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ATLAS GROWERS DENMARK A/S
HEDEBOVEJ 47, 5474 VEFLINGE
ANNUAL REPORT
24 APRIL - 30 SEPTEMBER 2019

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 10 March 2020**

Clinton Jack Weir

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 40 49 98 81

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COMPANY DETAILS

Company	Atlas Growers Denmark A/S Hedebovej 47 5474 Veflinge CVR No.: 40 49 98 81 Established: 24 April 2019 Registered Office: Veflinge Financial Year: 24 April - 30 September
Board of Directors	Sheldon Croome, chairman Kent Stenvang Jeffrey R. Gossain
Board of Executives	Clinton Jack Weir
Auditor	BDO Statsautoriseret revisionsaktieselskab Fælledvej 1 5000 Odense C
Bank	Sydbank Peberlyk 4 6200 Aabenraa

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Atlas Growers Denmark A/S for the financial year 24 April - 30 September 2019.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 30 September 2019 and of the results of the Company's operations for the financial year 24 April - 30 September 2019.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Veflinge, 10 March 2020

Board of Executives

Clinton Jack Weir

Board of Directors

Sheldon Croome
Chairman

Kent Stenvang

Jeffrey R. Gossain

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Atlas Growers Denmark A/S

Opinion

We have audited the Financial Statements of Atlas Growers Denmark A/S for the financial year 24 April - 30 September 2019, which comprise income statement, balance sheet, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 30 September 2019 and of the results of the Company's operations for the financial year 24 April - 30 September 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 ISAs and the additional requirements applicable in Denmark 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 these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Odense, 10 March 2020

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Morten Svensson
State Authorised Public Accountant
MNE no. mne34505

MANAGEMENT'S REVIEW

Principal activities

The principal activities comprise medical cannabis production

Development in activities and financial position

The results for the year reflect that the activities have not started yet and that the period covers only five months.

The company has lost its share capital in the period. The company's Management expects to restore the share capital by means of a contribution of capital. The company expects to complete the formalities relating to a capital contribution in March 2020 with new investors which will provide the budgeted liquidity for the coming financial year. The capital is deposited on a client account with the company's attorney and is expected to be paid in April 2020.

The company's parent company has signed a letter of subordination regarding its receivable and it is moreover their policy to support its subsidiaries. On this basis Management has presented the financial statements according to the going concern principle.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

INCOME STATEMENT 24 APRIL - 30 SEPTEMBER

	Note	2019 DKK
GROSS LOSS.....		-995.366
OPERATING LOSS.....		-995.366
Other financial expenses.....	2	-57.749
LOSS BEFORE TAX.....		-1.053.115
Tax on profit/loss for the year.....		0
LOSS FOR THE YEAR.....		-1.053.115
PROPOSED DISTRIBUTION OF DIVIDEND		
Retained earnings.....		-1.053.115
TOTAL.....		-1.053.115

BALANCE SHEET AT 30 SEPTEMBER

ASSETS	Note	2019 DKK
Leasehold improvements.....		863.445
Tangible fixed assets.....	3	863.445
Rent deposit and other receivables.....		6.300.000
Fixed asset investments.....	4	6.300.000
FIXED ASSETS.....		7.163.445
Other receivables.....		43.755
Receivables.....		43.755
Cash and cash equivalents.....		272.987
CURRENT ASSETS.....		316.742
ASSETS.....		7.480.187

BALANCE SHEET AT 30 SEPTEMBER

EQUITY AND LIABILITIES	Note	2019 DKK
Share capital.....		400.000
Retained earnings.....		-1.053.115
EQUITY.....	5	-653.115
Debt to group enterprises.....	6	8.133.302
Current liabilities.....		8.133.302
LIABILITIES.....		8.133.302
EQUITY AND LIABILITIES.....		7.480.187
 Contingencies etc.	 7	
Charges and securities	8	
Capital	9	

NOTES

	2019 DKK	Note
Staff costs		1
Average number of employees		
1		
Other financial expenses		2
Group enterprises.....	57.549	
Other interest expenses.....	200	
	57.749	
Tangible fixed assets		3
	Leasehold improvements	
Additions.....	863.445	
Cost at 30 September 2019.....	863.445	
Carrying amount at 30 September 2019.....	863.445	
Fixed asset investments		4
	Rent deposit and other receivables	
Additions.....	6.300.000	
Cost at 30 September 2019.....	6.300.000	
Carrying amount at 30 September 2019.....	6.300.000	

NOTES

	Note
Equity	5

	Share capital	Retained earnings	Total
Equity at 24 April 2019.....	400.000	0	400.000
Proposed distribution of profit.....		-1.053.115	-1.053.115
Equity at 30 September 2019.....	400.000	-1.053.115	-653.115

Debt to group enterprises	6
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Contingencies etc.	7
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Contingent liabilities

The company has entered into a rental obligation which is non-cancellable until June 1, 2039. The obligation amounts to DKK 42.000.000 at September 30, 2019.

Charges and securities	8
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None.

Capital	9
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The company has lost its share capital in the period. The company's Management expects to restore the share capital by means of a contribution of capital. The company expects to complete the formalities relating to a capital contribution in March 2020 with new investors which will provide the budgeted liquidity for the coming financial year. The capital is deposited on a client account with the company's attorney and is expected to be paid in April 2020.

The company's parent company has signed a letter of subordination regarding its receivable and it is moreover their policy to support its subsidiaries. On this basis Management has presented the financial statements according to the going concern principle.

ACCOUNTING POLICIES

The Annual Report of Atlas Growers Denmark A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared with the following accounting principles.

INCOME STATEMENT

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

BALANCE SHEET

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Leasehold improvements.....	0-20 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of tangible assets together with fixed assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the carrying amount.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.