



**Hollister Biosciences Inc.**

**Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2021 and 2020  
(Expressed in United States Dollars) - Unaudited**

**Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2021 and 2020.**

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

The accompanying unaudited condensed interim consolidated financial statements of Hollister Biosciences Inc. (“the Company” or “Hollister”) for the interim period ended March 31, 2021, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company’s management.

The Company’s independent auditors, Davidson & Company LLP, have not performed a review of these interim financial statements

May 31, 2021

**Hollister Biosciences Inc.****Condensed Interim Consolidated Statements of Financial Position****(Expressed in United States Dollars) - Unaudited**

	Note	March 31, 2021 \$	December 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		6,913,865	1,061,950
Receivables	6	5,224,365	2,849,775
Prepaid expenses		50,016	82,088
Inventory	7	2,832,601	2,203,133
Current portion of lease receivable	13	163,324	157,439
		<b>15,184,171</b>	<b>6,354,385</b>
<b>Non-current assets</b>			
Deposits		93,448	83,380
Property and equipment	8	3,566,459	3,152,638
Intangible assets	4(a),8	1,975,000	2,137,500
Lease receivable	13	835,849	879,484
Goodwill	4(a),8	2,220,628	2,220,628
<b>Total assets</b>		<b>23,875,555</b>	<b>14,828,015</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10,17	4,158,150	3,142,782
Accounts payable to related parties	17	121,703	121,903
Income tax payable		1,585,000	777,000
Loans payable		6,261	6,261
Promissory notes payable	11	111,550	235,550
Current portion of deferred compensation payable	4(a)	500,000	500,000
Current portion of long-term debt	12	74,473	89,754
Current portion of lease liabilities	13	885,012	847,688
		<b>7,442,149</b>	<b>5,720,938</b>
<b>Non-current liabilities</b>			
Deferred compensation payable	4(a)	-	250,000
Long-term debt	12	28,427	31,370
Lease liabilities	13	2,981,362	3,130,955
Deferred tax liability		569,000	624,000
<b>Total liabilities</b>		<b>11,020,938</b>	<b>9,757,263</b>
<b>Shareholders' equity</b>			
Share capital	14	12,746,715	10,980,411
Commitment to issue shares	4(b),14	155,284	155,284
Reserves	14	5,652,638	1,621,879
Accumulated other comprehensive income (loss)		244,473	(53,693)
Deficit		(5,944,493)	(7,633,129)
<b>Total shareholders' equity</b>		<b>12,854,617</b>	<b>5,070,752</b>
<b>Total liabilities and shareholders' equity</b>		<b>23,875,555</b>	<b>14,828,015</b>

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors on May 31, 2021:

"Carl Saling"

Director

"Anthony Zelen"

Director

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**Hollister Biosciences Inc.****Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars, except share numbers) - Unaudited

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		2021	2020
		\$	\$
Revenue from sale of goods		23,093,206	862,051
Revenue from provision of services		-	86,847
<b>Gross revenue</b>		<b>23,093,206</b>	<b>948,898</b>
Cost of sales		19,491,802	1,233,767
<b>Gross profit (loss)</b>		<b>3,601,404</b>	<b>(284,869)</b>
<b>Operating expenses</b>			
Accretion expense	12	-	3,150
Administrative expenses		194,069	93,164
Depreciation	8,9	304,041	77,099
Finance costs	13	101,182	109,682
Foreign exchange gain		(28,296)	-
Interest expense	12	17,514	12,500
Marketing		160,193	471,132
Professional fees and consulting	17	236,326	135,571
Salaries and wages	17	200,137	62,499
Transaction costs	14	-	828,100
Travel and meals		212	-
		<b>(1,185,378)</b>	<b>(1,792,897)</b>
<b>Income (loss) before undernoted items</b>		<b>2,416,026</b>	<b>(2,077,766)</b>
Interest income	13	25,610	-
<b>Net income (loss) before income taxes</b>		<b>2,441,636</b>	<b>(2,077,766)</b>
Income tax expense		(808,000)	-
Deferred income tax recovery		55,000	-
<b>Net income (loss)</b>		<b>1,688,636</b>	<b>(2,077,766)</b>
Foreign currency translation adjustment		298,166	(75,713)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>1,986,802</b>	<b>(2,153,479)</b>
<b>Weighted average number of common shares outstanding</b>			
Basic		247,664,864	226,237,605
Diluted		284,871,114	226,237,605
<b>Loss per share</b>			
Basic		0.01	(0.01)
Diluted		0.01	(0.01)

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**Hollister Biosciences Inc.****Condensed Interim Consolidated Statements of Cash Flows****For the three months ended March 31, 2021 and 2020****(Expressed in United States Dollars) - Unaudited**

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	2021	2020
	\$	\$
<b>Operating activities</b>		
Net income (loss)	1,688,636	(2,077,766)
Adjustment for non-cash items:		
Accretion expense	-	3,150
Depreciation - cost of sales	22,511	115,597
Depreciation	304,041	77,099
Finance costs	101,182	109,682
Deferred income tax recovery	(55,000)	-
Income tax expense	808,000	-
Interest expense	17,500	12,500
Interest income	(25,610)	-
Transaction costs	-	828,100
Working capital adjustments:		
Receivables	(2,374,590)	48,738
Prepaid expenses	32,072	471
Inventory	(626,562)	(4,354)
Deposits	(10,068)	-
Accounts payable and accrued liabilities	1,015,368	241,098
Accounts payable to related parties	(200)	-
	<b>897,280</b>	<b>(645,685)</b>
<b>Investing activities</b>		
Purchases of equipment	(580,779)	(66,241)
Deferred compensation paid with Venom Extracts acquisition	(250,000)	(1,250,000)
Cash acquired with Venom Extracts acquisition	-	2,091,219
	<b>(830,779)</b>	<b>774,978</b>
<b>Financing activities</b>		
Proceeds from private placement of special warrants	6,273,779	-
Share issue costs	(982,294)	-
Proceeds from option exercise	71,680	-
Proceeds from warrant exercise	425,999	-
Proceeds from warrants issued from Finders Units exercise	7,899	-
Repayments of promissory notes payable	(141,500)	(15,000)
Repayments of long-term debt	(18,224)	(11,281)
Repayments of obligations under lease	(150,091)	(202,679)
	<b>5,487,248</b>	<b>(228,960)</b>
<b>Impact of foreign exchange on cash</b>	<b>298,166</b>	<b>(75,712)</b>
<b>Net change in cash</b>	<b>5,851,915</b>	<b>(175,379)</b>
<b>Cash, beginning of period</b>	<b>1,061,950</b>	<b>1,456,149</b>
<b>Cash, end of period</b>	<b>6,913,865</b>	<b>1,280,770</b>

Supplemental cash flow information (Note 19)

**Hollister Biosciences Inc.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars) - Unaudited

	Number of shares #	Share capital \$	Commitment to issue shares \$	Reserves \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total shareholders' equity \$
<b>December 31, 2019</b>	108,777,373	4,390,331	-	631,431	29,595	(4,061,320)	990,037
Shares issued on purchase of Venom	70,390,672	3,103,851	-	-	-	-	3,103,851
Shares issued on exercise of Finders Units	-	-	1,873,788	-	-	-	1,873,788
Shares issued as Transaction costs	6,000,000	379,693	-	-	-	-	379,693
Net loss and comprehensive loss for the period	-	-	-	-	(75,713)	(2,077,766)	(2,153,479)
<b>March 31, 2020</b>	<b>185,168,045</b>	<b>7,873,875</b>	<b>1,873,788</b>	<b>631,431</b>	<b>(46,118)</b>	<b>(6,139,086)</b>	<b>4,193,890</b>
Earn out shares released to Venom sellers	29,610,054	1,873,788	(1,873,788)	-	-	-	-
Shares issued on purchase of AlphaMind	4,200,000	362,329	-	-	-	-	362,329
Shares committed to be issued pursuant to AlphaMind acquisition	-	-	155,284	-	-	-	155,284
Shares issued on exercise of stock options	1,000,000	78,530	-	-	-	-	78,530
Reallocation of fair value upon exercise of options	-	75,461	-	(75,461)	-	-	-
Shares issued on exercise of warrants	982,842	75,272	-	-	-	-	75,272
Reallocation of fair value upon exercise of warrants	-	21,024	-	(21,024)	-	-	-
Shares issued on exercise of Finders Units	100,000	6,524	-	-	-	-	6,524
Reallocation of fair value upon exercise of Finders Units	-	7,077	-	(7,077)	-	-	-
Share issued for marketing services	703,400	62,075	-	-	-	-	62,075
Shares issued as settlement of debt	566,883	45,015	-	-	-	-	45,015
Private placement	17,646,889	670,978	-	444,646	-	-	1,115,624
Share issue costs	-	(171,537)	-	88,117	-	-	(83,420)
Share-based compensation	-	-	-	561,247	-	-	561,247
Net loss and comprehensive loss for the period	-	-	-	-	(7,575)	(1,494,043)	(1,501,618)
<b>December 31, 2020</b>	<b>239,978,113</b>	<b>10,980,411</b>	<b>155,284</b>	<b>1,621,879</b>	<b>(53,693)</b>	<b>(7,633,129)</b>	<b>5,070,752</b>

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

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**Hollister Biosciences Inc.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****For the three months ended March 31, 2021 and 2020****(Expressed in United States Dollars) - Unaudited**

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	Number of shares #	Share capital \$	Commitment to issue shares \$	Reserves \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total shareholders' equity \$
<b>December 31, 2020</b>	<b>239,978,113</b>	<b>10,980,411</b>	<b>155,284</b>	<b>1,621,879</b>	<b>(53,693)</b>	<b>(7,633,129)</b>	<b>5,070,752</b>
Shares issued on exercise of warrants issued from Finders Units	100,000	7,899	-	-	-	-	7,899
Reallocation of fair value upon exercise of warrants issued from Finders Units	-	6,958	-	(6,958)	-	-	-
Shares issued on exercise of stock options	750,000	71,680	-	-	-	-	71,680
Reallocation of fair value upon exercise of options	-	9,085	-	(9,085)	-	-	-
Shares issued on exercise of warrants	5,321,525	425,999	-	-	-	-	425,999
Reallocation of fair value upon exercise of warrants	-	270,309	-	(270,309)	-	-	-
Private placement of special warrants	21,635,094	1,648,622	-	4,625,157	-	-	6,273,779
Share issue costs	-	(674,248)	-	(308,046)	-	-	(982,294)
Net income and comprehensive income for the period	-	-	-	-	298,166	1,688,636	1,986,802
<b>March 31, 2021</b>	<b>267,784,732</b>	<b>12,746,715</b>	<b>155,284</b>	<b>5,652,638</b>	<b>244,473</b>	<b>(5,944,493)</b>	<b>12,854,617</b>

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

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## Hollister Biosciences Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in United States Dollars) - Unaudited

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For the three months ended March 31, 2021 and 2020

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#### 1. Nature of operations and going concern

Hollister Biosciences Inc. was incorporated on April 17, 2019 under the laws of the Province of British Columbia, Canada. (collectively herein referred to as the "Company" or "Hollister"). The Company's registered and records office is located at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, Canada, V6E 4N7. The Company, through its wholly owned subsidiaries, operates as licensed manufacturer and distributor of cannabis pre-roll and extract products in the States of California and Arizona. The Company is listed on the CSE under the symbol "HOLL".

These interim financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The continuation of the Company is dependent upon the continuation of the Company's manufacturing and distribution business in the United States and the generation of positive cash flows and profitable operations therewith. If the going concern assumption were not appropriate for these interim financial statements, it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

Historically, management has been successful in obtaining enough funding for operating and capital requirements. There is, however, no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company.

Several states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law.

Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

#### 2. Basis of preparation

##### a) Statement of compliance

These unaudited condensed interim consolidated financial statements ("interim financial statements") were approved by the Board of Directors and authorized for issue on May 31, 2021.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2020 and 2019 ("annual financial statements").



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## Hollister Biosciences Inc.

### Notes to the Condensed Interim Consolidated Financial Statements (Expressed in United States Dollars) - Unaudited

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For the three months ended March 31, 2021 and 2020

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#### 2. Basis of preparation (continued)

##### b) Basis of measurement

These interim financial statements have been prepared in United States ("U.S.") dollars on a historical cost basis except for cash measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

##### c) Functional and presentation currency

These interim financial statements are presented in U.S. dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

##### d) Basis of consolidation

Subsidiaries are entities controlled by the Company and are included in these interim financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities.

All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. These interim financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Abbreviation	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
Hollister Biosciences Inc	Hollister	Canada	100%	CAD	Holding company
Hollister Holistics 1	HH1	USA	100%	USD	Operating company
Hollister Holistics 2	HH2	USA	100%	USD	Operating company
Venom Extracts *	Venom Extracts	USA	100%	USD	Operating company
Rebel Hemp Company	Rebel Hemp	USA	100%	USD	Operating company
AlphaMind Brands Inc. **	AlphaMind	Canada	100%	CAD	Research company

\*On March 24, 2020, the Company acquired a 100% interest in Venom Extracts (note 4(a)).

\*\*On April 30, 2020, the Company acquired a 100% interest in AlphaMind (Note 4(b)).

##### e) Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

#### 3. Significant accounting policies

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 to the annual financial statements.

##### a) Estimates and critical judgments by management

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments which may cause a material adjustment to the carrying amounts of assets and liabilities. The Company's interim results are not necessarily indicative of its results for a full year. The critical judgements and estimates applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 to the annual consolidated financial statements.

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## Hollister Biosciences Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in United States Dollars) - Unaudited

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For the three months ended March 31, 2021 and 2020

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#### 4. Transactions

##### a) Acquisition of Venom Extracts

On March 24, 2020, the Company closed its acquisition of Labtronix doing business as Venom Extracts ("Venom Extracts") that owns Venom Extracts, an Arizona cannabis extract brand (the "Acquisition").

Pursuant to the terms of the Acquisition, the Company acquired Venom Extracts for consideration of \$6,328,262 which was satisfied by the issuance of 70,390,672 Hollister common shares (the "Venom Payment Shares") at a fair value of \$0.063 (C\$0.092) per share (one month volume-weighted average share price on closing date) pro rata to the shareholders of Venom Extracts and a commitment to issue an additional 29,610,054 common shares (the "Venom Earn-Out Shares") at a fair value of \$0.063 (C\$0.092) per share to former shareholders of Venom Extracts on the earlier of (i) Venom Extracts reaching certain revenue milestones (detailed below), or (ii) December 31, 2021. The Earn-Out Shares were valued at \$1,873,788 using the one-month volume weighted average share price on closing date and are recorded as the Company's commitment to issue shares. Pursuant to the terms of the acquisition agreement, there are certain restrictions on the sale of the Venom Payment Shares. Accordingly, the fair value of the Venom Payment Shares are adjusted for a discount for lack of marketability ("DOLM"). The DOLM was based on a Black-Scholes model using both internal and external data, including estimated volatility.

- The Venom Earn-Out Shares will be issued on the earlier of (i) December 31, 2021, or (ii) when and if the following milestones have been met:
  - 19,740,036 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds C\$30,000,000 (calculated in accordance with IFRS from January 1, 2020); and
  - An additional 9,870,018 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds C\$40,000,000 (calculated in accordance with IFRS from January 1, 2020).

All the Venom Earn-Out Shares were issued during the three months ended December 31, 2020 as Venom Extracts achieved both milestones as described above.

In connection with the Acquisition, the Company issued 6,000,000 common shares (the "Finder Shares") to an arm's length third party finder with a fair value of \$379,683.

The transaction has been accounted for by the Company as a business combination under IFRS 3, *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date

The Company has determined Venom Extracts is a business by assessing that the following exist: Inputs – tangible and intangible assets, Processes – business operations, management and staff, Outputs – revenue generating from operations. The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

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**Hollister Biosciences Inc.****Notes to the Condensed Interim Consolidated Financial Statements  
(Expressed in United States Dollars) - Unaudited**

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**For the three months ended March 31, 2021 and 2020**

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**4. Transactions (continued)**

The following table summarizes the purchase price allocation for Venom Extracts:

	<b>March 24, 2020</b>
	\$
Cash and cash equivalents	1,943,135
Receivables	1,112,345
Prepaid expenses	31,013
Inventory	1,390,274
Property and Equipment	471,397
Right-of-use assets	113,133
Brand	1,350,000
Intellectual property	1,275,000
Goodwill	2,220,628
<b>Total assets acquired</b>	<b>9,906,925</b>
Accounts payable and accrued liabilities	(1,135,848)
Deferred compensation payable	(2,250,000)
Loans payable	(216,216)
Promissory note	(430,550)
Lease liability	(129,672)
Deferred income tax liability	(767,000)
<b>Total liabilities assumed</b>	<b>(4,929,295)</b>
<b>Net assets acquired</b>	<b>4,977,630</b>
<b>Consideration</b>	
Fair value of 70,390,672 common shares issued – Venom Payment Shares	4,454,474
Fair value of 29,610,540 common shares issued – Venom Earn-Out Shares	1,873,788
Discount on valuation of Payment Shares	(1,350,623)
<b>Total consideration</b>	<b>4,977,639</b>

The results of operations are included in the Company's condensed interim consolidated loss and comprehensive loss for the period since the acquisition date. From the closing date of the acquisition on March 24, 2020 to March 31, 2020, Venom Extracts contributed revenues of \$667,513 and net income of \$137,811 to the Company's results. If the acquisition occurred on January 1, 2020, management estimates for the three months ended March 31, 2020 that revenue and net income would have increased by approximately \$6,359,879 and \$1,173,038, respectively. The goodwill generated as a result of this acquisition relates to expected synergies from combining operations of the Company and Venom Extracts and other intangible assets that do not qualify for separate recognition.

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## Hollister Biosciences Inc.

### Notes to the Condensed Interim Consolidated Financial Statements (Expressed in United States Dollars) - Unaudited

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For the three months ended March 31, 2021 and 2020

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#### 4. Transactions (continued)

A total of 90% of the Venom Payment shares issued pursuant to the acquisition of Venom Extracts are subject to an escrow condition as follows:

- 10,558,601 to be released on May 25, 2020;
- 10,558,601 to be released on November 25, 2020;
- 10,558,601 to be released on May 25, 2021;
- 10,558,601 to be released on November 25, 2021;
- 10,558,601 to be released on May 25, 2022;
- 10,558,601 to be released on November 25, 2022

As part of the Venom Extracts acquisition, the Company acquired loans payable for \$216,216, which the company repaid \$nil during the three months ended March 31, 2021. At March 31, 2021, the remaining balance was \$6,261 (December 31, 2020 - \$6,261).

#### b) Acquisition of AlphaMind Brands Inc.

On April 30, 2020, the Company closed its acquisition of AlphaMind Brands Inc (“AlphaMind”), a growth stage company, which is engaged in the development of certified legal mushroom based natural health products (the “AlphaMind Acquisition”).

Pursuant to the terms of the AlphaMind Acquisition, the Company acquired AlphaMind for consideration of \$517,613 which was satisfied by the issuance of 4,200,000 Hollister common shares (the “AlphaMind Payment Shares”) at a fair value of \$0.09 (C\$0.12) per share (the Company’s share price on April 30, 2020) pro rata to the shareholders of AlphaMind and a commitment to issue an additional 1,800,000 common shares (the “AlphaMind Earn-Out Shares”) at a fair value of \$0.09 (C\$0.12) per share to former shareholders of AlphaMind on the earlier of (i) AlphaMind’s first production run or its first sales of product, or (ii) December 31, 2021. Note that these shares are recorded as the Company’s commitment to issue shares (Note 14(g)).

The acquisition has been accounted for by the Company as an acquisition expense as AlphaMind did not qualify as a business combination under IFRS 3, *Business Combinations*, as the significant inputs, processes and outputs, that together constitute a business, did not exist in AlphaMind at the time of acquisition, nor did AlphaMind constitute an asset acquisition under IAS 38, *Intangible Assets*, as it did not have rights to intellectual property or contracts material to the business and operations.

The following table summarizes the preliminary purchase price allocation for AlphaMind:

	<b>April 30, 2020</b>
	\$
Accounts payable and accrued liabilities	(17,865)
<b>Net liabilities acquired</b>	<b>(17,865)</b>
<b>Consideration</b>	
Fair value of 4,200,000 common shares issued – AlphaMind Payment Shares	362,329
Fair value of 1,800,000 common shares issued – AlphaMind Earn-Out Shares (Note 14(g))	155,284
<b>Total consideration</b>	<b>517,613</b>
<b>Excess of purchase price over net liabilities acquired recorded as acquisition expense</b>	<b>535,478</b>

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## Hollister Biosciences Inc.

### Notes to the Condensed Interim Consolidated Financial Statements (Expressed in United States Dollars) - Unaudited

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For the three months ended March 31, 2021 and 2020

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#### 5. Mighty Meds Inventory

On December 7, 2017, the Company completed an Asset Purchase Agreement (the "Agreement") with certain sellers (the "Sellers"), to acquire specified assets from the Sellers, including but not limited to Mighty Meds branded inventory, marketing materials, domain names/websites, and product formulations.

In accordance with the Agreement, and prior to the amendment discussed below, the Company was required to make cash payments totalling \$550,000 (amended to \$200,000) as follows:

- \$30,000 from January 2018 to June 2018 (a minimum of \$5,000 per month); and
- \$520,000 from July 2018 to October 2022 (a minimum of \$10,000 per month) (\$20,000 completed prior to the amendment on April 25, 2019 below).

On April 25, 2019, the Company and the Sellers amended the Agreement to reduce the purchase price payable to \$200,000, of which \$50,000 was paid during the year ended December 31, 2018. In accordance with the amendment, the Company is required to make payments as follows:

- \$3,000 from May 2019 to July 2019 (\$1,000 per month) (completed);
- \$20,000 from August 2019 to October 2019 (\$5,000 per month) (completed);
- \$132,000 from November 2019 to December 2020 (\$10,000 per month until the balance is paid in full – \$71,000 completed as at March 31, 2021).

During the three months ended March 31, 2021, the Company made cash payments of \$14,000 (2020 - \$ 42,000) towards the purchase price consideration payable which was applied against long-term debt.

As at March 31, 2021, the undiscounted amount of the balance payable to the Sellers was \$61,000 (December 31, 2020 - \$75,000) The balance payable by the Company is personally guaranteed by the Company's CEO.

#### 6. Receivables

Receivables consist of the following:

	March 31, 2021	December 31, 2020
Trade receivables	\$ 5,167,002	\$ 2,805,645
Other receivables	57,363	44,130
	<b>5,224,365</b>	<b>2,849,775</b>

The aging analysis of accounts receivable as at March 31, 2021 and December 31, 2020 is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			31-60 days	61-90 days	90+ days
	\$	\$	\$	\$	\$
March 31, 2021	5,167,002	4,719,931	96,406	53,760	296,905
December 31, 2020	2,805,645	2,574,629	181,863	47,518	1,635

During the three months ended March 31, 2021, the Company recorded a loss provision against receivables for estimated bad debt expense in the amount of \$nil (2020 - \$nil), from allowance for doubtful accounts to trade receivables as it was determined that there is no reasonable expectation to collect the balance due from the customer.

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**7. Inventory**

The Company maintains three classes of inventory: raw materials, work in process (“WIP”) and finished goods. Raw materials consist of cannabis “trim” and various packaging and incidental items. WIP consists primarily of inventory in the process of being converted from trim to oil. Finished goods inventory includes pre-rolls, cannabis oil in cartridges and batteries for vaporizer pen cartridges. Inventory consists of the following:

	<b>March 31, 2020</b>	December 31, 2020
	\$	\$
Raw materials	<b>582,470</b>	771,784
Work in progress	<b>171,300</b>	240,664
Finished goods	<b>2,004,113</b>	1,136,745
Packaging and supplies	<b>74,718</b>	53,940
	<b>2,832,601</b>	2,203,133

The Company allocates various production and overhead costs and expenses to inventory items. As such, the cost of inventory is recognized as an expense, and included in cost of goods sold for the three months ending March 31, 2021, in the amount of \$19,491,802 (2020 - \$1,233,767) and valued at cost. Direct product costs are valued on a weighted average basis and major production cost such as labor and testing are allocated to inventory.

**8. Property and equipment**

	<b>Furniture and fixtures</b>	<b>Vehicle</b>	<b>Manufacturing equipment</b>	<b>Leasehold improvements</b>	<b>ROU assets</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
December 31, 2019	13,203	21,600	177,521	26,469	3,987,857	4,226,650
Additions from acquisition	18,604	-	300,568	152,225	113,133	584,530
Additions	21,099	80,088	117,944	223,609	-	442,740
Sublease deduction	-	-	-	-	(1,092,581)	(1,092,581)
December 31, 2020	52,906	101,688	596,033	402,303	3,008,409	4,161,339
Additions	31,015	-	549,764	-	-	580,779
<b>March 31, 2021</b>	<b>83,921</b>	<b>101,688</b>	<b>1,145,797</b>	<b>402,303</b>	<b>3,008,409</b>	<b>4,742,118</b>
<b>Accumulated depreciation</b>						
December 31, 2019	4,793	7,920	87,799	4,560	460,137	565,209
Depreciation	15,219	14,755	185,438	102,810	480,360	798,582
Disposal	-	-	-	-	(355,090)	(355,090)
December 31, 2020	20,012	22,675	273,237	107,370	585,407	1,008,701
Depreciation	4,196	4,237	53,940	34,681	69,904	166,958
<b>March 31, 2021</b>	<b>24,208</b>	<b>26,912</b>	<b>327,177</b>	<b>142,051</b>	<b>655,311</b>	<b>1,175,659</b>
<b>Carrying amount</b>						
December 31, 2020	32,894	79,013	322,796	294,933	2,423,002	3,152,638
<b>March 31, 2021</b>	<b>59,713</b>	<b>74,776</b>	<b>818,620</b>	<b>260,252</b>	<b>2,353,098</b>	<b>3,566,459</b>

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**For the three months ended March 31, 2021 and 2020**

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**8. Property and equipment (continued)****Depreciation:**

During the three months ended March 31, 2021, depreciation was allocated to cost of sales, operating expenses and inventory as the Company's property and equipment substantially relates to, and is used in, manufacturing activity to generate revenue, as follows:

- \$119,605 (2020 - \$nil) within cost of sales;
- \$304,041 (2020 - \$77,099) within operating expenses; and
- \$2,906 (2020 - \$nil) within inventory as part of finished goods.

**Right-of-use ("ROU") assets:**

The Company's ROU assets include the following leases:

- Indoor cannabis manufacturing facility in Hollister, California.
- Office in Phoenix, Arizona

**9. Goodwill and intangible assets**

A continuity of the Company's intangible assets is as follows:

	<b>Brand</b>	<b>Intellectual property</b>	<b>Total</b>
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
December 31, 2019	-	-	-
Additions – Venom Extracts acquisition (Note 4(a))	1,350,000	1,275,000	2,625,000
<b>December 31, 2020 and March 31, 2021</b>	<b>1,350,000</b>	<b>1,275,000</b>	<b>2,625,000</b>
<b>Accumulated depreciation</b>			
December 31, 2019	-	-	-
Amortization	(168,750)	(318,750)	(487,500)
December 31, 2020	(168,750)	(318,750)	(487,500)
Amortization	(56,250)	(106,250)	(162,500)
<b>March 31, 2021</b>	<b>(225,000)</b>	<b>(425,000)</b>	<b>(650,000)</b>
<b>Carrying amount</b>			
December 31, 2020	1,181,250	956,250	2,137,500
<b>March 31, 2021</b>	<b>1,125,000</b>	<b>850,000</b>	<b>1,975,000</b>

A continuity of the Company's goodwill is as follows:

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Opening balance	<b>2,220,628</b>	-
Additions – Venom Extracts acquisition (Note 4(a))	-	2,220,628
<b>Ending balance</b>	<b>2,220,628</b>	<b>2,220,628</b>

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**10. Accounts payable and accrued liabilities**

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Trade payables	<b>3,918,606</b>	2,613,284
Accrued liabilities	<b>239,544</b>	529,498
	<b>4,158,150</b>	3,142,782

**11. Promissory notes payable**

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Opening balance	<b>235,550</b>	-
Additions – Venom Extracts acquisition (note 4(a))	-	430,550
Interest expense	<b>17,500</b>	106,250
Repayments	<b>(141,500)</b>	(301,250)
Ending balance	<b>111,550</b>	235,550

Included in promissory notes payable is a principal balance of \$50,000 which bears interest at the rate of five percent (5%) per month, payable on the first day of the month, and is due on demand.

Included in promissory notes payable is a principal balance of \$61,550 which bears interest at the rate of three percent (3%) per annum and is due on demand.

**12. Long-term debt**

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
<b>Vehicle loan:</b>		
Opening balance	<b>46,508</b>	13,614
Additions	-	44,351
Repayments	<b>(4,224)</b>	(11,457)
	<b>42,284</b>	46,508
<b>Mighty Meds consideration payable (Note 5):</b>		
Opening balance	<b>74,616</b>	104,014
Repayments	<b>(14,000)</b>	(42,000)
Accretion expense	-	12,602
	<b>60,616</b>	74,616
<b>Total long-term debt</b>	<b>102,900</b>	121,124
Less: current portion	<b>74,473</b>	89,754
Long-term debt	<b>28,427</b>	31,370



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**For the three months ended March 31, 2021 and 2020**

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**12. Long-term debt (continued)**a) Vehicle loan:

During the year ended December 31, 2018, the Company financed the purchase of a vehicle used within the Company's procurement and sales activities. The vehicle cost \$21,600 including applicable sales taxes and fees and was financed entirely by the seller (the "1<sup>st</sup> Vehicle Loan"). The 1<sup>st</sup> Vehicle Loan is repayable in monthly installments, financed at an annual percentage rate of 12.39%, and maturing on May 23, 2024. The Company is in compliance with the scheduled payments. The 1<sup>st</sup> Vehicle Loan is personally guaranteed by the Company's CEO.

During the year ended December 31, 2020, the Company financed the purchase of vehicles used within the Company's procurement and sales activities. The vehicle loans are repayable in monthly installments, financed at an annual interest rate of 5.89%, and will mature though to June 2024.

The Company is in compliance with the scheduled payments.

b) Might Meds consideration payable (Note 5)

Pursuant to the Agreement, during the three months ended March 31, 2021, the Company made cash payments of \$14,000 (2020 - \$nil) towards the purchase price consideration payable (Note 5).

**13. Lease liabilities and lease receivables**a) Lease liabilities

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Opening balance	<b>3,978,643</b>	4,273,924
Additions - Venom Extracts acquisition (note 4(a))	-	129,672
Repayments	<b>(213,451)</b>	(856,364)
Finance costs	<b>101,182</b>	431,411
	<b>3,866,374</b>	3,978,643
Less: current portion	<b>885,012</b>	847,688
Long-term portion	<b>2,981,362</b>	3,130,955

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**13. Lease liabilities and lease receivables (continued)**b) Lease receivables

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Opening balance	<b>1,036,923</b>	-
Additions	-	1,049,299
Lease payments received by the Company	<b>(63,360)</b>	(21,120)
Interest income	<b>25,610</b>	8,744
	<b>999,173</b>	1,036,923
Less: current portion	<b>163,324</b>	157,439
Long-term portion	<b>835,849</b>	879,484

During the year ended December 31, 2020, the Company entered into a sublease agreement with a third party with respect to its facility in California. The lease commenced on December 1, 2020, with monthly lease payments starting at \$21,120 and increasing by 3% per year until December 1, 2025.

During the year ended December 31, 2020, the Company recognized a gain totalling \$311,808 which represents the difference between the portion of ROU asset derecognized and the net investment in lease receivable. The Company used a 0.83% per month interest rate, its incremental borrowing rate to calculate the present value of the lease payments as well as to calculate the monthly accretion expense.

Future minimum payments per the lease receivable are as follows:

	<b>Future payments</b>
	<b>\$</b>
2021	<b>190,714</b>
2022	<b>261,696</b>
2023	<b>269,547</b>
2024	<b>277,633</b>
2025	<b>261,477</b>
Total future minimum lease payments	<b>1,261,067</b>
Effects of discounting	<b>(261,894)</b>
Total lease receivable	<b>999,173</b>
Less: current portion	<b>163,324</b>
Long-term portion	<b>835,849</b>

c) Obligation under finance lease

In addition to the facility lease, the Company's obligation under finance lease arises from the lease of various manufacturing equipment and is payable to a single commercial lessor for the lease of various manufacturing equipment under a single lease agreement with interest of approximately 2.3%, and a term of 37 months maturing in December 2021. On maturity of the finance lease, the Company has a purchase option to buy the equipment at fair market value. The finance lease is personally guaranteed by the Company's CEO.

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## Hollister Biosciences Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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For the three months ended March 31, 2021 and 2020

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#### 13. Lease liabilities and lease receivables (continued)

As at March 31, 2021, the total undiscounted amount of the estimated future cash flows to settle the Company's obligation under finance lease over the remaining lease term is \$21,422 (December 31, 2020 - \$37,488).

During the three months ended March 31, 2021, the Company incurred finance costs of \$1,638 (2020 - \$3,156) which represented interest expense implicit in the manufacturing equipment lease.

#### 14. Shareholders' equity

##### a) Authorized Share Capital

The authorized share capital of the Company consists of unlimited common shares without par value.

As at March 31, 2021, in addition to the common shares of the Company held in escrow pursuant to the Labtronix acquisition (Note 4(a)), 17,688,720 common shares were held in escrow (December 31, 2020 - 17,688,720).

##### b) Share Capital Transactions

*During the three months ended March 31, 2021, the Company completed the following transactions:*

- Issued 100,000 common shares for proceeds of \$7,899 (C\$10,000) for warrants issued from Finders' units exercised.
- Issued 750,000 common shares for proceeds of \$71,680 (C\$90,750) for stock options exercised.
- Issued 5,321,525 common shares for proceeds of \$425,999 (C\$539,336) for warrants exercised.
- On March 17, 2021, pursuant to the conversion of Special Warrants issued on March 4, 2021, the Company issued 21,635,094 units for \$0.288 (C\$0.365) per unit for gross proceeds of \$6,273,779 (C\$7,088,475). Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire one half a common share at a price of \$0.395 (C\$0.500) per share for a period of forty-eight months following the closing date of the financing. Share issue costs included cash payments of \$638,470 (C\$638,470) and the issuance of 1,441,580 Finders' warrants valued at \$343,824 (C\$435,298) using the Black-Scholes option pricing model with the following assumptions: a two-year expected average life, share price of \$0.300 (C\$0.380); 177% volatility, risk-free interest rate of 0.25%, and an expected dividend yield of 0%. The units were valued using the relative fair value method: fair value of \$308,047 (C\$390,002) attributed to warrants was recorded to warrant reserve and fair value of \$674,247 (C\$853,630) attributed to shares was recorded to issued capital.

*During the year ended December 30, 2020, the Company completed the following transactions:*

- On August 10, 2020, pursuant to a private placement financing, the Company issued 17,646,889 units for \$0.07 (C\$0.085) per unit for gross proceeds of \$1,115,624 (C\$1,499,986). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.07 (C\$0.10) per share for a period of twenty-four months following the closing date of the financing. Share issue costs included cash payments of \$83,420 and the issuance of 1,272,959 Finders' Options valued at \$88,117 (C\$117,377) using the Black-Scholes option pricing model with the following assumptions: a two-year expected average life, share price of \$0.06 (C\$0.085); 117% volatility, risk-free interest rate of 0.23%, and an expected dividend yield of 0%. The units were valued using the relative fair value method: fair value of \$444,646 (C\$592,296) attributed to warrants was recorded to warrant reserve and fair value of \$670,978 (C\$907,691) attributed to shares was recorded to issued capital.
- As part of the Venom Extracts Acquisition (Note 4(a)), the Company issued 70,390,672 common shares of the Company with a fair value of \$4,454,474 (C\$6,454,825) or \$0.063 (C\$0.092) per common share. In addition, the Company issued 6,000,000 Finder Shares with a fair value of \$379,683 (C\$550,200) or \$0.063 (C\$0.092) per common share.
- Pursuant to the terms of the Venom Extracts acquisition, the release conditions related to the Venom Earn-Out shares were met, and as a result all 29,610,054 of the Venom Earn-Out Shares were issued by the Company to the applicable former shareholders of Venom Extracts.

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**14. Shareholders' equity (continued)**

- As part of the AlphaMind Acquisition (Note 4(b)), the Company issued 4,200,000 common shares of the Company with a fair value of \$362,329 (C\$504,000) or \$0.09 (C\$0.12) per common share.
- The Company issued 1,000,000 common shares for proceeds of \$78,530 (C\$107,000) for stock options exercised.
- The Company issued 982,842 common shares for proceeds of \$75,272 (C\$99,118) for warrants exercised.
- The Company issued 100,000 common shares for proceeds of \$6,524 (C\$8,500) for Finders Units exercised.
- The Company issued 703,400 common shares for consulting and marketing agreements with a fair value of \$62,075 (C\$85,990).
- The Company issued 566,883 common shares for the repayment of \$45,015 (C\$62,357) debt.

**c) Special Warrant Financing**

On March 4, 2020, the Company completed an offering of 21,635,094 Special Warrants at a price of \$0.288 (C\$0.365) each for gross proceeds of \$6,237,368 (C\$7,896,809). These Special Warrants were deemed exercised into 21,635,094 common shares of the Company on March 17, 2021.

In connection with the Special Warrant Financing, the Company paid \$638,470 (C\$808,334) in cash share issue costs including finder's fees, filing fees, administrative and other expenses, and legal fees. Additionally, the Company issued 1,441,580 finder's warrants with an aggregate fair value of \$343,824 (C\$435,298). Each finder's warrant entitles the holder to acquire one common share of the Company at a price of \$288 (C\$0.365) per share until March 17, 2023.

**d) Warrants**

The following is a summary of the Company's warrants:

	Number of warrants	Weighted average exercise price
		\$CAD
Balance, December 31, 2019	2,873,313	0.105
Exercised	(982,842)	0.105
Issued	17,646,888	0.100
Balance, December 31, 2020	19,537,359	0.101
Exercised	(5,321,525)	0.100
Issued	12,259,127	0.484
<b>Balance, March 31, 2021</b>	<b>26,474,961</b>	<b>0.278</b>

As at March 31, 2021, the Company had the following warrants outstanding:

Date of expiry	Exercise price	Number of warrants	Weighted average life (years)
	\$CAD		
July 11, 2021	0.105	1,269,990	0.28
August 10, 2022	0.100	12,945,844	1.36
March 17, 2023	0.365	1,441,580	1.96
March 17, 2025	0.500	10,817,547	3.96
		<b>26,474,961</b>	<b>2.41</b>

The assessed relative fair value at issuance date of warrants during the three months ended March 31, 2021 was \$308,047 (2020 - \$nil).

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**14. Shareholders' equity (continued)**

The fair value at issuance date is determined using the Black Scholes model. Weighted-average assumptions used in the option-pricing model are as follows:

	2021	2020
Risk-free interest rate	0.25%	0.23%
Expected life	2 years	2 years
Expected volatility	177%	117%
Forfeiture rate	0.0%	0.0%
Dividend rate	0.0%	0.0%

**e) Stock Options**

The Company has a stock option plan for directors, employees, and consultants. The aggregate number of common shares issuable pursuant to stock options granted under the plan is 10% of the issued and outstanding common shares. The board of directors has the exclusive power over the granting of stock options, the exercise price, the term, and their vesting and cancellation provisions.

The following is a continuity of the Company's stock option:

	Number of options	Weighted average exercise price
		\$CAD
Balance, December 31, 2019	8,266,666	0.110
Exercised	(1,000,000)	0.107
Granted	6,500,000	0.125
Balance, December 31, 2020	13,766,666	0.115
Exercised	(750,000)	0.121
<b>Balance, March 31, 2021</b>	<b>13,016,666</b>	<b>0.117</b>

As at March 31, 2021, the Company had the following options outstanding:

Date of expiry	Exercise price	Number of options	Weighted average life (years)
	\$CAD		
November 25, 2024	0.105	6,716,666	3.66
August 25, 2025	0.125	6,300,000	4.41
		<b>13,016,666</b>	<b>4.02</b>

**f) Finders' Options**

The following is a continuity of the Company's Finders' Options:

	Number of Finders' options	Weighted average exercise price
	#	\$C
Balance, December 31, 2019	-	-
Granted	1,272,959	0.085
Exercised	(100,000)	0.085
<b>Balance, December 31, 2020 and March 31, 2021</b>	<b>1,172,959</b>	<b>0.085</b>

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**14. Shareholders' equity (continued)**

On August 10, 2020, as part of private placement, the Company issued non-transferable compensation options ("Finder's Options") to finders to acquire up to a total of 1,272,959 units ("Finder's Units"), at a price of \$0.06 (C\$0.085) per Finder's Option on or before August 10, 2022. Each Finder's Unit will consist of one share and one non-transferable share purchase warrant (the "Finder's Warrant").

Each Finder's Warrant will entitle the holder to purchase one share of the Company at a price of \$0.10 per share on or before August 10, 2022. At March 31, 2021, the weighted average exercise life remaining of each Finder's Option is 1.36 years. The assessed fair value at grant date of Finder's Options on the August 10, 2020 grant date was \$88,117 (C\$117,377). The fair value at grant date is determined using the Black Scholes model. Weighted-average assumptions used in the option-pricing model are as follows:

	2021	2020
Risk-free interest rate	-	0.23%
Expected life	-	2 years
Expected volatility	-	117%
Forfeiture rate	-	0.0%
Dividend rate	-	0.0%

**g) Commitment to issue shares**

The following is a continuity of the Company's commitment to issuing earn out shares as part of its acquisitions:

	March 31, 2021	December 31, 2020
	\$	\$
Opening balance	155,284	-
Additions – AlphaMind acquisition (Note 4(b))	-	155,284
	155,284	155,284

**15. Capital management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The Company has historically relied on financing from the issuance of common shares, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended March 31, 2021.

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**16. Financial risk management and financial instruments****Fair value of financial instruments**

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying values of cash, receivables, accounts payable and accrued liabilities, deferred compensation payable, promissory note and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and lease obligations also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

**Economic dependence**

During the three months ended March 31, 2021, the Company derived 52% of its revenues from eight customers (2020 – 32% from two customers).

**17. Related party transactions and balances**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the three months ended March 31, 2021 and 2020 are as follows:

	<b>March 31, 2021</b>	March 31, 2020
	<b>\$</b>	<b>\$</b>
Salaries and wages	<b>68,750</b>	62,499
Professional and consulting fees	<b>36,531</b>	19,518
	<b>105,281</b>	82,017

As at March 31, 2021, accounts payable to related parties totalled \$121,903 (December 31, 2020 - \$121,903). These amounts are unsecured, non-interest bearing and are due on demand.

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**Hollister Biosciences Inc.****Notes to the Condensed Interim Consolidated Financial Statements****(Expressed in United States Dollars) - Unaudited**

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**For the three months ended March 31, 2021 and 2020**

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**18. Segmented information**

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance. The following table presents the Company's operations by segment for the three months ended March 31, 2021:

	<b>California</b>	<b>Arizona</b>	<b>Corporate</b>	<b>Consolidated</b>
	\$	\$	\$	\$
Total revenue	251,910	22,841,296	-	<b>23,093,206</b>
Gross profit (loss)	21,186	3,580,218	-	<b>3,601,404</b>
Operating expenses:				
Administrative expenses	140,597	40,863	12,609	<b>194,069</b>
Depreciation	76,804	64,737	162,500	<b>304,041</b>
Finance costs	97,155	4,027	-	<b>101,182</b>
Foreign exchange gain	(28,296)	-	-	<b>(28,296)</b>
Interest expense	14	17,500	-	<b>17,514</b>
Marketing	71,530	68,395	20,268	<b>160,193</b>
Professional fees and consulting	14,842	8,495	212,989	<b>236,326</b>
Salaries and wages	71,343	128,794	-	<b>200,137</b>
Travel and meals	115	97	-	<b>212</b>
Interest income	(25,610)	-	-	<b>(25,610)</b>
Current income tax expense	-	-	808,000	<b>808,000</b>
Deferred income tax recovery	-	-	(55,000)	<b>(55,000)</b>
<b>Net (loss) income</b>	<b>(397,308)</b>	<b>3,247,310</b>	<b>(1,161,366)</b>	<b>1,688,636</b>
<b>As at March 31, 2021</b>				
Assets	9,336,327	9,626,766	4,912,462	<b>23,875,555</b>
Liabilities	4,418,408	4,145,218	2,457,312	<b>11,020,938</b>

**19. Supplemental cash flow information**

	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Non-cash investing activities:</b>		
Shares issued for acquisition of AlphaMind Brands	-	362,329
Shares issued for acquisition of Venom Extracts	-	4,454,474
Shares issued as Finders Shares	-	379,693
Finders Options issued as finder's fee	-	88,117
Property and equipment depreciation included in inventory	<b>(2,906)</b>	-
Property and equipment additions in accounts payable	<b>275,521</b>	-
<b>Non-cash financing activities:</b>		
Warrants issued as finder's fees	<b>435,298</b>	4,563,095