2019-2020
ANNUAL REPORT

CANNABIS NB

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CANNABIS-NB.COM

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LETTER FROM THE CHAIR

Honourable Ernie Steeves
Minister of Finance
Province of New Brunswick,
Fredericton, NB

Dear Minister Steeves,

In compliance with the *New Brunswick Liquor Corporation Act*, I am pleased to submit the second annual report for Cannabis NB for the fiscal year ending March 29, 2020. The board of directors strives to provide support and leadership to the corporation as well as ensuring good governance.

The Cannabis NB board mirrors the Alcool NB Liquor (ANBL) board, with the addition of the Deputy Minister of Finance ex officio. The board is comprised of a group who bring a wide range of skills, experience and competencies, while representing the geographic locations and official languages of the province. During the past year, the board has welcomed four new members: Kathryn Craig, Paul Elliott, Kevin Berry, and Cédric Laverdure. Also reappointed was Joanne Bérubé Gagné for her second term.

I would like to thank very much the outgoing Chair Rachelle Gagnon, and the other three former board members for their hard work and dedication to Cannabis NB over the past few years. In September 2019, Patrick Parent joined Cannabis NB as President and CEO. Patrick has brought great leadership and strong management skills to Cannabis NB and we are very pleased to welcome him.

The corporation prioritizes fiscal responsibility, public awareness and education while leveraging the economic opportunity in this new industry with a retail model centered on providing a safe, legal, responsible approach to adult use of cannabis. The second phase of legalization in late 2019 added a range of new categories to the portfolio.

Like all businesses, the corporation was challenged to respond to the ongoing COVID-19 situation. Ensuring the health and safety of our team members and the customers we serve continues to be our priority. Despite the challenges of the pandemic, Cannabis NB delivered a significantly improved performance compared to the prior year and ended its fourth quarter in a profitable position. On behalf of the board of directors we thank all Cannabis NB team members for everything they have done for the citizens of New Brunswick and for the corporation. They are indeed our heroes and have made us very proud.

The Cannabis NB team has worked tirelessly to achieve profitability. This required significant changes in its cost structure while reaching agreements with suppliers necessary to improve price competitiveness. Concerted efforts in managing a very competitive cannabis product portfolio, continued discipline around expenses and responding to customers' needs will ensure that Cannabis NB continues to deliver positive results to New Brunswickers.

Respectfully submitted,

John Correia

PRESIDENT'S MESSAGE

While we have faced strong challenges and adversity in the first phase of this start-up, concerted efforts by our team both on the revenue model side as well as cost structure enabled a rapid turnaround for Cannabis NB. We are proud to now be delivering consistent profits while ensuring the safest and highest quality experience in the province. Our success is possible due to our committed team, healthy relationships nurtured among our stakeholders and partners, support and guidance from governing entities, public encouragement and patronage, and constructive feedback from all sources. We are excited by the growth potential of our retail business and to increase value through financial responsibility, a robust portfolio of products and experiences tailored to customers, and of course safety and education.

The fiscal year of 2019-2020 was one of changing course of action. Redefining our pricing strategy, making significant changes in our cost and financial discipline and rapidly pivoting when necessary were key elements of this improvement. Merging the strict guidelines and federally legislated measures, particularly in a retail setting, can be challenging, often requiring adjustment and agility to achieve balance of safety and education of customers and the constant evolution of a business. Ensuring continued and improved results will require commitment, creativity, and collaboration, particularly in ensuring that access to cannabis can only be done in the safest way possible for our community.

In 2019-2020 Cannabis NB's mandate was collaboratively integrated with the release of our comprehensive education-based merchandising program, the development of an interactive learning conference with our licensed producers for phase 2 products, and the sharing of market insights with partners that influenced the product portfolio at Cannabis NB. It is due to such creative initiatives that Cannabis NB continues to be a leader in the nation and is constantly recognized as a safe and steady footprint for other jurisdictions to follow.

We appreciate and respect the trust and investment placed in our capable hands by the people of New Brunswick. They have been and will continue to be core to all undertakings of Cannabis NB as we continue to strive for returning the best value to New Brunswickers.

Patrick Parent
President and CEO

EXECUTIVE MANAGEMENT
As of March 29, 2020

Patrick Parent
President and Chief Executive Officer

Lara Wood
General Manager, Cannabis NB

Lori Stickles
Vice-President and Chief Financial Officer

Nicole Picot
Vice-President, Communications and Stakeholder Relations

Patti Douglass
Chief Executive Assistant

BOARD OF DIRECTORS
As of March 29, 2020

John Correia
Chair of the Board

Kathryn Craig
Director

Kevin Berry
Director

L. Paul Elliott
Director

Cédric Laverdure
Director

Joanne Bérubé-Gagné
Director

Pierre LaFrance,
Director

Patrick Parent
President and Chief Executive Officer

Andrea DeWitt
Secretary of the Board

Cheryl Hansen
Deputy Minister Finance

STRATEGIC FOUNDATION

MISSION

Providing value through the right customer experience is at the foundation of Cannabis NB's strategy. Ensuring that a highly engaged team is passionate about delivering customers what they are looking for will ensure that the company can deliver on all organizational goals.

MISSION STATEMENT

We ensure every customer experience is positive, memorable and built on a foundation of education and responsibility every time, everywhere for the benefit of all New Brunswickers.

VISION

The retail cannabis experience that we deliver will make customers choose us. Anywhere. Every time.

VALUES

The corporate values at Cannabis NB are simple and direct, so that the team can always keep them top of mind and live them every day. Education and safety are at the heart of an experience focused on keeping our customers coming back, and making them advocates for what the company does, as well as how our team does it.

ENGAGE

Keeping our team engaged and involved in the business and where it is going ensures that they are passionate about what they do, and in turn engage our customers effectively and authentically to understand what they are looking for, and ensure we are meeting their needs.

INFORM

Information and education are at the heart of what we do, both for our team and our customers. Ensuring everyone has the information they need keeps our team engaged and our customers informed, and ensures they have the right experience. Good information and communication contributes to a stronger, more responsible legal cannabis industry overall.

INSPIRE

We make a point of learning and understanding our customers' expectations, and evolving our offering and information customized to individual customers needs. We strive to demonstrate to customers that we can offer them what they are looking for, and inspire them to become advocates for the legal industry.

YEAR IN REVIEW

INTRODUCTION

In its first full year of operation, the focus for Cannabis NB was evaluating and adapting the business to pursue continuous improvement on an ongoing basis. Prior to launch, there were many unknown aspects of this new industry, and many assumptions made about how to navigate it. Now, armed with the realities of this nascent industry, learnings could be applied on a daily basis to ensure that the business was optimized to bring value to New Brunswickers.

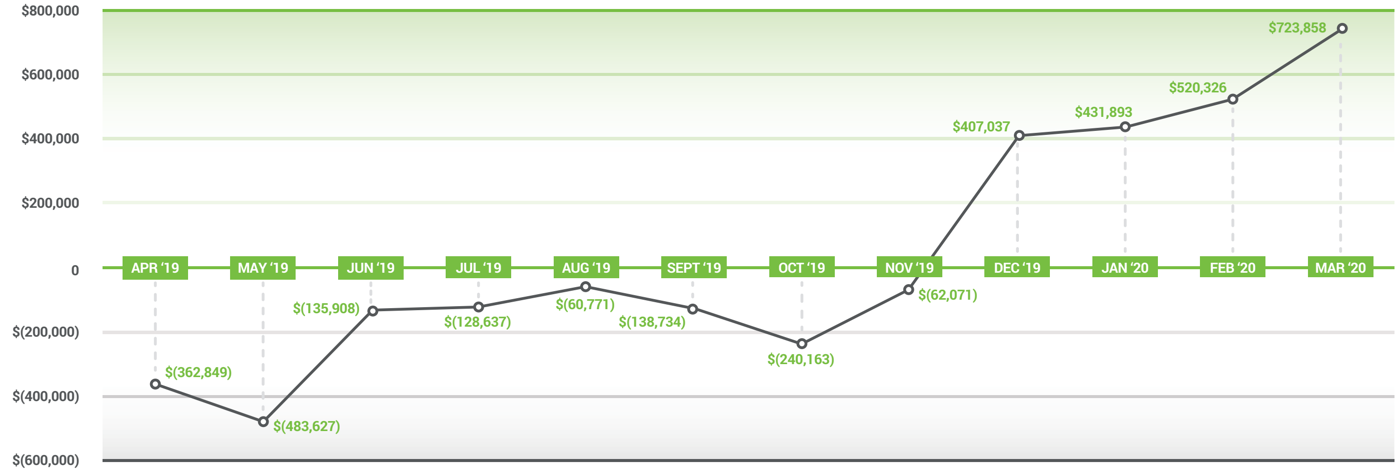
Significant improvements were achieved at Cannabis NB this year, as a result of managing expenses and reducing costs effectively, as well as focusing on the customer and what they were truly looking for. Understanding the customer drove the right portfolio as supply stabilized, and shaped key promotional and communication strategies that simultaneously drove traffic and customer engagement, resulting in return visits and positive word of mouth.

Moving quickly to realize opportunities, change processes and react to customer feedback has allowed Cannabis NB to strengthen the business and exceed expectations for improvement. The result has been a year over year sales increase of more than 140%, an increase of over $1 million dollars in merchandising revenue and an increase in sales per employee of over 300%. At the same time, Cannabis NB has been able to offer customers the right products at some of the lowest retail prices in Canada, and the lowest in Atlantic Canada, while still improving margins.

The improvement in EBITDA (earnings before interest, taxes, depreciation and amortization) illustrates the progress most effectively. For internal reporting purposes, Cannabis NB management has been monitoring EBITDA each fiscal period since inception.

The graph below shows the growth in EBITDA for the year, where in April 2019 it was a loss of $362,849 and increased by $483,053 (rounded to $0.5 million) to earnings of $723,858 in fiscal period 12 of 2019-2020.

Earnings (EBITDA) Apr 2019 – Mar 2020



For the 2019-2020 fiscal year, Cannabis NB had a loss of $4.3 million before interest of $1.0 million, depreciation of $3.3 million and amortization of $0.5 million for a net change of $0.5 million. These details are outlined in the financial statements included in this report.

While continuous improvement never ceases, the progress made this year has been remarkable, and Cannabis NB is well on it's way to delivering true value to New Brunswick cannabis consumers and the province overall.

OPERATIONAL EXCELLENCE & OPTIMIZATION

Continuous improvement at Cannabis NB was an exercise in small adjustments based on how this new industry and market were evolving.

As the industry began to normalize, some key changes Cannabis NB was able to consider this year included:

- A careful review of all vendors to improve contracts and pricing.
- A review of shared services with ANBL to ensure support levels were appropriate.
- Adjustments to retail processes to improve efficiency.
- Adjustments to the organizational structure aligned with these other initiatives.

The Cannabis NB team worked with various vendors to ensure that their service offering was aligned with normal business operation versus pre-launch estimates. In some cases, vendors were removed or replaced as it became clear that some services and products were no longer relevant to the business.

Every team member was focused on efficiency in the operation, and how things could be done better.

The same thinking was applied to the shared service support from ANBL. Working closely with the ANBL team, Cannabis NB determined which services were critical to operations, and which could be reduced or deferred to a time when the business was more mature. Through this exercise, Cannabis NB was able to reduce shared services expenses.

Finally, and most importantly, a continous assessment of processes and operations as the business evolved over the past year led to improvements in distribution, store processes, and structure which were instrumental in helping streamline the business and improve efficiency and the bottom line.

MERCHANDISING AND PROMOTIONS

An important initiative this year was the implementation of a comprehensive merchandising and promotions strategy. This became possible to deliver effectively with the stabilization of supply and new licensed producer relationships. The *Cannabis Act* has very rigid restrictions on promotions and advertising of any sort. This presents a challenge for licensed producers who want to build their brands and educate consumers on their products to drive trial, and drive sales within our stores.

Cannabis NB created a number of paid merchandising areas within stores which are available for purchase by partners with the goal of promoting and showcasing their products to customers in an appropriate age gated environment. Partners can choose from a number of different in-store placements at different investment levels, and work with Cannabis NB to create appropriate creative executions across all 20 stores in the network. A merchandising guide was created to share these opportunities with partners. The guide also provides guidelines for the creative, to ensure alignment with regulations and promote a focus on education. This has resulted in incremental revenue for Cannabis NB, but also provides an excellent opportunity for partners to expand on their product information and attributes to an appropriate audience, in an industry when options are limited.

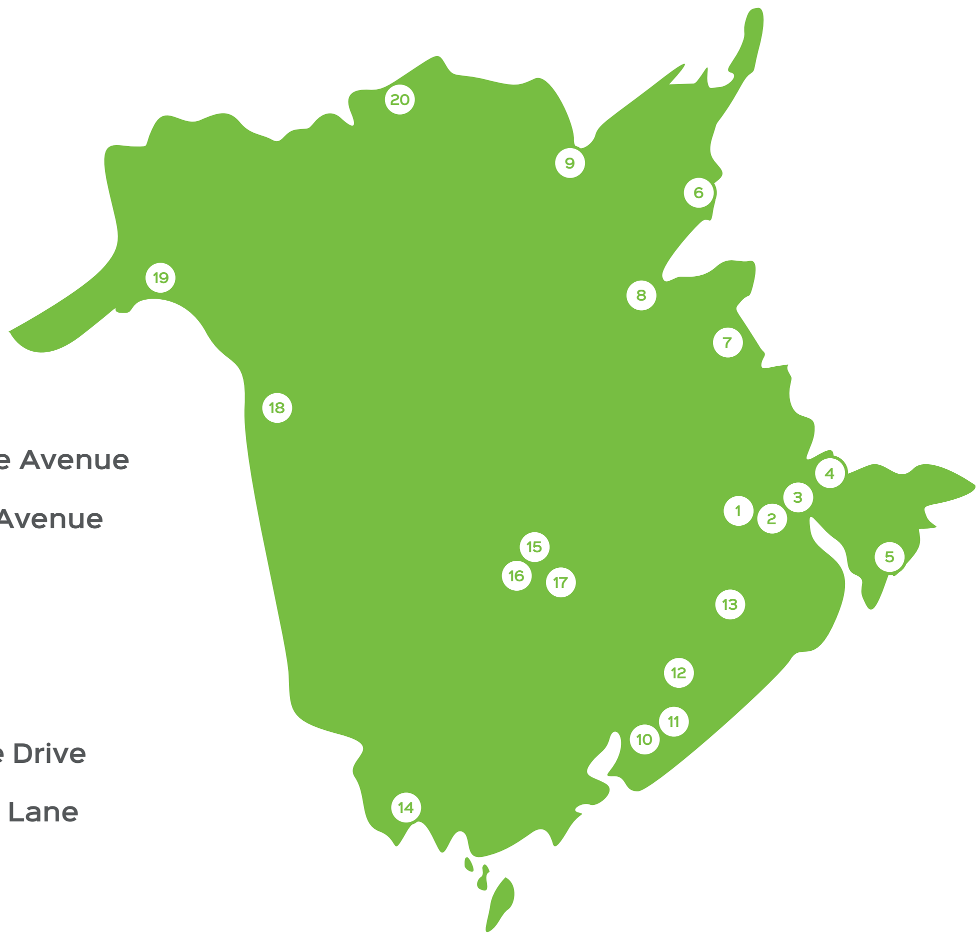
Another opportunity to engage customers and drive traffic and revenue was the implementation of a more robust promotions strategy. Working within the regulatory framework, Cannabis NB, often in partnership with licensed producers, offered regular promotions and discounts to customers. This provided the opportunity to highlight new products and offer even more value to customers.

STORE NETWORK

At launch in October 2018, Cannabis NB opened 20 stores across the province, to ensure reasonable access to all New Brunswickers regardless of where they are located. These stores were also built with product expansion for the second phase of legalization in mind, so no expansion of stores or the network was necessary this past fiscal year.

20 LOCATIONS throughout New Brunswick

1	Moncton, Wyse Street
2	Moncton, Main Street
3	Dieppe
4	Shediac
5	Sackville
6	Tracadie
7	Richibucto
8	Miramichi
9	Bathurst
10	Saint John, Lansdowne Avenue
11	Saint John, Rothesay Avenue
12	Rothesay
13	Sussex
14	St. Stephen
15	Fredericton, Brookside Drive
16	Fredericton, Woodside Lane
17	Oromocto
18	Perth-Andover
19	Edmundston
20	Campbellton



ECOMMERCE

Cannabis-NB.com saw new product additions as well as a significant new purchase option added to the website during the fiscal year, increasing variety and convenience for customers. By the end of the year, over 980,000 sessions and 5.2 million pageviews were recorded. Within the fiscal year, just over 14,000 new accounts were created on the site. And, while the majority of visitors to Cannabis-NB.com use it to browse available products and view local store inventories, by the end of the fiscal year just over 7,900 customers had made a purchase via the website. New product categories were added to Cannabis-NB.com this year as a part of phase two cannabis product legalization. There is now growing variety in the edibles, beverages, vape pens & cartridges, and concentrates categories.

Launched July 15th, Cannabis NB's Express service allows customers to pay online, and pick up their order in a local store of their choosing. Once an order is received in a store, customers' Express orders are typically fulfilled within one hour, and an email sent to let the customer know that their order is ready. In the first week of availability, 134 Express transactions were placed, which accounted for 0.35% of corporate sales volume for the week. In the last week of the fiscal year, these numbers rose to 894 transactions representing 5.11% of corporate sales, as customers embraced the speed and reduced contact of the Express service during the red and orange phases of the COVID-19 pandemic. By the end of the fiscal year, over 3,400 Express transactions had been recorded in total.

As a means of encouraging sign-ups for Cannabis-NB.com accounts, a "Sign-Up For Email Giveaway" was conducted, November 8 to December 20. Customers were encouraged to sign-up for an account and opt-in for promotional emails in order to receive the latest deals and new product information. Merchandise prizes were offered. The giveaway was promoted on Cannabis-NB.com as well as in store, with the ability for Cannabis NB Guides to begin the sign-up process with customers directly on retail POS terminals. During the six week contest period, a total of 1,467 new accounts were created on Cannabis-NB.com.

A significant contributor to positive momentum this year was the initiation of Cannabis NB eblasts to the customers who opted in. This email program was initiated in early October, with the first trial emails going going out to 11,000 plus recipients who had subscribed. Since November, eblasts have been sent on a weekly schedule, highlighting the latest deals and new products available at Cannabis NB, in store and online. Most recently, the opted-in database has increased to 14,000+ recipients, and offers appearing in the weekly eBlasts typically account for many of the top performing offers redeemed by customers, company-wide. Key metrics for emails are significantly higher than industry average, which gives Cannabis NB the ability to effectively communicate with customers in an industry where marketing options are limited.

The email program served as a valuable tool to communicate COVID-19 related updates in March, which included revised health procedures in store and revised store hours, as well as online and Express ordering availability.

CATEGORY MANAGEMENT AND PORTFOLIO EXPANSION

One of the biggest challenges facing the industry this year was a shortage of both product volume and options. To address this, the Category Management team continued efforts to collaborate and network with new and existing supply partners.

In the second quarter shipments of existing listings began to improve, and with more consistent inventory, Cannabis NB was able to better analyze customer buying habits and product preferences. System data was combined with anectodal information from store teams based on customer feedback to identify portfolio gaps and opportunities.

By the beginning of the third quarter, Cannabis NB had negotiated supply agreements with an additional six licensed producers, bringing the total count of supply partners to 14 and bringing the total count of phase one cannabis products from 189 SKUs to 300 SKUs. By the end of third quarter, Cannabis NB had introduced a further eight supply partners.

Like the launch of phase one products on October 17, 2018, the launch of phase two products on December 17, 2019 took place amid supply shortages and licensed producer production delays. Based on learnings from the original launch, Cannabis NB was careful to manage expectations with customers about product availability and set expectations for a gradual introduction of new options. Despite these challenges, on December 18, 2019, Cannabis NB recorded the very first sales of phase two cannabis product types, making New Brunswick the first province in the country to do so.

By the end of the fourth quarter, Cannabis NB had introduced three of five new product categories: edibles, beverages, and vapes. In addition, Cannabis NB had a clear plan for the introduction of the remaining two product categories to become legal in this phase; concentrates and topicals. The total count of cannabis products carried by Cannabis NB by the end of the fiscal year was 545 SKUs: a 288 per cent increase in the breadth of the cannabis portfolio versus last fiscal year.

PERFORMANCE CULTURE

In order to truly be focused on continuous improvement, it is important that every member of the team is focused on making the business better in any way that they can. This can only be possible if the company has a performance culture where everyone is engaged and has both an understanding of the corporate vision and mission as well as the tools and information to achieve shared objectives. This is why a commitment to clear communication and ongoing education remained critical.

Continuous Learning

From the beginning, education has been at the foundation of Cannabis NB, both for team members and customers. In order to foster a positive, safe customer experience it was important that the team had the best training and product knowledge as well as a commitment to customer service. To ensure learning opportunities are ongoing, representatives from every store participate in a Product Knowledge Committee to ensure there are no knowledge gaps and peers' expertise can always be leveraged. There are also regular partnerships with licensed producers (LPs) to introduce new products and provide additional information and support for Customer Experience Representatives.

One of the most important education initiatives this year was to ensure team members were prepared for the launch of new cannabis product categories in December of 2019. Cannabis NB developed proprietary eLearning and classroom modules prior to legalization, and these had to be updated to include information on new product categories and related safety and consumption information. All team members completed the eLearning modules, which were augmented by an in-person day of educational presentations by LP partners, ending with an interactive trade show that allowed participants to delve deeper into products by engaging directly with expert representatives from the LPs.

Employee Engagement & Communication

Along with training and continued education, communication has always been an important part of keeping the team engaged and focused.

To ensure effective communication across the entire team, Cannabis NB has implemented a number of communication tools to augment the regular direct communication with management that is ongoing.

- **Cannabis NB Weekly Newsletter** – A number of team members contribute to the newsetter and it contains a combination of key technical information and community information including team news and successes.
- **Town Hall visits** – In order to discuss major events in person with team members, occasional Town Hall visits are scheduled where leadership visits the full store network to have in-person discussions and answer team questions.
- **Microsoft Teams sites** – Cannabis NB has a number of interactive team sites. These include a general retail operations site, community site and committee sites so that information can be shared with every team member, and feedback can be provided directly and quickly.

Authentic and transparent communication is foundational at Cannabis NB, and the company will always seek feedback to ensure communication is effective and two-way so that team members have the information they need to contribute to Cannabis NB's success.

Board of Directors' Scholarship/Bursary Program

In 2019 – 2020 this program, which was open to CNB employees and their families, resulted in 2 individuals receiving $2,500 towards an education program of their choice.

CUSTOMER SERVICE AWARDS

STORE AWARDS

LOSS PREVENTION AWARD
Moncton Main Street: 0.001%

SAFETY AWARD
Tracadie 99%

CUSTOMER COMFORT AWARD
Tracadie 99.2%

KNOWLEDGE CHAMPIONS
Rothesay 99.92%

ACCESSORY CHAMPIONS
(Accessory / total sale %)
Oromocto 4.85%

BEST TICKET AVERAGE ON THE YEAR
Perth $44.68

BEST UPT ON THE YEAR
Edmundston 2.15

BUDS OF THE YEAR

5001
DANIKA JEAN

5001
KYLE TRITES

5001
ASHLEY ROBICHAUD

5002
CHARLINE GAUVIN-TOWNSEND

5003
SÉBASTIEN GIONET

5005
KEVIN SCOTT

5005
JEN O'BRIEN

5006
JENNY HACHÉ

5006
ANGIE COMEAU

5007
HENRI ROBICHAUD

5008
MICHEAL ROY

5009
CAROLE HACHEY

5009
PATRICK BOUDREAU

5010
MANON GODBOUT

5010
SOPHIE URBANOWSKY

5011
TRENT CYR

5013
KIMBERLEY LOSIER

5014
SHAWN SEELEY

5015
JEFF LUFF

5016
CHARLES HAMMEL

5017
LORI ARSENAULT

5019
MARCO LEBLANC

TEAM LEAD BUD OF THE YEAR

5001
CRAIG LEWIS

5003
BRYAN RICHARD

5006
KARINE ST-COEUR

5013
TORI ARSENAULT

5016
LAURA CONNOLLY

CUSTOMER EXPERIENCE & SATISFACTION

Cannabis NB has an engaged, well trained, well informed team who strive to provide a safe, positive experience to every visitor. They offer a customized interaction appropriate for every customer, and ensure that they always provide value.

Cannabis NB provides every customer with an opportunity to provide feedback about this experience through a receipt survey that is open to everyone. As of March 29, 2020 there have been 74,000 responses, and extremely positive results on all key questions.

"How comfortable was your experience at Cannabis NB?"

95.8% of respondents answered either ***"Comfortable"*** or ***"Very comfortable".***

"I felt my guide understood my needs."

98.1% of respondents answered with ***"Yes"***.

"I felt my safety was a priority."

96.7% of respondents answered with ***"Yes"***.

"Based on your most recent experience with a Cannabis NB agent, did you feel that your agent was knowledgeable about the company / product / policies?"

100% satisfied. All responses were 7 and above.

"Based on your most recent experience with a Cannabis NB agent, did the agent communicate in a clear manner, and was he / she professional and courteous?"

9.6 out of 10.

GOVERNANCE

Labour Relations

The team at Cannabis NB is not represented by a union, and there were no applications for certification this year.

There were no human rights complaints filed during the 2019-2020 fiscal year.

Official Languages

There were no official language complaints in 2019-2020.

Right to Information and Protection of Privacy Act Requests

During the fiscal 2019-2020 year, there were seven requests received under the *Right to Information and Protection of Privacy Act*. Seven of the requests were answered, with two ongoing. There was one abandoned request, which was later resubmitted (as part of the seven).

Notices of Motions – Legislative Assembly

There was no motion involving Cannabis NB during the 2019-2020 fiscal year.

Public Interest Disclosure Act

As provided under section 18(1) of the *Public Interest Disclosure Act*, the chief executive shall prepare a report of any disclosures of wrongdoing that have been made to a supervisor or designated officer of the portion of the public service for which the chief executive officer is responsible. There were no disclosures made during the 2019-2020 fiscal year pursuant to the policy.

SALES OVERVIEW / ANALYSIS

TOTAL SALES BY STORE LOCATION

STORE	2019-2020	2018-2019*	CHANGE (%)
Moncton, Wyse Street	$ 4,854,413	$ 1,648,946	194.4%
Moncton, Main Street	4,542,821	1,526,687	197.6%
Fredericton, Woodside Lane	3,543,746	1,491,877	137.5%
Saint John, Lansdowne	2,590,746	1,114,078	132.5%
Bathurst	2,480,653	928,657	167.1%
Edmundston	2,452,118	843,632	190.7%
Miramichi	2,417,258	969,743	149.3%
Saint John, Rothesay Ave.	2,269,928	1,078,866	110.4%
Dieppe Blvd.	2,114,040	949,066	122.7%
Fredericton, Brookside Mall	2,014,225	1,148,654	75.4%
Rothesay	1,846,578	846,949	118.0%
Campbellton	1,834,450	753,392	143.5%
Oromocto	1,733,780	742,924	133.4%
Shediac	1,584,873	586,712	170.1%
Perth-Andover	1,562,765	590,118	164.8%
Tracadie	1,515,413	651,790	132.5%
St. Stephen	1,429,487	504,051	183.6%
Sackville	1,389,284	537,588	158.4%
Sussex	1,379,748	573,454	140.6%
Richibucto	714,580	360,807	98.1%
E-commerce	633,656	781,184	(18.9%)
Total	**$ 44,904,563**	**$ 18,629,174**	**141.0%**

TOTAL SALES BY PRODUCT CATEGORY

	2019-2020		2018-2019*		CHANGE	
PRODUCT CATEGORY	$	% OF SALES	$	% OF SALES	$	%
Dried Flower	$ 36,063,549	80.3%	$ 15,986,491	85.8%	$ 20,077,058	125.6%
Extracts	4,583,348	10.2%	1,996,570	10.7%	2,586,778	129.6%
Concentrates	1,844,133	4.1%	-	0.0%	1,844,133	100.0%
Accessories	1,707,578	3.8%	627,959	3.4%	1,079,619	171.9%
Edibles	674,655	1.5%	-	0.0%	674,655	100.0%
Seeds	31,300	0.1%	18,154	0.1%	13,146	72.4%
Total Sales	**$ 44,904,563**	**100%**	**$ 18,629,174**	**100%**	**$ 26,275,389**	**141.0%**

SALES IN VOLUME

PRODUCT CATEGORY	2019-2020	2018-2019*	CHANGE	CHANGE (%)
Accessories (Units)	500,369	87,678	412,691	470.7%
Dried Flower (Kg)	6,925	1,550	5,376	346.9%
Edibles (Kg)	5,395	-	5,395	100.0%
Extracts (Kg)	3,976	1,774	2,203	124.2%
Seeds (Units)	2,520	1,396	1,124	80.5%
Concentrates (Kg)	43	-	43	100.0%

PERCENTAGE SALES	2019-2020	2018-2019*
Sales Percentage in store	98.6%	95.8%
Sales Percentage Online	1.4%	4.2%
Total	**100.0%**	**100.0%**

** 2018-2019 sales are from legalization date, October 17, 2018 to March 31, 2019.*

MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with International Financial Reporting Standards in Canada. Financial information presented elsewhere in this Annual Report is consistent with these financial statements.

The Corporation maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Audit department performs audits designed to test the adequacy and consistency of the Corporation's internal controls, practices and procedures.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval or the financial statements and Annual Report, meets periodically with management, the Director of Strategic Compliance and Audit and the external auditors, concerning internal controls and all other matters relating to financial reporting.

KPMG, the external auditors of the Corporation, have performed an independent audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.

Patrick Parent
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
July 9, 2020

Lori Stickles
VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
July 9, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Cannabis NB Ltd.

Opinion

We have audited the financial statements of the Cannabis NB Ltd. (the Corporation), which comprise:

- the statement of financial position as at March 29, 2020
- the statement of operations and comprehensive loss for year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 29, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 3 to the financial statements which indicates that the Corporation has changed its accounting policy for leases, as a result of the adoption of IFRS 16, Leases, and has applied that change using the modified retrospective method.

Our opinion is not modified in respect of this matter.

Independent Auditors' Report (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants
Fredericton, Canada
July 30, 2020

STATEMENT OF FINANCIAL POSITION (in 000's)

As at	MARCH 29, 2020	MARCH 31, 2019*
Assets		
Current Assets		
Cash	$ 534	$ 536
Trade and other receivables	2,680	114
Inventories	11,251	2,200
Prepaid expenses	764	914
	15,229	3,764
Non Current Assets		
Property and equipment (note 4)	3,723	4,647
Intangible assets (note 5)	4,328	4,271
Right-of-use assets (note 7)	30,400	-
	38,451	8,918
Total Assets	**$ 53,680**	**$ 12,682**
Liabilities		
Current Liabilities		
Trade and other payables	$ 4,967	$ 6,214
Due to New Brunswick Liquor Corporation (note 13)	34,671	18,982
Lease liabilities due within one year (note 7)	1,865	-
	41,503	25,196
Non Current Liabilities		
Long-term lease liabilities (note 7)	29,200	-
Total Liabilities	70,703	25,196
Equity of the Province of New Brunswick		
Deficit	(17,023)	(12,514)
Total Liabilities and Equity	**$ 53,680**	**$ 12,682**

Commitments and Contingencies (notes 11 and 12)

** The Corporation applied IFRS 16 "Leases" using the modified retrospective method. Under this method the comparative information is not restated.*

See accompanying notes to the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director Director

STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (in 000's)

Year ended		MARCH 29, 2020 (52 WEEKS)		PERIOD FROM INCORPORATION UNTIL MARCH 31, 2019 (39 WEEKS)*
Total sales (note 8)	$	44,905	$	18,629
Less: discounts		876		-
Net sales		44,029		18,629
Cost of sales		27,807		12,024
Gross profit		16,222		6,605
Other income		1,165		168
		17,387		6,773
Operating expenses (note 9)		21,660		19,287
Net loss and comprehensive loss	**$**	**(4,273)**	**$**	**(12,514)**

** The Corporation applied IFRS 16 "Leases" using the modified retrospective method. Under this method the comparative information is not restated.*

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN EQUITY(in 000's)

Year ended		MARCH 29, 2020 (52 WEEKS)		PERIOD FROM INCORPORATION UNTIL MARCH 31, 2019 (39 WEEKS)*
Balance at beginning of year	$	(12,514)	$	-
Impact of change in accounting policy (note 3)		(236)		-
Adjusted balance at beginning of year		(12,750)		-
Net loss and comprehensive loss		(4,273)		(12,514)
Balance at end of the year	**$**	**(17,023)**	**$**	**(12,514)**

** The Corporation applied IFRS 16 "Leases" using the modified retrospective method. Under this method the comparative information is not restated.*

See accompanying notes to the financial statements

STATEMENT OF CASH FLOWS (in 000's)

Year ended	MARCH 29, 2020 (52 WEEKS)	PERIOD FROM INCORPORATION UNTIL MARCH 31, 2019 (39 WEEKS)*
Operating		
Net loss and comprehensive loss	$ (4,273)	$ (12,514)
Items not involving cash:		
Depreciation	3,261	403
Amortization of intangible assets	481	136
Change in non-cash working capital (note 6)	(12,714)	3,405
Lease liabilities - interest portion (note 7)	1,002	-
Cash used in operations	(12,243)	(8,570)
Investing		
Additions to property and equipment	(146)	(4,849)
Additions to intangible assets	(538)	(3,090)
Proceeds from sale of property and equipment	47	-
Net cash used for capital investments	(637)	(7,939)
Financing		
Advances from New Brunswick Liquor Corporation	15,689	17,045
Payment of lease liabilities (note 7)	(2,811)	-
Net cash available from financing activities	12,878	17,045
Increase (decrease) in cash	(2)	536
Cash at beginning of year	536	-
Cash at end of year	**$ 534**	**$ 536**

** The Corporation applied IFRS 16 "Leases" using the modified retrospective method. Under this method the comparative information is not restated.*

See accompanying notes to the financial statements

1. Nature of Operations and Reporting Entity

Cannabis NB Ltd. (the Corporation) is incorporated under the Business Corporations Act. The Corporation is an investee of New Brunswick Liquor Corporation (ANBL), a Crown Corporation, which owns 100% of the common shares issued by the Corporation and oversees the day-to-day management of the Corporation. The Corporation's main office is located in Fredericton, New Brunswick. The Corporation is exempt from Income Taxes under Section 149 of the Income Tax Act.

On October 1, 2018, the Corporation entered a five-year agreement with Cannabis Management Corporation (CMC), a Crown Corporation, for the distribution and sale of recreational use cannabis. After the expiration of the initial term of the agreement, CMC has the option to renew the agreement for two subsequent 5-year terms. The agreement entitles CMC to all net profits from the Corporation's operations, upon repayment of all amounts owing to ANBL. The Corporation is currently economically dependent on ANBL for financing costs and operations until such time as the Corporation is profitable.

In 2019, the Province of New Brunswick issued a Request for Proposal (RFP) to award exclusive retail rights to sell cannabis, for a term of 10 years plus two renewal options, of 5 years for a total of 20 years. The outcome of the RFP process has not been announced and the Corporation has not been given notice that its agreement with CMC has been terminated. If another party were to be awarded the contract, the Corporation would be adversely affected. Due to the uncertainty of the outcome of this process, the potential impacts have not been reflected in these financial statements.

Impact of Coronavirus COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. The pandemic has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Corporation implemented the following actions in relation to the COVID-19 pandemic:

- Revisions to cash lane setups, revisions to the maximum number of people on the sales floor, screening of customers prior to entrance to stores, enhanced cleaning protocols and revised hours of operation at the Corporation's retail stores;
- The implementation of working from home requirements for certain employees.

As a result of these actions, the Corporation experienced increases in operating revenues and increases in operating costs.

a) Current year transactions:

For the year ended March 29, 2020, the Corporation incurred COVID-19 related expenses of $22 and the Corporation has experienced an increase in sales over this period, which a portion of the increase can be attributed to the COVID-19 pandemic. These amounts have been recorded in the statement of operations and comprehensive loss.

b) Subsequent events related to COVID-19:

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Corporation's operations and financial position are not known at this time. The Corporation has remained fully operational to this point in time and is expected to remain so even if the COVID-19 state of emergency measures were to revert to previous levels within the Province of New Brunswick. An estimate of the financial effect of the pandemic on the Corporation is not practicable at this time.

c) Impact of COVID-19 on financial risks:

The COVID-19 pandemic has not impacted the financial risks of the Corporation.

2. Basis of Presentation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Certain comparative figures have been reclassified to conform to the current year's presentation.

The financial statements for the fiscal year ended March 29, 2020 were approved and authorized for issue by the Board of Directors on July 9, 2020.

Fiscal year

The Corporation's fiscal year ends on the Sunday closest to March 31. All references to 2020 and 2019 represent the fiscal years ended March 29, 2020 and March 31, 2019 respectively. Under an accounting convention common in the retail industry, the Corporation follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The year ended March 29, 2020 contained 52 weeks and the year ended March 31, 2019 contained 39 weeks representing the period from incorporation, July 3, 2018 to

NOTES TO THE FINANCIAL STATEMENTS (000'S)

2. Basis of Presentation (continued)

Fiscal year (continued)

March 31, 2019. Typically, the inclusion of an extra week occurs every fifth or sixth fiscal year due to the Corporation's floating year-end date. The next 53 week year will occur in fiscal 2022.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments, which are measured as described below. These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

3. Summary of Significant Accounting Policies

Changes in Significant Accounting Policies

Effective April 1, 2019, the Corporation adopted IFRS 16, which replaces IAS (International Accounting Standards) 17, "Leases" ("IAS 17") and related interpretations.

IFRS 16 introduces a financial position recognition and measurement model for lessees, eliminating the distinction between operating and finance leases except for short-term and low-value asset leases. Lessors continue to classify leases as operating or finance leases. The adoption of IFRS 16 has resulted in the recognition of right-of-use (ROU) assets and lease liabilities for all leases where the Corporation is a lessee. The vast majority of ROU assets are property related, pertaining to the use of buildings. The Corporation transitioned to IFRS 16 using the modified retrospective approach with the cumulative impact of initially applying the new standard recognized in equity on April 1, 2019. Prior period comparatives have not been restated.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at April 1, 2019 (see note 7).

ROU assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Corporation's incremental borrowing rate at the date of initial application.

The Corporation has applied the following practical expedients, as permitted by IFRS 16:

- applying a single discount rate to a portfolio of leases with similar characteristics
- relying on previous assessment of whether a lease is onerous
- accounting for leases which end within 12 months of the date of initial application as short-term leases
- excluding ROU assets and liabilities for leases of low-value assets;
- excluding initial direct costs from the measurement of the ROU asset; and
- using hindsight (for example, in determining the lease term where the contract includes extension or termination options).

Transition

On transition to IFRS 16, the Corporation recognized additional ROU assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below:

		April 1, 2019
ROU assets	$	32,638
Lease liabilities		32,874
Net impact on equity	$	236

When measuring lease liabilities for leases that were classified as operating leases, the Corporation discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is 3.16%.

Commitments as disclosed in the Corporation's financial statements	$	44,477
Less service commitments		(4,652)
Operating lease commitments at April 1, 2019 as disclosed under IAS 17	$	39,825
Discounted using the incremental borrowing rate at April 1, 2019		32,874
Recognition exemption for leases of low-value assets		-
Recognition exemption for leases with less than 12 months of lease term at transition		-
Lease liabilities recognized at April 1, 2019	$	32,874

Use of estimates and judgements

The preparation of financial statements requires management to make certain judgements, estimations

3. Summary of Significant Accounting Policies (continued)

Use of estimates and judgements (continued)

and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised, and any future years affected.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Corporation that have the most significant effect on the financial statements.

Impairment of property and equipment and intangible assets

Judgement is used in determining the aggregate grouping of assets identified as Cash Generating Units (CGUs) for purposes of testing for impairment of property and equipment and intangibles. Judgement is required in determining the lowest level at which independent cash inflows are generated. The Corporation has defined CGUs as its retail stores. In addition, judgement is used to determine whether a triggering event has occurred requiring an impairment test to be conducted.

Right-of-use assets and lease liabilities

Estimates and judgements relating to the adoption of IFRS16, including the measurement of lease liabilities, right-of-use assets, discount rates and lease term expectations are outlines in the Leased Assets section in note 3 below. Judgement is used in determining the likelihood that lease extension terms will be utilized when such lease extension terms are provided. In addition, judgement is used to determine the discounted interest rate used.

Significant estimations and assumptions

The following are areas where estimates and assumptions have the most significant effect on recognition and measurement of the assets, liabilities, income and expenses of the Corporation. Actual results may be substantially different.

Net realizable value of inventories

Estimates are required in the determination of the net realizable value of inventories, taking into account the most reliable evidence available at each reporting date. Future selling prices may be impacted by changes in the market.

Useful lives of property and equipment and intangible assets

The Corporation is required to estimate the useful lives and depreciation method for property and equipment and intangible assets. Management determines the estimated useful lives based on historical experience and the expected pattern of consumption of the future economic benefits of the asset. As this information is based on estimates and is subject to change, they are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Cash

Cash includes cash and bank deposits.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is defined as average cost. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. Cost includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. The amount of inventories expensed during the year is shown as cost of sales on the statements of operations and comprehensive loss.

Property and equipment

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition or construction cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed on an annual basis.

Derecognition

An item of property and equipment is derecognized when disposed of or when no future economic benefits are expected to arise from the continued use of the asset. A gain or loss arising on derecognition of an asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and is included in the statement of operations and comprehensive loss in the year in which the item is derecognized.

Subsequent costs

The Corporation recognizes in the carrying amount of an item of property and equipment the cost of replacing part

NOTES TO THE FINANCIAL STATEMENTS (000'S)

3. Summary of Significant Accounting Policies (continued)

Property and equipment (continued)

of such an item when that cost is incurred if it is possible that the future economic benefits embodied with the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognized in the statement of operations and comprehensive loss as an expense as incurred.

Depreciation

Depreciation of an asset begins when it is available for use. This means when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged to the statement of operations and comprehensive loss on a straight-line basis over their estimated useful lives after considering their estimated residual value using the following rates per annum:

Furniture, fixtures and equipment	5 years
Automotive	4 years
Retail equipment	5 years
IT equipment	5 years
Refrigeration equipment	10 years

Impairment

The carrying amounts of the Corporation's non-financial assets (property and equipment and intangible assets) are reviewed at the end of each year to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Assets are grouped based on their CGUs which is the smallest group of assets which generate cash 'inflows' from their continuing use which are independent from cash inflows of other assets. The Corporation has defined CGUs as its retail stores.

The recoverable amount of a CGU is the greater of its value in use and its fair value less estimated costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are reversed if the recoverable amount in a later period exceeds the carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. At March 29, 2020 there were no indications of impairment.

Intangible assets

Intangible assets include purchased computer software which are recorded at cost and amortized on a straight-line basis over the estimated useful life, as these assets are considered to have finite useful lives. Useful lives are reviewed at each reporting date. The Corporation assesses the carrying value of the intangible assets for impairment on an annual basis. At March 29, 2020 there were no indicators of impairment. Computer software is amortized on a straight-line basis over 10 years.

Intangible assets include assets purchased or under construction, all or a portion of which may not be in use at the end of the year. As a result, no depreciation is taken on these assets. Assets not in use totaled $Nil ($1,448 in 2019).

Leased assets

Policy applicable from April 1, 2019

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

Corporation as lessee

Leases are recognized as a ROU asset and a corresponding liability at the lease commencement date.

The Corporation has elected not to separate non-lease components and to account for the lease and associated non-lease components as a single lease component.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index (Consumer Price Index) or a rate

3. Summary of Significant Accounting Policies (continued)

Leased assets (continued)

- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is measured at amortized cost using the effective interest method. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Corporation's incremental borrowing rate is used. The Corporation determines its incremental borrowing rate using the Province of New Brunswick's 15-year incremental borrowing rate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs

The right-of-use (ROU) asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Corporation's ROU assets are buildings which are depreciated over 15 years depending on the lease period.

The Corporation has elected not to recognize right-of assets and lease liabilities for leases of low-value assets and short-term leases. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable prior to April 1, 2019

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Corporation as Lessee

Assets held under finance leases are initially recognized at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included on the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Corporation's accounting policy on borrowing costs. Finance leased assets are depreciated on a straight-line basis over the estimated useful life of the asset. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Lease Incentives

Lease incentives received to enter into operating leases are recognized as liabilities. The aggregate benefits of incentives are recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Classification and measurement of financial assets

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

3. Summary of Significant Accounting Policies (continued)

Classification and measurement of financial assets (continued)

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation identifies changes in its business model in managing financial assets. The Corporation currently classifies its cash and trade and other receivables as assets measured at amortized cost.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. The Corporation currently classifies trade and other payables and due to New Brunswick Liquor Corporation as financial liabilities measured at amortized cost.

Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets. The difference between the carrying amount of the financial asset and the sum of the consideration received and receivable is recognized in income.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income.

Impairment of financial assets

The Corporation recognizes loss allowances for expected credit losses (ECL) on financial assets that are not measured at FVTPL:

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Measurement of ECL

ECL are a probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive); and
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Measurement of ECL

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

Provisions

A provision is recognized in the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3. Summary of Significant Accounting Policies (continued)

Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in provision due to the passage of time is recognized as an interest expense.

Post-employment benefits

Pension plan

Most employees of the Corporation are members of the New Brunswick Public Service Pension Plan, a multi-employer, shared risk pension plan. Contributions are made by both the Corporation and the employees. Since sufficient information is not readily available to account for the Corporation's participation in the plan using defined benefit pension plan accounting, these financial statements have been prepared using accounting for defined contribution pension plans. Contributions made by the Corporation during the year to the NBPSPP totaled $544 ($445 in 2019). In addition, some employees of the Corporation are members of the Part-Time & Seasonal Pension Plan for Employees of the Province of New Brunswick. Contributions made by the Corporation during the year to this plan totaled $62 ($7 in 2019).

Revenue

Revenue is measured at the fair value of the consideration received or receivable. The Corporation recognizes revenue when it transfers control over a good to a customer. For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Corporation recognizes revenue at the time the point of sale is made or when goods are delivered to the customers.

NOTES TO THE FINANCIAL STATEMENTS (000'S)

4. Property and Equipment

Cost	Furniture, Fixtures and Equipment	Automotive	Retail Equipment	IT Equipment	Refrigeration	Total
Balance at Incorporation, July 3, 2018	$ -	$ -	$ -	$ -	$ -	$ -
Additions	2,290	61	43	2,656	-	5,050
Disposals	-	-	-	-	-	-
Balance at March 31, 2019	$ 2,290	$ 61	$ 43	$ 2,656	$ -	$ 5,050
Balance at March 31, 2019	$ 2,290	$ 61	$ 43	$ 2,656	$ -	$ 5,050
Additions	34	6	30	-	76	146
Disposals	1	-	-	46	-	47
Balance at March 29, 2020	$ 2,323	$ 67	$ 73	$ 2,610	$ 76	$ 5,149
Accumulated Depreciation						
Balance at Incorporation, July 3, 2018	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation	183	7	4	209	-	403
Disposals	-	-	-	-	-	-
Balance at March 31, 2019	$ 183	$ 7	$ 4	$ 209	$ -	$ 403
Balance at March 31, 2019	$ 183	$ 7	$ 4	$ 209	$ -	$ 403
Depreciation	468	19	11	524	1	1,023
Disposals	-	-	-	-	-	-
Balance at March 29, 2020	$ 651	$ 26	$ 15	$ 733	$ 1	$ 1,426
Carrying Amounts						
At March 31, 2019	$ 2,107	$ 54	$ 39	$ 2,447	$ -	$ 4,647
At March 29, 2020	$ 1,672	$ 41	$ 58	$ 1,877	$ 75	$ 3,723

NOTES TO THE FINANCIAL STATEMENTS (000'S)

5. Intangible Assets

Software		MARCH 29, 2020 (52 WEEKS)		MARCH 31, 2019 (39 WEEKS)
Cost				
Opening	$	4,407	$	-
Additions		538		4,407
Closing		4,945		4,407
Accumulated Amortization				
Opening		136		-
Amortization		481		136
Closing		617		136
Carrying Amount	**$**	**4,328**	**$**	**4,271**

6. Changes in Non-Cash Operating Working Capital

		MARCH 29, 2020 (52 WEEKS)		PERIOD FROM INCORPORATION UNTIL MARCH 31, 2019 (39 WEEKS)
Trade and other receivables	$	(2,566)	$	(114)
Inventories		(9,051)		(2,200)
Prepaid expenses		150		(495)
Trade and other payables		(1,247)		6,214
	$	**(12,714)**	**$**	**3,405**

NOTES TO THE FINANCIAL STATEMENTS (000'S)

7. Right-of-use Assets and Lease Liabilities

The Corporation leases various retail stores and certain leases contain extension options exercisable by the Corporation. At the commencement date, the Corporation concluded that it is not reasonably certain to exercise the options to extend the leases and therefore, renewal options have not been taken into consideration for measurement of ROU assets and lease liabilities.

Right-of-use assets		**MARCH 29, 2020 (52 WEEKS)**
Cost		
Opening	$	-
Transitional adjustment		32,638
Additions		-
Disposals		-
Closing		32,638
Accumulated Depreciation		
Opening		-
Depreciation		2,238
Closing		2,238
Carrying Amount	**$**	**30,400**

Lease Liabilities		**MARCH 29, 2020 (52 WEEKS)**
Cost		
Opening	$	-
Transitional adjustment		32,874
Lease payments		(2,811)
Interest expense on lease liabilities		1,002
Closing balance	**$**	**31,065**
Current	$	1,865
Non-Current		29,200
	$	**31,065**

Maturity of lease liabilities		**MARCH 29, 2020 (52 WEEKS)**
A maturity analysis of discounted payments are as follows:		
Due within one year or less	$	1,865
Between one and five years		10,252
More than five years		18,948
	$	**31,065**

NOTES TO THE FINANCIAL STATEMENTS (000'S)

8. Sales

	MARCH 29, 2020 (52 WEEKS)	PERIOD FROM INCORPORATION UNTIL MARCH 31, 2019 (39 WEEKS)
Dried Flower	$ 36,064	$ 15,986
Extracts	4,583	1,997
Concentrates	1,844	-
Accessories	1,708	628
Edibles	675	-
Seeds	31	18
	$ 44,905	**$ 18,629**

9. Operating Expenses

	MARCH 29, 2020 (52 WEEKS)	PERIOD FROM INCORPORATION UNTIL MARCH 31, 2019 (39 WEEKS)
Salaries - stores	$ 7,400	$ 5,920
Salaries - administration	2,432	2,319
Depreciation on ROU assets	2,238	-
Employee benefits	1,547	1,552
Contact centre	1,241	939
Information systems	1,113	1,006
Depreciation on property and equipment	1,023	403
Interest on lease liabilities	1,002	-
Executory costs	854	-
Other	596	104
Amortization of intangible assets	481	136
Professional fees	370	1,035
Electricity and heating fuel	234	177
Bank charges and fees	191	81
Supplies and minor equipment	165	313
Travel	165	302
System maintenance	149	-
Shipping	100	286
Advertising and promotions	79	145
Repairs and maintenance	73	107
Training and development	60	252
Security	46	487
Insurance	37	12
Directors' remuneration	33	39
Telecommunications	24	16
Shortages	7	11
Rent	-	1,885
Start-up costs (note 13)	-	1,760
	$ 21,660	**$ 19,287**

NOTES TO THE FINANCIAL STATEMENTS (000'S)

10. Financial Risk Management Objectives and Policies

Liquidity risk

Liquidity risk is the risk the Corporation will be unable to meet its financial obligations as they become due. The Corporation manages this risk through monitoring of future cash flows to ensure that they will have sufficient cash from operations to meet these obligations. The Corporation receives funding from ANBL to finance operations. Amounts owing to ANBL are considered current liabilities and repayment is guaranteed under the terms of the agreement with CMC. The Corporation's accounts payable and accrued liabilities are due within one year. The details of the Corporation's future lease liabilities, undiscounted, are as follows:

	MARCH 29, 2020 (52 WEEKS)
Due within one year or less	$ 2,810
Between one and five years	14,048
More than five years	21,307
	$ 38,165

Credit risk

Credit risk is the risk the Corporation will incur a loss because a customer fails to meet an obligation. The Corporation's exposure is related to the value of trade and other receivables. The Corporation has mitigated the exposure to this risk through limited extension of credit and contractual relationships with business partners. As at March 29, 2020 there are no significant financial receivables greater than 30 days.

Capital Management

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value. The amount issued on incorporation is one common share to ANBL at a nominal amount. The Corporation's main objectives for managing capital is to ensure sufficient liquidity in support of its financial obligations and to make payments to CMC. Corporate assets and operations are currently being financed by ANBL. ANBL is responsible for the oversight of management, including its policies related to financial and risk management issues.

11. Commitments

The Corporation has contractual commitments for call centre services which expire in 2023. The table below outlines the commitments as at March 29, 2020.

	MARCH 29, 2020 (52 WEEKS)
Due within one year or less	$ 914
Between one and five years	1,446
	$ 2,360

12. Contingencies

The Corporation indemnifies its Directors and Officers against any and all claims or losses reasonably incurred in the performance of their service to the Corporation.

13. Related Party Transactions

The ultimate controlling party of the Corporation is the Province of New Brunswick. The Corporation is related through common ownership with all provincial departments, agencies and Crown Corporations. Transactions with these entities occur in the normal course of business and are recorded at the exchange amount unless disclosed in these financial statements. Transactions with the Province of New Brunswick are deemed to be collectively insignificant to these financial statements.

The Corporation receives services from ANBL, which are allocated to the Corporation through a shared service agreement. These services include human capital in the areas of executive management; corporate governance; property management; information technology services; strategic compliance; financial services; people and culture; community and engagement; and customer strategy and engagement, as well as the associated portion of benefits. In addition, ANBL allocates occupancy costs to the Corporation for a share of space for the Corporation's employees. These transactions are recorded on a cost recovery basis and are recognized in operating expenses as salaries-administration, employee benefits and rent. During the period ended March 29, 2020, ANBL charged the Corporation $2,252 ($1,691 in 2019) (comprised of $1,969 for salaries-administration ($1,514 in 2019) and $283 ($177 in 2019) in rent for occupancy costs. In addition, ANBL charged the Corporation $Nil ($1,760 in 2019) for initial startup work prior to July 3, 2018 and transferred property plant and equipment $6 ($201 in 2019), other assets $Nil ($419 in 2019) and intangibles $Nil ($1,317) at cost.

13. Related Party Transactions (continued)

During the period, ANBL provided financing to fund its operations. At March 29, 2020, the Corporation owed ANBL $34,671 ($18,982 in 2019). Trade and other payables include $169 ($523 in 2019) which represents the current portion of the shared services allocation as described above. The total amount outstanding is non-interest bearing, unsecured, with no set term of repayment. Amounts owing to ANBL are considered current liabilities and repayment is guaranteed under the terms of the agreement with CMC.

Compensation of key management personnel

Members of the Board of Directors and Executive Team are considered to be key management personnel. Total compensation and benefits amounted to $163 ($192 in 2019).