**The Green Organic Dutchman Holdings Ltd.**

**Q1 2020 Analyst & Investor Earnings Call**

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Length: 37 minutes

## Corporate participants

**Shane Dungey**

The Green Organic Dutchman Holdings Ltd. — Vice President, Investor Relations

**Brian Athaide**

The Green Organic Dutchman Holdings Ltd. — Chief Executive Officer

**Sean Bovingdon**

The Green Organic Dutchman Holdings Ltd. — Chief Financial Officer

## Conference Call Participants

**Ryan Tomkins**

Jefferies — Analyst

**Rob Stools**

Niagara Stools — Analyst

## PRESENTATION

**Operator**

 Good morning, esteemed guests. My name is Joanna and I will be your conference operator today. At this time I would like to take the opportunity to welcome everyone to The Green Organic Dutchman Q1 2020 Analyst and Investor Earnings Call. To ensure an enjoyable experience for all participants, all lines have been placed on mute.

After the speakers’ remarks, there will be a question-and-answer period. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star followed by two. Thank you.

I would now like to invite Shane Dungey, Vice President of Investor Relations, to begin the call. Please go ahead.

**Shane Dungey** — Vice President, Investor Relations, The Green Organic Dutchman Holdings Ltd.

 Thank you, Joanna. Good morning and thank you all for joining us for our Q1 2020 conference call. Today we’ll provide comments on our performance as well as an update on our overall operational readiness and how we’re executing our plans. This call is being recorded and the audio recording will be available on the company website at tgod.ca. Joining me on the call this morning are Brian Athaide, Chief Executive Officer, and Sean Bovingdon, Chief Financial Officer.

Today’s discussion includes forward-looking statements. We caution that such statements are based on management’s assumptions and beliefs and are subject to uncertainties and other factors that could cause actual results to differ materially. I refer you to our news release and MD&A for more information on these assumptions and factors.

I also want to point out that we are filing a preliminary prospectus for our recently announced public offering; therefore, we are restricted in what we can discuss on this call due to disclosure covered by the prospectus. We will, however, do our best to ensure we answer all of your questions.

With that, I will now turn the call over to Mr. Brian Athaide.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Thanks, Shane, and good morning, everyone.

Mostly due to the global pandemic, Q1 feels like a distant memory, a time when the world was still relatively normal. While the situation in Canada worsened towards the end of the quarter, the virus affected Europe earlier than Canada and we benefitted from a head start. By the time the Canadian government implemented restrictions, we had already gone through the exercise with our European subsidiary, HemPoland. Based on these learnings, we had contingency plans in place to ensure business continuity.

Our entire team pulled together during these uncertain times and were able to continue executing our plan. We implemented precautionary measures to ensure the safety of our employees and products, including working from home, limiting visitors to our facilities, ensuring proper protocols around sanitation and physical distancing, splitting teams into shifts, wearing masks, and ensuring potentially exposed employees remained in self quarantine for 14 days. We were able to quickly adapt to this new reality and I’m pleased to report that our operations in Ancaster have continued running smoothly and uninterrupted.

From a commercial standpoint, despite overall market growth, the premium segment has not grown in line with the market, which is reflected in our revenue and earnings from Canada for the quarter. I’ll get back to how we have already addressed this with our updated market segmentation strategy later.

First, I will start with the performance of our two main markets, Europe and Canada, and then I’ll ask Sean to walk us through the financials and will finish with our product portfolio expansion. As you have seen in our press release, the first quarter was a continuation of the third and fourth quarter of 2019. We had a limited product portfolio with three strains in the recreational market, of which only one was higher THC, being our organic Unite product.

High THC is where the main demand is within the recreational market and our Unite product was in the mid to high teens on THC. The product we sold in Q1 was mostly grown in our indoor facilities last year and not in our new hybrid greenhouse. Since we have commissioned the greenhouse, we have seen higher yields from our harvests as well as higher THC and we’re now selling 21% Unite flower product to the provinces. This, combined with the expansion of our portfolio and distribution, is leading to a significant acceleration in our business in Q2 so far. I will discuss the innovation and acceleration plans a little later in this call.

For the first quarter, revenue came in at $3.06 million compared to $2.4 million in Q1 2019 and $3.25 million for the previous quarter. Given the limited product portfolio we had available in Canada and while still waiting for our processing license amendment at Ancaster that was finally received in the last week of March, revenue continued to come mostly from Europe where we sell CBD products through our subsidiary, HemPoland. HemPoland generated $2.4 million from the sale of hemp-based products in Europe, consistent with the same period in the prior year despite a drop in March when the lockdown happened. In Canada, we registered $664,000 in revenue from our limited cannabis product assortment.

Combined with volatile market conditions and the global pandemic, we have had to make some very difficult decisions to preserve capital and protect shareholders. On March 24th we announced the postponement of our cultivation operations in Valleyfield, Quebec and centralizing our production in Ancaster, Ontario. We temporarily laid off the majority of our employees in Quebec with the intention of restarting operating in Valleyfield towards the end of this year, depending on market demand. We also made further cost reductions, including temporary salary cuts and a freeze on non-essential recruitment and consultancy work. These changes are in line with our plans to halve our Canadian G&A during 2020.

We continue to be prudent with our spending and remain on track to becoming operationally cash flow positive later this year. Our focus is on taking some of this G&A savings to reinvest in sales and marketing and revenue-driving initiatives in the recreational markets and for Cannabis 2.0. Now that our Ancaster facility is fully licensed, including the processing building, we are able to automate more of our processes, further reducing our cost structure while accelerating the pace of our production.

TGOD is one of the first producers to successfully grow certified organic cannabis at scale, despite many believing it was not possible. We have proven otherwise.

Over to you, Sean.

**Sean Bovingdon** — Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Thank you, Brian. Good morning, everyone. I hope everyone is staying healthy. I am going to provide a few updates on our financial performance here.

Firstly, excluding the non-cash impairment charges for the quarter, we actually registered a net loss of $17.59 million, which reflects our investments in cultivation and processing infrastructure, sales and product development costs as we move to commercialize our products. The non-cash impairment charges amounted to $55.8 million and, as mentioned last quarter, these non-cash impairment charges have no impact on the company’s production, liquidity, or operating plan moving towards the positive cash flow we’re expecting later this year.

Within this charge, we recognized $52.77 million related to our Canadian facilities due to the pandemic impacted market conditions and reflecting the postponement of the start-up of our cultivation operations at Valleyfield. The value of our net assets after the impairments is still approximately $201 million.

The balance of the non-cash impairment charge, being $3.1 million, was related to our investment in Epican in Jamaica and is due to a history of operating losses and to COVID basically decimating the tourist industry there and our expectation that it continues to do so. We’ve made a strategic decision to forego the expansion of our proposed cultivation activities for export in order to better leverage our significant cultivation assets in Canada for export capabilities, particularly as they’re expecting EU GMP in the coming months. As such, we sold our interest just this week in Epican, which helps us avoid further losses and the professional and administrative fees related to them.

We ended the quarter on March 31st with $5 million globally in cash and restricted cash to complete the commissioning of our equipment and for our working capital. We needed to supplement this position in order to move towards becoming operating cash flow positive. As such, we strengthened our balance sheet in April by closing a second lien revolving credit facility, providing up to $30 million, together with an advance of $5 million in our accordion facility from our existing senior lender. And despite the challenging market conditions, we also successfully closed a bought deal financing for gross proceeds of $5.75 million in April, which included the over-allotment option that was exercised. These financings were critical to support our product portfolio expansion and the commissioning of important pieces of equipment in Hamilton.

In addition to infusers, we have now launched our Highly Dutch mainstream brand, our Unite organic vape, and two variants of tea, and are moving into a quick revenue growth acceleration phase with several additional SKUs of products on the way in the next weeks and this will be reflected more in Q2. To enable this commercial scaling, we are sourcing additional sources of funding to provide working capital, including the $15 million equity financing announced last week, which will reap longer-term rewards for our shareholders.

The management team continues to maintain a disciplined approach to operational costs related to the commercialization of our products in Canada. We continue to be very focused on where we spend our SG&A, focusing on the higher value added part of the value chain and finding good partners for the rest.

As Brian alluded to, we reduced our global G&A this quarter by 27% compared to Q4 of 2019, representing a decrease of $3.7 million. Included in the current quarter’s G&A are $0.7 million of termination costs and $1.1 million of administrative expenses related to the Quebec facility which, if we didn’t incur, would actually represent a 41% reduction in overall G&A.

Those Quebec facility expenses are reflected in G&A costs given there was no commercial production there in the quarter as we waited on the licensing. A majority of those expenses relate to labour that was temporarily laid off and, as such, will not be incurred until such time as the facility reopens to begin production there, at which point they should become part of cost of production.

So within this, our Canadian-only G&A is about half of the run rate from the second half of 2019, as Brian mentioned, and we are on track for our Canadian SG&A to be below $8 million per quarter as planned. Our cost reduction efforts are key to achieving positive operating cash flows and we’re off to a good start.

As we scale commercial production and distribution, we expect revenue and cash flow to increase rapidly in the next quarters and, despite the exceptionally challenging environment we’re in and given the cost interventions we have made combined with low-cost production, we are well positioned for the longer-term earnings growth and sustainable value creation for our shareholders.

The company expects that the net proceeds of the May offering, together with cash on hand, a $3 million bulge payment on the revolving credit facility coming on July 1, and further additional amounts up to $17 million available under the revolving credit facility, together with the positive cash flow generated from anticipated revenues and the continued cost cutting, will now be sufficient to fund operations.

I know the lack of liquidity and financial runway has been on the minds of many of our shareholders and the biggest drag on our stock. With the closure of this bought deal, we will finally have funds to bridge us until we can generate operational cash flow.

With that, I will hand it back to Brian.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Thanks, Sean.

Cannabis, being a new industry, is one of the most heavily regulated and we faced delays in launching some of our products. Although we had initially anticipated to launch more products from our Cannabis 2.0 line-up during the first quarter, we pushed back our timing as we got co-packers up to speed and worked through formulation and production challenges to get the content uniformity we wanted on THC. These development challenges are now resolved, as evidenced by our success of infusers in Q2 and the teas that are now being shipped. We are essentially a quarter behind where we thought we would be last year, but we feel very good about our new innovation and, based on month after month progress during Q2, feel we will catch up and are still on track to reaching operational cash flow later this year.

As we have committed to, we have built this company with the certainty that we aren’t just catering to one type of consumer. We’re building a portfolio of brands revolving around our core differentiator of delivering certified organic cannabis at scale. As of May, we now have a significant variety of options to supply to our consumers. First, our core Green Organic Dutchman brand remains our premium brand featuring craft flower and oils designed for the most discerning cannabis consumer. Second, our Highly Dutch brand will cater to the more frequent consumers whose consumption habits skew towards bulk purchases and consume significantly more product. Third, our TGOD Organics brand includes all our innovative 2.0 products, which have rolled out to exciting early successes.

From a single recreational SKU in 24 stores in Ontario during Q4 of last year, we expanded to three strains in Q1 across more provinces; however, even then, while great quality flower, they were not in the very high THC range, which is where most of the demand is. With our new hybrid greenhouse producing, we have fixed this with Unite now shipping in the 21% range and we have expanded our portfolio to 20 SKUs today, including flower, oils, pre-rolls, vapes, infusers, and teas, with flower servicing consumers in both the premium and mainstream segments. Our product can now be found in about 450 Canadian retail locations or through our relationships with 52 medical clinics, which have about 90 locations. I would like to share a little bit more detail on each of these categories.

Since our infusers launched in mid-March, they have become the number one SKU in the beverage category. The consistency, convenience, and predictable effects of these dissolvable powder products with science to back it up really resonates with both traditional and new cannabis consumers. In addition to the THC version currently in market, additional sizes and formats, including a CBD and balanced options, will launch shortly. After many years on the market in the US, this product still remains a top selling beverage SKU in Colorado, so we’re excited for the prosperous future and ability to support our consumers.

To expand and amplify our early beverage category success, our first teas are also now hitting the market. Teas have routinely shown up in research as among the most appealing cannabis concepts to Canadians. Candidly, there hasn’t been a truly great tasting premium cannabis tea available in the market to date and our offering of whole leaf teas with great flavours, like Happy Hibiscus Maté, have received very encouraging initial support. With the strong start to sales and a differentiated product, we’re working to speedily supply these teas to inquiring retail locations across the country. Additional flavours, including our Restful Chamomile and Green Sencha tea, are planned to follow in June.

Another element of Cannabis 2.0 was the commercialization of vapes. Earlier in May, we launched our first vape cartridge, Unite Organic. With its 400 milligrams of THC per cartridge, it has natural appeal to high THC consumers. Our Unite Organic vape cartridge is formulated with certified organic, full spectrum, CO2 extracted cannabis oils with natural derived terpenes. Importantly, unlike many other vapes, we have no synthetic inputs or cutting agents in our product. The cartridges are made with premium hardware with real wooden mouthpiece and, importantly, they’re all compatible with the market leading 510 thread battery. With our Unite Organic vape in market, our Harmony Organic and Care Organic vape cartridges will follow this quarter, providing a balanced product as well as a CBD version to complement our current THC offering.

Last quarter I mentioned the upcoming launch of our new mainstream brand. As of yesterday, Highly Dutch is available in Quebec in a one-ounce format, or 28 grams, of our Rotterdam OG indica strain. Highly Dutch increases TGOD’s market presence from the premium market, which is approximately 20% to 25% of the market, to include the larger mainstream market, enabling us to serve over 70% of the total market. It retails in the mid-market price range and is the lowest cost organic product available in Canada. This allows us to play in the largest segment of the cannabis market and we plan to fully expand the brand nationally with additional strains, sizes, and formats coming later this summer.

We see Highly Dutch as a catalyst for significant and profitable revenue growth acceleration and to support the conversion to the legal market. By adopting a dual brand strategy, we are able to capture a larger share of the overall market and significantly expand the organic segment by selling larger volumes at better value per gram. Importantly, it also allows us to better leverage the investments we have made in high-quality scaled organic cultivation, which was designed for a much bigger legal market. Our objective is to leverage the scale and cutting edge technologies of our facilities to produce flower at a cash cost per gram of less than a dollar, which we remain on track to achieve later this year. This is a key enabler of our strategy to play in this much bigger part of the market.

Recently research highlights that daily users make up about 26% of cannabis consumers in Canada, and their consumption represents approximately 90% of the total volume being sold. Highly Dutch is designed to meet the needs of this large segment. In terms of packaging preference, 30% of daily users purchase their cannabis in a one-ounce format and 14% purchase in a half-ounce format. These insights have guided our packaging strategy for Highly Dutch.

Finally, our core TGOD premium flower portfolio is also, ah, very exciting expansion plans as we go from one high THC strain currently to five high THC strains for sale in multiple formats later this summer. The net result is an expansion of our portfolio from one SKU in Q4 2019 to three in Q1 2020 in the recreational market and we’re now at 20 SKUs in mid-Q2 with plans to get to 34 by mid-Q3. Additionally, the team remains committed to delivering additional product categories, like concentrates and edibles, before year end and our ready-to-drink beverage sometime thereafter to further accelerate our strong start in beverages. We have had most of the formulation work done for some time but continue to work with partners to develop the supply chain to be compliant with Health Canada requirements.

To wrap up, in the CPG world, when you introduce a new product, you need consumers to love it the first time they try it in order to build loyalty and drive repeat purchase. That is exactly what we’ve been able to accomplish with our infusers. They have been in market since mid-March and quickly became the number-one selling beverage SKU in provinces like Ontario. Our plan has always been to adopt a CPG approach and our team has extensive experience in this space. We are focused not just on cleaner and healthier organic products but on unique innovation and high-quality products that have proven superiority in taste and efficacy in both onset times and bioavailability.

Unlike our competitors, we have a differentiated core which is organic, and when we fuse that with category pioneering products like our infusers, or best-in-class products like our teas, we are poised to grow our impact and appeal to the cannabis market. Although we are coming from behind, this is our time, our time to build on initial category dominant successes like beverage, our time to remain committed to our differentiation of organic cannabis at scale, our time to continue to take TGOD from an early-stage, limited-SKU organization to a robust market trailblazer with dozens of products to support cannabis consumers across Canada and with our partners around the world. On the international front, we are also in the process of obtaining our EU GMP certification in Ancaster in order to start exporting to Europe later this year. The certification process has taken longer due to the global pandemic, but we believe we are still on track for this summer.

As you can see these last months, we have delivered on the product innovation we outlined last quarter and we continue to make progress and remain focused on executing our plan. We’re optimizing costs where possible and taking actions on what we can control to offset the impact of this dynamic environment. With our construction phase behind us and funding finally being put in place, we are entering a portfolio and distribution expansion phase to drive revenue growth acceleration with a clear path to near-term profitability. We’re already seeing accelerated revenue growth in Canada during Q2 and plan on continuing to bring to market high-quality, innovative products with our unique organic positioning. I expect this to be further accelerated as we push to bring these innovative products into more stores nationally, including the new stores rapidly opening in Ontario, which we expect to enter on pace with the rest of the industry.

Operator, at this time you can open up the line for questions.

## Q & A

**Operator**

 Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the one on your touchtone phone. You will hear a three-tone prompt acknowledging your request. If you would like to withdraw your request, please press star followed by two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

 Your first question comes from Ryan Tomkins from Jefferies. Please go ahead.

**Ryan Tomkins** — Analyst, Jefferies

 Hi. Good morning, gentlemen. Hope you can hear me okay. I’ve got one shorter-term one and one longer-term one. I’ll start with the shorter-term one first. Looking at Highly Dutch, just wondering if you can give us any idea of the THC level that’s coming out of the Rotterdam at the moment, and then looking at more cost to produce, is there really a big difference in cost (inaudible) versus the TGOD organic brand?

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Okay, a couple questions you had there. Firstly, Highly Dutch, what we’re shipping right now is in the 17% to 20% range in a 28-gram format. I mean TGOD itself was designed for the premium segment, so that’s why, I mean, with a glass jar and very kind of handcrafted, hand trimmed, dried. Highly Dutch is leveraging a lot more automated processes. We’re selling it in larger sizes in a pouch, and so it’s got a different cost structure. And our plan is TGOD, we’re now above 20% and our plan is to maintain above 20% from a THC differentiation standpoint as well.

The second part of your question was around costs, so that’s driven by the packaging is differentiated and the sizing as well, as well as how we process it.

From the premium part of the market, I mean when we launched last year, last August, the premium kind of the market, kind of above $40 for 3.5 grams, was about 40% of the market. We’ve actually seen the percentage of premium decline. It’s now closer to 25% or 20% to 25% and we’ve seen a lot of growth in mainstream and value. We have built all these facilities for much, much bigger volumes, so we’re really leveraging that size and scale to be able to serve a much broader part of the market, and that’s why we launched the Highly Dutch brand as opposed to just bringing down TGOD. We believe there still is a place for that very premium craft product with higher THC and different kinds of packaging. It’s also very different consumers, right, who buy the large sizes, those daily consumers, and so we’ve designed it specifically for that.

**Ryan Tomkins** — Analyst, Jefferies

Okay, that’s (inaudible). I guess (inaudible) much, and this is not a criticism of yourself, (inaudible), but what do you think has been the change that you think the industry missed with regards to the large packaging, the high value, high volume, the premium segment being smaller than you originally thought it might be? What do you think has driven that or what’s the reason we got that wrong?

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Sorry, I didn’t fully hear the question. The speaker is not very good to hear. I think you’re asking about what has changed in the market?

**Ryan Tomkins** — Analyst, Jefferies

Yeah, what’s made the premium market shrink relative to your original expectations? What’s changed there based on, obviously, what was the initial plan to go for the premium market?

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Yeah, what we’ve seen in the market, I mean in the early days post legalization, there wasn’t the supply to meet demand, so people were focused on the premium part. Since then, there’s a lot of capacity that’s come online and we have seen some price compression. But even more so, people realized in the early days, the black market wasn’t converting due to a combination of several things. First of all, lack of retail accessibility. There weren’t a lot of stores, especially in Ontario and Quebec. But on top of that, most illicit market consumers, kind of those daily users, were buying a gram or half a gram and those products didn’t exist. We’ve seen some of our competitors launch that in the last months and they’re actually selling very well and that’s driven kind of the biggest part of the market expansion.

That said, no one is selling organic in that format and so recognizing where the consumers really are purchasing, what they’re looking for, that’s what we’ve addressed in our portfolio and with our Highly Dutch brand, is to address those consumers who are looking for those big formats and better value and that’s what we’re addressing. We just launched it yesterday. We’ll see in the next few weeks, but the feedback we’re hearing from Quebec so far has been very encouraging.

**Ryan Tomkins** — Analyst, Jefferies

That’s great. And then one more looking at longer term. I hope you can hear me okay. I’m kind of interested in where you view, on the Highly Dutch side, the long-term competitive advantage. I mean previously you had the organic brand. I appreciate it’s still organic (inaudible) much of a premium, the brand is kind of 12 months behind peers who’ve been out there for that length of time and you haven’t really got the scale of the peers you’re going up against now have. So, how do you view that longer term, the advantage there?

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Sure. So, Highly Dutch does not take away from our TGOD brand at all. It’s a different consumer that we’re targeting. And really recognizing we’ve put a lot of money into these facilities and this allows us to better leverage the scale of cultivation infrastructure we’ve built. It doesn’t take away from TGOD. We’re still focused on building TGOD.

Now as I mentioned, TGOD, what we sold in the first quarter really came out of our indoor facilities, which were designed more for propagation to feed into the greenhouse, but we got some commercial harvest out of there so we can get an earlier start and learning from the market. But the product we were selling was in the mid to high teens. It’s not what the market was really demanding for premium products, which is above 20%. Now with our hybrid greenhouse producing, we are actually producing not just higher yields but higher THC as well and, as I mentioned, the current product that we’re selling on Unite is 21%.

I mentioned last quarter in the call as well we had over a dozen new genetics being test flowered and we’ve gotten the results from that. We’re very happy. We’ve submitted a number of product notifications recently to Health Canada for, I think, about 41 of them for all different strains, as well as some additional 2.0 products. Those are now going into commercial scale cultivation. We’ll be harvesting them later in July. And then later this summer that’s how we go from on TGOD, like leaving aside Highly Dutch, we’re going to go from one high THC SKU to at least five high THC SKUs. That’s where, I mean we have not given up on premium, those will continue to be premium SKUs, high THC, hand harvested, hand trimmed, hang dried, cured in the different way than our Highly Dutch, which is more, still organic, high quality, but produced much more automated and at scale.

So, TGOD will remain unique, differentiated from Highly Dutch. It’s a different consumer. And what this is doing is allowing us to better leverage these facilities that we’ve built, all the capital we’ve invested, and generate a return for our shareholders from that capital.

**Ryan Tomkins** — Analyst, Jefferies

Appreciate it. Thank you, Brian.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

You’re welcome.

**Operator**

Thank you. The next question comes from Rob Stools from Niagara Stools. Please go ahead.

**Rob Stools** — Analyst, Niagara Stools

Hi, Brian.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Hi, Rob.

**Rob Stools** — Analyst, Niagara Stools

My question is with us not needing cash apparently any more that would mean we wouldn’t be finishing the construction in Valleyfield this year then, correct, because we would need substantial cash to finish that?

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Sean, do you want to address that?

**Sean Bovingdon** — Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

Yeah. So actually, in terms of finishing Valleyfield and opening up the greenhouse, there’s only about $3 million left of capital required, so the operating cash flow that we’ll be generating by the end of this year and the facilities we’re putting in place and have in place would be sufficient to be able to provide and build out the rest of the greenhouse to start to accelerate that.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

So that, the lower greenhouse that, the big one there, is mostly complete, or I mean the facility is complete, it’s just the fitting-out, some cooling and things like that, which is what Sean is talking about. But the building has been fully built. And just recently we got—we’ve been licensed there for two of the zones for a number of months. Last month we got the full facility, all 24 zones licensed. So we’re ready to go and we can expand room by room as we need, so even that capital isn’t all or nothing. We’ll do it as the market demands in terms of bringing the facility online.

**Sean Bovingdon** — Chief Financial Officer, The Green Organic Dutchman Holdings Ltd.

And beyond that, as you know, Rob, then the processing facility at Valleyfield next year, again, but a decision on that will depend on the size of the market conditions and our ability to be able to process the increased production from each of those rooms coming on in Valleyfield in Ancaster initially as the Ancaster facility was built for having excess production and processing capacity way beyond what’s being grown in Ancaster alone.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

And what that means, I mean the capital we’ve already invested in Valleyfield includes the capability and capacity to do drying. So, as we bring on rooms in Valleyfield, we would dry the product there and then bring it to Ancaster for further processing, whether it’s going into 2.0 products or to be packed in jars or those kinds of things.

The other thing we are doing in Valleyfield even now, while we don’t have cultivation happening in Valleyfield, we are looking at additional 2.0 products being produced and packaged there, so concentrates, edibles, and beverages, because we do have all that investment in that facility and rather than having it sit idle, we’re finding other creative ways to leverage that space and avoid kind of additional third party co-packing requirements to bring the next categories of 2.0 to market.

**Rob Stools** — Analyst, Niagara Stools

Then my last question, in Ancaster, did we get the EnWave machine working? Because I know with the COVID virus we had issues of them coming to put it together, so you were kind of doing it over the phone with them or something.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Yeah, no, that’s a great question. The EnWave has been installed. It’s not fully commissioned in terms of operating, just because of COVID. The folks from EnWave were not able to travel out from BC to Ontario. But that is scheduled a week after next for them to do that. But our team had good foresight to make sure we always had a back-up plan in case EnWave ever went down or something and what they had enabled was one of the rooms in our 20,000 square foot indoor facility to be able to be used for drying, so make sure we had enough HVAC and air flow movement in there, and so we’ve been actually using that room and it’s been working actually better than we expected.

However, I mean it’s still different. To do the hang drying or rack drying in that room, which is what we’re doing today, it still takes about five days versus the product going through EnWave would take more like 45 minutes, right? So we’re not getting that efficiency that we’ll get with EnWave yet, or we haven’t had it, but we do expect to bring it on in June and have that fully operational. And the product for Highly Dutch will go through the EnWave while TGOD will still be hang dried and hand trimmed and all the rest of that, which is different than Highly Dutch. So it really is a very different product, but both are high quality, both grown organically without synthetic pesticides and herbicides.

**Rob Stools** — Analyst, Niagara Stools

Thank you very much, Brian.

**Operator**

Thank you. That concludes the Q&A session. I will now turn it back over for closing comments.

**Brian Athaide** — Chief Executive Officer, The Green Organic Dutchman Holdings Ltd.

Okay. So, just to wrap up, we really are at an inflection point versus where we’ve been. We’ve now got the funding plans in place. We’re focused on executing. We have been executing what we said last quarter on our product portfolio. We’re seeing strong momentum in Q2 and I expect that to accelerate as we get more and more of these innovative products into more stores across the country. And if you have further questions, please reach out to us at any time. Thank you, everyone.

**Operator**

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and we ask that you please disconnect your lines. Enjoy the rest of your day.