AREV NANOTEC BRANDS INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

STATED IN CANADIAN DOLLARS

(UNAUDITED – PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

AREV NanoTec Brands Inc.

Unaudited - Stated in Canadian dollars

Condensed Interim Statement of Financial Position

	Note		As at March 31, 2021		As at December 31, 2020
Assets					
Current Assets					
Cash		**$**	**719,738**	$	297,626
Amounts receivable	4		**37,550**		26,441
Inventory			**4,629**		4,629
Prepaid expenses			**18,051**		14,172
Assets for resale	10		**–**		515,379
Total Current Assets			**779,968**		858,247
Non-current Assets					
Property and equipment	5		**299,583**		323,873
Right of use asset	6		**83,100**		94,971
Investment	7		**1**		1
Total Assets		**$**	**1,162,652**	$	1,277,092
Liabilities					
Current Liabilities					
Accounts payable and accrued interest	8	**$**	**431,421**	$	549,095
Due to related parties	11		**335,183**		633,195
Lease liability	6		**47,358**		47,358
Loan payable	9		**100,000**		162,970
Convertible debenture	10		**548,753**		473,408
			1,462,715		1,866,026
Non-current Liabilities					
Lease liability	6		**40,812**		52,300
Total Liabilities			**1,503,527**		1,918,326
Shareholders' Deficit					
Share capital	12		**12,915,096**		12,045,076
Shares issuable			**11,902**		105,100
Share subscriptions receivable			**(12,500)**		(12,500)
Contributed surplus			**2,424,408**		2,334,408
Accumulated other comprehensive income			**133**		133
Deficit			**(15,679,914)**		(15,113,451)
Total Shareholders' Deficit			**(340,875)**		(641,234)
Total Liabilities and Shareholders' Deficit		**$**	**1,162,652**	$	1,277,092
Nature of Operations and Going Concern	1				
Commitments	14				

Approved and authorized for issuance on behalf of the Board of Directors on May 31, 2021:

/s/ Mike Withrow

Mike Withrow, Director

/s/ Michael Frank Phillet

Michael Frank Phillet, Director

The accompanying notes form an integral part of these condensed interim financial statements

Unaudited - Stated in Canadian dollars

Condensed Interim Statements of Operations and Comprehensive Loss

	Note		Three months ended March 31, 2021		Three months ended March 31, 2020
Revenue		$	**42,590**	$	34,005
Expenses					
Advertising and marketing			**142,491**		861
Amortization and depreciation	5		**36,161**		31,045
Business development costs			**41,895**		–
Consulting and management fees			**177,892**		28,710
Office and administration			**8,946**		16,536
Professional fees			**10,965**		15,547
Property expenses			**4,922**		1,221
Rent and utilities			**9,807**		4,121
Research and development			**66,818**		23,986
Share-based payments			**90,000**		–
Transfer agent and regulatory fees			**3,553**		9,557
Travel and accommodation			**1,239**		1,701
Total expenses			**594,689**		133,285
Loss Before Other Expenses			**(552,099)**		(99,280)
Other Items					
Accretion of discount on debenture			**(226)**		(226)
Interest expense	8		**(14,138)**		(13,757)
Total other items			**(14,364)**		(13,983)
Net Loss			**(566,463)**		(113,263)
Other Comprehensive Income (Loss)					
Unrealized gain (loss) on foreign currency translation			**–**		(121)
Total Comprehensive Loss		$	**(566,463)**	**$**	(113,384)
Basic and Diluted Loss per Share		$	**(0.03)**	**$**	(0.01)
Weighted Average Number of Shares			**21,751,466**		9,457,807

The accompanying notes form an integral part of these condensed interim financial statements

Unaudited - Stated in Canadian dollars

Condensed Interim Statements of Changes in Equity

	Shares	Amount	Share Subscription Receivable	Shares Issuable	Contributed Surplus	Other Comprehensive Income	Deficit	Total Shareholders' Equity (Deficit)
Balance, December 31, 2019	9,457,807	$ 11,315,076	$ (12,500)	$ 7,500	$ 2,228,449	$ 254	$ (14,064,573)	$ (525,794)
Shares issued for cash	–	–	–	–	–	–	–	–
Shares issued for debt settlement	–	–	–	–	–	–	–	–
Shares issued on exercise of warrants	–	–	–	–	–	–	–	–
Share issued on exercise of options	–	–	–	–	–	–	–	–
Share subscribed	–	–	–	225,000	–	–	–	225,000
Foreign currency translation gain	–	–	–	–	–	(121)	–	(121)
Net loss for the year	–	–	–	–	–	–	(113,263)	(113,263)
Balance, March 31, 2020	9,457,807	$ 11,315,076	$ (12,500)	$ 232,500	$ 2,228,449	$ 133	$ (14,177,836)	$ (414,178)
Balance, December 31, 2020	20,207,808	$ 12,045,076	$ (12,500)	$ 105,100	$ 2,334,408	$ 133	$ (15,113,451)	$ (641,234)
Shares issued for cash	2,711,600	677,900	–	4,402	–	–	–	682,302
Shares issued for debt settlement	20,000	4,720	–	–	–	–	–	4,720
Shares issued on exercise of warrants	1,705,000	136,400	–	(97,600)	–	–	–	38,800
Shares issued on exercise of options	300,000	51,000	–	–	–	–	–	51,000
Share-based payments	–	–	–	–	90,000		–	90,000
Net loss for the year	–	–	–	–	–	–	(566,463)	(566,463)
Balance, March 31, 2021	**24,944,408**	$ 12,915,096	$ (12,500)	$ 11,902	$ 2,424,408	$ 133	$ (15,679,914)	$ (340,875)

The accompanying notes form an integral part of these condensed interim financial statements

Unaudited - Stated in Canadian dollars

Condensed Interim Statements of Cash Flows

		Three months ended March 31, 2021		Three months ended March 31, 2020
OPERATING ACTIVITIES				
Net loss for the period	$	**(566,463)**	$	(113,263)
Items not involving cash:				
Amortization and depreciation		**36,161**		31,045
Accretion of discount on convertible debentures		**226**		226
Finance Interest		**14,138**		–
Share based payments		**90,000**		–
Changes in non-cash working capital:				
Amounts receivable		**(11,109)**		(5,732)
Prepaid expenses and deposits		**(3,879)**		(1,681)
Accounts payable and accrued liabilities		**(51,329)**		106,096
Due to related parties		**–**		52,053
Net cash provided (used) in operating activities		**(492,255)**		68,744
INVESTING ACTIVITIES				
Purchase of property and equipment		**–**		(80,070)
Sale of land		**515,379**		–
Net cash provided (used) in investing activities		**515,379**		(80,070)
FINANCING ACTIVITIES				
Share subscriptions received		**772,102**		225,000
Repayment of advances from related parties		**(296,738)**		–
Repayment of mortgage loan		**(62,970)**		–
Lease payments		**(13,406)**		(11,591)
Net cash provided (used) by financing activities		**398,988**		213,409
Effects of foreign exchange rate changes on cash		**–**		(121)
Change in cash		**422,112**		201,962
Cash, beginning		**297,626**		29,681
Cash, end	$	**719,738**	$	231,643

The accompanying notes form an integral part of these condensed interim financial statements

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of operations and going concern

AREV NanoTec Brands Inc. (formerly AREV Brands International Ltd.) (the "Company") was incorporated under the Business Corporations Act (Alberta) on November 22, 2005. The Company focuses on R&D of formulations and is currently commencing to expand the distribution of its line of branded natural health and cannabis infused products.

The registered address of the Company is Suite 440, 890 West Pender Street, Vancouver, BC, V6C 1J9. The principal place of business of the Company is 18 - 91 Golden Drive, Coquitlam, BC, V3K 6R2. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "AREV" and on October 9, 2019, the common shares began trading on the OTCQB Market ("OTCQB") under the symbol "AREVF".

On March 19, 2020, the Company consolidated its share capital on a 6-for-1 basis. These consolidated financial statements reflect this share consolidation on a retroactive basis.

On March 11, 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, as well as financial markets globally, potentially leading to an economic downturn. Efforts to contain the virus have severely limited the mobility of people and businesses. However, it is not possible for the Company at this time to predict the duration or magnitude of the impact towards the Company's business or results from its operations.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2021, the Company had a working capital deficit of $682,747 and an accumulated deficit of $15,679,914.

The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These condensed interim statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These adjustments could be material.

2. Significant accounting policies

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. These condensed interim statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, these condensed interim statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2020

The Company uses the same accounting policies and methods of computation as in the annual audited financial statements for the year ended December 31, 2020.

c) Basis of consolidation

All significant inter-company transactions and balances have been eliminated.

d) Use of estimates and judgements

The preparation of these interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of amounts receivable and loans receivable, incremental borrowing rate used to calculate the fair value of the convertible debentures and the useful lives and recoverability of property and equipment and intangible assets, fair value of share-based payments and convertible debentures, and unrecognized deferred income tax assets.

Management reviews objective evidence each reporting period to assess whether there are indications of impairment of the intangible assets and make judgments about their period of use. These determinations and their individual assumptions require that management make a decision based on the best and most reliable information available at each reporting period.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

e) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they are incurred.

Depreciation of property and equipment is provided using the declining balance and straight-line method at the following rates approximating their estimated useful lives:

Equipment 30%
Leasehold improvements 3 years

g) Impairment of non-current assets

The carrying value of property and equipment, intangible assets, and other long-term assets is reviewed annually for indicators that the carrying value of an asset or cash generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in the consolidated statement of operations.

h) Joint arrangements

Pursuant to IFRS 11, Joint Arrangements, the Company is required to classify its interest in a joint arrangement as a joint venture or joint operation. A joint venture will be accounted for using the equity method of accounting, whereas a joint operation will recognize the venture's share of the assets, liabilities, revenue, and expenses of the joint operation.

i) Assets held for sale

Non-current assets and disposal groups are classified as assets held for sale ("HFS") if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost to sell. Impairment losses on initial classification as HFS and subsequent gains and losses on re-measurement are recognized in the income statement. Once classified as held for sale, property, and equipment are no longer amortized. The assets and liabilities are presented as held for sale in the statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year form the date of classification.

j) Comprehensive loss

Comprehensive income (loss) is the change in the Company's net assets that result from certain unrealized gains or losses not recognized in the statements of profit and loss.

k) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the year. When a loss is incurred during the year, basic and diluted loss per share are the same, as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

l) Share-based payments

The fair value of the stock options is measured at the grant date and recognized as share-based payments expense, with a corresponding increase in share-based payment reserve over the vesting period. The fair value of the stock is measured using the Black Scholes option pricing model taking into account the terms and conditions upon which the stock options were granted. The Company measures share-based compensation to non-employees at the fair value of the goods or services received. If the fair value of the goods or services cannot be measured reliably, the value of the options is used, measured using the Black-Scholes option pricing model. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of stock options that will ultimately vest. When stock options are exercised, the amount previously recorded as share based payments is recorded as share capital.

m) Foreign currency translation

The Company's functional currency is in Canadian dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

n) Income taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in the consolidated statement of operations except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated statement of financial position date, plus any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred income tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o) Revenue recognition

The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligations within the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized when the amount of revenue can be measured reliably, the economic benefits associated with the revenue will flow to the Company, the stage of completion can be measured reliably, and the costs incurred for the transaction can be measured reliably.

Revenue is derived from the short-term rental of the Company's equipment. Customers are billed upon the completion of the rental period and revenue is recognized when the rental period has ended.

3. Financial instruments and risk management

a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, amounts receivable, loan receivable, accounts payable and accrued liabilities, loans payable, convertible debt, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

a. Credit Risk

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, amounts receivable and loan receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists primarily of GST receivable from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

b. Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

c. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations as they become due.

Unaudited - Stated in Canadian dollars

4. Amounts receivable

		March 31, 2021		December 31, 2020
GST receivable	**$**	**32,300**	$	22,914
Miscellaneous		**5,250**		3,527
	$	**37,550**	$	26,441

5. Property and Equipment

Cost		Equipment		Leasehold Improvement		Total
Balance, December 31, 2020		490,602		3,200		493,802
Additions		–		–		–
Disposals		–		–		–
Balance, March 31, 2021	$	490,602	$	3,200	$	493,802
Accumulated Depreciation:						
Balance, December 31, 2020		166,729		3,200		169,929
Additions		24,290		–		24,290
Balance, March 31, 2021	$	191,019	$	3,200	$	194,219
Carrying Amounts:						
As at December 31, 2020	$	323,873	$	–	$	323,873
As at March 31, 2021	$	299,583	$		$	299,583

Unaudited - Stated in Canadian dollars

Notes to the Condensed Consolidated Interim Financial Statements

6. Leases

(a) Right of Use Asset		
Balance, December 31, 2020	$	94,971
Additions		–
Amortization		(11,871)
Balance, March 31, 2021	$	83,100

(b) Lease Liability		
Balance, December 31, 2020	$	99,658
Additions		–
Lease payment		(13,406)
Lease interest		1,918
Balance, March 31, 2021	$	88,170

Which consists of:		
Current portion of lease liability	$	47,358
Long-term portion of lease liability		40,812
Balance, March 31, 2021	$	88,170

7. Joint Venture

On June 18, 2020, the Company entered into a Joint Venture Agreement with Absolem Mushroom Extraction Inc. (“Absolem”). The goal of the joint venture is to develop a series of proprietary extraction procedures on a broad variety of fungi production what might be considered to be mushrooms of a “medicinal nature”. As at March 31, 2021, the Joint Venture has not been formed.

Upon formation of the joint venture the Company will have a 50% interest in the joint venture in return for providing Absolem with use of the equipment and providing its expertise, knowledge, knowhow, research methods, scientific facilities, and personnel. Absolem. contributed $20,000 cash and issued 1,066,667 common shares of Absolem to the Company, valued at $80,000, in addition to providing supplies of mushrooms for research purposes of the joint venture. The common shares of Absolem are subject to share resale restrictions (i) no sales prior to a date that is 4 months after the distribution date or the date that Absolem becomes a reporting issuer in Canada , and (ii) without Absolem’s consent the shares are released over a 36 month period following the listing of Absolem’s securities on a Canadian stock exchange.

As at March 31, 2021, the Company owes $100,000 to this joint venture.

Unaudited - Stated in Canadian dollars

Notes to the Condensed Consolidated Interim Financial Statements

8. Accounts payable and accrued liabilities:

		March 31, 2021	December 31, 2020
Trade payables	$	414,821 $	432,942
Accrued interest payable	$	16,600 $	116,153
	$	**431,421 $**	$ 549,095

9. Loan payable

BALANCE DECEMBER 31, 2020	**$**	**162,970**
Repayment of land mortgage payable on sale		(62,970)
Balance, March 31, 2021	**$**	**100,000**

The loan payable is unsecured, due on demand and bears interest at 8% per annum. At March 31, 2021 the accrued interest on the loan totalled $16,597 (December 31, 2020 - $14,597) and is included in accounts payable and accrued liabilities.

10. Convertible debenture

BALANCE DECEMBER 31, 2020	**$**	**473,408**
Reclassification of Sorrento land debenture to due to related parties		(23,408)
Reclassify accrued interest on BC Bud Depot debenture to December 31, 2020	$	89,753
Interest accrued in current year		9,000
Balance, March 31, 2021	**$**	**548,753**

On July 3, 2018, the Company issued a $450,000 convertible debenture related to the asset purchase and sale agreement with Matthew Harvey. The debenture accrues interest at 8% per annum, is due on July 3, 2019, and is convertible into common shares of the Company at a price of $3.00 per common share. As at March 31, 2021, the accrued interest on the debenture totalled $98,753 (December 31, 2020 - $89,753). This interest is not included in the Accounts payable and accrued interest section of the Balance Sheet. On January 29, 2020, the Company filed a lawsuit against Matthew Harvey for non-delivery of assets and is claiming $5,250,000 paid for the assets. The lawsuit was filed in the Supreme Court of BC.

On January 17, 2019, The Company closed a purchase and sale agreement for the Sorrento Property creating a convertible debenture of $23,408 with MJ Labs. As at March 31, 2021, the accrued interest on the debenture totalled $7,554 (December 31,2020 - $7,554) and is included in accounts payable.

11. Related party transactions

As at March 31, 2021, the Company owed a Director of the Company $119,700 (December 31, 2020 - $ 101,561) for management fees as Corporate Secretary. The amount owing is non-interest bearing, unsecured and due on demand. During the 3 months periods ending March 31, 2021 and 2020, the Company incurred $18,000 of consulting fees to the director.

At March 31, 2021 the Company owed $214,483 to the Chief Executive Office and affiliated companies (December 31, 2020 - $462,597). The amounts consist of $183,053 (December 31, 2020 - $462,597) which is non-interest bearing, unsecured and due on demand, and $23,408 in principal plus accrued interest of $8,022 from a convertible debenture (December 31, 2020 - $23,408 and $7,554 respectively). No compensation to the Chief Executive Officer was incurred in the period ended March 31, 2021.

As at March 31, 2021, the Company owes the joint venture to be formed with Absolem $100,000 (2019 - $nil). (Note 7)

12. Share capital

a) Authorized capital:

- unlimited common shares without par value
- 20,000,000 preferred shares, issuable in one or more series
- 20,000,000 redeemable preferred shares, issuable in one or more series

b) Issued or allotted and fully paid:

On March 31, 2021, the Company had 24,944,408 common shares issued and outstanding (December 31, 2020 – 20,207,808).

No preferred shares or redeemable preferred shares were issued or outstanding at March 31, 2021 or December 31, 2020.

During the three months ended March 31, 2021, the Company:

i. Issued 2,711,600 shares for cash in private placements for total proceeds of $677,900.
ii. Issued 1,705,000 shares on the exercise of warrants for total proceeds of $136,400.
iii. Issued 300,000 shares on the exercise of options for proceeds of $51,000.
iv. Issued 20,000 shares on conversion of trade debt amounting to $4,720.

The 1,705,000 common shares issued for the exercise of warrants includes 1,220,000 warrants that were exercised on December 31, 2020.

c) Stock options

The Company has a stock option plan pursuant to which the Board of Directors may grant options to purchase common shares to the officers, directors, and employees of the Company or affiliated companies and to consultants retained by the Company. The aggregate number of common shares reserved for issuance under the stock option plan is set at a maximum of 10% of the total number of shares outstanding at the time the options are granted. Furthermore, the aggregate number of shares issuable to one individual may not exceed 5% of the total number of issued and outstanding common shares of the Company. The exercise price of all options issued under the stock option plan may not be less than the closing market price on the last business day prior to the date the option was granted.

Unaudited - Stated in Canadian dollars

Notes to the Condensed Consolidated Interim Financial Statements

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price
Balance, December 31, 2020	800,000	$2.40
Granted	900,000	$0.34
Exercised	(300,000)	$0.17
Cancelled	-	$0.00
Balance, March 31, 2021	1,400,000	$0.62

Additional information regarding stock options outstanding as at March 31,2021 is as follows:

	Outstanding and exercisable	
Exercise prices	Number of Options	Weighted average remaining Contract life
		(years)
$2.94	8,333	1.68
$2.40	33,333	2.45
$1.32	16,667	3.07
$1.95	16,667	3.09
$1.56	8,333	3.19
$1.38	16,667	3.29
$0.15	400,000	4.71
$0.305	150,000	4.83
$0.31	350,000	4.89
$0.275	50,000	4.92
$0.39	350,000	4.92
	1,400,000	4.69

d) Share purchase warrants.

Warrant activity during the period is summarized below:

	Number	Weighted Average Exercise Price
Balance, December 31, 2020	5,250,001	$0.08
Issued	2,711,600	$0.28
Exercised	(485,000)	$0.08
Expired	-	
Balance, March 31, 2021	7,476,601	$0.15

As at March 31, 2021, the following share purchase warrants were outstanding**:**

	Outstanding and exercisable	
Exercise prices	Number of Warrants	Expiry Date
$0.08	1,015,001	April 3, 2022
$0.08	3,750,000	April 17, 2022
$0.28	2,711,600	March 31, 2023
	7,476,601	

13. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to sustain future development of the business. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions receivable, and contributed surplus.

The Company manages its capital structure and makes adjustments to it according to economic market conditions. Management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new shares, sell assets, or incur debt.

The Company is not subject to externally imposed capital requirements and there have been no changes to the Company's capital management policy during the period ended March 31, 2021.

14. Commitments and contingencies

On January 29, 2020, the Company commenced litigation in the Supreme Court of British Columbia against the Defendant, Matthew Harvey, the vendor of the BC Bud Depot Assets. The Company is seeking damages, punitive damages, interest, injunctive relief, and costs relating to breach of contract between Matthew Harvey and the Company. The outcome of the litigation cannot be reasonably determined at this time.