Green Scientific Labs, LLC

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, DECEMBER 31, 2019 (AUDITED) AND THE THREE MONTHS ENDED MARCH 31, 2021 AND MARCH 31, 2020 (UNAUDITED)

(Expressed in United States Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Members of Green Scientific Labs, LLC

Opinions

We have audited the consolidated financial statements of Green Scientific Labs, LLC (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020, December 31, 2019, and January 1, 2019 [effective date of transition to the International Financial Reporting Standards (IFRS)], the consolidated statements of loss and comprehensive loss, changes in members' equity, and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

Opinion on the Financial Positions as at December 31, 2020 and 2019 and Financial Performance and Cash Flows for the year ended December 31, 2020

In our opinion, the accompanying consolidated statements of financial position presents fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in members' equity, and cash flows for the year ended December 31, 2020 in accordance with IFRS.

Qualified Opinion on the Financial Position as at January 1, 2019 and Financial Performance and Cash Flows for the year ended December 31, 2019

In our opinion, except for the possible effects of the matter described in the *Basis for Opinions, Including Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 1, 2019, and the consolidated statements of loss and comprehensive loss, changes in members' equity, and cash flows for the year ended December 31, 2019 in accordance with IFRS.

Basis for Opinions, Including Basis for Qualified Opinion - the Financial Position as at January 1, 2019 and the Financial Performance and Cash Flows for the year ended December 31, 2019

We did not observe the physical verification of the inventories and were unable to satisfy ourselves by alternative means concerning inventory quantities held at January 1, 2019. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the loss for the year ended December 31, 2019 reported in the consolidated statements of loss and comprehensive loss, changes in members' equity, and the net cash flows from operating activities reported in the consolidated statements of cash flows.

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Independent Auditor's Report to the Members of Green Scientific Labs, LLC *(Continued)*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion for the year ended December 31, 2020, the financial position as at December 31, 2020 and 2019, and our qualified audit opinion on the financial position as at January 1, 2019 and the financial performance and cash flows for the year ended December 31, 2019.

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

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

In preparing the consolidated 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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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Independent Auditor's Report to the Members of Green Scientific Labs, LLC *(Continued)*

- 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinions.

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 audits.

/s/ *SRCO Professional Corporation*

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Ontario, Canada
November 12, 2021

GREEN SCIENTIFIC LABS, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)

	Note	March 31, 2021 *(Unaudited)* $	December 31, 2020 $	December 31, 2019 $	January 1, 2019 $
Assets					
Current assets					
Cash		6,031,555	154,076	336,891	36,792
Trade receivables	4	657,015	484,586	414,417	24,682
Prepayments and deposits		81,096	20,516	14,406	16,920
Inventories		264,817	252,494	170,258	216,358
Total current assets		7,034,483	911,672	935,972	294,752
Non-current assets					
Property and equipment	5	1,230,565	1,265,014	1,179,149	76,132
Intangible assets	7	32,128	36,718	-	-
Right-of-use assets	6	2,522,868	2,189,032	1,162,130	1,054,873
Total assets		10,820,044	4,402,436	3,277,251	1,425,757
Liabilities					
Accounts payable and other payables	8	729,583	606,697	918,176	6,119
Customer deposits		35,313	181,407	-	-
Current portion of convertible debentures	13	-	466,777	199,287	-
Current portion of derivative liabilities	14	-	114,862	148,813	-
Current portion of lease liabilities	6	316,726	381,214	242,022	259,007
Total current liabilities		1,081,622	1,750,957	1,508,298	265,126
Non-current liabilities					
Loans and borrowings	11	-	186,300	-	-
Convertible debentures	13	-	48,556	70,070	-
Derivative liabilities	14	-	197,267	142,598	-
Lease liabilities	6	2,163,173	1,730,932	938,717	706,062
Total Liabilities		3,244,795	3,914,012	2,659,683	971,188
Members' Equity					
Members' capital	9	1,949,010	1,264,298	743,000	880,000
Units to be issued	9	6,440,000	-	-	-
Contributed surplus		364,213	262,493	2,253	-
Accumulated deficit		(1,177,974)	(1,038,367)	(127,685)	(425,431)
Total Members' Equity		7,575,249	488,424	617,568	454,569
Total Liabilities and Members' Equity		10,820,044	4,402,436	3,277,251	1,425,757

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

Contingencies (Note 10), Subsequent Events (Note 18)

GREEN SCIENTIFIC LABS, LLC
CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
(Expressed in United States dollars)

	Note	Three months ended March 31, 2021 (Unaudited) $	March 31, 2020 (Unaudited) $	Year ended December 31, 2020 $	December 31, 2019 $
Revenue		**2,190,902**	**1,345,753**	**6,096,339**	**3,619,712**
Operating expenses:					
Materials and consumables used		**(720,011)**	**(303,604)**	**(1,799,710)**	**(764,262)**
Employee wages and benefits		**(945,489)**	**(428,753)**	**(2,508,736)**	**(1,190,464)**
Consulting and professional fees		**(110,717)**	**(53,976)**	**(226,461)**	**(130,092)**
Depreciation and amortization		**(249,254)**	**(160,530)**	**(759,953)**	**(440,015)**
Supplies and small equipment		**(33,595)**	**(27,251)**	**(137,258)**	**(127,544)**
Rent and occupancy cost		**(28,323)**	**(18,570)**	**(88,656)**	**(62,653)**
Travel and entertainment		**(18,338)**	**(12,537)**	**(50,024)**	**(46,079)**
Advertising and promotion		**(1,363)**	**(22,955)**	**(28,654)**	**(45,250)**
General and administration		**(58,861)**	**(52,306)**	**(272,046)**	**(133,861)**
Unit-based compensation	**9(a)**	**-**	**(480,000)**	**(480,000)**	**-**
Income (loss) from operations		**24,951**	**(214,729)**	**(255,159)**	**679,492**
Other operating expenses:					
Finance cost		**(183,228)**	**(156,213)**	**(841,221)**	**(305,353)**
Gain (loss) on change in fair value of derivative liabilities	**14**	**33,312**	**1,252**	**253,324**	**(8,670)**
Loss on conversion of convertible debentures	**13**	**(197,440)**	**-**	**-**	**-**
Provision for expected credit losses	**4**	**(6,841)**	**-**	**(77,626)**	**(67,723)**
Gain on loan forgiveness	**11**	**189,639**	**-**	**-**	**-**
Other income		**-**	**-**	**10,000**	**-**
		(164,558)	**(154,961)**	**(655,523)**	**(381,746)**
Net (loss) income and comprehensive (loss) income		**(139,607)**	**(369,690)**	**(910,682)**	**297,746**

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

GREEN SCIENTIFIC LABS, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
(Expressed in United States dollars)

	Note	Members' Capital $	Units to be Issued $	Contributed Surplus $	Accumulated Deficit $	Total $
Balance, January 1, 2019		880,000	-	-	(425,431)	454,569
Net income for the year		-	-	-	297,746	297,746
Partial repayment of convertible debentures		-	-	2,253	-	2,253
Distributions	**9(c)**	(137,000)	-	-	-	(137,000)
Balance, December 31, 2019		743,000	-	2,253	(127,685)	617,568
Balance, January 1, 2020		743,000	-	2,253	(127,685)	617,568
Net loss for the period		-	-	-	(369,690)	(369,690)
Issuance of units for services	**9(a)**	480,000	-	-	-	480,000
Distributions		(43,613)	-	-	-	(43,613)
Balance, March 31, 2020 *(unaudited)*		1,179,387	-	2,253	(497,375)	684,265
Balance, January 1, 2020		743,000	-	2,253	(127,685)	617,568
Net loss for the year		-	-	-	(910,682)	(910,682)
Issuance of units for services	**9(a)**	480,000	-	-	-	480,000
Partial repayment of convertible debentures		-	-	260,240	-	260,240
Conversion of convertible debentures	**9(b)**	219,911	-	-	-	219,911
Distributions	**9(c)**	(178,613)	-	-	-	(178,613)
Balance, December 31, 2020		1,264,298	-	262,493	(1,038,367)	488,424
Balance, January 1, 2021		1,264,298	-	262,493	(1,038,367)	488,424
Net loss for the period		-	-	-	(139,607)	(139,607)
Partial repayment of convertible debentures		-	-	101,720	-	101,720
Conversion of convertible debentures	**9(e)**	714,712	-	-	-	714,712
Units to be issued	**9(d)**	-	6,440,000	-	-	6,440,000
Distributions	**9(c)**	(30,000)	-		-	(30,000)
Balance, March 31, 2021 *(unaudited)*		1,949,010	6,440,000	364,213	(1,177,974)	7,575,249

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

GREEN SCIENTIFIC LABS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

		Three months ended		Year ended	
		March 31, 2021	March 31, 2020	December 31, 2020	December 31, 2019
		(Unaudited)	*(Unaudited)*		
	Note	$	$	$	$
Cash flow from operating activities					
Net income (loss) for the year/period		(139,607)	(369,690)	(910,682)	297,746
Items not affecting cash:					
Depreciation and amortization		249,253	160,528	759,953	440,015
Accretion on lease liabilities	6	64,738	27,031	193,310	167,091
Accretion on convertible debentures	13	93,713	92,116	512,767	81,652
Change in fair value of derivative liabilities	14	(33,312)	(1,252)	(253,324)	8,670
Loss on conversion of convertible debentures	13	197,440	-	-	-
Provision for expected credit losses	4	6,841	-	77,626	67,723
Unit-based compensation	9(a)	-	480,000	480,000	-
Gain on loan forgiveness	11	(189,639)	-	-	-
Changes in non-cash working capital items:					
Decrease (Increase) in trade and other receivables		(179,270)	4,593	(147,795)	(457,458)
Decrease (Increase) in prepayments and deposits		(60,580)	(745)	(6,110)	2,514
Increase (decrease) inventories		(12,323)	(52,227)	(82,236)	46,100
Increase (decrease) in accounts payable and other payables		126,225	(486,753)	(311,479)	912,057
Increase (decrease) in customer deposits		(146,094)	-	181,407	-
Cash flow from (used in) operating activities		(22,615)	(146,399)	493,437	1,566,110
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property and equipment	5	(50,182)	(200,411)	(390,086)	(1,211,029)
Purchase of intangible assets	7	-	(62,945)	(62,945)	-
Cash flow used in investing activities		(50,182)	(263,356)	(453,031)	(1,211,029)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issuance of units, net	9(d)	6,440,000	-	-	-
Proceeds from loans and borrowings, net	11	-	-	186,300	-
Issuance of convertible debentures, net		100,556	865,441	958,380	472,699
Repayment of convertible debentures		(369,427)	(175,939)	(470,978)	-
Distributions paid to members	9(c)	(30,000)	(43,613)	(178,613)	(137,000)
Payment of lease liabilities		(190,853)	(110,057)	(718,310)	(390,681)
Cash flow from (used in) financing activities		5,950,276	535,832	(223,221)	(54,982)
Increase (decrease) in cash		**5,877,479**	**126,077**	**(182,815)**	**300,099**
Cash, beginning of year/period		154,076	336,891	336,891	36,792
Cash, end of year/period		6,031,555	462,968	154,076	336,891

Supplementary information				
Interest paid, net	17,127	19,293	93,794	1,083
Conversion of convertible debt	714,712	-	219,911	-

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

1. NATURE OF OPERATIONS

Green Scientific Labs, LLC ("GSL" or the "Company") was formed in the State of Delaware on April 19, 2018. The Company is located at 4001 SW 47th Avenue, Suite 208 Davie, Florida 33314 and provides hemp and marijuana testing services in Florida, the United States.

On February 11, 2021, the Company completed a 1,000 for 1 membership unit split to increase the issued and outstanding membership units of the Company from 100 to 100,000. On February 15, 2021, the Company completed a 100 for 1 membership unit split to further increase the issued and outstanding membership units of the Company from 100,000 to 10,000,000. These consolidated financial statements give retroactive effect to such membership unit split and all membership units and per membership unit amounts have been adjusted accordingly.

2. BASIS OF PRESENTATION AND MEASUREMENT

The consolidated financial statements for the years ended December 31, 2020 and December 31, 2019 and three months ended March 31, 2021 (unaudited) have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These financial statements also include the unaudited interim consolidated financial statements of the Company, for the three months ended March 31, 2021 and 2020, which have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and follow the same accounting policies as the consolidated financial statements for the years ended December 31, 2020 and 2019.

These audited consolidated financial statements for the years ended December 31, 2020 and 2019 and unaudited three months ended March 31, 2021 were approved and authorized for issue by the members of the Company on November 12, 2021.

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value as described herein.

IFRS 1-First Time Adoption of IFRS

The consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of loss and comprehensive loss and changes in member's equity, and cash flows for the years ended December 31, 2020 and 2019 are the first consolidated financial statements of the Company which are presented in accordance with IFRS. As such, the Company makes an explicit and unreserved statement of compliance with IFRS. On date of transition to IFRS as of January 1, 2019, the Company has stated its consolidated statements of financial position under IFRS. As a result, the entity has recognized all assets and liabilities required by IFRS; derecognized all assets and liabilities not permitted by IFRS; classified all assets, liabilities and components of equity in accordance with IFRS; and measured all assets and liabilities in accordance with IFRS. There was no impact on January 1, 2019 on the consolidated statements of financial position on the first-time adoption of IFRS.

2. BASIS OF PRESENTATION AND MEASUREMENT (continued)

Basis of consolidation

These statements consolidate the accounts of the Company and its wholly owned subsidiaries. Control is achieved when we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit and loss or other comprehensive income (loss) of subsidiaries acquired during the period are recognized from the date of acquisition or effective date of disposal as applicable. Significant intercompany accounts and transactions have been eliminated on consolidation.

The Company has the following subsidiaries:

Name of Entity	% Ownership	Accounting Method
Green Scientific Labs Management (Michigan) LLC	100	Consolidation
Green Scientific Labs AZ LLC	100	Consolidation

When the proportion of the equity (deficiency) held by non-controlling interest changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity (deficiency) any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the members of the Company.

Functional and Presentation Currency

The Company's functional currency and those of its wholly owned subsidiaries, as determined by management, is the United States ("U.S.") dollar. These financial statements are presented in U.S. dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes cash deposits with original maturities of less than 90 days in financial institutions.

Property and Equipment

Property and equipment are stated at cost less any accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the depreciable asset using the following terms and methods:

Leasehold improvements	5 years
Furniture and equipment	5 Years
Computer software	5 Years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in operations in the year the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories, which consist principally finished goods testing supplies and reagents, are valued at lower of cost and net realizable value. The cost includes material costs and other costs incurred in bringing the inventories to their present location and condition, and is accounted for on a first-in/first-out basis. Net realizable value is the estimated selling price less the estimated costs of completion and the costs necessary to make the sale.

Revenue Recognition

Revenue is recognized by the Company in accordance with IFRS 15, *Revenue from Contracts with Customers.* Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In order to recognize revenue under IFRS 15, the Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenues from the provision of hemp and marijuana testing services are generally recognized at a point in time when control over the goods have been transferred to the customer. Payments are only done with cash typically which is due upon transferring the goods to the customer. Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

Convertible debentures

The component of convertible debentures that exhibits characteristics of a liability is recognized as a liability in the consolidated statements of financial position, net of transaction costs. On issuance of convertible debentures, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debenture and carried at amortized cost until extinguished. The remainder of the proceeds are allocated to the conversion option that is recognized and included in members' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. On initial recognition, transaction costs are apportioned between the liability and equity components of the convertible debentures based on the allocation of proceeds to the liability and equity components.

If the conversion option of convertible debentures exhibits characteristics of an embedded derivative, on initial recognition, the derivative component of the convertible debentures is measured at fair value and presented as part of derivative liabilities. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. On initial recognition, transaction costs are apportioned between the liability and derivative components of the convertible debentures based on the allocation of proceeds to the liability and derivative. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion of the transaction costs relating to the derivative component is recognized immediately in the consolidated statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial Assets

<u>*Recognition and Initial Measurement*</u>

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

<u>*Classification and Subsequent Measurement*</u>

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

• Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost would comprise of cash and trade receivables.

• Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

• Fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. The Company does not hold any financial assets measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment

An expected credit loss ("ECL") model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade receivables. In determining the ECLs management makes estimates related to the probability-weighted amount of ECLs based on a ranger of outcomes, the discount rate that reflects the effective interest rate of the asset and other information available as of the reporting date relating to past events, current conditions and forecasts regarding future economic conditions.

The Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of Financial Assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial Liabilities

Recognition and Initial Measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss. Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

The Company has classified its financial instruments as follows:

Cash	Amortized costs
Trade receivables	Amortized costs
Accounts payable and other payables	Amortized costs
Customer deposits	Amortized costs
Loans and borrowings	Amortized costs
Convertible debentures	Amortized costs
Derivative liabilities	FVTPL

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and Contingent Liabilities

Provisions, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. As at March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019, there were no such contracts.

Foreign Currency

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the consolidated statements of financial position date. Non- monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net loss and comprehensive loss for the period. There were no foreign currency transactions during the years ended December 31, 2020 and 2019 and the three months ended March 31, 2021.

Intangible Assets

Intangible assets are measured at fair value at their respective acquisition dates. Amortization of definite life intangibles is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Licenses	2 years

The Company evaluates the reasonableness of the estimated useful lives of these intangible assets on an annual basis. Intangible assets with definite lives are assessed for impairment when some or all of the internal or external indicators of impairment are met.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro-rata ownership of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement.

Unit-based compensation

For equity-settled unit-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of goods and services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instrument granted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgments, estimates, and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

(i) *Estimated Useful Lives and Depreciation of Property and Equipment*

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(ii) *Fair value of derivative liabilities*

Management uses the multinomial lattice model to calculate the fair value of derivative liabilities. Use of this method requires management to make assumptions and estimates about the Company's unit price, the risk free rate, the probability of an event of default for the instruments, alternative financing, and capital raising events to take place, and the expected volatility of the Company's unit price. In making these assumptions and estimates, management relies on historical market data.

(iii) *Lease liabilities*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Company included the renewal period as part of the lease term for leases of office and laboratory because there will be a significant negative effect on operations if a replacement asset is not readily available.

When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the consolidated statements of loss and comprehensive loss.

(iv) *Expected credit losses*

In calculating the expected credit loss on financial instruments, management is required to make a number of judgments including the probability of possible outcomes with regards to credit losses, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition.

(v) *Going concern risk assessment*

The assessment of the Company's ability to continue as a going concern, meet its liabilities for the ensuing year, involves significant judgment based on expectation of future events that are believed to be reasonable under the circumstances.

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per Membership Unit

Basic earnings per membership unit will be calculated and disclosed once the related capital subscription agreements have been finalized. Basic earnings per membership unit is calculated by dividing: the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary units; by the weighted average number of units outstanding during the financial period, adjusted for bonus elements in units issued during the year and excluding units held in treasury.

Adoption of New and Revised Standards and Interpretations

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019. The Company adopted IFRS 16 using the full retrospective method of adoption, with the date of initial application of April 8, 2018.

Standards, amendments, and interpretations issued but not yet adopted

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The impact on the Company is currently being assessed.

Amendment to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current: In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

4. TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on a 30 days term.

Below is the movement in the allowance for expected credit losses of trade receivables:

	March 31, 2021 *(unaudited)*	**December 31, 2020**	**December 31, 2019**
	$	**$**	**$**
Opening balance, January 1	31,366	67,723	-
Provision for expected credit losses	6,841	77,626	67,723
Write-off	-	(113,983)	-
Ending balance	**38,207**	**31,366**	**67,723**

(Expressed in United States dollars)

5. PROPERTY AND EQUIPMENT

As at March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019, property and equipment consist of:

	Leasehold improvements $	Furniture and equipment $	Computer software $	Total $
Cost				
Balance, January 1, 2019	**-**	**79,834**	**-**	**79,834**
Additions	6,048	1,204,981	-	1,211,029
Balance, December 31, 2019	**6,048**	**1,284,815**	**-**	**1,290,863**
Additions	197,410	192,676	-	390,086
Balance, December 31, 2020	**203,458**	**1,477,491**	**-**	**1,680,949**
Additions *(unaudited)*	-	21,182	29,000	50,182
Balance, March 31, 2021 *(unaudited)*	**203,458**	**1,498,673**	**29,000**	**1,731,131**
Accumulated depreciation				
Balance, January 1, 2019	**-**	**3,702**	**-**	**3,702**
Depreciation	556	107,456	-	108,012
Balance, December 31, 2019	**556**	**111,158**	**-**	**111,714**
Depreciation	21,654	282,567	-	304,221
Balance, December 31, 2020	**22,210**	**393,725**	**-**	**415,935**
Depreciation *(unaudited)*	10,172	74,459	-	84,631
Balance, March 31, 2021 *(unaudited)*	**32,382**	**468,184**	**-**	**500,566**
Net book value				
At January 1, 2019	-	76,132	-	76,132
At December 31, 2019	5,492	1,173,657	-	1,179,149
At December 31, 2020	181,248	1,083,766	-	1,265,014
At March 31, 2021 *(unaudited)*	**171,076**	**1,030,489**	**29,000**	**1,230,565**

(Expressed in United States dollars)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

The Company's leases assets include office space, equipment and vehicle leases. Leases of office space and equipment generally have lease term between 3 to 15 years, while motor vehicles generally have lease terms of 6 years. There are several lease contracts that include extension options and management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (Note 3). The right-of-use assets consist of the following:

	Right of use Buildings $	Right of use Equipment $	Right of use Vehicles $	Right of use Total $
Cost				
Recognized January 1, 2019	**398,627**	**815,214**	**-**	**1,213,841**
Lease additions	-	-	-	-
Lease modification	373,911	-	-	373,911
Balance, December 31, 2019	**772,538**	**815,214**	**-**	**1,587,752**
Lease additions	-	1,381,325	75,082	1,456,407
Balance, December 31, 2020	**772,538**	**2,196,539**	**75,082**	**3,044,159**
Lease additions *(unaudited)*	464,594	-	-	464,594
Lease modification *(unaudited)*	(65,598)	-	-	(65,598)
Balance, March 31, 2021 *(unaudited)*	**1,171,534**	**2,196,539**	**75,082**	**3,443,155**
Accumulated depreciation				
Recognized January 1, 2019	**45,744**	**113,224**	**-**	**158,968**
Amortization	60,265	271,738	-	332,003
Lease modification	(65,349)	-	-	(65,349)
Balance, December 31, 2019	**40,660**	**384,962**	**-**	**425,622**
Amortization	54,213	365,907	9,385	429,505
Balance, December 31, 2020	**94,873**	**750,869**	**9,385**	**855,127**
Amortization *(unaudited)*	19,526	137,379	3,128	160,033
Lease modification *(unaudited)*	(94,873)	-	-	(94,873)
Balance, March 31, 2021 *(unaudited)*	**19,526**	**888,248**	**12,513**	**920,287**
Net book value				
At January 1, 2019	352,883	701,990	-	1,054,873
At December 31, 2019	731,878	430,252	-	1,162,130
At December 31, 2020	677,665	1,445,670	65,697	2,189,032
At March 31, 2021 *(unaudited)*	**1,152,008**	**1,308,291**	**62,569**	**2,522,868**

(Expressed in United States dollars)

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities

The Company's corresponding lease liabilities are composed of the following:

Recognized January 1, 2019	**$**	**965,069**
Additions		-
Payments and interest		(223,590)
Lease modification		439,260
Balance, December 31, 2019		**1,180,739**
Additions		1,456,407
Payments and interest		(525,000)
Balance, December 31, 2020		2,112,146
Additions *(unaudited)*		464,594
Payments and interest *(unaudited)*		(126,115)
Lease modification *(unaudited)*		29,274
Balance, March 31, 2021 *(unaudited)*		2,479,899

Interest expense on lease liabilities for the year ended December 31, 2020 was $193,310 (2019 - $167,091) and for the three months ended March 31, 2021 (unaudited) was $64,738 (three months ended March 31, 2020 (unaudited) - $27,031).

During the year ended December 31, 2020, the Company applied a range of IBR from 5.7% to 18.3% (2019 – 13.0% to 18.33%). During the three months ended March 31, 2021 (unaudited), the IBR applied ranged from 5.7% to 18.3% (three months ended March 31, 2020 (unaudited) – 5.7% to 18.3%). The Company's minimum contractual undiscounted cash flows for lease obligations as at March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019 are presented below:

	March 31, 2021 *(unaudited)* $	December 31, 2020 $	December 31, 2019 $	January 1, 2019 $
Undiscounted lease liabilities				
Within 1 year	596,606	609,112	393,824	390,680
2 to 3 years	1,014,455	891,429	392,458	671,767
Thereafter	2,930,256	1,821,151	1,438,996	172,617
Total undiscounted lease liabilities	4,541,317	3,321,692	2,225,278	1,235,064
Impact of discounting	(2,061,418)	(1,209,546)	(1,044,539)	(269,995)
Present value of lease liabilities	2,479,899	2,112,146	1,180,739	965,069
Less: current portion of lease liabilities	**(316,726)**	**(381,214)**	**(242,022)**	**(259,007)**
Non-current portion of lease liabilities	**2,163,173**	**1,730,932**	**938,717**	**706,062**

(Expressed in United States dollars)

7. INTANGIBLE ASSETS

During the year ended December 31, 2020, the Company obtained a license to operate as a testing laboratory from the State of Florida Department of Health Office of Medical Marijuana Use ("OMMU"). Intangible assets consist of application fees incurred to obtain the license. The Company amortizes the license on a straight-line basis, over a 2-year useful life.

	License **$**
Cost	
Balance, January 1, 2019	**-**
Additions	-
Balance, December 31, 2019	**-**
Additions	62,945
Balance, December 31, 2020	**62,945**
Additions *(unaudited)*	-
Balance, March 31, 2021 *(unaudited)*	**62,945**
Accumulated depreciation	
Balance, January 1, 2019	**-**
Depreciation	-
Balance, December 31, 2019	**-**
Depreciation	26,227
Balance, December 31, 2020	**26,227**
Depreciation *(unaudited)*	4,590
Balance, March 31, 2021 *(unaudited)*	**30,817**
Net book value	
At January 1, 2019	-
At December 31, 2019	-
At December 31, 2020	36,718
At March 31, 2021 *(unaudited)*	32,128

8. ACCOUNTS PAYABLE AND OTHER PAYABLES

	March 31, 2021 *(unaudited)* **$**	**December 31, 2020** **$**	**December 31, 2019** **$**	**January 1, 2019** **$**
Accounts payable	496,712	367,504	825,860	178
Other payables	135,339	187,975	39,455	3,335
Accrued liabilities	97,532	51,218	52,861	2,606
	729,583	**606,697**	**918,176**	**6,119**

Accounts payable is non-interest bearing and are normally settled on 30 to 60-day terms. Other payables and accrued liabilities are non-interest bearing and have an average term of three months.

9. MEMBERS' EQUITY

Authorized unit capital
The Company is authorized to issue an unlimited number of units.

Outstanding unit capital
As at March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019, there was only one class of units issued and outstanding.

a) During the year ended December 31, 2020, the Company issued 1,000,000 units at a price of $0.48 per unit pursuant to employment arrangements, and recorded the amount as unit-based compensation expense.
b) During the year ended December 31, 2020, the Company converted $200,746 of the 2018 Debentures via the issuance of 267,000 units at $0.75 per unit. Derivative liability of $19,165 related the 2018 Debentures were reclassified to members' capital upon conversion.
c) During the three months ended March 31, 2021 (unaudited) and years ended December 31, 2020 and 2019, distributions of $30,000 (unaudited), $178,613 and $137,000 were made, respectively.
d) Unaudited -During the three months ended March 31, 2021, the Company received gross proceeds of $6,440,000 from a non-brokered private placement through the issuance of 6,440,000 units at $1.00 per unit and incurred issuance costs of $35,297. The units were issued subsequently on April 6, 2021 and therefore, the proceeds were recorded as units to be issued as at March 31, 2021.
e) Unaudited -During the three months ended March 31, 2021, the Company converted $481,555 of the 2019 Debentures and $18,445 of the 2020 Debentures via the issuance of 500,000 units. Derivative liabilities of $212,260 related the 2019 Debentures and $2,452 related to the 2020 Debentures were reclassified to members' capital upon conversion.

As at March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019, there were 10,500,000, 10,000,000, 9,000,000 and 10,000,000 units outstanding, respectively.

10. CONTINGENCIES

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

11. LOANS AND BORROWINGS

PPP loan
On May 10, 2020, the Company received a $188,300 loan under the Paycheck Protection Program ("PPP") offered by the U.S. Small Business Administration in the context of the COVID-19 pandemic outbreak. The loan is interest-bearing at 1.00% per annum and with a maturity date in 2 years. On January 22, 2021, the full amount of $188,300 in principal and $1,339 in accrued interest was forgiven and the total amount of $189,639 is presented gain on loan forgiveness in the consolidated statements of loss and comprehensive loss during the period ended March 31, 2021(unaudited).

As at March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019, loan balance outstanding were Nil, $188,300, Nil, and Nil, respectively. Interest expense incurred for the year ended December 31, 2020 was $1,218 (2019 - Nil) and for the three months ended March 31, 2021 (unaudited) was $122 (three months ended March 31, 2020 – Nil (unaudited)).

12. RELATED PARTY TRANSACTIONS

Parties are considered related if the party has the ability, either directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received.

Key management includes the Company's directors and members of the executive management team. Total compensation of key management personnel and directors was approximately $247,520 for the year ended December 31, 2020 (2019 – $228,845) and $69,856 for the three months ended March 31, 2021 (unaudited) (three months ended March 31, 2020 - $54,986 (unaudited)).

13. CONVERTIBLE DEBENTURES

2018 Debenture
On December 31, 2018, the Company entered into an agreement to issue convertible debentures of $250,000 (the "2018 Debenture"). The proceed was received on January 2, 2019. The 2018 Debenture bore interest at 15% per annum. The Company was required to make interest-only payments beginning on January 1, 2020 and final payment of principal and accrued interest was due and payable on June 30, 2020. The 2018 Debenture was secured by a security interest in the Company's property and assets pursuant to the security agreement entered into with the holder. The outstanding principal and unpaid accrued interest was at the option of the holder to be converted into the Company's membership unit at a conversion price of at the lesser of: (i) $7.5 million pre-money valuation per membership unit or; or (ii) the per membership unit purchase price of the next equity financing by the Company for cash. On June 30, 2020, $200,746 of the 2018 Debenture was converted into 2.67% membership interest of the Company at $7.5 million pre-money valuation, which is the value of the Company before it receives other external funding or financing.

2019 Debentures
On November 7, 2019, the Company entered into an agreement to issue a series of convertible debentures with an aggregate amount of $987,765 (the "2019 Debentures"). The 2019 Debentures bore interest at 13% per annum. The Company was required to make principal and interest payments until the 2019 Debentures was fully repaid. The 2019 Debentures was secured by a security interest in the Company's property and assets pursuant to the security agreement entered into with the holder. The outstanding principal and unpaid accrued interest was at the option of the holder to be converted into the Company's membership unit at a conversion price of at the lesser of: (i) $20 million pre-money valuation per membership unit or; or (ii) the per membership unit purchase price of the next equity financing by the Company for cash. In 2019 the Company closed two tranches and raised gross proceeds of $224,009. In 2020, the Company closed the remaining amount in four tranches and raised gross proceeds of $763,757. The monthly principal and interest payments for the different tranches range from $3,735 to $19,828. During the three months ended March 31, 2021 (unaudited), $500,000 of the 2019 Debentures was converted into 500,000 membership units of the Company at $1 per unit. Upon conversion, the Company recorded a loss on conversion of $168,271.

13. CONVERTIBLE DEBENTURES (continued)

2020 Debenture
On August 11, 2020, the Company entered into a secured credit line with a principal amount of $200,000. The note bore interest of 13% per annum with a maturity date of November 11, 2020. The Company was to make interest only monthly payment of $2,250. The promissory note is secured by a security interest in equipment owned by the Company up to a value of $200,000. The outstanding principal and unpaid accrued interest was at the option of the holder to be converted into the Company's membership unit at a conversion price of at the lesser of: (i) $20 million pre-money valuation per membership unit or; or (ii) the per membership unit purchase price of the next equity financing by the Company for cash. On November 4, 2020, the Company entered into an amendment to the promissory note to extend the maturity date to February 11, 2021 and the monthly interest payment was be in the amount of $2,500. During the three months ended March 31, 2021 (unaudited), $18,445 of the 2018 Debenture was converted into 18,445 membership units of the Company at $1 per unit and the remaining portion was repaid in full.

2021 Debenture
On February 2, 2021, the Company entered into a promissory note with a principal amount of $101,500. The note bore interest of 13% per annum with a maturity date of August 2, 2021. The principal amount and accrued interest were due on maturity. The outstanding principal and unpaid accrued interest was at the option of the holder to be converted into the Company's membership unit at a conversion price of at the lesser of: (i) $20 million pre-money valuation per membership unit or; or (ii) the per membership unit purchase price of the next equity financing by the Company for cash. During the three months ended March 31, 2021 (unaudited), the outstanding principal and accrued interest were repaid in full. Upon early repayment, the Company recorded a loss of $29,169 on settlement.

(Expressed in United States dollars)

13. CONVERTIBLE DEBENTURES (continued)

	2018 Debenture $	2019 Debentures $	2020 Debenture $	2021 Debenture $	Total $
Balance, January 1, 2019	-	-	-	-	-
Amounts issued	250,000	224,009	-	-	474,009
Less: allocated to derivative liabilities (Note 14)	(148,391)	(136,603)	-	-	(284,994)
Less: issuance costs	-	(1,310)	-	-	(1,310)
Accretion	78,323	3,329	-	-	81,652
Repayment	-	-	-	-	-
Conversion	-	-	-	-	-
Balance, December 31, 2019	179,932	89,425	-	-	269,357
Amounts issued	-	763,757	200,000	-	963,757
Less: allocated to derivative liabilities (Note 14)	-	(460,508)	(92,939)	-	(553,447)
Less: issuance costs	-	(4,306)	(1,071)	-	(5,377)
Accretion	70,068	348,689	94,010	-	512,767
Repayment	(49,254)	(421,724)	-	-	(470,978)
Conversion	(200,746)	-	-	-	(200,746)
Balance, December 31, 2020	-	315,333	200,000	-	515,333
Amounts issued	-	-	-	101,500	101,500
Less: allocated to derivative liabilities (Note 14)	-	-	-	(37,615)	(37,615)
Less: issuance costs	-	-	-	(944)	(944)
Accretion	-	84,323	-	9,390	93,713
Repayment	-	(86,372)	(181,555)	(101,500)	(369,427)
Conversion	-	(481,555)	(18,445)	-	(500,000)
Loss on conversion	-	168,271	-	29,169	197,440
Balance, March 31, 2021 *(unaudited)*	**-**	**-**	**-**	**-**	**-**

14. DERIVATIVE LIABILITIES

2018 Debenture

The 2018 Debenture (see Note 13) issued by the Company contained down round protection on the conversion feature. If the down round protection is enacted, there will be variability in the number of membership units issued. In accordance with IFRS, a contract to issue variable number of membership units shall be classified as a derivative liability and measured at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period-end. The derivative liability will ultimately be converted into the Company's equity when the convertible debenture is converted, or will be extinguished on the repayment of the debentures and reclassified to contributed surplus.

The Company used the multinomial lattice model to estimate the fair value of the derivative liability with respect to the 2018 Debenture at each reporting date. This is a Level 3 recurring fair value measurement (Note 16). The following assumptions were used:

2018 Debenture	June 30, 2020*	December 31, 2019	At inception
Volatility	124.90%	102.89%	86.00%
Risk-free interest rate	0.11%	1.55%	2.57%
Term remaining (years)	0.00	0.50	1.50
Stock price	$ 0.83	$ 0.72	$ 0.49

**Date of conversion*

(Expressed in United States dollars)

14. DERIVATIVE LIABILITIES (continued)

2018 Debenture (continued)

Upon initial recognition, the Company recorded derivative liability of $148,391 in 2019. During the year ended December 31, 2020, the Company recorded a gain of $124,946 (2019 – loss of $422) on the revaluation of the derivative liability. In 2020, $200,746 of the 2018 Debenture were converted and the Company recorded $19,165, representing the fair value of the derivative liability at the conversion date for the portion converted, as members' capital.

2019 Debentures

Similar to the 2018 Debenture, the 2019 Debentures contained down round protection on the conversion feature and shall be classified as derivatives liabilities and measure at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period end.

The Company used the multinomial lattice model to estimate the fair value of the derivative liabilities with respect to the 2019 Debentures at each reporting date. This is a Level 3 recurring fair value measurement (Note 16). The following assumptions were used:

2019 Debentures	March 15, 2021*	December 31, 2020	December 31, 2019	At inception
Volatility	101.00% to 119.90%	114.20% to 123.70%	97.30% to 98.20%	95.00% to 108.00%
Risk-free interest rate	0.06%	0.09% to 0.10%	1.59%	0.17% to 1.68%
Term remaining (years)	0.65 to 0.97	0.85 to 1.17	1.85 to 1.96	1.95 to 2.00
Stock price	$ 1.00	$ 0.94	$ 0.72	$0.68 to $0.75

**Date of conversion*

Upon initial recognition, the Company recorded derivative liabilities of $136,603 in 2019 and $460,508 in 2020, respectively. During the year ended December 31, 2020, a balance of $ $255,538 (2019 - $2253) was transferred to contributed surplus upon partial payment made by the Company throughout the year. During the year ended December 31, 2020, the Company recorded a gain of $35,439 (2019 – loss of $8,248) on the revaluation of the derivative liabilities. During the three months ended March 31, 2021 (unaudited), the Company recorded a gain of $52,611 on the revaluation of the derivative liabilities (three months ended March 31, 2020 (unaudited) – loss of $2,563). During the three months ended March 31, 2021 (unaudited), $481,555 of the 2019 Debentures were converted and the Company recorded $212,260, representing the fair value of the derivative liability at the conversion date, as members' capital.

(Expressed in United States dollars)

14. DERIVATIVE LIABILITIES (continued)

2020 Debenture
Similar to the 2018 and 2019 Debentures, the 2020 Debenture contained down round protection on the conversion feature and shall be classified as derivatives liabilities and measure at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period end.

The Company used the multinomial lattice model to estimate the fair value of the derivative liabilities with respect to the 2020 Debenture at each reporting date. This is a Level 3 recurring fair value measurement (Note 16). The following assumptions were used:

2020 Debenture	March 15, 2021*	December 31, 2020	At inception
Volatility	93.02%	84.24%	149.84%
Risk-free interest rate	0.01%	0.08%	0.12%
Term remaining (years)	0.25	0.11	0.50
Stock price	$ 1.00	$ 0.94	$ 0.86

**Date of conversion/repayment*

Upon initial recognition, the Company recorded derivative liabilities of $92,939 in 2020. During the year ended December 31, 2020, the Company recorded a gain of $92,939 (2019 – Nil) on the revaluation of the derivative liabilities. During the three months ended March 31, 2021 (unaudited), the Company recorded a loss of $26,586 on the revaluation of the derivative liabilities. During the three months ended March 31, 2021 (unaudited), $18,455 of the 2020 Debenture were converted and the Company recorded $2,452, representing the fair value of the derivative liability at the conversion date, as members' capital.

2021 Debenture
Similar to the other debentures, the 2021 Debenture contained down round protection on the conversion feature and shall be classified as derivatives liabilities and measure at fair value with change in fair value recognized in the consolidated statements of loss and comprehensive loss at each period end.

The Company used the multinomial lattice model to estimate the fair value of the derivative liabilities with respect to the 2021 Debenture at each reporting date. This is a Level 3 recurring fair value measurement (Note 16). The following assumptions were used:

2021 Debenture	March 15, 2021*	At inception
Volatility	94.07%	96.00%
Risk-free interest rate	0.03%	0.07%
Term remaining (years)	0.34	0.50
Stock price	$ 1.00	$ 0.96

**Date of repayment*

Upon initial recognition, the Company recorded derivative liabilities of $37,615 in February 2021 (unaudited). During the three months ended March 31, 2021 (unaudited), the Company recorded a gain of $7,286 on the revaluation of the derivative liabilities. During the three months ended March 31, 2021 (unaudited), the 2021 Debenture was fully repaid and the Company transferred $30,329, representing the fair value of the derivative liability to contributed surplus.

(Expressed in United States dollars)

14. DERIVATIVE LIABILITIES (continued)

	2018 Debenture $	2019 Debentures $	2020 Debenture $	2021 Debenture $	Total $
Balance, January 1, 2019	-	-	-	-	-
Allocated to derivative liabilities (Note 13)	148,391	136,603	-	-	284,994
Transferred to contributed surplus upon repayment	-	(2,253)	-	-	(2,253)
Change in fair value	422	8,248	-	-	8,670
Balance, December 31, 2019	148,813	142,598	-	-	291,411
Allocated to derivative liabilities (Note 13)	-	460,508	92,939	-	553,447
Transferred to contributed surplus upon repayment	(4,702)	(255,538)	-	-	(260,240)
Transferred to member's capital upon conversion	(19,165)	-	-	-	(19,165)
Change in fair value	(124,946)	(35,439)	(92,939)	-	(253,324)
Balance, December 31, 2020	-	312,129	-	-	312,129
Allocated to derivative liabilities (Note 13)	-	-	-	37,615	37,615
Transferred to contributed surplus upon repayment	-	(47,257)	(24,134)	(30,329)	(101,720)
Transferred to member's capital upon conversion	-	(212,260)	(2,452)	-	(214,712)
Change in fair value	-	(52,612)	26,586	(7,286)	(33,312)
Balance, March 31, 2021 ***(unaudited)***	**-**	**-**	**-**	**-**	**-**

15. CAPITAL MANAGEMENT

The Company’s objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for members and benefits for other members. The Company considers the items included in members’ equity as capital. The Company manages the capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the Company’s business. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

(Expressed in United States dollars)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The classification of the financial instruments, as well as their carrying values, are shown in the table below:

	March 31, 2021 *(unaudited)*	December 31, 2020	December 31, 2019	January 1, 2019
	$	$	$	$
Financial assets at amortized cost				
Cash	6,031,555	154,076	336,891	36,792
Trade receivables	657,015	484,586	414,417	24,682
Total financial assets	**6,688,570**	**638,662**	**751,308**	**61,474**
Financial liabilities at FVTPL				
Derivative liabilities	-	197,267	142,598	-
Financial liabilities at amortized cost				
Accounts payable and other payables	729,583	606,697	918,176	6,119
Loans and borrowings	-	186,300	-	-
Convertible debentures	-	515,333	269,357	-
Lease liabilities	2,479,899	2,112,146	1,180,739	965,069
Total financial liabilities	**3,209,482**	**3,617,743**	**2,510,870**	**971,188**

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the three months ended March 31, 2021 (unaudited) and the years ended December 31, 2020 and 2019.

Cash, trade receivables, accounts payable and other payables are all short-term in nature and, as such, their carrying values approximate fair value.

As at March 31, 2021 (unaudited), December 31, 2020 and 2019, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above with the exception of the conversion feature liability, which is Level 3 fair value measurements.

(Expressed in United States dollars)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The members mitigate these risks by assessing, monitoring and approving the Company's risk management processes:

a. Credit Risk

Credit risk is the risk of a potential loss to the Company if one party of a financial instrument fails to meet its contractual obligations. The maximum credit exposures at March 31, 2021, December 31, 2020 and 2019 and January 1, 2019 are the carrying amount of cash and trade receivables. To reduce credit risk, all significant cash balances are placed with major, reputable, U.S. financial institutions. The Company has concentration of credit risk as the top three trade debtors accounted for approximately 72%, 63%, 16% and 77% of its total trade receivables balance as at March 31, 2021 (unaudited), December 31, 2020 and 2019 and January 1, 2019, respectively. In view of this, management regularly assesses by monitoring the individual profile of its trade receivables. In this regard, management considers that the credit concentration risk has been significantly mitigated. The following table provides information regarding the aged trading receivables:

	Current	31-60 days	61-90 days	91+ days
March 31, 2021 (unaudited)	86%	2%	0%	12%
December 31, 2020	83%	1%	0%	16%
December 31, 2019	53%	16%	14%	17%
January 1, 2019	100%	0%	0%	0%

b. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the effective management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity at all times to settle obligations and liabilities when due. The Company has the following undiscounted contractual obligations:

	Less than 1 year	**2 to 3 years**	**4 to 5 years**	**Greater than 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Accounts payable and other payables	729,583	-	-	-	**729,583**
Loans and borrowings	-	-	-	-	**-**
Lease liabilities	596,606	1,014,455	2,930,256	-	**4,541,317**
March 31, 2021 *(unaudited)*	**1,326,189**	**1,014,455**	**2,930,256**	**-**	**5,270,900**
					-
Accounts payable and other payables	606,697	-	-	-	**606,697**
Loans and borrowings	-	186,300	-	-	**186,300**
Convertible debentures	715,194	52,733	-	-	**767,927**
Lease liabilities	609,112	891,429	1,821,151	-	**3,321,692**
December 31, 2020	**1,931,003**	**1,130,462**	**1,821,151**	**-**	**4,882,616**
					-
Accounts payable and other payables	918,176	-	-	-	**918,176**
Convertible debentures	355,280	115,058			**470,338**
Lease liabilities	393,824	392,458	1,438,996	-	**2,225,278**
December 31, 2019	**1,667,280**	**507,516**	**1,438,996**	**-**	**3,613,792**
Accounts payable and other payables	6,119	-	-	-	**6,119**
Lease liabilities	390,680	671,767	172,617	-	**1,235,064**
January 1, 2019	**396,799**	**671,767**	**172,617**	**-**	**1,241,183**

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

c. Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently, the Company has no assets or liabilities with a variable interest rate. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's lease obligations, loans and borrowings bear fixed interest rates.

17. COVID-19 AND ITS IMPACT ON THE BUSINESS ENVIRONMENT

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities, currency markets and consumer activity which may impact the Company's financial position, its results of future operations and its future cash flows significantly. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of future operations, financial position, and liquidity in fiscal year 2020.

18. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 12, 2021, the date the consolidated financial statements were issued, and has determined the following material subsequent events:

On April 6, 2021, the Company completed a non-brokered placement of membership interests pursuant to which the Company issued an aggregate of 6,440,000 membership interests at a price of $1.00 per membership interest for aggregate gross proceeds of $6,440,000.

On May 3, 2021, the Company completed a non-brokered private placement of 1,340,283 membership units at a price of $1.343 per membership unit, for an aggregate proceed of $1,800,000.

Subsequent to the year ended December 31, 2020, the Company secured equipment financing for $2.8 million under the master lease agreement with Cash Flow Leasing. Management plans to draw the capital over the subsequent quarter to pay for testing equipment to support growth in the Arizona and Florida Labs.

On October 21, 2021, the Company entered into a business combination agreement with Prominex Resource Corp. ("Prominex") with respect to a business combination of GSL and Prominex (the "Business Combination") pursuant to which GSL agreed that it would merge with and into a subsidiary of Prominex in exchange for shares of the company resulting from the Business Combination (such company, the "Resulting Issuer"). In connection with the Transaction, the resulting issuer applied to list the common shares of the Resulting Issuer on the Canadian Securities Exchange. The Business Combination is expected to be completed within the fourth quarter of 2021. Upon completion of the Business Combination, the Company will become a wholly owned subsidiary of the Resulting Issuer, and the transaction will constitute as a reverse take-over of Prominex by the Company as the current shareholders of GSL will hold the majority of the outstanding common shares of the Resulting Issuer.

18. SUBSEQUENT EVENTS (continued)

On November 12, 2021, the Company completed a non-brokered private placement of subscription receipts (“Subscription Receipts”) pursuant to which the Company issued an aggregate of 1,176,416 Subscription Receipts at a price of $3.85 per Subscription Receipt for aggregate gross proceeds of $4,529,200 (the “Concurrent Financing”). Each Subscription Receipt consists of one membership unit and one membership unit purchase warrant (“Warrant”). Each Warrant shall entitle the holder to purchase one membership unit at a price of $4.50 for a period of 36 months following the closing date. In connection with the Concurrent Financing, the Company engaged Clarus Securities Inc. and Eight Capital (the “Advisors”) to act as financial advisors. As compensation for the services rendered by the Advisors, the Company paid the Advisors a cash fee in the amount of $155,000 and issued to the Advisors an aggregate of 40,000 non-transferable warrants (the “Advisor Warrants”). Each Advisor Warrant entitles the holder to purchase one unit, comprised of one membership unit and one Warrant, at an exercise price equal to $3.85 for a period of 36 months following the closing date of the Concurrent Financing.