



# Rubicon Organics Inc.

**Condensed Consolidated Interim Financial Statements  
(Unaudited)**

For the three months March 31, 2021

*Expressed in Canadian dollars*

**RUBICON ORGANICS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**  
*Expressed in Canadian Dollars*



	Notes	March 31, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		20,213,416	12,136,459
Accounts receivable	5	2,216,003	2,569,237
Prepaid expenses and deposits	6	1,508,259	1,333,464
Inventories	7	11,030,936	8,556,670
Cannabis plants	8	1,802,428	1,579,583
		<b>36,771,042</b>	26,175,413
<b>Non-Current</b>			
Security deposits		615,486	500,486
Property, plant and equipment	9	23,096,917	22,172,833
Right-of-use assets	10	308,378	341,766
Intangible asset		1,881,749	1,881,749
<b>Total assets</b>		<b>62,673,572</b>	51,072,247
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	11	4,763,073	6,001,157
Deferred revenue		465,497	465,497
Interest payable	12	2,078,074	1,778,353
Current portion of lease liabilities	10	135,625	123,003
Current portion of loans and borrowings	12	8,794,586	13,641,223
		<b>16,236,855</b>	22,009,233
<b>Non-Current</b>			
Lease liabilities	10	175,403	221,134
<b>Total liabilities</b>		<b>16,412,258</b>	22,230,367
<b>Shareholders' equity</b>			
Share capital	13	105,883,265	86,349,350
Reserves	14	15,688,350	13,815,515
Deficit		(75,310,301)	(71,322,985)
<b>Total shareholders' equity</b>		<b>46,261,314</b>	28,841,880
<b>Total liabilities and shareholders' equity</b>		<b>62,673,572</b>	51,072,247

Approved on behalf of the Board:

(Signed) "Bryan Disher"  
 Director

(Signed) "Margaret Brodie"  
 Director and CFO

The accompanying Notes form an integral part of these condensed consolidated interim financial statements (unaudited).

**RUBICON ORGANICS INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(UNAUDITED)***Expressed in Canadian Dollars, except for share information*

		<b>For the three months ended</b>	
	Notes	<b>March 31, 2021</b>	March 31, 2020
<b>Revenue</b>			
Product sales		4,819,967	523,094
Excise taxes		(709,404)	69,051
<b>Net revenue</b>		<b>4,110,563</b>	454,043
<b>Cost of sales</b>			
Production costs	9	2,609,927	1,708,778
Inventory expensed to cost of sales		1,493,220	215,902
Inventory written off		599,416	—
<b>Gross loss before fair value adjustments</b>		<b>(592,000)</b>	(1,470,637)
Unrealized gain on changes in fair value of cannabis plants	8	2,927,805	837,616
Realized fair value of inventory sold		(1,353,220)	(258,501)
Fair value of inventory written off		(908,948)	—
<b>Gross profit (loss)</b>		<b>73,637</b>	(891,522)
Other Income		—	131,173
<b>Operating expenses</b>			
Consulting, salaries and wages		1,996,508	1,400,786
General and administrative		791,561	502,066
Sales and marketing		411,468	107,938
Share-based compensation	14	172,458	434,273
Depreciation and amortization	9	55,771	4,689
		<b>3,427,766</b>	2,449,752
<b>Loss from operations</b>		<b>(3,354,129)</b>	(3,210,101)
Interest on loans	12	601,794	543,616
Foreign exchange loss (gain)		31,393	(57,472)
<b>Loss from continuing operations before income tax</b>		<b>(3,987,316)</b>	(3,696,245)
Income tax		—	—
<b>Net loss from continuing operations</b>		<b>(3,987,316)</b>	(3,696,245)
Net loss from discontinued operations, net of tax		—	(111,926)
<b>Net loss for the period</b>		<b>(3,987,316)</b>	(3,808,171)
<b>Other comprehensive income (loss)</b>			
Exchange rate differences on translation of foreign operations		—	625,891
<b>Total comprehensive loss</b>		<b>(3,987,316)</b>	(3,182,280)
<b>Net loss per share from continuing operations, basic and diluted</b>		<b>(0.08)</b>	(0.09)
<b>Net loss per share from discontinued operations, basic and diluted</b>		—	(0.01)
<b>Net loss per share, basic and diluted</b>		<b>(0.08)</b>	(0.10)
<b>Weighted average number of shares</b>		<b>51,775,640</b>	40,041,425

*The accompanying Notes form an integral part of these condensed consolidated interim financial statements (unaudited).*

**RUBICON ORGANICS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**
*Expressed in Canadian Dollars, except for share information*


	Notes	Number of Shares	Share Capital (Net of Financing Costs)	Share-Based Reserves	Warrant Reserve	Reserves Total	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' Equity
<b>Balance, January 1, 2020</b>		<b>39,966,425</b>	<b>63,594,890</b>	<b>8,131,976</b>	<b>3,787,494</b>	<b>11,919,470</b>	<b>(659,151)</b>	<b>(56,339,813)</b>	<b>18,515,396</b>
Share-based compensation	14	—	—	434,273	—	434,273	—	—	434,273
Net loss		—	—	—	—	—	—	(3,808,171)	(3,808,171)
Other comprehensive loss		—	—	—	—	—	625,891	—	625,891
<b>Balance, March 31, 2020</b>		<b>39,966,425</b>	<b>63,594,890</b>	<b>8,566,249</b>	<b>3,787,494</b>	<b>12,353,743</b>	<b>(33,260)</b>	<b>(60,147,984)</b>	<b>15,767,389</b>
<b>Balance, January 1, 2021</b>		<b>49,395,131</b>	<b>86,349,350</b>	<b>8,675,960</b>	<b>5,139,555</b>	<b>13,815,515</b>	<b>—</b>	<b>(71,322,985)</b>	<b>28,841,880</b>
Share issuance – prospectus offering	13	6,052,631	19,474,039	—	1,729,786	1,729,786	—	—	21,203,825
Share issuance - options exercised	14	24,193	59,876	(29,409)	—	(29,409)	—	—	30,467
Share-based compensation	14	—	—	172,458	—	172,458	—	—	172,458
Net Loss		—	—	—	—	—	—	(3,987,316)	(3,987,316)
<b>Balance, March 31, 2021</b>		<b>55,471,955</b>	<b>105,883,265</b>	<b>8,819,009</b>	<b>6,869,341</b>	<b>15,688,350</b>	<b>—</b>	<b>(75,310,301)</b>	<b>46,261,314</b>

*The accompanying Notes form an integral part of these condensed consolidated interim financial statements (unaudited).*

**RUBICON ORGANICS INC.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)**  
*Expressed in Canadian Dollars*



	Notes	For the three months ended	
		March 31, 2021	March 31, 2020
<b>OPERATING ACTIVITIES</b>			
Net loss from continuing operations		(3,987,316)	(3,696,245)
Net loss from discontinued operations		—	(111,926)
Adjustments to reconcile net loss to net cash used in Operating activities			
Unrealized change in the fair value of cannabis plants	8	(2,927,805)	(837,616)
Realized fair value of inventory sold		1,353,220	258,501
Fair value of inventory written off		908,948	—
Interest on loans	12	601,794	595,115
Depreciation and amortization	9	471,940	393,510
Share based compensation	14	172,458	434,273
Foreign exchange loss		8,297	(55,418)
Changes in non-cash working capital items	16	(2,733,768)	(96,266)
<b>Cash used in operating activities</b>		<b>(6,132,232)</b>	<b>(3,116,072)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	9	(1,832,217)	(2,138,697)
<b>Cash used in investing activities</b>		<b>(1,832,217)</b>	<b>(2,138,697)</b>
<b>FINANCING ACTIVITIES</b>			
Net proceeds from equity financing	13	21,203,825	—
Repayment of loans and borrowings	12	(5,000,000)	—
Interest paid		(148,709)	(149,638)
Repayment of lease liabilities		(44,177)	(4,596)
Proceeds from stock options exercised	13	30,467	—
Proceeds from loans and borrowings		—	3,893,861
Proceeds from related parties under revolving credit line		—	1,100,000
<b>Cash provided by financing activities</b>		<b>16,041,406</b>	<b>4,839,627</b>
Effect of exchange rate changes on cash		—	(18,133)
<b>Increase in cash during the period</b>		<b>8,076,957</b>	<b>(433,275)</b>
Cash, beginning of period		12,136,459	2,083,588
<b>Cash, end of period</b>		<b>20,213,416</b>	<b>1,650,313</b>

The accompanying Notes form an integral part of these condensed consolidated interim financial statements (unaudited).

# RUBICON ORGANICS INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



### 1. NATURE OF OPERATIONS

Rubicon Organics Inc. (the “Company”, “Rubicon”, or “ROI”) is a British Columbia registered company incorporated on May 15, 2015.

The Company’s principal business is the production and sale of cannabis in Canada. The Company produces and processes organic cannabis at its wholly owned, federally licensed 125,000 square foot facility in Delta, British Columbia (the “Delta Facility”) which it sells under its wholly owned and other licensed brands.

The Company’s common shares trade on the TSX Venture Exchange (the “TSXV”) under the trading symbol “ROMJ” and on the OTCQX Best Market under the symbol “ROMJF”.

The address of the Company’s registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2. The Company’s head office is unit 505, 744 West Hastings Street, Vancouver, British Columbia V6C 1A5.

### 2. BASIS OF PREPARATION

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Standards Interpretation Committee (“IFRIC”) have been omitted or condensed. As a result, these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2020 (“Annual Financial Statements”).

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these condensed consolidated interim financial statements is the same as those disclosed in the Company’s Annual Financial Statements.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical estimates and judgements made in the preparation of these condensed consolidated interim financial statements are the same as those used in preparing the Company’s Annual Financial Statements.

### 5. ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020
	\$	\$
Trade receivables	2,160,881	2,153,102
Sales taxes recoverable	55,122	116,135
Excise tax security deposit	—	300,000
<b>Total accounts receivable</b>	<b>2,216,003</b>	<b>2,569,237</b>

Trade receivables arise from sales of cannabis to distributors and retailers in Canada. Trade receivables as at March 31, 2021 is net of \$799,462 in provision for returns (December 31, 2020: \$784,331).

For the three months ended March 31, 2021, five customers represented 31%, 31%, 12%, 12% and 11% of revenue,

# RUBICON ORGANICS INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



respectively (March 31, 2020: one customer represented 100%), and direct sales to provincial government cannabis distributors accounted for 85% of revenue (March 31, 2020: 0%).

As at March 31, 2021, four customers accounted for 28%, 28%, 16% and 16% of trade receivables (December 31, 2020: 28%, 24%, 22% and 19%, respectively). As at March 31, 2021, 68% of trade receivables were with provincial government cannabis distributors (December 31, 2020: 77%).

### 6. PREPAID EXPENSES AND DEPOSITS

	March 31, 2021	December 31, 2020
	\$	\$
Prepays	266,366	331,130
Deposits	1,144,582	787,554
Other	97,311	214,780
<b>Total prepaid expenses and deposits</b>	<b>1,508,259</b>	<b>1,333,464</b>

As at March 31, 2021, \$289,911 of deposits are for property, plant and equipment (December 31, 2020: \$145,915).

### 7. INVENTORIES

Inventory as at March 31, 2021 and December 31, 2020 consisted of consumable inventory used in the propagation and transformation of the Company's cannabis plants, work-in-process ("WIP") inventory comprised of harvested cannabis, post-harvest costs, and materials, and finished goods.

	March 31, 2021	December 31, 2020
	\$	\$
Consumable inventory	2,042,265	1,058,102
Cannabis WIP	6,885,589	5,993,465
Finished goods	2,103,082	1,505,103
<b>Total inventories</b>	<b>11,030,936</b>	<b>8,556,670</b>

At March 31, 2021, total inventories include a provision of \$1,316,713 against inventory (December 31, 2020: \$nil).

At March 31, 2021, cannabis WIP and finished goods include \$5,759,824 of non-cash fair value cannabis plants transferred to WIP inventory upon harvest (December 31, 2020: \$5,317,032).

### 8. CANNABIS PLANTS

The changes in the carrying value of cannabis plants was as follows:

	\$
<b>Balance, December 31, 2020</b>	<b>1,579,583</b>
Change in fair value of cannabis plants	2,927,805
Transferred to WIP inventory upon harvest	(2,704,960)
<b>Balance, March 31, 2021</b>	<b>1,802,428</b>

The fair value of cannabis plants was determined using a valuation model that estimates the expected harvest yield per plant and applies this to the estimated fair value less costs to sell per gram of dried cannabis flower. These fair value measurements have been categorized as Level 3 of the fair value hierarchy because there is currently no actively traded commodity market in Canada for cannabis plants.

The significant assumptions applied in determining the fair value are as follows:

- expected average yield of approximately 76 grams per plant (December 31, 2020: 56 grams per plant);

**RUBICON ORGANICS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars*

- comparable selling price of wholesale dried cannabis flower ranging from \$1.28 to \$2.62 per gram (December 31, 2020: \$1.55 to \$3.11 per gram);
- post-harvest processing costs of \$0.40 per gram (December 31, 2020: \$0.40 per gram); and
- stage of plant growth.

The selling price used in the valuation is based on recent quoted selling prices of wholesale dried cannabis flower from comparable plants in Canada and varies based on strain and THC content. Expected yields for cannabis plants are subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing. Estimates of future yields are based on the historical weighted average of actual yields.

The Company periodically reassesses the significant assumptions applied in determining the fair value of cannabis plants based on historical information as well as the Company's planned production schedules. When there is a material change in any of the significant assumptions, the fair value of cannabis plants is adjusted.

For the period ended March 31, 2021, the Company determined the fair value less costs to sell was approximately \$1.62 per gram for plants in cultivation (December 31, 2020: \$2.02 per gram).

The Company has quantified the sensitivity of the significant unobservable inputs used to calculate the fair value recorded. A decrease in the average selling price per gram of 10% would result in a decrease in the value of cannabis plants of \$176,401. A decrease in the harvest yield per plant of 10% would result in a decrease in the value of cannabis plants of \$178,974.

The number of weeks in the growth cycle is twelve to fourteen weeks from propagation to harvest. As at March 31, 2021, the cannabis plants were estimated to be, on average 39% complete (December 31, 2020: 37% complete).

**9. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Buildings and leasehold improvements</b> \$	<b>Equipment and vehicles</b> \$	<b>Land</b> \$	<b>Construction in progress</b> \$	<b>Total</b> \$
At December 31, 2020	13,169,383	9,317,918	2,040,722	307,227	24,835,250
Additions	313,721	424,032	—	735,665	1,473,418
Commissioned during the period	—	154,120	—	(154,120)	—
<b>At March 31, 2021</b>	<b>13,483,104</b>	<b>9,896,070</b>	<b>2,040,722</b>	<b>888,772</b>	<b>26,308,668</b>
<b>Accumulated depreciation</b>					
At December 31, 2020	936,602	1,725,815	—	—	2,662,417
Depreciation	165,029	384,305	—	—	549,334
<b>At March 31, 2021</b>	<b>1,101,631</b>	<b>2,110,120</b>	<b>—</b>	<b>—</b>	<b>3,211,751</b>
<b>Net book value</b>					
<b>At March 31, 2021</b>	<b>12,381,473</b>	<b>7,785,950</b>	<b>2,040,722</b>	<b>888,772</b>	<b>23,096,917</b>

<b>Cost</b>	<b>Buildings and leasehold improvements</b> \$	<b>Equipment and vehicles</b> \$	<b>Land</b> \$	<b>Construction in progress</b> \$	<b>Total</b> \$
At December 31, 2019	12,081,743	6,148,634	2,040,722	37,429	20,308,528
Additions	1,087,640	3,083,996	—	368,456	4,540,092
Commissioned during the period	—	98,658	—	(98,658)	—
Impairment	—	(13,370)	—	—	(13,370)

**RUBICON ORGANICS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars*

<b>At December 31, 2020</b>	<b>13,169,383</b>	<b>9,317,918</b>	<b>2,040,722</b>	<b>307,227</b>	<b>24,835,250</b>
<b>Accumulated depreciation</b>					
At December 31, 2019	309,931	538,328	—	—	848,259
Depreciation	626,671	1,187,487	—	—	1,814,158
<b>At December 31, 2020</b>	<b>936,602</b>	<b>1,725,815</b>	<b>—</b>	<b>—</b>	<b>2,662,417</b>
<b>Net book value</b>					
<b>At December 31, 2020</b>	<b>12,232,781</b>	<b>7,592,103</b>	<b>2,040,722</b>	<b>307,227</b>	<b>22,172,833</b>

For the three months ended March 31, 2021, depreciation of \$384,745 was included in production costs (March 31, 2020: \$308,786), \$110,782 was capitalized to inventory (March 31, 2020: \$63,721) and \$31,424 was expensed in cost of sales (March 31, 2020: \$5,208).

**10. LEASES**

The Company's leases primarily consist of property and building leases. Information about leases for which the Company is a lessee is presented below.

**a. Right-of-use assets**

<b>Cost</b>	<b>Buildings and leasehold improvements</b>	<b>Equipment and vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
At December 31, 2020	358,914	97,396	456,310
Additions	—	—	—
<b>At March 31, 2021</b>	<b>358,914</b>	<b>97,396</b>	<b>456,310</b>

<b>Accumulated depreciation</b>			
At December 31, 2020	79,759	34,785	114,544
Depreciation	29,909	3,479	33,388
<b>At March 31, 2021</b>	<b>109,668</b>	<b>38,264</b>	<b>147,932</b>

<b>Net book value</b>			
<b>At March 31, 2021</b>	<b>249,246</b>	<b>59,132</b>	<b>308,378</b>

<b>Cost</b>	<b>Buildings and leasehold improvements</b>	<b>Equipment and vehicles</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
At December 31, 2019	—	97,396	97,396
Additions	358,914	—	358,914
<b>At December 31, 2020</b>	<b>358,914</b>	<b>97,396</b>	<b>456,310</b>

<b>Accumulated depreciation</b>			
At December 31, 2019	—	20,870	20,870
Depreciation	79,759	13,915	93,674
<b>At December 31, 2020</b>	<b>79,759</b>	<b>34,785</b>	<b>114,544</b>

<b>Net book value</b>			
<b>At December 31, 2020</b>	<b>279,155</b>	<b>62,611</b>	<b>341,766</b>

**b. Lease payments recognized in net loss**

The Company's property and building leases that consisted of short-term leases were expensed on a straight-line basis over the lease term. For three months ended March 31, 2021, \$619,647 was expensed with respect to these lease payments not included in lease liabilities (March 31, 2020: \$46,852).

**RUBICON ORGANICS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2021	December 31, 2020
	\$	\$
Trade payables	352,321	1,745,266
Accrued liabilities	3,925,102	3,772,538
Excise taxes payable	485,650	483,353
<b>Total accounts payable and accrued liabilities</b>	<b>4,763,073</b>	<b>6,001,157</b>

**12. LOANS AND BORROWINGS**

The changes in the carrying value of current and non-current loans and borrowings are as follows:

	March 31, 2021	December 31, 2020
	\$	\$
Opening balance	13,641,223	13,217,617
Accretion	153,363	423,606
Principal repayments	(5,000,000)	—
<b>Ending balance</b>	<b>8,794,586</b>	<b>13,641,223</b>

The Company had the following loans and borrowings:

	March 31, 2021	December 31, 2020
	\$	\$
First mortgage	—	4,950,275
Second mortgage (group)	3,343,153	3,307,613
Second mortgage (overseas lenders)	4,957,770	4,894,426
Second mortgage (US lenders)	493,663	488,909
<b>Total loans and borrowings</b>	<b>8,794,586</b>	<b>13,641,223</b>
Less: current portion	(8,794,586)	(13,641,223)
<b>Non-current loans and borrowings</b>	<b>—</b>	<b>—</b>

On March 31, 2021, the Company fully repaid the \$5.0 million first mortgage loan that matured.

On April 23, 2021, the Company fully repaid the second mortgage (group) and second mortgage (overseas lenders) (Note 17).

Total interest on loans for the three months ended March 31, 2021 was \$601,794 (March 31, 2020: \$543,616).

**13. SHARE CAPITAL****a. Authorized**

The Company is authorized to issue an unlimited number of common shares with no par value.

**RUBICON ORGANICS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars***b. Issued and fully paid**

<b>Common shares</b>	<b>#</b>	<b>\$</b>
<b>December 31, 2019</b>	<b>39,966,425</b>	<b>63,594,890</b>
Non-brokered private placement, net of financing costs	5,767,447	11,499,276
Stock option exercises	1,298,184	2,855,230
Warrant exercises	2,063,075	7,667,054
Vesting of share awards	300,000	732,900
<b>December 31, 2020</b>	<b>49,395,131</b>	<b>86,349,350</b>
Prospectus offering, net of financing costs	6,052,631	19,474,039
Stock option exercises	24,193	59,876
<b>March 31, 2021</b>	<b>55,471,955</b>	<b>105,883,265</b>

On February 26, 2021, the Company completed a prospectus offering issuing 6,052,631 units at \$3.80 per unit for gross proceeds of \$22,999,998. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$5.30 until February 26, 2024, subject to an accelerated expiry if the 20-trading day volume-weighted average price of the common shares on the TSX Venture Exchange is equal to or greater than \$6.90 per common share. Share issuance costs were \$1,796,173. The common share purchase warrants were valued at \$1,729,786 using the relative fair value method. The Company used the Black-Scholes option pricing model to calculate the fair value of the common share purchase warrants issued, using the following estimates, judgments, and assumptions:

Expected stock price volatility	64.2%
Expected life of warrants	3 years
Risk free interest rate	0.32%
Expected dividend yield	0%
Exercise price	5.30
Fair value per warrant	\$0.57

During the three months ended March 31, 2021, the Company issued 24,000 shares on the exercise of 24,000 options for proceeds of \$30,467 and 3,333 options were exercised via cashless exercise, resulting in the issuance of a further 193 common shares.

**14. RESERVES****a. Options**

Under the Company's Equity Incentive Plan and Deferred Share Unit Plan (together the "Equity Plans"), the Board of Directors may grant stock options, restricted share awards, restricted share units and deferred share units ("Equity Awards") to eligible directors, officers, employees, and consultants of the Company and its subsidiaries. The Equity Plans provide for the issuance of Equity Awards that shall not exceed in aggregate 9,146,774 common shares of the Company.

The exercise price of stock options issued pursuant to the Equity Plans is determined by the Board of Directors but cannot be lower than the fair market value of the common shares subject to option on the date of grant. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Unless determined otherwise by the Board of Directors, the options expire within five years from the date of grant.

The Company has granted options to purchase common shares under the Equity Plans as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
	<b>#</b>	<b>\$</b>
<b>Outstanding, December 31, 2019</b>	<b>5,512,750</b>	<b>\$2.82</b>
Granted	172,500	\$3.69
Exercised	(1,370,000)	\$1.40
Forfeited	(53,667)	\$3.53

**RUBICON ORGANICS INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)***Expressed in Canadian dollars*

<b>Outstanding, December 31, 2020</b>	<b>4,261,583</b>	<b>\$3.31</b>
Exercised	(27,333)	\$1.55
Forfeited	(12,500)	\$3.25
<b>Outstanding, March 31, 2020</b>	<b>4,221,750</b>	<b>\$3.32</b>

The following table provides information on stock options outstanding and exercisable as at March 31, 2021:

Grant Date	Exercise Price	Options outstanding		Options exercisable	
		Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
June 30, 2016	US\$1.00	90,000	0.25	90,000	0.25
August 17, 2016	US\$1.00	500,000	0.38	500,000	0.38
January 12, 2017	US\$1.50	80,000	0.79	80,000	0.79
July 31, 2017	US\$2.00	270,000	1.33	270,000	1.33
November 15, 2017	US\$2.00	5,000	1.63	5,000	1.63
January 21, 2018	US\$2.00	50,000	1.81	50,000	1.81
July 31, 2018	\$3.25	2,392,000	2.33	1,792,583	2.33
September 24, 2018	\$3.25	15,000	2.48	7,500	2.48
September 24, 2018	\$8.15	350,000	2.48	350,000	2.48
May 28, 2019	\$3.25	99,750	3.16	50,583	3.16
July 12, 2019	\$3.25	159,667	3.28	51,000	3.28
September 24, 2019	\$3.25	37,833	3.48	14,833	3.48
August 18, 2020	\$3.33	92,500	4.39	—	4.39
October 14, 2020	\$4.10	80,000	4.54	—	4.54
		<b>4,221,750</b>	<b>2.12</b>	<b>3,261,500</b>	<b>1.90</b>

The fair value of stock options is determined on the grant date. The Company uses the Black-Scholes option pricing model using estimates, judgments, and assumptions to determine the fair value of the stock options granted. There were no options granted in the three months ended March 31, 2021 (March 31, 2020: nil).

During the three months ended March 31, 2021, the Company recognized \$172,458 in share-based compensation expense pertaining to options granted in prior periods (March 31, 2020: \$434,273).

**b. Warrants**

The Company's outstanding warrants consisted of the following:

Issue Date	Expiry Date	Type	Exercise Price	Number of Warrants	
				March 31, 2021	December 31, 2020
April 25, 2019	April 25, 2022	Warrants	\$4.50	671,000	671,000
May 28, 2019	May 28, 2022	Warrants	\$4.50	1,000,000	1,000,000
July 12, 2019	July 12, 2022	Warrants	\$4.50	100,002	100,002
August 23, 2019	August 23, 2021	Broker Warrants	\$2.70	174,825	174,825
May 29, 2020	May 29, 2021	Warrants	\$3.25	5,755,447	5,755,447
February 26, 2021	February 26, 2024	Warrants	\$5.30	3,026,315	—
				<b>10,727,589</b>	<b>7,701,274</b>

Each warrant is exercisable into one common share of the Company upon payment of the exercise price.

# RUBICON ORGANICS INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Expressed in Canadian dollars



### 15. RELATED PARTY TRANSACTIONS

#### a. Related party transactions

Accounts payable and accrued liabilities at March 31, 2021 included \$653,166 (December 31, 2020: \$566,327) owed to executives and directors of the Company for deferred salaries, deferred bonuses and other expenses paid on behalf of the Company.

As at March 31, 2021, the CEO, CFO and President owed a total of \$100,253 to the Company related to tax remittances associated with RSA grants in December 2020. This amount was cash remitted to the CRA on behalf of the individuals and is expected to be repaid from executive compensation in the three months ending June 30, 2021.

#### b. Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Key management compensation was comprised of:

For the three months ended	March 31, 2021 \$	March 31, 2020 \$
Salaries and accrued salaries	326,250	288,587
Bonuses in accrued liabilities	—	185,000
Share based compensation	66,959	278,343
<b>Total compensation of key management personnel</b>	<b>393,209</b>	<b>751,930</b>

### 16. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items:

For the three months ended	March 31, 2021 \$	March 31, 2020 \$
Accounts receivable	353,233	(478,673)
Prepays and deposits	(174,795)	127,195
Security deposits	(115,000)	—
Inventory	(1,920,692)	(443,646)
Accounts payable and accrued liabilities	(1,187,303)	354,454
Interest payable	299,721	330,999
Interest on capital leases	11,068	13,405
<b>Change in non-cash working capital items</b>	<b>(2,733,768)</b>	<b>(96,266)</b>

As at March 31, 2021, accounts payable and accrued liabilities include \$454,047 related to capital asset additions (December 31, 2020: \$812,846).

### 17. SUBSEQUENT EVENTS

#### a. Restricted share units ("RSUs") and options issuance

On April 16, 2021, the Company granted an aggregate of 2,540,000 RSUs to certain executives of the Company pursuant to the Company's Equity Plans. These RSUs vest as follows: (i) 350,000 vesting between one and three years from the date of grant; and (ii) 2,190,000 vesting in tranches based on 12-month EBITDA targets.

The Company also granted 79,000 stock options to certain employees of the Company pursuant to the Equity Plans. These stock options are exercisable at \$3.25 per share for a period of five years from the date of grant and vest over two or three years.

## **RUBICON ORGANICS INC.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

*Expressed in Canadian dollars*

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#### **b. Debt repayment**

On April 23, 2021, the Company fully repaid a second mortgage tranche (group) which had matured. The Company repaid a total of \$4,207,635 representing \$3,355,000 in principal and \$852,635 in accrued interest.

On April 23, 2021, the Company also early repaid a second mortgage tranche (overseas lender) originally due on May 27, 2021. The Company repaid a total of \$6,268,057 representing \$5,000,000 in principal and \$1,268,057 in accrued interest.