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**CAPTOR CAPITAL CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED JUNE 30, 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

**CAPTOR CAPITAL CORP.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

	As at June 30, 2020	As at March 31, 2020
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 18,493,586	\$ 19,766,334
Amounts receivable and prepaid expenses (Note 3)	1,974,997	2,130,148
Inventory	703,518	711,911
Investments at fair value (Note 8)	9,317,230	5,782,045
Lease receivable (Note 4)	76,828	75,368
	<b>30,566,159</b>	<b>28,465,806</b>
Amounts receivable and prepaid expenses (Note 3)	565,342	621,630
Lease receivable (Note 4)	72,728	99,872
Right-of-use assets (Note 6)	966,945	1,102,915
Property and equipment (Note 5)	972,495	1,024,001
Goodwill (Note 7)	7,386,468	7,689,450
Intangibles (Note 7)	5,637,021	5,994,339
Investment in associate (Note 9)	130,399	167,416
	<b>\$ 46,297,557</b>	<b>\$ 45,165,429</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 19)	\$ 6,266,567	\$ 6,829,185
Promissory note payable (Note 10)	-	170,640
Loans and notes payable (Note 10)	12,305	12,619
Lease liabilities (Note 11)	379,404	405,326
Income tax payable	369,927	395,282
	<b>7,028,203</b>	<b>7,813,052</b>
Loans and notes payable (Note 10)	48,212	53,465
Lease liabilities (Note 11)	829,181	955,383
Deferred tax liability	1,257,717	1,332,001
	<b>9,163,313</b>	<b>10,153,901</b>
<b>Shareholders' Equity</b>		
Share capital (Note 12)	103,885,647	104,151,855
Contributed surplus (Note 14)	29,060,545	29,060,545
Accumulated other comprehensive loss	(1,052,289)	(539,634)
Deficit	(94,759,659)	(97,661,238)
	<b>37,134,244</b>	<b>35,011,528</b>
	<b>\$ 46,297,557</b>	<b>\$ 45,165,429</b>

**NATURE OF OPERATIONS** (Note 1)

**SUBSEQUENT EVENTS** (Note 21)

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

**CAPTOR CAPITAL CORP.**  
**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

	Three Months Ended June 30,	
	2020	2019
Sales, net of excise tax	\$ 3,767,851	\$ 2,868,679
Cost of sales	2,516,515	2,527,548
<b>Gross profit</b>	<b>1,251,336</b>	341,131
<b>Expenses</b>		
General and administrative expenses (Note 16)	1,776,059	1,478,007
Foreign exchange loss	137,328	805,421
Interest income	(33,081)	(30,828)
Amortization of intangible assets	123,127	117,454
Total expenses	(2,003,433)	(2,370,054)
<b>Net loss for the year before other items:</b>	<b>(752,097)</b>	<b>(2,028,923)</b>
Unrealized gain (loss) on investments at fair value	3,442,725	(4,988,394)
Equity loss pick-up (Note 9)	(37,017)	(171,825)
<b>Net income (loss)</b>	<b>2,653,611</b>	<b>(7,189,142)</b>
<b>Other comprehensive (loss) income</b>		
<b>Items that may be reclassified subsequently:</b>		
Share of loss from investment in associate (Note 9)	(22,165)	(91,950)
Foreign currency translation adjustment	(490,490)	(29,329)
	<b>(512,655)</b>	<b>(121,279)</b>
<b>Comprehensive income (loss) for the period</b>	<b>\$ 2,140,956</b>	<b>\$ (7,310,421)</b>
Income (loss) per share - basic and diluted (Note 15)	<b>\$ 0.07</b>	<b>\$ (0.18)</b>

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

# CAPTOR CAPITAL CORP.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended June 30,	
	2020	2019
<b>Cash (used in) provided by:</b>		
<b>Operating Activities</b>		
Net income (loss) for the period	\$ 2,653,611	\$ (7,189,142)
Unrealized loss on other investments	(3,442,725)	4,988,394
Foreign exchange gain	(23,296)	-
Unrealized loss on investment in associate	37,017	171,825
Depreciation and amortization	257,019	159,830
Accretion	32,362	-
Other	1,436	4,475
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	326,384	(2,062,066)
Accounts payable and accrued liabilities	(562,618)	107,275
Inventory	8,393	249,618
Other payable	-	76,627
	(712,417)	(3,493,164)
<b>Financing activities</b>		
Repurchase of shares	(18,240)	(952,924)
Lease payments	(132,496)	-
	(150,736)	(952,924)
<b>Investing Activities</b>		
Additions to property and equipment	(2,826)	-
Repayments of loans and notes payable	(171,073)	(1,047,581)
Purchase of investments at fair value	(92,460)	-
Receipts from loan receivable	17,040	-
	(249,319)	(1,047,581)
<b>Change in cash and cash equivalents</b>	<b>(1,112,472)</b>	<b>(5,409,525)</b>
<b>Foreign exchange effect</b>	<b>(160,276)</b>	<b>84,144</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>19,766,334</b>	<b>32,722,957</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 18,493,586</b>	<b>\$ 27,313,432</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest received	\$ 2,174	\$ 30,828
Interest paid	\$ 1,436	\$ 39,921

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

**CAPTOR CAPITAL CORP.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)****Unaudited**

	<b>Share Capital</b>	<b>Warrant Reserve</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, March 31, 2019</b>	<b>\$ 106,448,007</b>	<b>\$ 18,889,485</b>	<b>\$ 10,171,060</b>	<b>\$ (271,348)</b>	<b>\$ (65,983,028)</b>	<b>\$ 69,254,176</b>
Share repurchase	(1,633,560)	-	-	-	680,630	(952,930)
Net comprehensive loss for the period	-	-	-	(121,279)	(7,189,142)	(7,310,421)
<b>Balance, June 30, 2019</b>	<b>\$ 104,814,447</b>	<b>\$ 18,889,485</b>	<b>\$ 10,171,060</b>	<b>\$ (392,627)</b>	<b>\$ (72,491,540)</b>	<b>\$ 60,990,825</b>
<b>Balance, March 31, 2020</b>	<b>\$ 104,151,855</b>	<b>\$ -</b>	<b>\$ 29,060,545</b>	<b>\$ (539,634)</b>	<b>\$ (97,661,238)</b>	<b>\$ 35,011,528</b>
Share repurchase	(266,208)	-	-	-	247,968	(18,240)
Net comprehensive income for the period	-	-	-	(512,655)	2,653,611	2,140,956
<b>Balance, June 30, 2020</b>	<b>\$ 103,885,647</b>	<b>\$ -</b>	<b>\$ 29,060,545</b>	<b>\$ (1,052,289)</b>	<b>\$ (94,759,659)</b>	<b>\$ 37,134,244</b>

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

# **CAPTOR CAPITAL CORP.**

**Notes to Condensed Interim Consolidated Financial Statements**  
**Three Months Ended June 30, 2020**  
**(Expressed in Canadian Dollars, unless otherwise indicated)**  
**(Unaudited)**

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## **1. NATURE OF OPERATIONS**

Captor Capital Corp. (the "Company" or "Captor") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated September 26, 2003. On June 2, 2017, the Company changed its name from NWT Uranium Corp. to Captor Capital Corp. The Company also delisted its common shares from the TSX Venture Exchange (the "Exchange") on June 1, 2017. The delisting of the Company's shares from the Exchange was done pursuant to a resolution approved by shareholders that was passed on December 16, 2016. On October 30, 2017, the common shares of Captor commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "CPTR". The primary office is located at 4 King Street West, Suite 401, Toronto, Ontario, M5H 1B6, Canada.

The Company is an operating company engaged in the retail sale of cannabis products.

The unaudited consolidated interim consolidated financial statements were approved by the Board of Directors on October 13, 2020.

### **COVID-19**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. In response, Captor has shifted its strategic approach and the manner in which it operates its business to continue providing affordable and high quality products to its customers, and ensure that its workplace and stores have appropriate measures in place to limit social interactions and enforce social distancing measures. The Company has also taken steps to alter its marketing methods, conserve cash, and align its overall strategic direction to preserve the health of its business.

On March 31, 2020, the Company implemented certain initiatives in response to the impact of the COVID-19 pandemic. Such initiatives aim to allow the Company to continue offering affordable and high quality products in a safe environment, with additional measures in place to allow its customers to access its products while limiting social interactions, and enforcing social distancing measures throughout its retail stores. These initiatives have allowed the Company to operate mostly uninterrupted and to implement its business continuity plan. Some of the measures that Captor initiated included: (i) increasing curbside pick-up and/or drive-thru options at all of its retail locations; (ii) expanding home delivery services to customers located in Castroville and Santa Cruz areas; and (iii) enhancing its in-store safety and sanitation protocols. The Company has also increased its efforts to align labour costs with customer demand and reduce all non-essential operational expenses.

As of the approval date of these unaudited condensed interim consolidated financial statements, the Company's operations have not been significantly impacted as cannabis has been deemed an essential service in the state of California since March, 2020. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

# **CAPTOR CAPITAL CORP.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended June 30, 2020**

**(Expressed in Canadian Dollars, unless otherwise indicated)**

**(Unaudited)**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Statement of compliance (continued)**

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of March 2, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements for the year ended March 31, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2020 could result in restatement of these unaudited condensed interim consolidated financial statements.

### **New accounting policies**

#### *Business Combinations*

On October 22, 2018, the IASB issued amendments to the guidance in IFRS 3 - Business Combinations ("IFRS 3"), revising the definition of a business and providing for the addition of an optional 'concentration test' to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input - Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process - Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output - The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional 'concentration test' permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined not to be a business and no further assessment is needed.

Effective April 1, 2020, the Company adopted the new IFRS 3 accounting standard and will apply it prospectively. Under this approach, there is no impact on the Company's unaudited condensed interim consolidated financial statements and the comparatives remain as previously reported.

## CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended June 30, 2020  
(Expressed in Canadian Dollars, unless otherwise indicated)  
(Unaudited)

### 3. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	As at June 30, 2020	As at March 31, 2020
Sales tax receivable - Canada	\$ 153,172	\$ 143,603
Amounts receivable	-	162,633
Other receivables <sup>(1)(2)</sup>	862,509	882,424
Prepaid expenses and deposits	1,524,658	1,563,118
	\$ 2,540,339	\$ 2,751,778
Long-term other receivable <sup>(2)</sup>	(565,342)	(621,630)
	\$ 1,974,997	\$ 2,130,148

<sup>(1)</sup> During the year ended March 31, 2020, the Company deemed that \$127,387 of receivables were uncollectible and wrote down receivables by that amount.

<sup>(2)</sup> Includes two loan receivables discounted at 15% over the 60 month terms.

### 4. LEASE RECEIVABLE

The Company entered into an agreement to sublease its former office space to an arm's length party in a prior year. The sublease expires on September 30, 2022.

The continuity of the net investment in sublease is presented in the table below:

	As at June 30, 2020	As at March 31, 2020
Balance, beginning of period	\$ 175,240	\$ -
Additions on IFRS 16 adoption	-	258,502
Finance income on lease receivable	2,174	3,614
Lease receipts	(21,266)	(81,716)
Impact of foreign exchange	(6,592)	(5,160)
Balance, end of period	\$ 149,556	\$ 175,240

The net investment in sublease is classified as follows:

	As at June 30, 2020	As at March 31, 2020
Current portion	\$ 76,828	\$ 75,368
Non-current portion	72,728	99,872
Total net investment in sublease	\$ 149,556	\$ 175,240



# CAPTOR CAPITAL CORP.

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

(Unaudited)

### 5. PROPERTY AND EQUIPMENT

Cost	Computer	Cannabis equipment	Leasehold improvements	Vehicles	Total
<b>At March 31, 2019</b>	\$ 13,331	\$ 498,637	\$ 709,900	\$ 149,188	\$ 1,371,056
Additions during the period	36,167	30,406	295,991	-	362,564
Disposal	-	-	(438,306)	(63,929)	(502,235)
Impairment	-	(128,043)	-	-	(128,043)
Impact of foreign exchange	3,377	(41,048)	(2,845)	22,077	(18,439)
<b>At March 31, 2020</b>	\$ 52,875	\$ 359,952	\$ 564,740	\$ 107,336	\$ 1,084,903
Impact of foreign exchange	(2,083)	(23,205)	(10,451)	(4,229)	(39,968)
<b>At June 30, 2020</b>	\$ 50,792	\$ 336,747	\$ 554,289	\$ 103,107	\$ 1,044,935
<b>Accumulated depreciation</b>					
<b>At March 31, 2019</b>	\$ 1,451	\$ -	\$ 98,883	\$ 18,016	\$ 118,350
Depreciation expense	11,545	3,583	-	33,561	48,689
Disposal	-	-	(98,883)	(1,894)	(100,777)
Impairment	(688)	237	-	(4,909)	(5,360)
<b>At March 31, 2020</b>	\$ 12,308	\$ 3,820	\$ -	\$ 44,774	\$ 60,902
Depreciation expense	4,303	1,130	-	8,733	14,166
Impact of foreign exchange	(556)	(170)	-	(1,902)	(2,628)
<b>At June 30, 2020</b>	\$ 16,055	\$ 4,780	\$ -	\$ 51,605	\$ 72,440
<b>Carrying value</b>					
<b>At March 31, 2020</b>	\$ 40,567	\$ 356,132	\$ 564,740	\$ 62,562	\$ 1,024,001
<b>At June 30, 2020</b>	\$ 34,737	\$ 331,967	\$ 554,289	\$ 51,502	\$ 972,495

### 6. RIGHT-OF-USE ASSETS

<b>Balance - March 31, 2019</b>	\$ -
Additions	1,892,891
Amortization	(450,264)
Disposal	(405,004)
Impact of foreign exchange	65,292
<b>Balance - March 31, 2020</b>	\$ 1,102,915
Amortization	(94,040)
Impact of foreign exchange	(41,930)
<b>Balance - June 30, 2020</b>	\$ 966,945

## CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements  
 Three Months Ended June 30, 2020  
 (Expressed in Canadian Dollars, unless otherwise indicated)  
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### 7. GOODWILL AND INTANGIBLES

Cost	Licenses	Customer relationship	Tradename	Total Intangibles	Goodwill
<b>At March 31, 2019</b>	<b>\$ 3,940,148</b>	<b>\$ 1,023,290</b>	<b>\$ 1,325,780</b>	<b>\$ 6,289,218</b>	<b>\$ 7,146,211</b>
Impact of foreign exchange	294,440	78,250	94,557	467,247	543,239
<b>At March 31, 2020</b>	<b>4,234,588</b>	<b>1,101,540</b>	<b>1,420,337</b>	<b>6,756,465</b>	<b>7,689,450</b>
Impact of foreign exchange	(166,853)	(43,403)	(55,964)	(266,220)	(302,982)
<b>At June 30, 2020</b>	<b>\$ 4,067,735</b>	<b>\$ 1,058,137</b>	<b>\$ 1,364,373</b>	<b>\$ 6,490,245</b>	<b>\$ 7,386,468</b>
<b>Accumulated amortization</b>					
<b>At March 31, 2019</b>	<b>\$ -</b>	<b>\$ 103,589</b>	<b>\$ 125,166</b>	<b>\$ 228,755</b>	<b>\$ -</b>
Amortization	-	212,565	259,845	472,410	-
Impairment	-	27,382	33,579	60,961	-
<b>At March 31, 2020</b>	<b>-</b>	<b>343,536</b>	<b>418,590</b>	<b>762,126</b>	<b>-</b>
Amortization	-	53,782	69,345	123,127	-
Impact of foreign exchange	-	(14,410)	(17,619)	(32,029)	-
<b>At June 30, 2020</b>	<b>\$ -</b>	<b>\$ 382,908</b>	<b>\$ 470,316</b>	<b>\$ 853,224</b>	<b>\$ -</b>
<b>Carrying value</b>					
<b>At March 31, 2020</b>	<b>\$ 4,234,588</b>	<b>\$ 758,004</b>	<b>\$ 1,001,747</b>	<b>\$ 5,994,339</b>	<b>\$ 7,689,450</b>
<b>At June 30, 2020</b>	<b>\$ 4,067,735</b>	<b>\$ 675,229</b>	<b>\$ 894,057</b>	<b>\$ 5,637,021</b>	<b>\$ 7,386,468</b>

As of March 31, 2020, the Company performed its annual impairment tests for goodwill and intangible assets. The recoverable amount of all cash generating units was determined based on their value-in-use using Level 3 inputs in a discounted cash flow model. The key assumptions used in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of 5 years (with a terminal year thereafter);
- Terminal value of growth rate: The terminal growth rate of 3% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Discount rate: The post tax discount rates were 13% to 25%.

As at March 31, 2020, management determined that the goodwill and intangible assets were not impaired.

## CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended June 30, 2020  
(Expressed in Canadian Dollars, unless otherwise indicated)  
(Unaudited)

### 8. INVESTMENTS AT FAIR VALUE

Other investments consist of shares held in publicly listed and private companies.

	Level 1	Level 1	Level 3	
	MedMen Enterprises (a)	Other investment (Public)	Other investment (Private)	Total
<b>At March 31, 2019</b>	<b>\$ 29,499,787</b>	<b>\$ 1,024,932</b>	<b>\$ 717,163</b>	<b>\$ 31,241,882</b>
Additions (disposal)	(11,673,471)	3,351,860	-	(8,321,611)
Revaluation to fair market value	(17,612,429)	295,525	178,678	(17,138,226)
<b>At March 31, 2020</b>	<b>213,887</b>	<b>4,672,317</b>	<b>895,841</b>	<b>5,782,045</b>
Additions	-	92,460	-	92,460
Revaluation to fair market value	(3,509)	3,446,234	-	3,442,725
<b>At June 30, 2020</b>	<b>\$ 210,378</b>	<b>\$ 8,211,011</b>	<b>\$ 895,841</b>	<b>\$ 9,317,230</b>

Within Level 3, the Company includes non-public company investments. The key assumptions used in the valuation of these instruments include the value at which a recent financing was done by the investee and company-specific information.

(a) During the year ended March 31, 2020, the Company sold 6,493,802 shares for cash of \$4,927,338. As at June 30, 2020, the Company held 701,268 shares in MedMen Enterprises with a value of \$210,378.

### 9. INVESTMENT IN ASSOCIATE

As at June 30, 2020 the Company owned 118,511 common shares (March 31, 2020 - 118,511 common shares) in URU Metals Limited ("URU") which represents approximately 15% (March 31, 2020 - 15%) of URU's shareholding.

The following is a summary of the Company's investment in URU:

Investment as at March 31, 2019	\$ 275,109
Captor's share of loss and comprehensive loss from April 1, 2019 to March 31, 2020	(107,693)
<b>Investment as at March 31, 2019</b>	<b>167,416</b>
Captor's share of loss and comprehensive loss from April 1, 2020 to June 30, 2020	(37,017)
<b>Investment as at June 30, 2020</b>	<b>\$ 130,399</b>

## CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended June 30, 2020  
(Expressed in Canadian Dollars, unless otherwise indicated)  
(Unaudited)

### 9. INVESTMENT IN ASSOCIATE (Continued)

The following is a summary of financial information of URU for the periods presented based on the latest publicly available information. The numbers have not been pro-rated for the Company's ownership interest:

Statement of comprehensive loss	Three Months Ended June 30,	
	2020	2019
Depreciation	\$ 12,468	\$ 20,000
Net loss	221,648	1,145,500
Other comprehensive loss	22,165	613,000
Total comprehensive loss	243,813	1,758,500

### 10. LOANS AND NOTES PAYABLE

(i) The Company entered into certain auto loans for the purchase of vehicles. The table below is a summary of the continuity of the auto loans:

<b>Balance - March 31, 2019</b>	<b>\$ 73,449</b>
Interest expenses	4,153
Repayments	(15,305)
Impact of foreign exchange	3,787
<b>Balance - March 31, 2020</b>	<b>66,084</b>
Interest expenses	968
Repayments	(3,983)
Impact of foreign exchange	(2,552)
<b>Balance - June 30, 2020</b>	<b>\$ 60,517</b>
Current portion	\$ 12,305
Non-current portion	\$ 48,212

The terms of the auto loans are as follows: principal: US\$57,658, annual interest rate: 5.84% - 6.19%, maturity: November 25, 2024 and annual repayment: US\$11,501 in monthly installments.

# CAPTOR CAPITAL CORP.

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

(Unaudited)

### 10. LOANS AND NOTES PAYABLE (Continued)

(ii) During the year ended March 31, 2019, the Company issued a promissory note payable to Chris Morganelli in the amount of US\$721,800 for the purchase of the Chai Santa Cruz store and issued a note payable to Salvatore Palma in the amount of US\$1,375,000 for the purchase of the Chai Monterey store. The table below is a summary of the continuity of the promissory notes payable:

	Chris Morganelli	Salvatore Palma	Total
<b>Balance - March 31, 2019</b>	<b>\$ 635,429</b>	<b>\$ 1,780,111</b>	<b>\$ 2,415,540</b>
Interest expense	9,296	137,279	146,575
Repayments	(519,658)	(1,909,742)	(2,429,400)
Impact of foreign exchange	45,573	(7,648)	37,925
<b>Balance - March 31, 2020</b>	<b>170,640</b>	<b>-</b>	<b>170,640</b>
Interest expense	468	-	468
Repayments	(167,090)	-	(167,090)
Impact of foreign exchange	(4,018)	-	(4,018)
<b>Balance - June 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The terms of the note payable to Chris Morganelli are as follows: principal: US\$721,800, annual interest rate: 2%, maturity: September 8, 2020 and annual repayment: US\$360,900 in monthly installments.

The terms of the note payable to Salvatore Palma are as follows: principal: US\$1,375,000, annual interest rate: 9%, maturity: January 2, 2020 and annual repayment: US\$687,500 in semi-annual installments.

### 11. LEASE LIABILITIES

On April 1, 2019, the Company adopted IFRS 16. As at April 1, 2019, the Company recognized right-of-use assets of \$1,892,891, lease receivable of \$- (note 4) and lease liability of \$2,151,393. The Company did not apply IFRS 16 on a fully retrospective basis.

The Company recorded right-of-use assets (note 6) and lease liabilities for office and retail store spaces in the statement of financial position as at June 30, 2020. At the commencement date of the leases, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate.

The continuity of lease liabilities is presented in the table below:

<b>Balance - March 31, 2019</b>	<b>\$ -</b>
Additions on IFRS 16 adoption	2,151,393
Disposal	(423,049)
Accretion expense	181,490
Lease payments	(618,493)
Impact of foreign exchange	69,368
<b>Balance - March 31, 2020</b>	<b>1,360,709</b>
Accretion expense	32,362
Lease payments	(132,496)
Impact of foreign exchange	(51,990)
<b>Balance - June 30, 2020</b>	<b>\$ 1,208,585</b>
Current portion	\$ 379,404
Non-current portion	\$ 829,181

# CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements  
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## 11. LEASE LIABILITIES (Continued)

### Maturity analysis - contractual undiscounted cash flows

#### As at June 30, 2020

Due less than one year	\$	444,562
Due between one and two years		395,377
Due between two and three years		305,100
Due thereafter		245,303
Total undiscounted lease obligations	\$	<b>1,390,342</b>

During the three months ended June 30, 2020, the Company expensed \$12,000 (year ended March 31, 2020 - \$19,965) related to short-term leases.

## 12. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares with no par value.

### b) Issued and outstanding

	Number of shares	Amount
<b>Balance, March 31, 2019</b>	<b>39,586,639</b>	<b>\$ 106,448,007</b>
Share repurchase (i)	(607,500)	(1,633,560)
<b>Balance, June 30, 2019</b>	<b>38,979,139</b>	<b>\$ 104,814,447</b>
<b>Balance, March 31, 2020</b>	<b>38,733,239</b>	<b>\$ 104,151,855</b>
Share repurchase (i)	(99,000)	(266,208)
<b>Balance, June 30, 2020</b>	<b>38,634,239</b>	<b>\$ 103,885,647</b>

On May 5, 2020, the Company announced a normal course issuer bid ("NCIB") to expend up to an aggregate of \$5 million on the purchase of common shares of the Company. The actual number of shares that may be purchased under the NCIB, the value of the consideration per share, and the exact timing of any such purchases will be determined by the Company.

(i) During the three months ended June 30, 2020, 99,000 common shares (June 30, 2019 - 607,500) were purchased for cash consideration of \$18,240 (June 30, 2019 - \$952,924) in accordance with the current Issuer Bid. The amount by which the repurchased amount was less than the stated capital of the shares has been credited to deficit.

## CAPTOR CAPITAL CORP.

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### 13. WARRANTS

The following table reflects the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price
<b>Balance, March 31, 2019</b>	<b>15,857,943</b>	<b>\$ 4.03</b>
Expired	(1,008,206)	(5.00)
<b>Balance, June 30, 2019</b>	<b>14,849,737</b>	<b>\$ 3.97</b>
<b>Balance, March 31, 2020 and June 30, 2020</b>	<b>-</b>	<b>\$ -</b>

### 14. STOCK OPTIONS

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is 10% of the issued and outstanding common shares of the Company. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The vesting term of the options is fixed by the Board of Directors of the Company at the time of grant and may vary from immediate vesting to up to 24 months.

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price
<b>Balance, March 31, 2019 and June 30, 2019</b>	<b>2,035,000</b>	<b>\$ 5.59</b>
<b>Balance, March 31, 2020 and June 30, 2020</b>	<b>1,825,000</b>	<b>\$ 6.00</b>

The Company had the following stock options outstanding at June 30, 2020:

Outstanding options	Exercisable options	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Expiry date
1,825,000	1,825,000	0.11	6.00	August 8, 2020

## CAPTOR CAPITAL CORP.

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

(Unaudited)

#### 15. LOSS PER SHARE

	Three Months Ended June 30,	
	2020	2019
Net income (loss) for the period	\$ 2,653,611	\$ (7,189,142)
Net income (loss) per share - basic and diluted	\$ 0.07	\$ (0.18)
Weighted average number of shares outstanding - basic and diluted	38,712,602	39,586,639

#### 16. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended June 30,	
	2020	2019
Management and administrative services (Note 19)	\$ 211,542	\$ 242,497
Professional fees	541,037	208,586
Business advisory fees	-	154,013
Operational expenses	869,456	776,482
Travel expenses	6,593	8,011
Shareholders information	1,316	3,123
Regulatory fees	5,141	2,998
Interest and penalty	406	39,921
Depreciation	14,166	42,376
Accretion	32,362	-
Amortization - right-of-use assets	94,040	-
	\$ 1,776,059	\$ 1,478,007



# CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended June 30, 2020  
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## 17. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

### Operating segments

<b>As at June 30, 2020</b>	<b>Corporate</b>	<b>Cannabis Operations</b>	<b>Total</b>
Current assets	\$ 29,460,198	\$ 1,105,961	\$ 30,566,159
Property and equipment	-	972,495	972,495
Other assets	768,469	13,990,434	14,758,903
<b>Total assets</b>	<b>\$ 30,228,667</b>	<b>\$ 16,068,890</b>	<b>\$ 46,297,557</b>

<b>As at March 31, 2020</b>	<b>Corporate</b>	<b>Cannabis Operations</b>	<b>Total</b>
Current assets	\$ 26,856,905	\$ 1,608,901	\$ 28,465,806
Property and equipment	-	1,024,001	1,024,001
Other assets	888,918	14,786,704	15,675,622
<b>Total assets</b>	<b>\$ 27,745,823</b>	<b>\$ 17,419,606</b>	<b>\$ 45,165,429</b>

<b>Three Months Ended June 30, 2020</b>	<b>Corporate</b>	<b>Cannabis Operations</b>	<b>Total</b>
Sales, net of excise tax	\$ -	\$ 3,767,851	\$ 3,767,851
Gross profit	-	1,251,336	1,251,336
Net income (loss)	2,866,866	(213,255)	2,653,611

<b>Three Months Ended June 30, 2019</b>	<b>Corporate</b>	<b>Cannabis Operations</b>	<b>Total</b>
Sales, net of excise tax	\$ -	\$ 2,868,679	\$ 2,868,679
Gross profit	-	341,131	341,131
Net income (loss)	(7,800,088)	610,946	(7,189,142)

# CAPTOR CAPITAL CORP.

Notes to Condensed Interim Consolidated Financial Statements  
Three Months Ended June 30, 2020  
(Expressed in Canadian Dollars, unless otherwise indicated)  
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## 17. SEGMENTED INFORMATION (Continued)

### Geographical segments

<b>As at June 30, 2020</b>	<b>Canada</b>	<b>United States</b>	<b>Other</b>	<b>Total</b>
Current assets	\$ 27,630,543	\$ 1,408,742	\$ 1,526,874	\$ 30,566,159
Property and equipment	-	972,495	-	972,495
Other assets	130,399	14,628,504	-	14,758,903
<b>Total assets</b>	<b>\$ 27,760,942</b>	<b>\$ 17,009,741</b>	<b>\$ 1,526,874</b>	<b>\$ 46,297,557</b>

  

<b>As at March 31, 2020</b>	<b>Canada</b>	<b>United States</b>	<b>Other</b>	<b>Total</b>
Current assets	\$ 25,000,734	\$ 1,876,459	\$ 1,588,613	\$ 28,465,806
Property and equipment	-	1,024,001	-	1,024,001
Other assets	167,416	15,508,206	-	15,675,622
<b>Total assets</b>	<b>\$ 25,168,150</b>	<b>\$ 18,408,666</b>	<b>\$ 1,588,613</b>	<b>\$ 45,165,429</b>

  

<b>Three Months Ended June 30, 2020</b>	<b>Canada</b>	<b>United States</b>	<b>Other</b>	<b>Total</b>
Sales, net of excise tax	\$ -	\$ 3,767,851	\$ -	\$ 3,767,851
Gross profit	-	1,251,336	-	1,251,336
Net income (loss)	3,055,007	(339,657)	(61,739)	2,653,611

  

<b>Three Months Ended June 30, 2019</b>	<b>Canada</b>	<b>United States</b>	<b>Other</b>	<b>Total</b>
Sales, net of excise tax	\$ -	\$ 2,868,679	\$ -	\$ 2,868,679
Gross profit	-	341,131	-	341,131
Net loss	(6,578,196)	(610,946)	-	(7,189,142)

## 18. CONTINGENCIES

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's financial position, liquidity, or results of operations.

# CAPTOR CAPITAL CORP.

## Notes to Condensed Interim Consolidated Financial Statements Three Months Ended June 30, 2020 (Expressed in Canadian Dollars, unless otherwise indicated) (Unaudited)

### 19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management of the Company was as follows:

	Three Months Ended June 30,	
	2020	2019
Directors fees (i)	\$ 60,000	\$ 35,000
Alegana Enterprises Ltd. ("Alegana") (ii)	55,000	54,999
Marrelli Support Services Inc ("MSSI") (iii)	4,500	4,500
Roedo Enterprises LLC (v)	41,451	-
	<b>\$ 160,951</b>	<b>\$ 94,499</b>

(i) Fees paid to directors of the Company. Included in accounts payable and accrued liabilities at June 30, 2020, is \$60,000 (March 31, 2020 - \$60,000) due to directors of the Company.

(ii) Alegana is a company controlled by Mr. John Zorbas, the President and Chief Executive Officer ("CEO") of the Company. The consulting fees paid to Alegana are for the function of the President which include, but are not limited to, managing the capital structure and current investment portfolio of the Company. Included in accounts payable and accrued liabilities at June 30, 2020 is \$610,810 (March 31, 2020 - \$610,810) owing to Alegana.

(iii) Mr. Jing Peng, the Chief Financial Officer ("CFO"), is a senior employee of MSSI. The management fees paid to MSSI relate to CFO function performed by Mr. Peng which includes the reporting of financial information and the safeguard of the Company's assets. Included in accounts payable and accrued liabilities at June 30, 2020 is \$7,585 (March 31, 2020 - \$2,978) owing to MSSI.

(iv) Alexander Dement'ev, a former director of Captor, was paid consulting fees for consulting services performed for the Company. Included in accounts payable and accrued liabilities at June 30, 2020 is \$38,010 (March 31, 2020 - \$38,010) due to Alexander Dement'ev.

(v) Roedo Enterprises LLC is a company controlled by Mark Klein, a director of Captor for consulting services performed for the Company.

(vi) The Company is owed \$25,576 (March 31, 2020 - \$25,576) from a company related to Captor through common management. These amounts are included in the amounts receivable and prepaid expenses balance on the statements of financial position.

# CAPTOR CAPITAL CORP.

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

(Unaudited)

### 20. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(a) Assets and liabilities measured at fair value on a recurring basis:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate fair value
<b>As at June 30, 2020</b>				
Investments at fair value	\$ 8,421,749	\$ -	\$ 895,481	\$ 9,317,230

#### As at March 31, 2020

Investments at fair value	\$ 4,886,564	\$ -	\$ 895,481	\$ 5,782,045
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(b) Fair values of financial assets and liabilities:

	June 30, 2020		March 31, 2020	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
<b>Amortized cost</b>				
Amounts receivable (i)	\$ 1,427,851	\$ 1,427,851	\$ 1,504,054	\$ 1,504,054
Lease receivable (i)	149,556	149,556	175,241	175,241
	\$ 1,577,407	\$ 1,577,407	\$ 1,679,295	\$ 1,679,295
<b>FVTPL</b>				
Cash and cash equivalents	\$ 18,493,586	\$ 18,493,586	\$ 19,766,334	\$ 19,766,334
Investments at fair value	9,317,230	9,317,230	5,782,045	5,782,045
	\$ 27,810,816	\$ 27,810,816	\$ 25,548,379	\$ 25,548,379
<b>Other financial liabilities</b>				
Accounts payable and accrued liabilities (i)	\$ 6,266,567	\$ 6,266,567	\$ 6,829,185	\$ 6,829,185
Promissory note payable	-	-	170,640	170,640
Loans and notes payable	60,517	60,517	66,084	66,084
	\$ 6,327,084	\$ 6,327,084	\$ 7,065,909	\$ 7,065,909

(i) The carrying amounts of amounts receivable, lease receivable, loan receivable, accounts payable and accrued liabilities, promissory notes and loans and notes payable are reasonable approximation of their fair values due to their short-term nature.

## **CAPTOR CAPITAL CORP.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended June 30, 2020**

**(Expressed in Canadian Dollars, unless otherwise indicated)**

**(Unaudited)**

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#### **21. SUBSEQUENT EVENTS**

(i) On August 10, 2020, the Company announced that it entered into a joint venture (the "Joint Venture") with California based Three Habitat Consulting Holdco Inc. ("Three Habitat"), which owns and operates a retail chain of dispensaries in California under the brand One Plant<sup>®</sup>. Captor and Three Habitat have set up a joint venture company called Captor Retail Group Inc. ("CRG"), which will be owned 51% by Captor and 49% by Three Habitat. Under the terms of a contribution agreement entered into between Captor and Three Habitat (the "Contribution Agreement"), Captor will contribute \$2 million in cash along with its two Chai branded dispensaries in Santa Cruz and Castroville in exchange for its 51% interest in CRG. Three Habitat will contribute its seven One Plant dispensaries to CRG in exchange for its 49% interest in CRG. Of the seven dispensaries being contributed to the Joint Venture by Three Habitat, the retail dispensaries in Salinas, Atwater, and El Sobrante are licensed and open for business. The locations in Antioch, Goleta, Lompoc, and Palm Springs are currently under construction and are expected to be operational soon.

(ii) On August 10, 2020, the Company entered into a stock purchase and sale agreement with Wealthcraft Capital Corp. ("Wealthcraft") whereby Wealthcraft would acquire 100% of the issued and outstanding shares of ICH Washington Holdings Ltd. , a wholly owned subsidiary of Captor. As consideration for the sale, Wealthcraft will issue 2,250,000 common shares from its treasury and issue a \$117,500 promissory note to Captor which shall bear no interest and mature in five years from the date of closing.