



2020-2021

ANNUAL REPORT



CANNABIS
NB

TABLE OF CONTENTS

3	LETTER FROM THE CHAIR
4	PRESIDENT'S MESSAGE
5	STRATEGIC FOUNDATION
6	FINANCIAL POSITION OVERVIEW
7	OPERATIONAL EXCELLENCE & OPTIMIZATION
8	HEALTH AND SAFETY COVID-19 RESPONSE
9	MERCHANDISING AND PROMOTIONS
9	E-COMMERCE
10	CATEGORY MANAGEMENT
11	PERFORMANCE CULTURE
12	CUSTOMER SERVICE AWARDS
13	CUSTOMER EXPERIENCE & SATISFACTION
14	GOVERNANCE
15	STORE NETWORK
16	SALES OVERVIEW / ANALYSIS
18	FINANCIAL STATEMENTS

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LETTER FROM THE CHAIR

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

Dear Minister Steeves,

As Chairman of the Board, I am delivering to you the annual report for Cannabis NB (CNB). Myself, and the entire Board of Directors are accountable for achieving the specific goals and objectives outlined in this report and this accountability is one that we take seriously and that we take great pride in.

Our team certainly had some challenges in 2020-2021 and clearly demonstrated their individual and collective ability to lead by example. The attitude and morale of each team member was exemplary, and the results experienced would not have been possible without that instrumental mindset.

Speaking of results, they speak for themselves: \$75.5 million in total sales and \$10.8 million net income achieved on a budgeted target of \$1.8 million. This is an amazing result, particularly for a business in its third year of operation. In 2020-2021, Cannabis NB expanded the portfolio to include infused beverages and edibles. With that expansion we welcomed new supplier partnerships and expanded our ability to provide education to our customers for safe product use and knowledge. I would also like to acknowledge the contributions and valued partnerships with our suppliers.

Safety was pivotal in 2020-2021 as we navigated the COVID-19 pandemic and adhered to the protocols directed by the government of New Brunswick. These protocols were implemented for the safety of all, and our team executed professionally to the point zero cases were reported.

As Chairman, my role also includes communication with government, and I was extremely proud to report to the team the positive outcome of the Request for Proposals (RFP) that government had explored. We humbly respected the process as it unfolded, keeping focus on our customer service and safety. The RFP result was well-received and well-deserved by a TEAM that consciously stayed the course and have used this result to fuel their excitement for the future.

On behalf of the Board of Directors, I applaud the Cannabis NB TEAM for the stellar results achieved in 2020-2021, their commitment and enthusiasm to execution, and for leading by example with positive attitude and excellent TEAM work.

Respectfully submitted,



A handwritten signature in black ink that reads "John Correia". The signature is fluid and cursive, written in a professional style.

John Correia
Chair, Board of Directors

PRESIDENT'S MESSAGE

The fiscal year of 2020-2021 was an amazing and challenging year as we operated through the COVID-19 pandemic, as well as awaited the Provincial decision on privatization of Cannabis retail in New Brunswick. The efforts and contributions of each and every individual on the team were paramount for Cannabis NB achieving the incredible net income results of \$10.8 million. This result was achievable through the focus, tenacity, drive, and passion of the entire team, as well as the continued support and relationships with our customers and stakeholders.

During fiscal 2020-2021, our frontline team was required to pivot multiple times as we maintained our focus on excellent customer service, social responsibility and safety, during the pandemic. We thank our customers for their patience and cooperation for the pandemic protocols implemented under federal and provincial direction throughout the year, and for the support extended to our team during these unprecedented times.

Fiscal 2020-2021 also saw the expansion of the product portfolio to include edibles and infused beverages, as well as new and innovative merchandise. I am so impressed and proud to watch our teams embrace all of these changes and continue to provide our customers with excellent product knowledge, and a safe and responsible shopping experience.

When I accepted the role of Acting President & CEO at the beginning of the fourth quarter of 2021, I was fully aware of the challenges and successes of Cannabis NB through my tenure as Vice President and CFO. I was also committed to, and excited about the potential for the future. Our team is ready for the innovative opportunities to grow Cannabis NB and maintain the existing positive momentum, and to continue to be leaders in this very new and vibrant industry.



Lori Stickles
President and CEO

EXECUTIVE MANAGEMENT

at March 28, 2021

Lori Stickles
President and CEO

Lara Wood
Vice-President of Operations

Eitan Dehtiar
Interim Vice-President & CFO

Erin Fullerton
Vice-President of Human Resources

Craig Clark
Vice-President of Information Technology

Mike Harty
Vice-President Operations ANBL
(Facilities Management)

Patti Douglass
Chief Executive Assistant

BOARD OF DIRECTORS

at March 28, 2021

John Correia
Chair of the Board

Joanne Bérubé Gagné
Director

Paul Elliott
Director

Kevin Berry
Director

Kathryn Craig
Director

Cédric Laverdure
Director

Bruce Wood
Director

Lori Stickles
President and Chief Executive Officer

Andrea DeWitt
Secretary of the Board

Cheryl Hansen
Deputy Minister of Finance

STRATEGIC FOUNDATION

MISSION

Providing value through the right customer experience is at the foundation of Cannabis NB's (CNB) 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

At Cannabis NB education and safety will always be the foundation of a customized, memorable customer experience focused on offering the products, information and guidance our customers are looking for. The goal is to keep our customers returning with new products, great value and a welcoming environment, and inspire them to share their experiences in a positive way.



ENGAGE

It is important that our team is engaged and cares about the business and where it is going. This makes them passionate about what they do every day, and that in turn engages our customers effectively and authentically.



INFORM

Information and education will always remain a priority, both for our team and our customers. Every customer has specific needs, experience and expectations, and Cannabis NB will always ensure that our team has the information they need to ensure our customers have the right experience.



INSPIRE

We make a point of learning and understanding our customers' expectations, and evolving our offering and information customized to individual customers needs. Our team strives to make a connection with our customers, get them excited about what the legal industry has to offer, and make them advocates for a positive and safe cannabis experience.



YEAR IN REVIEW

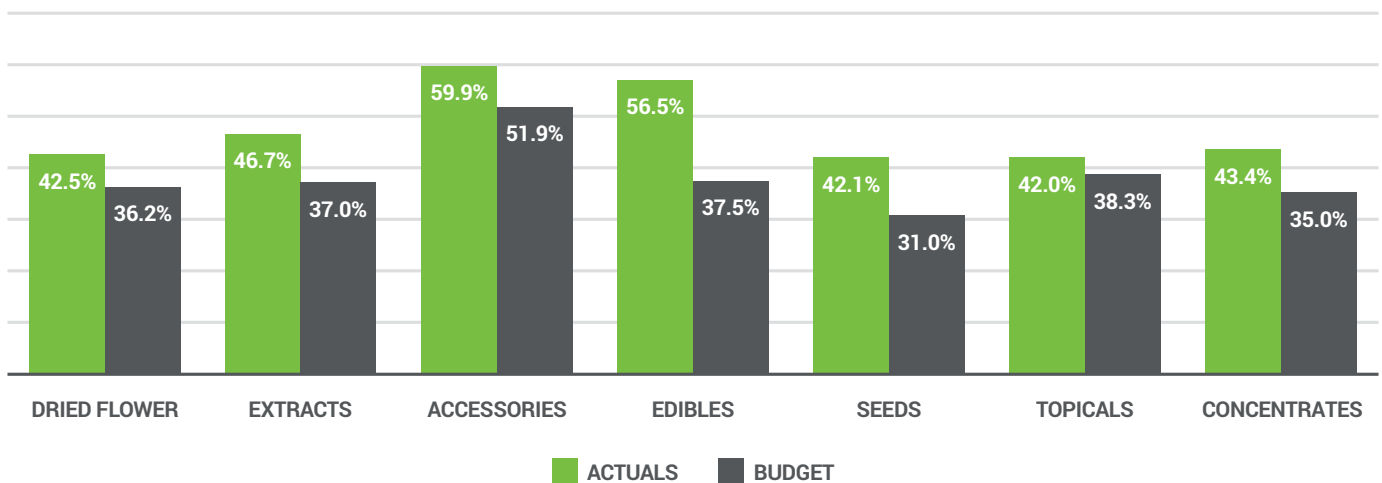
FINANCIAL POSITION OVERVIEW

Total sales surpassed budget targets across all categories, throughout the pandemic. Dried Flowers led the surplus exceeding sales budget targets by \$16M, followed by Concentrates exceeding by \$11M. Partially offsetting the positive variance were Edibles, missing sales targets by \$7M. Discounts were unbudgeted.

Cost of sales exceeded budget targets, a direct correlation to the increase in sales. Partially offsetting the overspend were savings for Edibles, where sales missed budget targets. *Gross Profit* targets, before discounts, were exceeded across all product categories.

GROSS PROFIT %

ACTUALS to PLANS





Fiscal year 2020-2021 was one that presented some significant challenges to the Cannabis NB team, but they were balanced by some significant achievements and successes that have positioned the organization well for the future.

Cannabis NB began the year awaiting the results of a Request for Proposal which would have seen a private company take over cannabis distribution in New Brunswick. With this in mind, investment in medium to long-term projects, system improvements or team expansion would not have been responsible. Instead, the team at Cannabis NB took the opportunity to focus on process improvement, day to day operations and other improvements that could be advanced internally. There was also a focus on innovation and a commitment to seeking out diverse opportunities for revenue generation, marketing and customer engagement.

As the fiscal year began, another challenge presented itself: a global pandemic. As an essential service, CNB's focus had to quickly adapt to include day by day process changes to ensure the safety of the team and our customers. The team at Cannabis NB rose to the challenge, delivering a COVID-19 operational plan that allowed the business to continue with minimal disruption, and allowed CNB to continue executing on operational improvement plans.

The result was a remarkable year of increased sales, increased traffic and customer engagement, and a final net income at year end that was over five times the budgeted total. These details are outlined in the financial statements included in this report.

Every department and every team member played a role in this financial result. Some of the specific initiatives, improvements and changes are highlighted in the following pages.

OPERATIONAL EXCELLENCE & OPTIMIZATION

As the industry continues to take shape CNB has made continuous improvement a priority for the organization. Some key changes Cannabis NB was able to consider this year included:

- A review of all vendors to further improve contracts and pricing, and a streamlined approach to adding new partners.
- Further review of shared services with ANBL as the business evolved to ensure support levels were appropriate and value was being delivered.
- Use of a Lean approach to process to improve efficiency in stores.
- Relentless focus on expense control to ensure growth in profitability even as supply continued to stabilize.
- Implementation of our data monetization strategy via the introduction of a sales subscription program for Licensed Producers – the first of its kind in the legal industry - which contributed to the bottom line, without increasing resource requirements.

Operationally, we continue to remain nimble and set the standard for other Canadian cannabis retailers.



HEALTH AND SAFETY COVID-19 RESPONSE

Early in the COVID-19 pandemic, CNB was deemed an essential service for our province, as such, the Corporation promptly made it a top priority to ensure the continued health and safety of our front-line team, customers and clients. CNB worked closely with the provincial Public Health authorities to ensure compliance to public health directives, that proper operational plans were put into place, continuously revisited, and communicated to stores, the Retail Operating Centre (ROC), and the warehouse through the various phases of the New Brunswick COVID-19 Mandatory Order.

Extensive protocols and measures were taken to help navigate the safety practices. CNB secured an adequate supply of personal protection equipment to disperse to retail stores and ROC. Signage was also added in stores to ensure proper levels of communications with customers regarding the new protocols as well as security personnel were deployed to stores to assist with health screening and customer flow, while protective shields were installed at the cash lanes.

Workstations, traffic flow, and the cafeteria were reconfigured to support employees remaining on site at ROC and the warehouse.

Special consideration was taken to address store HVAC systems to ensure proper filter changes, increase of fresh air intake, monitor humidity levels and create a daily building flush out. Corporate vehicles were outfitted with adequate cleaning supplies and cleaning procedures.

Working closely with teams when health zones across the province fluctuated between Yellow, Orange, Red

and Lockdown Alert Levels offered the ability to ensure proper operational guidance was implemented. When needed, Worksafe NB was engaged to make adequate adjustments to the respective operational plans.

As masks became commonly used, a Workplace Mask Standard Operating Procedure was created to include instructions on mask requirements and wear, as well as tips to address compliance from customers and how to perform ID checks at the stores. CNB ensured that all team members were outfitted in a timely manner with multiple masks.

As ROC began to reopen in various capacities, education was provided and available for those visiting and returning to the office part time or permanently. An operational plan was developed by consulting guidelines from Government of New Brunswick (GNB) and WorkSafeNB regarding opening and operating businesses safely throughout the pandemic.

When store traffic increased during the holiday season, additional barriers were installed throughout the network to allow all cash lanes to open to help serve more customers and improve traffic flow, all while maintaining physical distancing requirements.

As Public Health and GNB announced the various stages of the COVID-19 recovery plan and vaccination roll out, CNB continued to send up to date communication to all teams. Team members were also supported by allowances given for adequate time to get vaccines as they became available.

MERCHANDISING AND PROMOTIONS

This past year, Cannabis NB continued with its comprehensive merchandising and promotions strategy developed the year prior. The merchandising program is available for purchase by licensed partners with the goal of promoting and showcasing their products to customers in an appropriate and age-gated environment. Partners 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 store locations in the province.

The merchandising guide is available to licensed partners and provides guidelines to focus on education as well as ensure alignment with provincial and federal regulations. The program created incremental revenue for Cannabis NB while also providing partners with the opportunity to expand on their product information to an appropriate audience.

The merchandising program also provides education and product awareness for in-store teams to be utilized as a tool to bring value, first-hand experience and knowledge for team members to guide the right product mix to the right customer. Last fiscal, these programs were expanded to include new variations of Product Exploration Events and unique virtual tours of partner facilities. With the launch of Phase 2 Cannabis products this direct training on new formats, product features and uses became a highlight for licensed partners, team members and customers seeking new information.

Along with our merchandising and promotions strategy, Cannabis NB has focused on further engaging customers and driving traffic in store through the implementation of Cannabis NB signage within our network of stores. The signage is a compliment to our merchandising and highlights the vast variety of products that are available to the customer. Continuing to work in partnership with licensed producers, Cannabis NB offered regular promotions and discounts to customers and brought unique novelty offerings such as the very first Holiday Calendar.

E-COMMERCE

Cannabis-NB.com experienced record growth for fiscal 2020-2021. Page views increased from 5.2 million in 2019-2020 to 10.5 million in 2020-2021. At year end Cannabis-NB.com had 7,077 active users and 4,191 new use acquisitions. New Brunswickers place 15,793 home delivery orders and 32,788 express orders as consumers limited their social interaction due to the COVID-19 pandemic. Online purchases represented 2% of sales with the Express function accounting for 3.54% of sales. Express and online sales increased 323% year over year.

COVID-19 was a significant contributor to the positive momentum of online purchases as consumers made the choice to stay home or limit contact while purchasing cannabis. Cannabis NB also saw consumers transition from the illegal market to the legal market as price competitiveness, product quality, and a desire to purchase safe cannabis products.

Cannabis NB's popular email program increased to 26,000+ subscribers, representing an increase of 120% year over year, with an average open rate of 22.6% and 3.6% click through rate, both well above industry average. This weekly email blast has offered an additional avenue for customers to view specials, new products, re-stocks and generated an engaging tool between Cannabis NB and the customers. Part of the ongoing success of this email program is attributed to a focus on core consumer groups at Cannabis NB, a consistent change in design, and an inclusion of paid advertising space for licensed partners to showcase their brands and products.

To compliment the consumer shifts towards digital marketing in the COVID-19 climate, an online E-blast strategy was initiated to encourage online shoppers using Express and home delivery to make purchases during slower times of the week, known as the "Sunday Flash Sale" events. Cannabis NB had transitioned to a bi-weekly email campaign prompting and encouraging special sales Sundays and Mondays, which gave store teams and customers the opportunity to shop safer and smarter during an unprecedented time. This strategy is still employed monthly to drive inquiries in-store to our most profitable channels as well.

CATEGORY MANAGEMENT

Over the past fiscal, we have increased our number of licensed producers partners which has created opportunities to increase the diversity and quality of the overall portfolio of products. By listening to our customers in-store and through our receipt survey, we have been able to offer more competitive pricing, better quality, and a better offering to suit our various customers requests.

Education remains our priority and through various new initiatives we have created a synergy between product on-boarding and the retail network to ensure the network stays ahead of the fast-evolving industry. Our category team moved quickly to increase Phase 2 products (edibles, drinks, concentrates and topicals) to ensure great offerings to combat the illicit market. Market share has grown in all 2.0 categories this year with the breadth and variety of offering coupled with education of the customer base on many new product features like quick onset edibles, drinks and drink mixes to create value and differentiate our products from illegal products.

The Phase 2 concentrate category has been a strength with continual growth month over month. Vaping perception was marred in the illicit market with vape related health issues coming to the forefront of media coverage pre legalization. This has resulted in early adoption of the regulated controlled cartridges and set Cannabis NB as the place to educate customers of the advantages of regulated products and how to properly consume higher concentrated products safely.

The New Brunswick Cannabis industry only had two licensed producers at the beginning of legalization and now has 10 producers. There has been a consistent effort to enable these new licensed producers to launch first in NB and help bring their product to local consumers. It will remain a priority to work with our local partners and help them develop sustainable businesses that employ New Brunswickers and invest back in the province.





PERFORMANCE CULTURE

Throughout the year we have continued to solidify our strong performance culture through a variety of methods with the purpose of engaging the team and ensuring they continue to build their business acumen. Through the commitments of continuous learning, employee engagement and transparency in communication we have been able to continue to evolve the business.

Continuous Learning

Education of our teams and our customers is one of the cornerstones of Cannabis NB. Through the last year, the COVID-19 pandemic impacted the delivery of the learning and training initiatives, moving away from in-person opportunities instead focusing on hybrid and virtual opportunities.

Cannabis NB was able to increase our team's opportunities to learn about new products with monthly Product Knowledge virtual meetings, both with subject matter experts and Licensed Producer participation. A new series of informational videos, focusing on increased knowledge on products and to accentuate understanding of accessories to support customer education were introduced. Through virtual development calls, subject matter experts were invited to help bolster and improve leadership skills & business acumen, by discussing topics aimed at helping the development of our Team Leads and Managers.

Virtual town halls were also conducted as a part of the commitment to transparency and communication. With members of the leadership team leading the town halls, a series of calls were held so all team members had an

opportunity to attend. The open sessions provided the opportunity for teams to learn more about the current and future state of the business as well as give them the chance to ask questions and provide input.

Employee Engagement

The 12 elements of employee engagement were incorporated into our engagement program, "Bud of the Month". By focusing on a specific employee engagement element each month, conversations and behaviours conducive to the featured engagement element were promoted and rewarded in each store. Rewarding the behaviours that are fundamental to a highly engaged team means that each team member contributes to the environment that meets the psychological needs of their colleagues.

The Bud of the Month program has also been expanded to recognize the Team Leads. Each month the Managers have an opportunity to nominate and vote on a Team Lead who exemplified the team rules and leadership behaviours.

The weekly Cannabis NB internal newsletter has continued to evolve throughout the year. It now includes Weekly Business Highlights to continue to grow the team's business acumen along with stories on team members in each store – continuing to build bonds throughout the province. We now also have a weekly message focused on wellness in the internal newsletter. With safety and wellness as a combined collaborative team messages and tips from both of those areas have a focus with the teams.

CUSTOMER SERVICE AWARDS

STORE AWARDS

TOP SALES TO BUDGET

Sussex: 146.21%

TOP EXPRESS STORE

Moncton Wyse: 20.5% of total Express sales

POS ACCURACY AWARD

Miramichi: 0.18% Returns to sales ratio

INVENTORY ACCURACY AWARD

Moncton Main: 0.000004%

TOP TICKET

Perth Andover: \$58.71

TOP UPT

Perth Andover: 2.68

ACCESSORY CHAMPIONS

Richibucto: 4.58%

SAFETY MANDATE

St. Stephen: 99.8%

CUSTOMER COMFORT

Oromocto: 99.32%

KNOWLEDGE CHAMPIONS

Sackville & Rothesay: 100% (Wow!)

BUDS OF THE YEAR

ASHLEY ROBICHAUD
MONCTON, WYSE

ANDREW KNEEBONE
MONCTON, MAIN ST.

SÉBASTIEN GIONET
DIEPPE

JULIE LANDRY
DIEPPE

LIANNE ARSENEAU
SHEDIAC

LISA DUGAS
SACKVILLE

ALDON BREWER
SACKVILLE

ANGIE COMEAU
TRACADIE

LISA ARSENAULT
TRACADIE

DANIKA ROBICHAUD
RICHIBUCTO

JENNA JUSTASON
MIRAMICHI

NICOLE BARD
BATHURST

ANDREW WALLACE
SAINT JOHN,
LANSDOWN AVE.

MERINA MURPHY
SAINT JOHN,
ROTHESAY AVE.

COLIN GALLANT
ROTHESAY

SUSAN BLANCHARD
SUSSEX

KAYLA MADSEN
ST. STEPHEN

MARK SIBLEY
FREDERICTON,
WOODSIDE LANE

DALE DELUCRY
OROMOCTO

MARIE BROOKER
PERTH-ANDOVER

DINA GENDRON
EDMUNDSTON

ERIC FOURNIER
CAMPBELLTON

TEAM LEAD BUD OF THE YEAR

ALEX ARSENAULT
MONCTON, MAINT ST.

AMANDA BOURQUE
DIEPPE

KEVIN LIU
SAINT JOHN, LANSDOWN AVE.

ANGELA MACDOUGALL
ST. STEPHEN

BRANDON DRIER
FREDERICTON, BROOKSIDE DRIVE

JESSIE THÉRIAULT
EDMUNDSTON



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 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. In 2020-2021, over 13,000 responses were received, and results were positive on all key questions.

“How comfortable was your experience at Cannabis NB?”

97.4% 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.”

98.3% of respondents answered with *“Yes”*.

GOVERNANCE

Labour Relations

The team at Cannabis NB is not represented by a union and there were no applications for certification during 2020-2021.

There were no Human Rights complaints filed in 2020-2021.

Official Languages

There was one language complaint received in the 2020-2021 fiscal year at Cannabis NB. Cannabis NB is working with the Office of the Commissioner of Official Languages for New Brunswick to implement appropriate solutions.

Right to information and Protection of Privacy Act Requests

In 2020-2021, there were four requests received under the *Right to Information and Protection of Privacy Act*. Two requests were answered and closed, and two were ongoing at the end of the fiscal year.

Notices of Motions – Legislative Assembly

There was one motion naming Cannabis NB during the 2020-2021 fiscal year related to all information regarding a request for proposal for a single private entity to operate, distribute and sell recreational cannabis in New Brunswick.

Report on the *Public Interest Disclosure Act*

As provided under section 18(1) of the *Public Interest Disclosure Act*, the Chief Executive Officer 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 2020-2021 fiscal year pursuant to the policy.



STORE NETWORK

- 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



20
LOCATIONS
 throughout
 New Brunswick

SALES OVERVIEW / ANALYSIS

TOTAL SALES BY STORE LOCATION (\$000's)

STORE	2020-2021	2019-2020	CHANGE (%)
Moncton, Wyse Street	8,966	4,854	84.7%
Moncton, Main Street	7,953	4,543	75.1%
Fredericton, Woodside Lane	5,137	3,544	45.0%
Saint John, Lansdowne	4,646	2,591	79.3%
Bathurst	4,211	2,481	69.8%
Saint John, Rothesay Ave.	3,956	2,270	74.3%
Edmundston	3,693	2,452	50.6%
Dieppe Blvd.	3,621	2,114	71.3%
Rothesay	3,576	1,847	93.6%
Oromocto	3,200	1,734	84.6%
Fredericton, Brookside Mall	2,995	2,014	48.7%
Miramichi	2,968	2,417	22.8%
Shediac	2,913	1,585	83.8%
Tracadie	2,815	1,515	85.8%
Sussex	2,740	1,380	98.6%
St. Stephen	2,662	1,429	86.2%
Campbellton	2,619	1,834	42.8%
Perth-Andover	2,109	1,563	34.9%
Sackville	2,028	1,389	46.0%
E-commerce	1,523	634	140.3%
Richibucto	1,207	715	68.9%
Total	75,538	44,905	68.2%

SALES BY PRODUCT CATEGORY (\$'000'S)

PRODUCT CATEGORY	2020-2021		2019-2020		CHANGE	
	\$	% OF SALES	\$	% OF SALES	\$	%
Dried Flower	49,942	66.1%	36,064	80.3%	13,878	38.5%
Concentrates	13,821	18.3%	1,844	4.1%	11,977	649.4%
Extracts	4,433	5.9%	4,583	10.2%	-150	-3.3%
Edibles	4,408	5.8%	675	1.5%	3,733	553.3%
Accessories	2,634	3.5%	1,708	3.8%	926	54.3%
Topicals	224	0.3%	-	0.0%	224	100.0%
Seeds	76	0.1%	31	0.1%	45	144.1%
Total Sales	75,538	100.0%	44,905	100.0%	30,633	68.2%

SALES IN VOLUME

PRODUCT CATEGORY	2020-2021	2019-2020	CHANGE	CHANGE (%)
Dried Flower (Kg)	7,125	6,925	200	2.9%
Concentrates (Kg)	492	43	449	1037.1%
Extracts (Kg)	5,312	3,976	1,336	33.6%
Edibles (Kg)	95,541	5,395	90,146	1670.9%
Accessories (Units)	589,158	500,369	88,789	17.7%
Topicals (Kg)	708	0	708	100.0%
Seeds (Units)	7,012	2,520	4,492	178.3%

PERCENTAGE SALES

	2020-2021	2019-2020
Sales Percentage Online	2.0%	1.4%
Sales Percentage in Store	98.0%	98.6%
Total	100.0%	100.0%

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 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, and the internal and 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.



Lori Stickles
ACTING PRESIDENT
AND CEO

Eitan Dehtiar
INTERIM VICE PRESIDENT
AND CFO

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 28, 2021
- the statement of operations and comprehensive income (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 28, 2021, 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.

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.



Chartered Professional Accountants
Fredericton, Canada
July 8, 2021

STATEMENT OF FINANCIAL POSITION (in 000's)

As at

MARCH 28, 2021

MARCH 29, 2020

Assets*Current Assets*

Cash	\$	695	\$	534
Trade and other receivables		313		2,680
Inventories		7,420		11,251
Prepaid expenses		848		764
		<u>9,276</u>		<u>15,229</u>

Non Current Assets

Property and equipment (note 4)		2,686		3,723
Intangible assets (note 5)		3,828		4,328
Right-of-use assets (note 6)		28,162		30,400
		<u>34,676</u>		<u>38,451</u>

Total Assets

\$	43,952	\$	53,680
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Liabilities*Current Liabilities*

Trade and other payables	\$	5,477	\$	4,967
Due to New Brunswick Liquor Corporation (note 13)		15,488		34,671
Lease liabilities due within one year (note 6)		1,924		1,865
		<u>22,889</u>		<u>41,503</u>

Non Current Liabilities

Long-term lease liabilities (note 6)		27,276		29,200
		<u>27,276</u>		<u>29,200</u>

Total Liabilities

	<u>50,165</u>		<u>70,703</u>
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Equity of the Province of New Brunswick

Deficit		(6,213)		(17,023)
Total Liabilities and Equity	\$	43,952	\$	53,680

Commitments and Contingencies (notes 11 and 12)
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 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Total sales (note 8)	\$ 75,538	\$ 44,905
Less: discounts	5,442	876
Net sales	70,096	44,029
Cost of sales	42,035	27,807
Gross profit	28,061	16,222
Other income	1,207	1,165
	29,268	17,387
Operating expenses (note 9)	18,458	21,660
Net loss and comprehensive loss	<u>\$ 10,810</u>	<u>\$ (4,273)</u>
Net income (loss) and comprehensive income (loss)		

STATEMENT OF CHANGES IN EQUITY (in 000's)

Year ended	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Balance at beginning of year	\$ (17,023)	\$ (12,750)
Net income (loss) and comprehensive income (loss)	10,810	(4,273)
Balance at end of the year	<u>\$ (6,213)</u>	<u>\$ (17,023)</u>
See accompanying notes to the financial statements		

STATEMENT OF CASH FLOWS (in 000's)

Year ended

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Operating		
Net income (loss) and comprehensive income (loss)	\$ 10,810	\$ (4,273)
Items not involving cash:		
Depreciation	3,275	3,261
Amortization of intangible assets	500	481
Lease liabilities - interest portion (note 6)	944	1,002
Change in non-cash working capital (note 7)	6,624	(12,714)
Cash available from (used in) operations	<u>22,153</u>	<u>(12,243)</u>
Investing		
Additions to property and equipment	-	(146)
Additions to intangible assets	-	(538)
Proceeds from sale of property and equipment	-	47
Net cash used for capital investments	<u>-</u>	<u>(637)</u>
Financing		
Advances (repayments) from (to) New Brunswick Liquor Corporation	(19,183)	15,689
Lease payments (note 6)	(2,809)	(2,811)
Net cash available from (used in) financing activities	<u>(21,992)</u>	<u>12,878</u>
Increase (decrease) in cash	161	(2)
Cash at beginning of year	<u>534</u>	<u>536</u>
Cash at end of year	<u><u>\$ 695</u></u>	<u><u>\$ 534</u></u>

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.

Impact of Coronavirus COVID-19 Pandemic

In March 2020, the global outbreak of the novel coronavirus (COVID-19) was declared a pandemic by the World Health Organization. In response to the outbreak, governmental authorities globally introduced various recommendations and measures to try to limit spread of the pandemic, including non-essential business closures, quarantines, travel restrictions, self-isolation, social and physical distancing, and shelter-in-place. These measures caused disruptions to businesses globally, resulting in an economic slowdown.

The Corporation, through its distribution and sale of recreational use cannabis, experienced an increase in sales, which can in part be attributed to the pandemic. The Corporation also incurred additional costs to mitigate the risks of the outbreak. These additional costs were comprised primarily of security services, modifications to the retail space, personal protective equipment, and cleaning supplies. The ultimate duration and magnitude of the impact on the economy and consequential financial effect on the Corporation, is unknown at this time.

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 year ended March 28, 2021, were approved, and authorized for issue by the Board of Directors on July 8, 2021.

Fiscal year

The Corporation's fiscal year ends on the Sunday closest to March 31. All references to 2021 and 2020 represent the fiscal years ended March 28, 2021 and March 29, 2020 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. Both the year ended March 28, 2021 and the year ended March 29, 2020 contained 52 weeks. 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. These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

3. Summary of Significant Accounting Policies

Use of estimates and judgements

The preparation of financial statements requires management to make certain judgements, estimations 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, right-of-use, 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, right-of-use assets (ROU), and intangibles. Judgement is required in determining the lowest level

3. Summary of Significant Accounting Policies (continued)

Use of estimates and judgements (continued)

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

Judgement is required to determine whether or not an option to extend the lease term would be reasonably certain to be exercised. Management considers all facts and circumstances, including its past practice and any cost that will be incurred to improve or modify the leased asset if an option to extend is not taken, to help it determine the lease term.

Judgement is also required where the interest rate implicit in the lease is not readily available. Management uses the lessee's incremental borrowing rate to measure the present value of the remaining lease payments. Management's determination of the Corporation's incremental borrowing rate depends on relevant facts and circumstances, geographical location, and lease term duration of the lease property.

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.

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, estimates 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 statement of operations and comprehensive income (loss).

Property and equipment

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition or construction of an asset, and costs directly attributable to bringing an 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 income (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 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 income (loss) as expenses 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 income (loss) on a straight-line basis over the assets' estimated useful

3. Summary of Significant Accounting Policies (continued)

Property and equipment (continued)

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, intangible assets and right of use 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 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 28, 2021 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 intangible assets for impairment on an annual basis. At March 28, 2021 there were no indicators of impairment. Computer software is amortized on a straight-line basis over 10 years.

Leased assets

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.

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

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;
- amounts expected to be payable by the lessee under residual value guarantees;
- 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 incremental borrowing rate over the lease terms.

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.

3. Summary of Significant Accounting Policies (continued)

Leased assets (continued)

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.

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of a 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

- 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.
- 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 when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all risks and rewards of ownership and 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

3. Summary of Significant Accounting Policies (continued)

Classification and measurement of financial assets (continued)

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.

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.

Provisions are measured at the present value of 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 totaled \$407 (\$544 in 2020). 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 \$111 (\$62 in 2020).

Revenue

Revenue is measured at the fair value of 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.

Standards and interpretations not yet applied

A number of new standards, amendments to standards and interpretations of standards have been issued by the IASB and the IFRIC, the application of which is effective for periods beginning on or after January 1, 2021. The Corporation does not expect the implementation of these new accounting pronouncements to have a significant impact on its accounting policies.

4. Property and Equipment

Cost	Furniture, Fixtures and Equipment	Automotive	Retail Equipment	IT Equipment	Refrigeration	Total
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
Balance at March 29, 2020	\$ 2,323	\$ 67	\$ 73	\$ 2,610	\$ 76	\$ 5,149
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at March 28, 2021	\$ 2,323	\$ 67	\$ 73	\$ 2,610	\$ 76	\$ 5,149

Accumulated Depreciation

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
Balance at March 28, 2021	\$ 651	\$ 26	\$ 15	\$ 733	\$ 1	\$ 1,426
Depreciation	469	18	15	527	8	1,037
Disposals	-	-	-	-	-	-
Balance at March 29, 2020	\$ 1,120	\$ 44	\$ 30	\$ 1,260	\$ 9	\$ 2,463

Carrying Amounts

At March 29, 2020	\$ 1,672	\$ 41	\$ 58	\$ 1,877	\$ 75	\$ 3,723
At March 28, 2021	\$ 1,203	\$ 23	\$ 43	\$ 1,350	\$ 67	\$ 2,686

5. Intangible Assets

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Software		
Cost		
Opening	\$ 4,945	\$ 4,407
Additions	-	538
Closing	<u>4,945</u>	<u>4,945</u>
Accumulated Amortization	617	136
Opening	500	481
Amortization		
Closing	<u>1,117</u>	<u>617</u>
Carrying Amount	<u><u>\$ 3,828</u></u>	<u><u>\$ 4,328</u></u>

6. 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.

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Right-of-use assets		
Cost		
Opening	\$ 32,638	\$ 32,638
Additions	-	-
Disposals	-	-
Closing	<u>32,638</u>	<u>32,638</u>
Accumulated Depreciation		
Opening	2,238	-
Depreciation	2,238	2,238
Closing	<u>4,476</u>	<u>2,238</u>
Carrying Amount	<u><u>\$ 28,162</u></u>	<u><u>\$ 30,400</u></u>

6. Right-of-use Assets and Lease Liabilities (continued)

<i>Lease liabilities</i>	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Cost		
Opening	\$ 31,065	\$ 32,874
Lease payments	(2,809)	(2,811)
Interest expense on lease liabilities	944	1,002
Closing balance	<u>\$ 29,200</u>	<u>\$ 31,065</u>
Current	1,924	1,865
Long-term	27,276	29,200
	<u>\$ 29,200</u>	<u>\$ 31,065</u>

Maturity of lease liability

A maturity analysis of discounted payments are as follows:

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Due within one year or less	\$ 1,924	\$ 1,865
Between one and five years	10,577	10,252
More than five years	16,699	18,948
	<u>\$ 29,200</u>	<u>\$ 31,065</u>

7. Changes in Non-Cash Operating Working Capital

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Trade and other receivables	\$ 2,367	\$ (2,566)
Inventories	3,831	(9,051)
Prepaid expenses	(84)	150
Trade and other payables	510	(1,247)
	<u>\$ 6,624</u>	<u>\$ (12,714)</u>

8. Sales

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Dried Flower	\$ 49,942	\$ 36,064
Concentrates	13,821	1,844
Extracts	4,433	4,583
Edibles	4,408	675
Accessories	2,634	1,708
Topicals	224	-
Seeds	76	31
	<u>\$ 75,538</u>	<u>\$ 44,905</u>

9. Operating Expenses

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Salaries - stores	\$ 5,657	\$ 7,400
Depreciation on ROU assets	2,238	2,238
Salaries - administration	1,654	2,432
Employee benefits	1,343	1,547
Other	1,097	596
Depreciation on property and equipment	1,037	1,023
Contact centre	960	1,241
Interest on lease liabilities	944	1,002
Information systems	920	1,113
Executory costs	504	854
Amortization of intangible assets	500	481
Bank charges and fees	314	191
Electricity, heating fuel, and telecommunications	255	258
Shipping	222	100
Professional fees	204	370
System maintenance	143	149
Supplies and minor equipment	101	165
Repairs and maintenance	78	73
Travel	77	165
Advertising and promotions	64	79
Security	39	46
Shortages	34	7
Directors' remuneration	33	33
Insurance	33	37
Training and development	7	60
	<u>\$ 18,458</u>	<u>\$ 21,660</u>

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 it 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 trade and other payables are due within one year. Details of the Corporation's future lease liabilities, undiscounted, are as follows:

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Due within one year or less	\$ 2,810	\$ 2,810
Between one and five years	14,048	14,048
More than five years	18,497	21,307
	<u>\$ 35,355</u>	<u>\$ 38,165</u>

10. Financial Risk Management Objectives and Policies (continued)

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. Collectability may be offset with future customer sales to the Corporation.

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 28, 2021.

	MARCH 28, 2021 (52 WEEKS)	MARCH 29, 2020 (52 WEEKS)
Due within one year or less	\$ 914	\$ 914
Between one and five years	1,446	2,360
	<u>\$ 2,360</u>	<u>\$ 3,274</u>

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; human resources; community and stakeholder relations, 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 year ended March 28, 2021, ANBL charged the Corporation \$1,236 (\$2,252 in 2020) (comprised of \$1,104 for salaries-administration (\$1,969 in 2020) and \$132 (\$283 in 2020) in rent for occupancy costs).

ANBL provided financing to fund its operations. At March 28, 2021, the Corporation owed ANBL \$15,488 (\$34,671 in 2020). Trade and other payables include \$88 (\$169 in 2020) 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 \$133 (\$163 in 2020).