Purchased cannabis	12,426	-		12,426		-
	\$370,447	(\$133,507)	\$	236,940	\$	-

During the three months ended March 31, 2020, the Company completed its first harvest and recorded \$224,514 in harvested cannabis costs.

#### 7. Biological assets

Biological assets are comprised of:

	Amount
<b>Balance at December 31, 2019</b>	<b>\$70,072</b>
Production costs capitalized	342,202
Decrease in fair value due to biological transformation	(48,622)
Transferred to inventory upon harvest	(224,514)
<b>Balance at March 31, 2020</b>	<b>\$139,138</b>

The Company measures biological assets, consisting of cannabis plants, at fair value less costs to sell. The fair value of the biological assets is determined using a model which is based on the expected harvest yield (grams per plant) for plants currently being cultivated, adjusted for the expected selling price per gram and for any additional post-harvest costs to be incurred.



## 7. Biological assets (continued)

The following inputs are used in determining the fair value of biological assets:

- Average selling price per gram: calculated as the average selling price of cannabis, adjusted for expectations about future pricing;
- Yield: consists of the number of grams of finished cannabis that is expected per cannabis plant;
- Post-harvest costs: calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest.

The Company believes that any reasonably possible change in the key assumptions would not cause a material change in the carrying value of biological assets.

## 8. Intangible asset

	Amount
<b>Balance at December 31, 2018</b>	\$2,611,204
Amortization	(\$13,056)
<b>Balance at December 31, 2019</b>	\$2,598,148
Amortization	(\$16,320)
<b>Balance at March 31, 2020</b>	<b>\$2,581,828</b>

On October 23, 2018, the Company acquired all of the issued and outstanding shares in the capital of Grunewahl (the "Acquisition"), whose subsidiary was a late-stage applicant to become a licensed producer under the ACMPR which were amended and concurrently restated as the Federal Regulations on October 17, 2018. Pursuant to the Acquisition, the Company issued an aggregate of 19,259,993 Common Shares to former holders of shares in the capital of Grunewahl and 2114152 Alberta Ltd., a wholly owned subsidiary of the Company, which amalgamated with Grunewahl to form Trichome. The value of the acquisition was based on Sugarbud's market price of \$0.11 per share on October 23, 2018, resulting in a value of \$2,118,600 plus a \$490,000 cash payment made to Grunewahl shareholders. In connection with the acquisition of Grunewahl, Sugarbud acquired an intangible asset related to the Company's Health Canada license application.

During the year ended December 31, 2019, Sugarbud received its cultivation, processing and medical sales licenses ("the Licenses") from Health Canada in respect to Phase 1a of the Company's Stavely facility ("Stavely Facility"). During 2019, the Company began amortizing its intangible asset as it was available for its intended use upon receipt of the Licenses.

## 9. Property, plant and equipment

	Land	Stavely Facility	Computer equipment	Retail	Other	Total assets
<b>Cost</b>						
At December 31, 2018	\$ 323,000	6,409,108	50,638	306,200	132,434	\$ 7,221,380
Additions	-	4,269,926	13,467	58,680	4,456	4,346,529
Disposals	-	(419,483)	-	-	-	(419,483)
Transfer to retail assets held	-	-	-	(364,880)	-	(364,880)
<b>At December 31, 2019</b>	<b>\$ 323,000</b>	<b>10,259,551</b>	<b>64,105</b>	<b>-</b>	<b>136,890</b>	<b>\$ 10,783,546</b>
<b>Accumulated depreciation</b>						
At December 31, 2018	-	-	-	-	-	-
Depreciation	-	(200,856)	(3,205)	-	(419)	(204,480)
<b>At December 31, 2019</b>	<b>\$ -</b>	<b>(200,856)</b>	<b>(3,205)</b>	<b>-</b>	<b>(419)</b>	<b>\$ (204,480)</b>
<b>Net book value</b>						
At December 31, 2018	\$ 323,000	6,409,108	50,638	306,200	132,434	\$ 7,221,380
<b>At December 31, 2019</b>	<b>\$ 323,000</b>	<b>10,058,695</b>	<b>60,900</b>	<b>-</b>	<b>136,471</b>	<b>\$ 10,579,066</b>

## 9. Property, plant and equipment (continued)

### Cost

At December 31, 2019	\$	323,000	10,259,551	64,105	-	136,890	\$	10,783,546
Additions		-	54,641	-	-	-		54,641
<b>At March 31, 2020</b>	<b>\$</b>	<b>323,000</b>	<b>10,314,192</b>	<b>64,105</b>	<b>-</b>	<b>136,890</b>	<b>\$</b>	<b>10,838,187</b>

### Accumulated depreciation

At December 31, 2019	\$	-	(200,856)	(3,205)	-	(419)		(204,480)
Depreciation			(143,869)	(3,205)	-	(419)		(147,493)
<b>At March 31, 2020</b>	<b>\$</b>	<b>-</b>	<b>(344,725)</b>	<b>(6,410)</b>	<b>-</b>	<b>(838)</b>	<b>\$</b>	<b>(351,973)</b>

### Net book value

At December 31, 2019	\$	323,000	10,058,695	60,900	-	136,471	\$	10,579,066
<b>At March 31, 2020</b>	<b>\$</b>	<b>323,000</b>	<b>9,969,467</b>	<b>57,695</b>	<b>-</b>	<b>136,052</b>	<b>\$</b>	<b>10,486,214</b>

## 10. Investment

	March 31, 2020	December 31, 2019
Balance, beginning of period	\$16,714	\$937,599
Additions	100,000	-
Unrealized loss on investments	(26,468)	(81,725)
Realized (loss) gain on investments	(16,714)	465,027
Proceeds from disposition	-	(1,304,187)
Balance, end of period	<b>\$73,532</b>	<b>\$16,714</b>

During the three months ended March 31, 2020, the Company received 612,764 common shares in High Tide Inc. ("High Tide") at a value of \$100,000 in connection with the retail assets divestiture. The 612,764 common shares were revalued at March 31, 2020 based on High Tide's closing market share price of \$0.12.

During the year ended December 31, 2019, the Company sold 6,216,000 Inner Spirit common shares for proceeds of \$1,304,187. As at December 31, 2019, the Company held 3,750,000 common share purchase warrants of Inner Spirit valued at \$16,714 using the Black-Scholes option pricing model. During the three months ended March 31, 2020, the Company cancelled the warrants associated with the Inner Spirit investment.

The Black-Scholes option pricing model, using the following inputs:

Year ended	December 31, 2019
Volatility	96%
Life	0.5 years
Risk-free interest rate	1.65%
Exercise price	\$0.30
Stock price	\$0.115
Dividend yield	nil

## 11. Share capital

### (a) Authorized

The authorized share capital of the Company is comprised of an unlimited number of voting Common Shares and preferred shares.

The holders of Common Shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. All Common Shares are of the same class with equal rights and privileges.

## 11. Share capital (continued)

### (b) Issued

<b>Three months ended March 31, 2020</b>		<b>Shares</b>	<b>Amount</b>
Balance, end of period		<b>393,768,532</b>	<b>\$ 35,621,339</b>

  

<b>Year ended December 31, 2019</b>		<b>Shares</b>	<b>Amount</b>
Balance, beginning of period		355,463,381	\$ 33,487,057
Issuance of common shares (i)		18,500,000	925,000
Common shares to be issued (ii)		16,372,075	900,464
Exercise of warrants (iii)		3,399,743	339,974
Exercise of stock options (iv)		33,333	3,625
Share issuance costs		-	(34,781)
Balance, end of period		<b>393,768,532</b>	<b>\$ 35,621,339</b>

- (i) During the year ended December 31, 2019, Sugarbud completed a non-brokered private placement ("2019 Private Placement") for total proceeds of \$925,000. Pursuant to the private placement, Sugarbud issued a total of 18,500,000 units ("2019 Private Placement Units") of Sugarbud at a price of \$0.05 per 2019 Private Placement Unit. Each 2019 Private Placement Unit was comprised of one Common Share and one Common Share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of \$0.10 until November 18, 2021, subject to early expiry in the event that the 5-day volume weighted average trading price of the Common Shares equals or exceeds \$0.125.
- (ii) During the year ended December 31, 2019, Sugarbud completed a rights offering ("2019 Rights Offering") to holders ("Shareholders") of Common Shares. Under the 2019 Rights Offering, Shareholders subscribed for and purchased an aggregate of 16,372,075 units (each, a "2019 Rights Offering Unit"), at a price of \$0.055 per 2019 Rights Offering Unit, resulting in gross proceeds to Sugarbud of \$900,464. Each 2019 Rights Offering Unit consists of one Common Share and one Common Share purchase warrant (each, a "2019 Rights Offering Warrant"). Each 2019 Rights Offering Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.10 until December 20, 2021, subject to early expiry in the event that the 5-day volume weighted average trading price of the Common Shares equals or exceeds \$0.125. The Company issued the Common Shares subsequent to the year ended December 31, 2019. However, the Common Shares were included in the share capital continuity as at December 31, 2019 as shares to be issued.
- (iii) During the year ended December 31, 2019, 3,399,743 Common Share purchase warrants issued in connection with the 2018 Private Placement ("2018 Private Placement") and the 2018 Rights Offering ("2018 Rights Offering") were exercised at a price of \$0.10 per Common Share for total proceeds of \$339,974.
- (iv) During the year ended December 31, 2019, 33,333 stock options were exercised for total proceeds of \$3,625.

## 12. Warrants

<b>Three months ended March 31, 2020</b>		<b>Warrants</b>	<b>Weighted average exercise price</b>
Balance, end of period		<b>175,854,508</b>	<b>\$ 0.0929</b>

The weighted average remaining life of the Company's warrants as at March 31, 2020 are 3.48 years.

<b>Year ended December 31, 2019</b>		<b>Warrants</b>	<b>Weighted average exercise price</b>
Balance, beginning of year		145,059,432	\$ 0.0916
Warrants exercised (i)		(3,399,743)	0.1000
Warrants expired (ii)		(2,142,856)	0.1400
Warrants issued (iii)		18,965,600	0.1000
Warrants issued (iv)		16,372,075	0.1000
Warrants issued (v)		1,000,000	0.1600
Balance, end of year		<b>175,854,508</b>	<b>\$ 0.0929</b>

## 12. Warrants (continued)

- (i) During the year ended December 31, 2019, 3,399,743 warrants issued in connection with the 2018 Private Placement and the 2018 Rights Offering were exercised at a price of \$0.10 per Common Share for total proceeds of \$339,974.
- (ii) During the year ended December 31, 2019, 2,142,856 warrants expired in connection with the 2014 private placement.
- (iii) During the year ended December 31, 2019, Sugarbud issued a total of 18,500,000 warrants (the “2019 Private Placement Warrants”) in connection with the 2019 Private Placement. Each 2019 Private Placement Warrant entitles the holder to purchase one Common Share at a price of \$0.10 until November 18, 2021, subject to early expiry in the event that the 5-day volume weighted average trading price of the Common Shares equals or exceeds \$0.125.

Sugarbud has also issued 465,600 finders non-transferable warrants (“Finder Warrants”) to purchase Common Shares in proportion to the number of Units issued to investors as a result of such finder’s efforts. Each Finder Warrant entitles the holder to purchase one Common Share at a price of \$0.10 until November 18, 2021, subject to early expiry in the event that the 5-day volume weighted average trading price of the Common Shares equals or exceeds \$0.125.

- (iv) During the year ended December 31, 2019, Sugarbud issued a total of 16,372,075 warrants (the “2019 Rights Offering Warrants”) in connection with the 2019 Rights Offering. Each 2019 Rights Offering Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.10 until December 20, 2021, subject to early expiry in the event that the 5-day volume weighted average trading price of the Common Shares equals or exceeds \$0.125.
- (v) During the year ended December 31, 2019, 1,000,000 warrants (the “Pillar Warrants”) were issued to Pillar Capital Corp. (“Pillar”).

The weighted average remaining life of the Company’s warrants as at December 31, 2019 are 3.73 years.

Pillar in connection with the Pillar Credit Facility at an exercise price of \$0.16 per Common Share. The Company attributed a fair value of \$158,477 to the Pillar Warrants by using the Black-Scholes option pricing model. The Pillar Warrants granted during the period are valued using the following inputs.

	<b>Year ended December 31, 2019</b>
Volatility	160%
Life	5 years
Risk-free interest rate	1.46%
Exercise price	\$0.16
Stock price	\$0.17
Dividend yield	nil

## 13. Stock based compensation

The Company has a stock option plan (the “Plan”) for its officers, directors, employees and consultants. Under the Plan, the Company may grant options to purchase up to 10% of the outstanding Common Shares. The options have a five-year term and generally vest in tranches. The policies of the TSXV require “rolling” stock option plans to be approved on an annual basis by the shareholders of a listed issuer. During the three months ended March 31, 2020, the Company did not approve or issue stock options.

### 13. Stock based compensation (continued)

	Three months ended March 31, 2020		Year ended	December 31, 2019
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding, beginning of period	39,356,667	0.12	32,700,000	0.14
Granted during the period (i) (ii)	-	-	18,440,000	0.07
Exercised during the period (iii)	-	-	(33,333)	0.11
Forfeited during the period	(5,000,000)	(0.08)	(11,350,000)	0.11
Cancelled during the period	-	-	(400,000)	0.07
Balance, end of period	34,356,667	0.13	39,356,667	0.12
Exercisable, end of period	32,907,778	0.11	32,907,778	0.11

During the three months ended March 31, 2020, stock-based compensation expense recognized was \$159,253. During the three months ended March 31, 2019, stock-based compensation expense recognized was \$210,136.

- (i) During the year ended December 31, 2019, the Company granted 3,100,000 stock options to an executive of Sugarbud. Stock-based compensation expense recognized during the year ended December 31, 2019 was \$1,057,732. The weighted average remaining life of the Company's stock options as at December 31, 2019 are 4.16 years.
- (ii) During the year ended December 31, 2019, the Company granted 15,340,000 stock options to certain directors, officers, employees and consultants. The options expire five years from the date of grant and are exercisable at a price of \$0.065 per common share. The options vest as to one third on the grant date and one third on each of the first and second anniversaries of the grant date. To facilitate the option grant, including 900,000 stock options to CEO and Director, John Kondrosky, certain directors have surrendered 6,750,000 options for cancellation, which were cancelled and returned for future grants under Sugarbud's stock option plan effective immediately.
- (iii) During the year ended December 31, 2019, 33,333 stock options were exercised for total proceeds of \$3,625.

The weighted average remaining life of the Company's stock options as at March 31, 2020 are 3.86 years.

The Company values stock-based compensation by using the Black-Scholes option pricing model. Stock options granted were valued using the inputs below.

	Year ended December 31, 2019
Volatility	110% - 135%
Life	5 years
Risk-free interest rate	1.35% - 1.65%
Exercise price	\$0.065 - \$0.16
Stock price	\$0.060 - \$0.17
Dividend yield	Nil

### 14. Loss per share

	Three months ended March 31, 2020	Three months ended March 31, 2019
Comprehensive loss per share, basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding	393,768,532	355,469,787

## 15. Right-of-use assets

	Vehicles	Equipment	Retail	Total assets
<b>Cost</b>				
Transition to IFRS 16	\$ 26,957	68,524	-	\$ 95,481
Additions	229,779	470,865	658,535	1,359,179
Transfer to retail assets held for sale	-	-	(620,045)	(620,045)
<b>At December 31, 2019</b>	<b>\$ 256,736</b>	<b>539,389</b>	<b>38,490</b>	<b>\$ 834,615</b>
<b>Accumulated depreciation</b>				
At January 1, 2019	\$ -	-	-	\$ -
Depreciation	(38,021)	(28,204)	(38,490)	(104,714)
<b>At December 31, 2019</b>	<b>\$ (38,021)</b>	<b>(28,203)</b>	<b>(38,490)</b>	<b>\$ (104,714)</b>
<b>Net book value</b>				
At January 1, 2019	\$ 26,957	68,524	-	\$ 95,481
<b>At December 31, 2019</b>	<b>\$ 218,715</b>	<b>511,186</b>	<b>-</b>	<b>\$ 729,901</b>

	Vehicles	Equipment	Retail	Total assets
<b>Cost</b>				
At January 1, 2020	\$ 256,736	539,389	-	\$ 796,125
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At March 31, 2020</b>	<b>\$ 256,736</b>	<b>539,389</b>	<b>-</b>	<b>\$ 796,125</b>
<b>Accumulated depreciation</b>				
At January 1, 2020	\$ (38,021)	(28,204)	-	\$ (66,225)
Depreciation	(15,711)	(23,069)	-	(38,780)
<b>At March 31, 2020</b>	<b>\$ (53,732)</b>	<b>(51,273)</b>	<b>-</b>	<b>\$ (105,005)</b>
<b>Net book value</b>				
At January 1, 2020	\$ 218,715	511,186	-	\$ 729,901
<b>At March 31, 2020</b>	<b>\$ 203,004</b>	<b>488,116</b>	<b>-</b>	<b>\$ 691,120</b>

### Lease obligations

The following represents a maturity analysis of the Company's undiscounted contractual lease obligations as at March 31, 2020:

	2020	2021	2022	2023	2024	Thereafter	Total
<b>Truck lease</b>	55,431	71,781	65,746	27,283	-	-	220,241
<b>Equipment lease</b>	117,169	130,248	129,501	122,481	102,935	90,189	692,523
<b>Total</b>	<b>172,600</b>	<b>202,029</b>	<b>195,247</b>	<b>149,764</b>	<b>102,935</b>	<b>90,189</b>	<b>\$ 912,764</b>

Discounted lease obligations included in the condensed consolidated interim statement of financial position:

Current portion	<b>144,906</b>
Non-current portion	<b>565,637</b>
<b>Total</b>	<b>\$ 710,543</b>

## 16. Credit Facility

On June 5, 2019, Sugarbud entered into a secured credit facility with Pillar for up to \$5 million (the "Pillar Credit Facility"). The proceeds of the Pillar Credit Facility were used by Sugarbud to support working capital requirements and to continue to equip Phase 1a of the Stavely Facility. The Pillar Credit Facility is guaranteed by Sugarbud and its wholly owned subsidiary Trichome. The first \$2 million of the Pillar Credit Facility is available for drawdown at Sugarbud's discretion, with draws thereafter subject to approval by Pillar. The Pillar Credit Facility bears interest at 12.5% per annum and has a five-year term but can be due and subject to demand following the first anniversary of the initial draw which occurred in June 2019.

The Pillar Credit Facility has general security executed by the Company, pursuant to which the Company grants the lender a first priority security interest over all present and after acquired personal property of the Company.

As at March 31, 2020, the Company had drawn down the Pillar Credit Facility in the amount of \$2,000,000. As a result of the draw down, the Company incurred a facility fee of \$63,000 and legal fees and disbursements of \$25,000.

Subsequent to March 31, 2020, the Company closed the previously announced \$5.0 million senior secured credit facility with Connect First Credit Union Ltd ("First Calgary") and paid in full the \$2.04 million outstanding balance of the Pillar Credit Facility (note 22), therefore cancelling the arrangement with Pillar.

	March 31, 2020	December 31, 2019
Beginning balance	1,972,050	-
Credit facility drawdown	-	2,000,000
Interest	-	40,000
Debt issuance costs	-	(158,477)
Accretion	39,619	90,527
Ending balance	<b>2,011,669</b>	1,972,050

During the year ended December 31, 2019, 1,000,000 Pillar Warrants were issued to Pillar in connection with the Pillar Credit Facility at an exercise price of \$0.16 per Common Share. The Company attributed a fair value of \$158,477 to the Pillar Warrants by using the Black-Scholes option pricing model (note 12). The Pillar Warrants were treated as debt issuance costs and recorded as a reduction of the carrying value of the Pillar Credit Facility balance. The Pillar Credit Facility will be accredited back to its carrying value over one year using the effective interest rate method.

## 17. General and administrative expenses

Three months ended	March 31, 2020	March 31, 2019
Professional fees	\$ 200,049	\$ 163,412
Salaries, wages and benefits to employees	420,917	282,763
Consulting expenditures	83,708	215,803
Office lease expenditures	33,000	36,866
Advertising	313	43,012
Insurance	45,280	45,957
Restructuring expenditures and other	480,180	244,052
General and administrative expenses	<b>\$ 1,263,447</b>	\$ 1,031,865

## 18. Retail assets divestiture

During the three months ended March 31, 2020, the Company completed the sale of all of its retail cannabis assets with two independent arm's length purchasers in two separate transactions for gross proceeds of \$220,000 and \$100,000 of common shares in one of the purchasers. The total net proceeds received from the purchasers were \$253,399 after considering for costs of disposal. During the three months ended March 31, 2020, the Company reported a loss on disposal of \$15,094, which is on the condensed consolidated interim statements of loss and comprehensive loss.

#### 18. Retail assets divestiture (continued)

	Amount	
Net proceeds from disposition of retail assets	\$	153,399
Common shares received as consideration		100,000
<b>Total consideration received</b>	<b>\$</b>	<b>253,399</b>
<b>Assets held for sale</b>		
Disposal of retail assets held for sale	\$	866,514
<b>Liabilities held for sale</b>		
Disposal of retail liabilities held for sale	\$	598,021
Disposal of net assets held for sale	\$	268,493
<b>Loss on disposition of retail assets</b>	<b>\$</b>	<b>(15,094)</b>

During 2019, the Company commenced the process of disposing of its retail assets. In accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the retail assets held for sale were assessed for impairment based on fair value less costs of disposal. The fair value was measured using the price at which the Company expected to receive for the disposal group less estimates for the costs of disposal. The fair value less costs of disposal was lower than the carrying value of the disposal group resulting in recognition of a loss of \$118,411 in 2019.

#### 19. Commitments

During the year ended December 31, 2019, the Company entered into a commitment to purchase land in the amount of \$960,000, whereby the transaction is scheduled to close in 2020.

#### 20. Shareholder loan

During the three months ended March 31, 2020, Sugarbud completed a non-interest-bearing shareholder loan with an advisor of the Company for proceeds of \$100,000. The loan is due and payable in April 2021 and has no prepayment penalty.

#### 21. Related party transactions

The following is a summary of the Company's related party transactions during the three months ended March 31, 2020. Compensation of key management personnel may include short-term and long-term benefits as applicable, including salaries and stock options. The key management personnel of the Company are the Company's executive management team and the Board of Directors.

##### Key management compensation

Three Months Ended	March 31, 2020	March 31, 2019
Stock based compensation	\$159,253	\$210,136
Compensation paid to key management – expensed	115,028	90,000
Restructuring expenditures paid	212,133	87,500
<b>Total</b>	<b>\$486,414</b>	<b>\$387,636</b>



**22. Subsequent events****Convertible Debenture**

Subsequent to March 31, 2020, the Company commenced a commercially reasonable "best efforts" marketed public offering (the "Offering") of secured convertible debenture units (each, a "Debenture Unit") at a price of \$1,000 per Debenture Unit for gross proceeds of up to a maximum of \$4.0 million (\$4.6 million in the event the over-subscription option is exercised).

**First Calgary Credit Facility**

On May 28, 2020, Sugarbud closed the previously announced \$5.0 million senior secured credit facility with First Calgary. The full amount of the new debt facility is now available and was partially used to repay in full the \$2.04 million outstanding under the previous Pillar Credit Facility. The balance will be used for ongoing working capital purposes.

**Shareholder Loan**

Subsequent to March 31, 2020, Sugarbud completed non-interest-bearing shareholder loans with directors and an advisor of the Company for proceeds of \$257,500 and \$150,000, respectively. The loans are due and payable in April 2021 and have no prepayment penalty.