CordovaCann Corp.

(formerly LiveReel Media Corporation)

Consolidated Financial Statements

For the years ended June 30, 2020, 2019 and 2018

(Expressed in Canadian Dollars)

INDEX

KRESTON GTA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of CordovaCann Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of CordovaCann Corp. (the "Company") as of June 30, 2020, and the related consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2020, and its financial performance and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2020.

Comparative Information

The consolidated financial statements of the Company as at June 30, 2019 and 2018 and for the years then ended were audited by another auditor who expressed an unqualified (unmodified) opinion on those financial statements on December 2, 2019.

Kreston GTA LLP

Chartered Professional Accountants

Licensed Public Accountants

Markham, Canada

October 28, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
CordovaCann Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of CordovaCann Corp. (the "Company") as of June 30, 2019, the related consolidated statements of operations and comprehensive loss, changes in equity (deficiency) and cash flows for the years ended June 30, 2019 and 2018, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the Company incurred a comprehensive loss of $5,829,331 during the year ended June 30, 2019 and, has a total accumulated deficit of $19,570,801 at June 30, 2019. As stated in Note 1 to the financial statements, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Basis for Opinion

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial control relevant to the Company’s preparation and fair presentation of the financial statements 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Marcum LLP

Marcum LLP

We have served as the Company’s auditor since 2018.

Houston, Texas
December 2, 2019

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Financial Position
As at June 30, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
ASSETS		
Current		
Cash and cash equivalents	**647,739**	71,849
Prepaid expenses and deposits	**188,674**	427,894
Inventory *(Note 9)*	**118,682**	-
Harmonized sales tax receivable	**27,118**	-
Other deposit - current portion *(Note 22(d))*	**74,450**	-
Total current assets	**1,056,663**	499,743
Other investment (*Note 6*)	**-**	500,000
Other deposit *(Note 22(d))*	**330,764**	-
Right-of-use assets *(Note 7)*	**2,539,670**	-
Property and equipment, net *(Note 8)*	**4,979,813**	3,645,389
Intangible assets (*Note 11)*	**5,243,967**	-
Licenses *(Note 12)*	**542,912**	-
Total assets	**14,693,789**	4,645,132
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**2,800,206**	1,371,386
Mortgage payable (*Note 14*)	**766,531**	657,633
Debenture unit deposits (*Note 16)*	**-**	594,889
Convertible debentures *(Note 17)*	**381,678**	-
Deferred tax liability	**4,939**	-
Lease liability *(Note 13)*	**253,205**	-
Promissory notes payable *(Note 15)*	**1,314,427**	1,112,194
Total current liabilities	**5,520,986**	3,736,102
Promissory notes payable *(Note 15)*	**566,835**	-
Lease liability *(Note 13)*	**2,329,279**	-
Convertible debentures *(Note 17)*	**-**	546,460
Total liabilities	**8,417,100**	4,282,562
SHAREHOLDERS' EQUITY		
Share capital *(Note 18)*	**19,697,180**	14,636,828
Contingently issuable shares (*Note 18)*	**2,040,000**	-
Shares to be issued (*Note 18)*	**510,000**	-
Contributed surplus	**6,709,782**	5,226,156
Equity portion of convertible debentures	**862,913**	62,498
Accumulated deficit	**(24,159,690)**	(19,570,801)
Accumulated other comprehensive income	**(41,599)**	7,889
Total shareholders' equity attributable to Cordova shareholders	**5,618,586**	362,570
Non-controlling interest	**658,103**	-
Total equity	**6,276,689**	362,570
Total liabilities and shareholders' equity	**14,693,789**	4,645,132

Nature of operations and going concern (*Note 1*)
Commitments (*Note 22*)
Related party transactions (*Note 3*)
Subsequent events (*Note 28*)

Approved on behalf of the Board:

"Dale Rasmussen", Director	*"Thomas M. Turner, Jr."*, Director
(signed)	(signed)

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

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Operations and Comprehensive Loss
For the years ended June 30, 2020, 2019 and 2018
(Expressed in Canadian Dollars)

	2020	2019	2018
	$	$	$
Revenue	**166,773**	-	-
Cost of sales *(Note 8)*	**(106,742)**	30,529	12,770
Gross profit	**60,031**	(30,529)	(12,770)
Expenses			
Consulting fees	**1,295,829**	2,448,560	977,410
Share based compensation (*Note 19, 20*)	**1,048,661**	1,413,919	3,447,415
Professional fees	**488,902**	371,079	225,151
Shareholders information services	**135,181**	379,058	52,714
Salaries and wages	**23,039**	-	-
Advertising costs	**2,825**	88,917	-
Office and general	**208,484**	605,334	120,274
Depreciation *(Note 8)*	**5,768**	-	-
Amortization of right-of-use assets (*Note 7)*	**92,167**	-	-
Leases and utilities	**67,800**	-	-
Financing costs	**-**	-	14,845
Exclusivity fee (*Note 22(a)*)	**-**	48,367	42,550
Impairment of promissory note receivable *(Note 5)*	**-**	85,114	-
Impairment of equipment *(Note 8)*	**-**	107,515	-
	3,368,656	5,547,863	4,880,359
Loss before other income	**(3,308,625)**	(5,578,392)	(4,893,129)
Interest expense (*Note 14, 15, 17)*	**564,897**	39,215	-
Interest on lease obligation *(Note 13)*	**46,171**	-	
Accretion expense (*Note 15, 17)*	**249,518**	24,680	-
Loss on settlement of fees *(Note 17)*	**-**	12,700	-
Loss on settlement of other investment	**184,440**	-	-
Impairment of assets	**16,316**	-	-
Foreign exchange loss (gain)	**56,225**	57,121	(27,196)
Gain on settlement	**(51,023)**	-	-
Other income	**(65,920)**	-	-
Loss on deposit *(Note 22(e))*	**396,000**	124,428	-
Loss before income taxes	**(4,705,249)**	(5,836,536)	(4,865,933)
Deferred tax recovery (*Note 26)*	**54,349**	-	-
Net loss and comprehensive loss	**(4,650,900)**	(5,836,536)	(4,865,933)
Loss per share - basic and diluted	**(0.10)**	(0.15)	(0.15)
Weighted average number of outstanding common shares - basic and diluted	**45,424,867**	40,149,242	32,255,112
Net loss	**(4,650,900)**	(5,836,536)	(4,865,933)
Foreign exchange translation adjustment	**(49,488)**	7,205	684
Total comprehensive loss	**(4,700,388)**	(5,829,331)	(4,865,249)
Net loss from continuing operations attributable to:			
CordovaCann Corp.	**(4,588,889)**	(5,836,536)	(4,865,933)
Non-controlling interest	**(62,011)**	-	-

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

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Changes in Equity (Deficiency)
As at June 30, 2019 and 2018
(Expressed in Canadian Dollars)

		Number of Common Shares	Share Capital	Contributed Surplus	Equity Portion of Convertible Debentures	Contingently issuable shares	Shares to be issued	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-controlling interests	Shareholders' Equity
		#	$	$	$	$	$	$	$	$	$
Balance, June 30, 2017	*Note #*	**23,521,744**	**7,880,660**	**361,196**	**-**	**-**	**-**	**(8,868,332)**	**-**	**-**	**(626,476)**
Common shares issued for settlement of loan	*18*	7,681,110	384,055	-	-	-	-	-	-	-	384,055
Common shares issued for private placement	*18*	5,532,500	553,250	-	-	-	-	-	-	-	553,250
Common shares issued for private placement	*18*	890,074	959,251	-	-	-	-	-	-	-	959,251
Issuance of options	*19*	-	-	1,177,727	-	-	-	-	-	-	1,177,727
Issuance of warrants	*20*	-	-	2,269,688	-	-	-	-	-	-	2,269,688
Common shares issued for private placement	*18*	2,410,800	4,703,025	-	-	-	-	-	-	-	4,703,025
Foreign currency translation gain		-	-	-	-	-	-	-	684		684
Net loss for the year		-	-	-	-	-	-	(4,865,933)	-	-	(4,865,933)
Balance, June 30, 2018		**40,036,228**	**14,480,241**	**3,808,611**	**-**	**-**	**-**	**(13,734,265)**	**684**	**-**	**4,555,271**
Issuance of warrants	*20*	-	-	1,413,919	-	-	-	-	-	-	1,413,919
Equity portion of convertible debentures	*17*	-	-	29,063	62,498	-	-	-	-	-	91,561
Warrant portion of promissory note payable	*15*	-	-	18,650	-	-	-	-	-	-	18,650
Common shares issued for exercise of warrants	*18*	750,000	156,587	(44,087)	-	-	-	-	-	-	112,500
Foreign currency translation gain		-	-	-	-	-	-	-	7,205		7,205
Net loss for the year		-	-	-	-	-	-	(5,836,536)	-	-	(5,836,536)
Balance, June 30, 2019		**40,786,228**	**14,636,828**	**5,226,156**	**62,498**	**-**	**-**	**(19,570,801)**	**7,889**	**-**	**362,570**

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

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Changes in Equity (Deficiency)
As at June 30, 2020
(Expressed in Canadian Dollars)

	Note #	Number of Common Shares #	Share Capital $	Contributed Surplus $	Equity Portion of Convertible Debentures $	Contingently issuable shares $	Shares to be issued $	Accumulated Deficit $	Accumulated Other Comprehensive Income $	Non-controlling interests $	Shareholders' Equity $
Balance, June 30, 2019		**40,786,228**	**14,636,828**	**5,226,156**	**62,498**	**-**	**-**	**(19,570,801)**	**7,889**	**-**	**362,570**
Issuance of warrants	*20*	-	-	631,336	-			-	-	-	631,336
Issuance of options	*19*	-	-	869,299	-	-	-	-	-	-	869,299
Forfeiture of warrants	*20*	-	-	(451,976)	-	-	-	-	-	-	(451,976)
Equity portion of convertible debentures	*17*	-	-	33,816	74,989	-	-	-	-	-	108,805
Conversion of convertible debenture	*17*	271,164	290,304	-	(19,140)	-	-	-	-	-	271,164
Warrant portion of promissory note payable	*15*	-	-	8,995	-	-	-	-	-	-	8,995
Conversion of convertible debenture	*17*	-	-	-	(36,434)	-	-	-	-	-	(36,434)
Equity portion of convertible debentures	*17*	-	-	415,010	748,990	-	-	-	-	-	1,164,000
Interest on equity portion of convertible debentures	*17*	-	-	-	32,010	-	-	-	-	-	32,010
Issuance of shares for asset acquisition	*18*	12,500,000	2,125,000	-	-	-	-	-	-	-	2,125,000
Contingent consideration for asset acquisition	*11*	-	-	-	-	3,570,000	-	-	-	-	3,570,000
Shares issued as part of contingent consideration	*18*	6,000,000	1,020,000	-	-	(1,020,000)	-	-	-	-	-
Shares issued as part of settlement	*15*	181,250	72,500	-	-	-	-	-	-	-	72,500
Shares to be issued as part of contingent consideratio	*18*	-	-	-	-	(510,000)	510,000	-	-	-	-
Common shares issued for private placement	*18*	6,210,190	1,552,548	-	-	-	-	-	-	-	1,552,548
Acquisition of 273 Ontario	*12*	-	-	-	-	-	-	-	-	720,114	720,114
Deduction of deferred tax liabilities				(22,854)							(22,854)
Foreign currency translation gain		-	-	-	-	-	-	-	(49,488)	-	(49,488)
Net loss for the year		-	-	-	-	-	-	(4,588,889)	-	(62,011)	(4,650,900)
Balance, June 30, 2020		**65,948,832**	**19,697,180**	**6,709,782**	**862,913**	**2,040,000**	**510,000**	**(24,159,690)**	**(41,599)**	**658,103**	**6,276,689**

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

CordovaCann Corp.

(formerly LiveReel Media Corporation)
Consolidated Statements of Cash Flows
For the years ended June 30, 2020, 2019 and 2018
(Expressed in Canadian Dollars)

	2020	2019	2018
	$	$	$
Operating activities			
Net loss for the year	**(4,650,900)**	(5,836,536)	(4,865,933)
Adjusted for non-cash items:			
Shares issued on consulting agreement	**27,550**	-	322,862
Share based compensation	**1,048,661**	1,413,919	3,447,415
Impairment of promissory note receivable	**-**	85,114	-
Impairment of equipment	**-**	107,515	-
Amortization of right-of-use assets	**92,167**	-	-
Depreciation	**5,768**	30,529	12,770
Loss on deposit	**396,000**	-	-
Loss on settlement of other investment	**184,440**		
Impairment of assets	**16,316**		
Interest expense	**531,545**	39,215	-
Interest on lease obligation	**46,171**	-	-
Deferred tax recovery	**(54,349)**		
Gain on settlement	**(51,023)**	-	-
Accretion expense	**249,518**	24,680	-
Convertible debentures issued for settlement of fees	**-**	250,000	-
Share issued on settlement of fees	**140,680**	-	-
Transaction costs	**-**	-	(7,591)
Changes in non-cash working capital items:			
Prepaid expenses and deposits	**(188,674)**	(102,235)	(318,903)
Inventory	**(118,682)**	-	-
Payment of lease liabilities	**(91,034)**	-	-
Harmonized sales tax receivable	**(27,118)**	-	-
Accounts payable and accrued liabilities	**1,405,022**	1,051,065	231,906
Cash used in operating activities	**(1,037,942)**	(2,936,734)	(1,177,474)
Investing activities			
Purchase of property and equipment	**(145,587)**	(2,500,373)	(151,188)
Investment in OR Operations	**-**	-	(526,720)
Advances to OR Operations	**-**	-	(610,705)
Investment in related party	**-**	(500,000)	-
Promissory note receivable	**-**	(69,312)	(15,802)
Cash used in investing activities	**(145,587)**	(3,069,685)	(1,304,415)
Financing activities			
Advances from (repayments to) related parties	**-**	-	(117,081)
Issuance of mortgage payable	**34,929**	654,350	-
Debenture unit deposits	**-**	594,889	-
(Repayments) issuance of promissory notes payable	**(180,043)**	1,108,627	-
Issuance of convertible debentures	**457,111**	350,000	-
Proceeds from the exercise of warrants	**-**	112,500	-
Repayments of related party notes payable	**-**	-	(43,681)
Proceeds from issuance of common shares	**1,411,680**	-	5,892,664
Proceeds from financing activities	**1,723,677**	2,820,366	5,731,902
Effect of exchange rate changes on cash	**35,742**	7,205	684
Net increase (decrease) in cash and cash equivalents	**575,890**	(3,178,848)	3,250,697
Cash and cash equivalents, beginning of year	**71,849**	3,250,697	-
Cash and cash equivalents, end of year	**647,739**	71,849	3,250,697

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

1. NATURE OF OPERATIONS AND GOING CONCERN

CordovaCann Corp. (formerly LiveReel Media Corporation) (the "Company" or "CordovaCann") is a Canadian-domiciled company focused on building a leading, diversified cannabis products business across multiple jurisdictions including Canada and the United States. CordovaCann primarily provides services and investment capital to the processing, production and retail vertical markets of the cannabis industry. On January 3, 2018, the Company changed its name from LiveReel Media Corporation to CordovaCann Corp. The Company's principal address is 217 Queen Street West, Suite 401, Toronto, Ontario, M5V 0R2.

The Company's common shares currently trade on the Canadian Securities Exchange under the symbol "CDVA" and in the United States on the OTCQB under the symbol "LVRLF".

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB") on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. There is substantial doubt about the Company's ability to continue as a going concern as the Company incurred a comprehensive loss of $4,700,388 (June 30, 2019 – $5,829,331) during the year ended June 30, 2020 and has a total accumulated deficit of $24,182,178 (June 30, 2019 – $19,570,801) as at June 30, 2020. The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations and it raises a material concern. To this point, all operational activities and overhead costs have been funded through equity issuances, debt issuances and related party advances.

The Company believes that continued funding from equity and debt issuances will provide sufficient cash flow for it to continue as a going concern in its present form until its operations become profitable and cash flow positive, however, there can be no assurances that the Company will achieve this. Accordingly, these consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on October 28, 2020.

(b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise disclosed. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (continued)

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Translation of foreign-currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of each subsidiary at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Translation of financial statements of subsidiaries

In translating the financial statements of the Company's foreign subsidiaries from their functional currencies into the Company's presentation currency of Canadian dollars, statement of financial position accounts are translated using the closing exchange rate in effect at the statement of financial position date and income and expense accounts are translated using an average exchange rate prevailing during the reporting period. Adjustments resulting from the translation, if any, are included in accumulated other comprehensive income (loss) in shareholders' equity (deficiency).

(d) Use of Estimates and Judgements

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements, and may require accounting adjustments based on future occurrences. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The key assumptions concerning the future, and other key sources of estimation uncertainty as of the date of the statement of financial position that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next fiscal year arise in connection with the valuation of financial instruments, valuation of acquired assets, fair value of share purchase warrants, share-based payments and deferred tax assets.

(e) Basis of Consolidation

These consolidated financial statements include those of the Company and of the entities controlled by the Company (the "subsidiaries"). Control over an investee is achieved when the Company has power over the investee, has exposure or rights to variable returns from its involvement with the investee and

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (continued)

(e) Basis of Consolidation

has the ability to use its power over the investee to affect the amount of its returns.. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The following table lists the Company's subsidiaries and their functional currencies:

Name of Subsidiaries	Place of Incorporation	Proportion of Ownership Interest	Currency
CordovaCann Holdings Canada, Inc.	Ontario, Canada	100%	Canadian Dollars
Cordova Investments Canada, Inc.	Ontario, Canada	100%	Canadian Dollars
2734158 Ontario Inc.	Ontario, Canada	50.1%	Canadian Dollars
CordovaCann Holdings, Inc.	Delaware, USA	100%	Canadian Dollars
Cordova CO Holdings, LLC	Colorado, USA	100%	United States Dollars
Cordova OR Holdings, LLC	Oregon, USA	100%	United States Dollars
CDVA Enterprises, LLC	California, USA	100%	United States Dollars
Cordova CA Holdings, LLC	California, USA	100%	United States Dollars
Cordova OR Operations, LLC	Oregon, USA	100%	United States Dollars
Cannabilt Farms, LLC	Oregon, USA	100%	United States Dollars
Cannabilt OR Retail, LLC	Oregon, USA	100%	United States Dollars
Cannabilt Holdings, Inc.	Oregon, USA	100%	United States Dollars
Future Processing, LLC	Oregon, USA	100%	United States Dollars

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Cash and cash equivalents

Cash consists of bank balances and cash held in trust. Cash equivalents consist of short-term deposits with original maturities of three months or less. As at June 30, 2020 and June 30, 2019, there were no cash equivalents.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the expected service periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock options reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debentures that can be converted into common shares and promissory notes payable attached with warrants. The Compound financial instruments are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements. The conversion feature of the convertible promissory notes is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument. One of criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash ("fixed for fixed").

If the conversion feature meets the fixed for fixed criteria, the conversion option will be classified as equity components. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the compound financial instruments is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criteria, the conversion option will be recorded as derivative financial liability, which must be separately accounted for at fair value on initial recognition. The carrying amount of the debt component, on initial recognition, is recalculated as the difference between the proceeds of the convertible promissory notes as a whole and the fair value of the derivative financial liabilities. Subsequent to initial recognition, the derivative financial liability is re-measured at fair value at the end of each reporting period with changes in fair value recognized in the statement of operation for each reporting period, while the debt component is accreted to the face value of the debt using the effective interest method.

Transaction costs are allocated to the debt and equity components in proportion to the allocation of the proceeds on initial recognition. Transaction costs allocated to equity components will be accounted for as a deduction from equity, net of any related income tax benefit; cost allocated to the derivative financial liability component are expensed; and cost allocated to the debt component are offset against the carrying amount of the liability and included in the determination of the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Compound financial instruments (continued)

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the computed financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or upon expiration, when the carrying value of the equity portion is transferred to common shares or contributed surplus.

Financial instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Under IFRS 9, such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial assets

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"); or (iii) at fair value through profit or loss ("FVTPL").

Amortized cost - Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

Fair value through other comprehensive income - Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI. This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

FVTPL - Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Under IFRS 9, financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

The following table summarizes the classification of the Company's financial instruments:

Financial assets	
Cash and cash equivalents	Amortized cost
Promissory note receivable	Amortized cost
Other deposit	Amortized cost
Other investment	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Convertible debentures	Amortized cost
Mortgage payable	Amortized cost
Debenture unit deposits	Amortized cost
Promissory notes payable	Amortized cost
Lease liabilities	Amortized cost

The adoption of IFRS 9 did not have an impact on the Company's classification and measurement of financial assets and liabilities. On adoption of IFRS 9 on July 1, 2018, there was no change in the carrying value of the financial instruments on transition from IAS 39. IFRS 9 uses an expected credit loss impairment model as

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

opposed to an incurred credit loss model under IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. For accounts receivable excluding taxes receivable, the Company utilized a provision matrix, as permitted under the simplified approach, and has measured the expected credit losses based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and other factors. The carrying amount of trade

receivables is reduced for any expected credit losses through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income. At the point when the Company is satisfied that no recovery of the amount owing is possible, the amount is considered not recoverable and the financial asset is written off. The adoption of the new expected credit loss impairment model had a negligible impact on the carrying amounts of financial assets at amortized cost.

Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Inventories

Inventories for finished cannabis goods are initially valued at cost, and subsequently at the lower of cost and net realizable value. Cost is determined using the average costing method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value.

Revenue

Revenue from the sale of cannabis goods is recognized when the significant risks and rewards of ownership have been transferred, generally at the date of transfer of ownership title. Revenue from the sale of goods is measured at the fair value of the consideration received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from total equity.

Property and equipment, net

Equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses. The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of operations. Expenditures to replace a component of an item of equipment that is accounted for separately are capitalized and the existing carrying amount of the component written off. Other subsequent expenditures are capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repair and maintenance, are recognized in the statement of operations as incurred.

Depreciation is charged to the income statement based on the cost, less estimated residual value, of the asset on a straight-line basis over the estimated useful life. Depreciation commences when the assets are available for use. The estimated useful lives are as follows:

	Method:	Rate:
Equipment	Straight-line	5 years
Furnitures and fixtures	Straight-line	5 years
Leasehold improvements	Straight-line	Over the lease term
Computer equipment	Straight-line	2 years

Property and equipment, excluding land, not yet ready for use are not amortized until they are available for use.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluding from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree.

The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed in statement of operations and comprehensive income (loss). Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

Non-controlling interest in the acquiree, if any, is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired or net liabilities assumed, is recorded as goodwill. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date

Goodwill

Goodwill is initially measured at cost and is calculated as the excess of the purchase price for an acquired business over the fair value of acquired net identifiable assets and liabilities and is allocated to the cash-generating units ("CGU") to which it relates. Goodwill is not amortized but is evaluated for impairment against the carrying amount of the CGU annually or more often if events or circumstances indicate that there may be an impairment. The carrying amount of a CGU includes the carrying amount of assets, liabilities and goodwill allocated to the CGU. If the recoverable amount is less than the carrying value, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to the other non-financial assets of the CGU proportionately based on the carrying amount of each asset. Any impairment loss is charged to income in the period in which the impairment is identified. Goodwill is stated at cost less accumulated impairment losses. Subsequent reversals of goodwill impairment are prohibited.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets with finite lives is recognised in the consolidated statement of operations and comprehensive loss. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently when circumstances indicate that the carrying value may not be recoverable.

Asset type	Amortization method	Amortization term
Intellectual Property - Licenses	Straight-line	5 years
Brand Name	N/A	Indefinite

Estimated useful lives of intangible assets are shorter of the economic life and the year the right is legally enforceable. The estimated useful life, residual value and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax liabilities or assets are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

Deferred 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 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 tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company adopted IFRS 16 – Leases ("IFRS 16") on July 1, 2019. The Company has applied IFRS 16 using the modified retrospective approach, under which the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings. Additionally, the Company has elected not to recognize right-of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The following are the significant accounting policies which have been amended as a result of IFRS 16, and applied as at July 1, 2019:

Right-of use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Lease obligations

The Company recognized lease obligation and right-of-use asset for its leased equipment at the date of adoption of IFRS 16. The lease obligation is measured at the present value of the remaining lease payments as of July 1, 2019, discounted using the interest rate implicit in the lease terms. If that rate cannot be readily determined, the Company will use its incremental borrowing rate. The Company did not have any outstanding leases as at July 1, 2019.

The Lease term determined by the Company comprises:

- The non-cancellable period of lease contracts, including a rent-free period if applicable;
- Periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option;
- Periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

For leases entered into after July 1, 2019, the commencement date of the lease begins on the date on which the lessor makes the underlying asset available for use to the Company. Lease payments included in the measurement of the lease obligation are comprised of the following:

- Fixed lease payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price of purchase options that the Company is reasonably certain to exercise;
- Lease payments in an option renewal period if the Company is reasonably certain to exercise the extension option;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Penalties for early termination of the lease unless the Company is reasonably certain not to terminate early; and
- Less any lease incentives receivable;

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease obligations. The variable payments are recognized as an expense in the period in which they are incurred. The Company accounts for any leases and associated non-lease components separately, as opposed to a single arrangement, which is permitted under IFRS 16. The Company records non-lease components such as an expense in the period in which they are incurred.

Interest on the lease obligations is calculated using the effective interest method and increases the lease obligation while rent payments reduce the obligation. The lease obligation is remeasured whenever a lease contract is modified, and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is remeasured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease.

As at July 1, 2019, the right-of-use asset have been initially calculated at an amount equal to the initial value of the lease obligation. There is no impact on retained earnings. For leases entered into, on or after July 1, 2019, the right-of-use asset will be initially calculated at an amount equal to the initial value of the lease liability, adjusted for the following items:

- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Company;
- An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located.

For short-term leases that have a lease term of 12 months or less and low-value assets, the Company has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16.

The right-of-use assets will be depreciated using the straight-line from the date of adoption to the earlier of the end of the useful life of the asset or the end of the lease term as determined under IFRS 16. For leases entered into after July 1, 2019, the right-of-use assets will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent liabilities and Contingent assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgement and estimates

Information about critical judgments in applying accounting policies and estimates that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

Determination of control

The control principle in IFRS 10 sets out the three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of those returns. Judgement is required in assessing these three elements and reaching a conclusion on obtaining of control of a business.

Purchase price allocation

The purchase price allocation for business combination and assets acquisition is based on the valuation of the assets acquired, liabilities assumed, and intangible assets identified, including management's process for developing the estimates and the significant assumptions underlying the estimates.

Impairment of long-lived assets

Assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. If an impairment assessment is required, the assessment of fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

Useful lives of depreciable assets

The Company estimates the useful lives for an item of depreciable assets to its significant parts and depreciates separately each such part. Management reviews the useful lives of depreciable assets and their significant parts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to a variety of factors including technical obsolescence.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with goods and services received by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19 and Note 20.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions and contingencies

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

Valuation of Convertible Debentures

The convertible debentures were separated into their liability and equity components or derivative liability component at the date of issue, in accordance with the substance of the contractual agreements. The conversion options require an estimation of the fair value of a similar liability that doesn't have an associated equity component by using a suitable discount rate at initial recognition and each extension date. The carrying amount of the conversion options is then determined by deducting the fair value of the financial liability from the fair value of the convertible debenture as a whole.

4. STANDARDS NOT YET EFFECTIVE JULY 1, 2019

New standards not yet adopted and interpretations issued but not yet effective

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

IFRS 10 - Consolidated Financial Statements ("IFRS 10")

IFRS 10 and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company has evaluated the potential impact of these amendments and concluded that there is no impact to the Company's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

(Expressed in Canadian Dollars)

4. STANDARDS NOT YET EFFECTIVE JULY 1, 2019 (continued)

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 37: Onerous Contracts and the cost of Fulfilling a Contract

The amendment specifies that 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

5. PROMISSORY NOTE RECEIVABLE

On June 7, 2018, the Company entered into a revolving promissory note with a customer (the "Promissory Note"). The Promissory Note was unsecured, bearing interest at 8% per annum and due twelve months from the date of issuance. Due to issues related to the expected collectability of the Promissory Note, the total amount of the promissory note amounting to $85,114 was impaired during the year ended June 30, 2019 (2018 - $nil). As at June 30, 2020 and 2019, $nil was outstanding under the Promissory Note.

6. OTHER INVESTMENT

On September 18, 2018, the Company subscribed for 500,000 convertible preferred shares of NWN Inc. ("NWN") at a price of $1.00 per preferred share (each, a "Preferred Share") for a total consideration of $500,000. Each Preferred Share is convertible into one common share of NWN, subject to appropriate adjustments for any stock splits, consolidations or other recapitalizations. The Company has pledged the Preferred Shares of NWN as security for Promissory Note B as disclosed in Note 15. Due to the default provisions of Promissory Note B, the pledged Preferred Shares for NWN were called on October 26, 2020 as described on Note 28, and resulted in loss on the settlement of debt in the amount of $184,540.

7. RIGHT-OF-USE ASSETS

The Company recognized the right-of-use asset for it leased properties as follows:

	$
Balance, June 30, 2019	-
Additions	2,631,837
Depreciation for the year	(92,167)
Balance, June 30, 2020	**2,539,670**

Leased properties are amortized over the terms of their respective leases.

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	Equipment	Land	Building	Construction in progress	Leasehold improvements	Computer equipment	Furnitures and fixtures	Total
	$	$	$	$	$	$	$	$
Cost								
As at June 30, 2018	151,188	-	-	-	-	-	-	151,188
Additions	-	523,480	1,361,048	1,760,861	-	-	-	3,645,389
Translation adjustment	-	-	-	-	-	-	-	-
Impairment charge	(151,188)	-	-	-	-	-	-	(151,188)
As at June 30, 2019	-	523,480	1,361,048	1,760,861	-	-	-	3,645,389
Additions	-	-	-		1,130,183	44,645	30,984	1,205,812
Translation adjustment	-	21,640	56,264	72,792	-	-	-	150,696
Impairment charge	-	-	-	-	(16,316)	-	- -	16,316
As at June 30, 2020	**-**	**545,120**	**1,417,312**	**1,833,653**	**1,113,867**	**44,645**	**30,984**	**4,985,581**
Accumulated depreciation								
As at June 30, 2018	12,770	-	-	-	-	-	-	12,770
Depreciation	30,529	-	-	-	-	-	-	30,529
Impairment charge	(43,299)	-	-	-	-	-	-	(43,299)
As at June 30, 2019	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	(2,027)	(2,708)	(1,033)	(5,768)
Impairment charge	-	-	-	-	-	-	-	-
As at June 30, 2020	**-**	**-**	**-**	**-**	**(2,027)**	**(2,708)**	**(1,033)**	**(5,768)**
Net book value ($)								
At June 30, 2019	-	523,480	1,361,048	1,760,861	-	-	-	3,645,389
At June 30, 2020	**-**	**545,120**	**1,417,312**	**1,833,653**	**1,111,840**	**41,937**	**29,951**	**4,979,813**

During the year ended June 30, 2020, the Company incurred a depreciation expense in the amount of $5,768 (2019 - $30,529 and 2018 - $12,770, included in cost of sales).

Equipment

During the year ended June 30, 2019, the Company expensed $30,529 in depreciation (June 30, 2018 – $12,770) which has been recorded as cost of sales in relation to the below lease agreement. The equipment during the year ended June 30, 2019 was deemed impaired by management and an impairment charge was recorded in the amount of $107,515 which included a foreign translation adjustment of $374.

The Company entered into an operating lease (the "Lease") on February 1, 2018, under which the lessee (the "Lessee") agreed to lease the above equipment for an initial period of twelve months. On February 1, 2019, the Lease was automatically extended for an additional period of twelve months. The Lessee shall make monthly payments of US $5,040 due on or before the first day of each respective month. During the year ended June 30, 2019, the Company had unrecognized rental revenue in the amount of $80,057 (June 30, 2018 – $24,159), as a result of the Lease. The Company has not recorded rental revenue pending a determination by the Company that collectability is reasonably assured. The Company will recognize revenue upon receipt.

8. PROPERTY AND EQUIPMENT, NET (continued)

Land, building and construction in progress

On April 4, 2018, the Company entered into an agreement to acquire a 27.5% interest of Cordova OR Operations, LLC ("OR Operations") for the acquisition of land and buildings. Under the terms of the agreement, the Company acquired a 27.5% membership interest in OR Operations for $534,311 (US $400,000). On June 19, 2019, the Company purchased the remaining 72.5% interest in OR Operations for $1,361,048 (US$1,040,000) *(Note 10*). The Company spent $1,760,861 for the construction in progress during the year ended June 30, 2019. Depreciation on these assets will be recorded from the date when these assets are available for use. As at June 30, 2020, the value of land, building and construction in progress amounted to $3,796,085 (June 30, 2019 - $3,645,389), reflecting a change in value due to foreign currency translation in the amount of $150,696. As at June 30, 2020, these assets were not available for use.

Leasehold improvements

Leasehold improvements include those acquired as part of the asset acquisition of Star Buds International Inc., as disclosed in Note 11 in the amount of 1,060,224. As at June 30, 2020, these assets were not available for use. Management assessed the indicators of impairment and determined that the leasehold improvements were impaired and resulted of impairment of assets in the amount of $16,316 during the year ended June 30, 2020.

9. INVENTORY

The Company's inventory only includes purchased products. The Company's purchased inventory during the year ended June 30, 2020 amounted to $225,424 (June 30, 2019 - $nil). During the year ended June 30, 2020, there was no impairment of inventory (June 30, 2019 - $Nil). Inventory recognized as cost of goods sold amounted to $106,742.

10. ACQUISITION OF CORDOVA OR OPERATIONS, LLC

On April 4, 2018, the Company entered into an agreement to acquire a 27.5% interest of Cordova OR Operations, LLC ("OR Operations") for the acquisition of land and buildings. Under the terms of the agreement, the Company acquired a 27.5% membership interest in OR Operations for $534,311 (US $400,000). On June 19, 2019, the Company purchased the remaining 72.5% interest in OR Operations for $1,361,048 (US$1,040,000) *(Note 8).* The acquisition of OR Operations did not meet the minimum requirements of a business and therefore the Company has accounted for the transaction as an asset acquisition.

On June 19, 2019, the total asset acquisition amounted to $3,645,389, comprised of land, building and construction in progress, which were transferred to property and equipment, net (*Note 8*).

11. ASSET ACQUISITION OF STAR BUDS INTERNATIONAL INC.

On April 8, 2020 (the "Closing date"), the Company completed the purchase of certain tangible assets and intellectual property (the "Assets") of an arm's length Canadian cannabis corporation (the "Transaction"), Star Buds International Inc. (the "Vendor" or "Star Buds").

To acquire the Assets from the Vendor, the Company:

(i) issued 12,500,000 common shares of the Company on the Closing date of the Transaction, in exchange for the Assets held and related to five retail cannabis stores and four medical cannabis clinics;
(ii) agreed to issue 3,000,000 common shares of the Company for each additional lease assignment in Alberta to the Company, up to a maximum of 6,000,000 common shares of the Company;
(iii) agreed to issue 3,000,000 common shares of the Company for the opening of each retail store, up to a maximum of 15,000,000 common shares of the Company. Each store must be opened by April 8, 2021 for the Vendor to receive this additional consideration;
(iv) issued a three-year promissory note for $527,967 with interest at 6% per annum payable upon maturity (the "Closing Promissory Note"). The fair value of the promissory notes was determined to be $381,093 (*Note 15 (e))*;
(v) agreed to issue two additional three-year promissory notes in amounts $222,500 and $196,832 upon obtaining assignment of two specific leases to the Company. Such additional notes to have same terms as the Closing Promissory Note. The fair values of the promissory notes were determined to be $160,603 and $142,075 (*Note 15 (e)).*

The consideration payables as per note (ii) and (iii) above are considered a contingent consideration. Management assessed the probability of the issuance of shares noted in (ii) and (iii) above to be highly probable. The total fair value of the 21,000,000 contingently issuable shares is estimated to be $3,570,000. The Company has referred to IFRS 3 by analogy and accordingly, the contingent consideration has been recorded as part of the cost of the purchase. The Contingent consideration of shares has been classified as equity, as the number of shares to be issued has been fixed based on the Company's share price a day prior to the closing date.

On May 8, 2020, the Company obtained two additional lease assignments in Alberta and issued 6,000,000 common shares of the Company to the Vendor. Accordingly, the value of the 6,000,000 common shares amounting to $1,020,000 was transferred from contingently issuable shares to share capital.

As at June 30, 2020, the Company had opened a retail store in Barrie under the Star Buds's brand name, resulting in the Company required to issue additional 3,000,000 common shares to the Vendor. Accordingly, the value of the 3,000,000 common shares amounting to $510,000 was transferred from contingently issuable shares to shares to be issued.

(Expressed in Canadian Dollars)

11. ASSET ACQUISITION OF STAR BUDS INTERNATIONAL INC. (continued)

	$
Consideration paid	
33,500,000 common shares at $0.17 per share	5,695,000
Closing pomissory note (iv)	381,093
Additional promissory notes (v)	302,678
	6,378,771
Liabilities assumed	55,000
	6,433,771
Amount allocated to:	
Leasehold improvements	1,060,224
Rental deposits	129,580
Intangible asset - Star Buds trade name	5,243,967
Balance, June 30, 2020	**6,433,771**

12. ACQUISITION OF 2734158 ONTARIO INC.

On May 15, 2020, the Company entered into a subscription agreement to acquire 50.1% ownership interest in 2734158 Ontario Inc. ("273 Ontario") by subscribing to 501,000 common shares of 273 Ontario for a total consideration of $723,000 (the "Acquisition"). Pursuant to the subscription agreement, the subscription price (the "Subscription Price") will be paid as follows:

- payment of $200,000 on May 15, 2020 and issuance of 138,589 common shares;
- payment of $200,000 on June 15, 2020 and issuance of 138,589 common shares;
- payment of $200,000 on July 15, 2020 and issuance of 138,589 common shares; and
- payment of $123,000 on August 15, 2020 and issuance of 85,233 common shares.

The following table summarises the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

Cash	**48,850**
Other assets	**59,040**
Computer equipment	**16,337**
Furniture and fixture	**27,222**
Leasehold improvement	**46,081**
Liabilities assumed	**(20,328)**
Total identifiable net assets acquired	**177,202**

(Expressed in Canadian Dollars)

12. ACQUISITION OF 2734158 ONTARIO INC. (continued)

The subscription amount payable of $323,000 outstanding to 2734158 Ontario Inc. as at year end was paid subsequent to the year ended June 30, 2020.

The non-controlling interest is calculated as follow.

Consideration	**723,000**
Ownership acquired	**50.1%**
Fair value of assets acquired	**1,443,114**
Consideration	**(723,000)**
Non-controlling interest	**720,114**

Licenses allocated from the acquisition has been recognized as follows.

Consideration transferred	**723,000**
Consideration received by 273 Ontario	**(723,000)**
Non-controlling interest	**720,114**
Fair value of identifiable net asets	**(177,202)**
Fair value of licences	**542,912**

13. LEASE LIABILITY

The following table represents the lease obligations for the Company as at June 30, 2020:

	$
Balance, June 30, 2019	-
Additions	2,631,837
Interest expense	46,171
Lease payments	(95,524)
Balance, June 30, 2020	**2,582,484**

(Expressed in Canadian Dollars)

13. LEASE LIABILITY (continued)

Allocated as:

	As at June 30, 2020	As at June 30, 2019
	$	$
Current	253,205	-
Long-term	2,329,279	-
Total	**2,582,484**	-

The following table presents the contractual undiscounted cash flows for lease obligations as at June 30, 2020:

	$
Less than one year	423,429
One to five years	1,722,465
More than five years	1,094,038
Total undiscounted lease obligation	3,239,932

When measuring the lease obligation, the Company discounted the lease payments using the implicit interest rate in the lease terms. The Company has a lease with a term less than 12 months and recorded $12,330 rent expense attributed to short-term leases during the year ended June 30, 2020.

14. MORTGAGE PAYABLE

On June 16, 2019, the Company obtained financing through a mortgage (the "Mortgage") in the amount of $696,117 (US $531,915) against a property that has title to 6 acres of real estate in Clackamas County, Oregon (the "Property"). The Mortgage was due in six months from the date of the agreement at an initial draw of $654,350 (US $500,000), implying interest at a rate of 12.77% per annum. The Mortgage after the date of default bears interest at 12% per annum, payable monthly, until the repayment of the outstanding amount. The Mortgage was secured by a first charge on the Property.

On June 12, 2020, the Company entered into a new mortgage (the "New Mortgage'), in the amount of $815,760 (US $600,000), and paid off the existing Mortgage and accrued interest of $724,894 (USD$531,914). The New Mortgage bears interest at 12%, is secured by a first charge on the Property and matures on December 15, 2020. The transaction cost of $52,045 was deducted from the initial carrying value of the mortgage payable and was recognized into profit and loss over the term of the mortgage payable.

The mortgage payable outstanding as at June 30, 2020 was $766,531 (June 30, 2019 – $657,633). Total interest expense in relation to the mortgage payable for the year ended June 30, 2020 amounted to $88,667 (June 30, 2019 – $3,002).

15. PROMISSORY NOTES PAYABLE

a) Promissory Note A – February 1, 2019

On February 1, 2019, the Company issued an unsecured promissory note (the "Promissory Note A") in the principal amount of $196,425 (US $150,000). The Promissory Note A matured on May 1, 2019 and bears interest at a rate of 10% per annum, accrued monthly and due at maturity. As at the date of these financial statements, the Promissory Note A is in default and remains outstanding. In connection with the Promissory Note A, the Company also issued warrants for the purchase of 150,000 common shares of the Company exercisable until January 31, 2020 at a price of $1.00 per share.

The Promissory Note A was determined to be a compound instrument, comprising a liability and warrants. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no warrants. Using the residual method, the carrying amount of the warrants issued is the difference between the principal amount and the initial fair value of the financial liability. The fair value of the liability was determined to be $192,142 (US $146,729). The residual value of $4,283 (US $3,271) was allocated to warrants. The carrying value of the Promissory Note A, net of the warrant component, has been accreted using the effective interest rate method over the term of the Promissory Note A, such that the carrying amount of the financial liability will equal the principal balance at maturity.

During the year ended June 30, 2020, the Company repaid $68,140 (US $50,000) to the lender. As at June 30, 2020, the principal amount of $136,280 (US $100,000) and accrued interest of $28,062 (US $20,591) were outstanding (June 30, 2019 – $204,484). Accretion expense of $nil (June 30, 2019 - $8,715) and interest expense of $19,227 (June 30, 2019 - $8,340) was recorded for the year ended June 30, 2020.

b) Promissory Note B – June 12, 2019

On June 12, 2019, the Company issued a secured promissory note (the "Promissory Note B") in the principal amount of $261,740 (US $200,000). The Promissory Note B matured on March 31, 2020 and bears interest at a rate of 15% per annum, accrued monthly and due at maturity. The Promissory Note B was secured by the convertible preferred shares investment in NWN (*Note 6*). Due to the default provisions of Promissory Note B, the pledged Preferred Shares for NWN were called and resulted the loss on the settlement of debt in the amount of $184,540.

As at June 30, 2020, the value of the Promissory Note B amounted to $nil (June 30, 2019 – $263,690). Interest expense in the amount of $40,280 was recorded for the year ended June 30, 2020 (June 30, 2019 - $1,950).

15. PROMISSORY NOTES PAYABLE (continued)

c) *Promissory Note C – June 19, 2019*

On June 19, 2019, the Company issued secured promissory notes (the "Promissory Note C") in the aggregate principal amount of $654,350 (US $500,000). The Promissory Note C matured on December 18, 2019 and bears interest at a rate of 15% per annum, accrued monthly and due at maturity. The Promissory Note C is secured by a general security interest over all the assets of Cordova OR Holdings, LLC, a wholly owned subsidiary of the Company and parent to OR Operations. In connection with the Promissory Note C, the Company issued warrants for the purchase of 200,000 common shares of the Company exercisable until June 18, 2021 at a price of $1.00 per share.

The Promissory Note C was determined to be a compound instrument, comprising of a liability and warrants. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no warrants. Using the residual method, the carrying amount of the warrants issued is the difference between the principal amount and the initial fair value of the financial liability.

The fair value of the liability was determined to be $652,675 (US $489,152). The residual value of $14,367 (US $10,848) was allocated to warrants. The carrying value of the Promissory Note C, net of the warrant component, has been accreted using the effective interest rate method over the term of the Promissory Note C, such that the carrying amount of the financial liability will equal the principal balance at maturity.

On December 16, 2019, the Company extended the maturity date of the Promissory Note C to March 19, 2020 (the "Extension") in exchange for a one-time fee in the amount $13,142 (US $10,000), due at maturity and the issuance of additional warrants for the purchase of 200,000 common shares of the Company exercisable until June 18, 2021 at a price of $0.30 per share.

On the date of the Extension, the fair value of the liability was determined to be $696,151 (US $530,643). The residual value of $8,995 (US $6,857) was allocated to warrants. The carrying value of Promissory Note C, as a result of the Extension, net of the warrant component, has been accreted using the effective interest rate method over the term of the Promissory Note C, such that the carrying amount of the financial liability will equal the principal balance at maturity.

On March 16, 2020, the Company extended the maturity date of the Promissory Note C to June 19, 2020 in exchange for a fee in the amount $13,142 (US $10,000), due at maturity. On June 15, 2020, the Company extended the maturity date of the Promissory Note C to December 19, 2020 in exchange for a fee in the amount $40,472 (US $29,750), due at maturity.

As at June 30, 2020, the value of the Promissory Note C amounted to $817,935 (US $600,188) (June 30, 2019 - $644,020). Accretion expense of $22,671 (June 30, 2019 - $847) and interest expense $131,893 (June 30, 2019 - $3,020) was recorded for the year ended June 30, 2020.

15. PROMISSORY NOTES PAYABLE (continued)

d) Promissory Note D – October 28, 2019

On October 28, 2019, the Company issued a promissory note (the "Promissory Note D") in the principal amount of $391,680 (US $300,000). The Promissory Note D matured on December 31, 2019 and bears interest at a rate of 5% per annum, accrued monthly and due at maturity. Subsequent to the issuance, the Promissory Note D was extended until October 31, 2020 for a one-time fee of US $40,000. Interest on the Promissory Note D subsequent to the maturity date bears interest at 15% per annum. The Promissory Note D is secured by a personal guarantee of vendors.

On May 25, 2020, the Company issued 453,720 common shares of the Company at a price of $0.25 per share for $113,317 (US $78,150) of Promissory Note D (*Note 18*). As at June 30, 2020, the value of the Promissory Note D amounted to $332,149 (June 30, 2019 - $nil). Interest expense of $92,165 was recorded for the year ended June 30, 2020 (June 30, 2019 – $nil).

e) Promissory Note E – April 8, 2020

On April 28, 2020, the Company issued a promissory note (the "Promissory Note E-1") in the principal amount of $527,967.49 *(Note 11).* The Promissory Note E-1 matures on April 8, 2023 and bears interest at a rate of 6% per annum, calculated in arrears, compounded annually and payable at maturity. The fair value of $381,093 for the Promissory Note E-1 was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt.

On May 8, 2020, the Company repaid $90,803 of the principal in cash and issued 181,250 of its common shares to settle $72,500 of the principal outstanding. Further, on June 30, 2020 the Company repaid $20,000 of the principal.

As at June 30, 2020, the value of the Promissory Note E-1 amounted to $260,988 (June 30, 2019 - $nil). Interest and accretion expense of $6,454 and $6,851 respectively was recorded for the year ended June 30, 2020 (June 30, 2019 – $nil).

On June 8, 2020, the Company issued a promissory note (the "Promissory Note E-2") in the principal amount of $225,000 *(Note 11).*. The Promissory Note E-2 matures on April 8, 2023 and bears interest at a rate of 6% per annum, calculated in arrears, compounded annually and payable at maturity. The fair value of $160,603 for the Promissory Note E-2 was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt.

As at June 30, 2020, the value of the Promissory Note E-2 amounted to $162,868 (June 30, 2019 - $nil). Interest and accretion expense of $1,461 and $805 respectively was recorded for the year ended June 30, 2020 (June 30, 2019 – $nil).

15. PROMISSORY NOTES PAYABLE (continued)

On June 8, 2020, the Company issued a promissory note (the "Promissory Note E-3") in the principal amount of $196,832 *(Note 11)*. The Promissory Note E-3 matures on April 8, 2023 and bears interest at a rate of 6% per annum, calculated in arrears, compounded annually and payable at maturity. The fair value of $142,075 for the Promissory Note E-3 was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt.

As at June 30, 2020, the value of the Promissory Note E-3 amounted to $144,079 (June 30, 2019 - $nil). Interest and accretion expense of $1,292 and $771.83 respectively was recorded for the year ended June 30, 2020 (June 30, 2019 – $nil).

16. DEBENTURE UNIT DEPOSITS

During the year ended June 30, 2019, the Company received a total of $594,889 in deposits related to subscriptions for a convertible debenture unit offering (the "Offering"). Each $1,000 unit of the Offering shall be comprised of a $1,000 principal amount of 10% unsecured subordinated convertible debenture and 500 common share purchase warrants. The debentures shall mature twenty-four months from the date of issuance and shall be exercisable into common shares of the Company at a price of $1.00 per share any time prior to maturity by the holder and at the option of the Company in certain circumstances. The warrants shall be exercisable for a period of twenty-four months from the date of issuance and exercisable at a price of $1.20 per share. The Offering was closed on August 14, 2019 and the convertible debentures *(Note 17 (b))*.

17. CONVERTIBLE DEBENTURES

a) Convertible Debentures Series A-1 – March 13, 2019

On March 13, 2019, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units (the "Debenture Units of Series A-1") of the Company for gross proceeds of $600,000; of which $350,000 was received in cash and $250,000 was issued in settlement of outstanding fees with a fair value amounting to $237,300. The balance of $12,700 has been recorded as a loss on settlement of fees.

Each Debenture Unit of Series A-1 consists of $1,000 principal amount of unsecured subordinated convertible debentures (the "Debentures of Series A-1") and 500 common share purchase warrants (the "Warrants of Series A-1") of the Company. The Debentures of Series A-1 mature on March 12, 2021 and bear interest at a rate of 10% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the Debentures of Series A-1 and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity date at a conversion price of $1.00 per share. The Company also has the option to force conversion of the Debentures of Series A-1 and any accrued interest at the same conversion price if the Company's common shares trade above $2.50 per share for ten consecutive trading days on the Canadian Securities Exchange. Each full Warrant of Series A-1 entitles the holder to purchase one common share of the Company until March 12, 2021 at an exercise price of $1.20 per share. 300,000 Warrants of Series A-1 were issued related to the Debenture Units of Series A-1.

17. CONVERTIBLE DEBENTURES (continued)

The Debenture Units of Series A-1 are determined to be a compound instrument, comprising a liability, a conversion feature and warrants. Both conversion feature and warrants met the fixed for fixed criteria and were therefore presented as equity instruments in accordance with IAS 32. The fair value of the debt component was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial fair value of the financial liability.

The fair value of the liability was determined to be $508,439. The residual value of $91,561 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of $62,498 and $29,063, respectively. The carrying value of the Debentures of Series A-1, net of the equity components, have been accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

The equity component from the initial recognition resulted taxable temporary difference. The Company recognized the deferred tax liabilities of 24,264, which was charged directly to the carrying amount of the two equity components. Subsequent changes in the deferred tax liability are recognized in profit and loss as deferred tax recovery.

On January 16, 2020, the Company issued 271,164 common shares at $1.00 per share as a result of a partial conversion of the outstanding Debentures of Series A-1 with a face value of principal $250,000 and accrued interest of $21,164. The debt in the amount of $271,164 and the equity in the amount of $21,979, were transferred to share capital upon conversion.

As at June 30, 2020, the value of the Debentures of Series A-1 amounted to $381,678 (June 30, 2019 – $546,460). Accretion expense of $57,806 (June 30, 2019 - $15,118) and interest expense of $48,275 (June 30, 2019 - $22,903) were recorded for the year ended June 30, 2020. Accordingly, the Company recorded deferred tax recovery of $15,316 for the year ended June 30, 2020 (2019 - $nil).

b) Convertible Debentures Series A-2 – August 14, 2019

On August 14, 2019, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units (the “Debenture Units of Series A-2”) of the Company for gross proceeds of $713,000 (*Note 16*).

17. CONVERTIBLE DEBENTURES (continued)

Each Debenture Unit of Series A-2 consists of $1,000 principal amount of unsecured subordinated convertible debentures (the "Debentures of Series A-2") and 500 common share purchase warrants (the "Warrants of Series A-2") of the Company. The Debentures of Series A-2 mature on August 13, 2021 and bear interest at a rate of 10% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the Debentures of Series A-2 and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity date at a conversion price of $1.00 per share. The Company also has the option to force conversion of the Debentures of Series A-2 and any accrued interest at the same conversion price if the Company's common shares trade above $2.50 per share for ten consecutive trading days on the Canadian Securities Exchange. Each full Warrant of Series A-2 entitles the holder to purchase one common share of the Company until August 13, 2021 at an exercise price of $1.20 per share. As a result, 356,500 Warrants of Series A-2 were issued related to the Debenture Units of Series A-2.

The Debenture Units of Series A-2 were determined to be a compound instrument, comprising a liability, a conversion feature and warrants. The fair value of debt component was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19% which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial fair value of the financial liability.

The fair value of the liability was determined to be $604,195. The residual value of $108,805 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of $74,989 and $33,816, respectively. The deferred tax liability of $28,833 was charged directly to the carrying amount of these two equity components. The carrying value of the Debentures of Series A-2, net of the equity components, have been accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

On April 22, 2020, the Debenture Units of Series A-2 were converted into the Convertible Debentures Series A-3 offering. The principal amount of $713,000, the accrued interest of 49,614 and a small loss of $1,614, for total transfer of $761,000 were transferred to Convertible Debentures Series A-3. The total amount of interest and accretion amounted to $49,614 and 33,454, respectively. The Company recorded deferred tax recovery of $28,833 for the year ended June 30, 2020.

17. CONVERTIBLE DEBENTURES (continued)

c) Convertible Debentures Series A-3 – April 22, 2020

On April 22, 2020, the Company closed a non-brokered private placement of unsecured subordinated convertible debenture units (the "Debenture Units of Series A-3") of the Company for gross proceeds of $1,164,000.

Each Debenture Unit of Series A-3 consists of $1,000 principal amount of unsecured subordinated convertible debentures (the "Debentures of Series A-3") and 2,000 common share purchase warrants (the "Warrants of Series A-3") of the Company. The Debentures of Series A-3 mature on April 21, 2021 and bear interest at a rate of 15% per annum, accrued monthly and payable at maturity. The outstanding principal amount of the Debentures of Series A-3 and any accrued interest is convertible into common shares of the Company at the option of the holder at any time prior to the maturity date at a conversion price of $0.25 per share. The Company also has the option to force conversion of the Debentures of Series A-3 and any accrued interest at the same conversion price if the Company's common shares trade above $0.50 per share for ten consecutive trading days on the Canadian Securities Exchange. Furthermore, the Debentures of Series A-3 and accrued interest shall automatically convert into common shares of the Company at maturity. Each full Warrant of Series A-3 entitles the holder to purchase one common share of the Company until April 21, 2022 at an exercise price of $0.30 per share. As a result, 2,328,000 Warrants of Series A-3 were issued related to the Debenture Units of Series A-3.

Prior to closing of the Offering, the Company exercised its rights of early repayment in respect of certain of the Convertible Debentures of Series A-2 of the Company issued on August 14, 2019 and, in connection with its election for early repayment, holders of the Convertible Debentures of Series A-2 directed the Company to retain the funds representing such repayment and to apply such funds towards satisfaction of the purchase price for the respective Debenture of Series A-3. The Company issued an aggregate of 761 Debenture Units to the subscribers of the Debentures of Series A-2.

The Debenture Units of Series A-3 were determined to be an equity instrument, comprising a conversion feature and warrants as a result of the Company being able to avoid a contractual obligation to pay cash related to the principal and interest at maturity. The subscription amount of $1,164,000 was allocated to the equity portion of convertible debt and warrants based on their pro-rata fair values of $748,990 and $415,010, respectively. The interest expense related to the Debenture Units of Series A-3 are added to the equity portion of convertible debt as accrued.

During the year ended June 30, 2020, interest of $32,010 was recorded in the equity portion of the convertible debt (June 30, 2019 - $Nil).

18. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares. During the year ended June 30, 2020, the Company had the following common share transactions:

- On May 25, 2020, the Company issued 6,210,190 common shares of the Company at a price of $0.25 per share for gross proceeds of $1,552,548; of which $1,411,680 was received in cash and $140,868 was issued in settlement of outstanding fees and debt; and
- On May 8, 2020, the Company issued 6,000,000 common shares of the Company at a price of $0.17 per share in relation to the contingent consideration issued for the asset acquisition of Star Buds.
- On May 8, 2020, the Company issued 181,250 common shares of the Company at a price of $0.40 per share for the settlement of a portion of Promissory Note E.
- On April 8, 2020, the Company issued 12,500,000 common shares of the Company at a price of $0.17 per share in relation to the asset acquisition of Star Buds.
- On January 16, 2020, the Company issued 271,164 common shares of the Company at a price of $1.00 per share as a result of a partial conversion of the Debentures of Series A-1, as disclosed in Note 17.

Shares to be issued

As at June 30, 2020, 3,000,000 common shares of the Company at a price of $0.17 per share were to be issued in relation to the contingent consideration issued for the asset acquisition of Star Buds, amounting to $510,000.

Contingently issuable shares

As at June 30, 2020, 12,000,000 common shares of the Company were contingently issuable shares in relation to the asset acquisition of Star Buds, at $0.17 per share amounting to $2,040,000.

During the year ended June 30, 2019, the Company had the following common share transactions:

- On May 4, 2019, and in connection with warrants previously issued to a consultant, warrants were exercised for the purchase of 750,000 common shares of the Company at an exercise price of $0.15 per share for total gross proceeds of $112,500. As a result of this exercise, contributed surplus in the amount of $44,087 was transferred into share capital.

During the year ended June 30, 2018, the Company had the following common share transactions:

- On October 19, 2017, an outstanding shareholder loan in the amount of $384,055 was settled with the issuance of 7,681,110 common shares of the Company at a price of $0.05 per share;

- On December 14, 2017, the Company issued 5,532,500 common shares valued at $0.10 per share as part of a private placement for total gross proceeds of $553,250; of which $533,250 was received in cash and $20,000 was issued pursuant to a consulting agreement;

- On March 12, 2018, the Company issued 890,074 common shares valued at $1.08 per share as part of a private placement for total gross proceeds of $959,251; all of which was received in cash; and

(Expressed in Canadian Dollars)

18. SHARE CAPITAL (continued)

- On June 12, 2018 and June 15, 2018, the Company issued 2,390,800 and 20,000 common shares, respectively, valued at $1.95 per share as part of a private placement for total gross proceeds of $4,703,025; of which $4,400,163 was received in cash and $302,862 was received in services provided by consultants.

19. OPTIONS

On November 22, 2018, the Company's shareholders approved and the Company adopted a new rolling stock option plan (the "Option Plan"), under which the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company. Pursuant to the Option Plan, the Company may issue options for such period and exercise price as may be determined by the Board of Directors, and in any case not exceeding ten (10) years from the date of grant with the total options issued under the Option Plan not exceeding ten percent (10%) of the common shares of the Company, outstanding at the time of the granting of such options. The minimum exercise price of an option granted under the Option plan must not be less than the market value of the common shares on the date such option is granted.

Outstanding options as at June 30, 2020 are as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Life Remaining (yrs)
Executive Officers	900,000	$0.60	1.30
Directors	3,600,000	$0.28	2.75
Consultants	2,550,000	$0.53	1.86
	7,050,000		

(Expressed in Canadian Dollars)

19. OPTIONS (continued)

Grant Date	Expiry Date	Options Outstanding	Options Exercisable	Exercise Price	Fair Value
Jan. 16, 2018(i)	Jan. 15, 2021	1,000,000	1,000,000	$0.40	$377,024
Mar. 9, 2018(ii)	Mar. 8, 2021	750,000	750,000	$1.15	$800,703
Feb. 25, 2020(iii)	Feb. 24, 2023	800,000	800,000	$0.25	$103,838
Apr. 7, 2020(iv)	Apr. 6, 2023	3,000,000	3,000,000	$0.25	$369,426
May 16, 2020(v)	May 5, 2023	1,500,000	1,500,000	$0.45	$396,036

(i) The options fully vested on issuance and the fair value of $377,024 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.40
Risk-free interest rate	1.78 %
Expected life	3 years
Estimated volatility in the market price of the common shares	218 %
Dividend yield	Nil

(ii) The options fully vested on issuance and the fair value of $800,703 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.14
Risk-free interest rate	1.83 %
Expected life	3 years
Estimated volatility in the market price of the common shares	213 %
Dividend yield	Nil

(Expressed in Canadian Dollars)

19. OPTIONS (continued)

(iii) The options fully vested on issuance and the fair value of $103,838 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.19	
Risk-free interest rate	1.37	%
Expected life	3 years	
Estimated volatility in the market price of the common shares	124	%
Dividend yield	Nil	

(iv) The options fully vested on issuance and the fair value of $369,426 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.19	
Risk-free interest rate	0.62	%
Expected life	3 years	
Estimated volatility in the market price of the common shares	117	%
Dividend yield	Nil	

(v) The options fully vested on issuance and the fair value of $396,036 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.405	
Risk-free interest rate	0.33	%
Expected life	3 years	
Estimated volatility in the market price of the common shares	112	%
Dividend yield	Nil	

During the year ended June 30, 2020 the Company expensed $869,299 (June 30, 2019 – $nil, June 30, 2018 - $1,177,727) of the fair value of the options.

(Expressed in Canadian Dollars)

20. WARRANTS

	Warrants Outstanding		Weighted Average Exercise Price	Weighted Average Life Remaining (years)
June 30, 2018	**6,650,000**	**$**	**0.54**	**1.37**
Issued	3,725,000		**1.69**	**1.65**
Exercised	(750,000)		**0.15**	**0.00**
Forfeited	(1,000,000)		**2.00**	**0.00**
Expired	(250,000)		**0.10**	**0.00**
June 30, 2019	**8,375,000**		**0.93**	**1.05**
Issued	8,424,500		**0.33**	**2.23**
Forfeited	(750,000)		**2.00**	**0.00**
Expired	(5,800,000)		**0.62**	**0.00**
June 30, 2020	**10,249,500**	**$**	**0.53**	**2.00**

a) On November 1, 2017 and in connection to a consulting agreement with a director and officer of the Company, the Company issued warrants for the purchase of 3,000,000 common shares of the Company exercisable until October 31, 2019 at an exercise price of $0.10 per share. On issuance, warrants for the purchase of 1,000,000 common shares vested immediately and the remaining 2,000,000 vested during the three months ended June 30, 2018. The warrants were not exercised as of October 31, 2019 and expired.

The fair value of these issued warrants of $261,401 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.10
Risk-free interest rate	1.41 %
Expected life	2 years
Estimated volatility in the market price of the common shares	214 %
Dividend yield	Nil

For the year ended June 30, 2020, the Company expensed $nil (June 30, 2019 - $nil, June 30, 2018 – $261,401) of the fair value of the warrants as share based compensation.

b) On November 1, 2017 and in connection to a consulting agreement, the Company issued warrants for the purchase of 750,000 common shares of the Company exercisable until April 30, 2019 at an exercise price of $0.15 per share. On issuance, warrants for the purchase of 250,000 common shares vested immediately and the remaining 500,000 vested during the three months ended June 30, 2018. On April 30, 2019, the warrants were exercised.

(Expressed in Canadian Dollars)

20. WARRANTS (continued)

The fair value of these issued warrants of $44,087 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.10
Risk-free interest rate	1.41 %
Expected life	1.5 years
Estimated volatility in the market price of the common shares	155 %
Dividend yield	Nil

For the year ended June 30, 2020, the Company expensed $nil (June 30, 2019 - $Nil, June 30, 2018 – $44,087) of the fair value of the warrants as share based compensation.

c) On November 1, 2017 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until April 30, 2019 at an exercise price of $0.10 per share, such warrants vesting upon the consultant meeting certain deliverables as set forth in the consulting agreement. On April 30, 2019, the deliverables were not met and the warrants expired.

The fair value of these issued warrants of $16,499 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.10
Risk-free interest rate	1.41 %
Expected life	1.5 years
Estimated volatility in the market price of the common shares	155 %
Dividend yield	Nil

For the year ended June 30, 2020, the Company expensed $nil (June 30, 2019 - $nil, June 30, 2018 – $4,125) of the fair value of the warrants as share based compensation.

d) On March 9, 2018 and in connection to a consulting agreement with a director and officer of the Company, the Company issued warrants for the purchase of 1,500,000 common shares of the Company exercisable until March 8, 2020 at an exercise price of $1.15 per share, such warrants vesting immediately upon issuance. The warrants were not exercised as of March 8, 2020 and expired.

The fair value of these issued warrants of $1,336,934 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.14
Risk-free interest rate	1.83 %
Expected life	2 years
Estimated volatility in the market price of the common shares	173 %
Dividend yield	Nil

(Expressed in Canadian Dollars)

20. WARRANTS (continued)

For the year ended June 30, 2020, the Company expensed $nil (June 30, 2019 -$nil, June 30, 2018 – $1,336,934) of the fair value of the warrants as share based compensation.

e) On March 9, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 750,000 common shares of the Company exercisable until March 8, 2020 at an exercise price of $1.15 per share, such warrants vesting upon the consultant meeting certain deliverables as set forth in the consulting agreement. As at March 8, 2020, the deliverables were not met and warrants expired.

The fair value of these issued warrants of $668,467 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.14	
Risk-free interest rate	1.83	%
Expected life	2 years	
Estimated volatility in the market price of the common shares	173	%
Dividend yield	Nil	

For the year ended June 30, 2020, the Company expensed $nil (June 30, 2019 - $nil, June 30, 2018 – $501,350) of the fair value of the warrants as share based compensation.

f) On March 15, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 400,000 common shares of the Company exercisable until September 14, 2019 at an exercise price of $1.45 per share, such warrants vesting upon the consultant meeting certain deliverables as set forth in the consulting agreement. As at September 14, 2019, the deliverables were not met and warrants expired.

The fair value of these issued warrants of $324,775 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.42	
Risk-free interest rate	1.75	%
Expected life	1.5 years	
Estimated volatility in the market price of the common shares	129	%
Dividend yield	Nil	

For the year ended June 30, 2020, the Company expensed $nil (June 30, 2019 - $nil, June 30, 2018 – $121,791) of the fair value of the warrants as share based compensation.

g) On October 1, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until September 30, 2020 at an exercise price of $1.50 per share. Of these issued warrants, 100,000 vested immediately upon issuance while the remaining 150,000 warrants shall vest in six equal tranches of 25,000 warrants every three months from the date of issuance.

(Expressed in Canadian Dollars)

20. WARRANTS (continued)

The fair value of these issued warrants of $207,833 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.35
Risk-free interest rate	2.27 %
Expected life	2 years
Estimated volatility in the market price of the common shares	126 %
Dividend yield	Nil

For the year ended June 30, 2020 the Company expensed $23,901 (June 30, 2019 – $183,932) of these fair value of the warrants as share based compensation.

h) On October 15, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until October 14, 2020 at an exercise price of $2.00 per share. The warrants shall vest in four equal tranches of 62,500 warrants every three months from the date of issuance.

The fair value of these issued warrants of $131,421 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.05
Risk-free interest rate	2.25 %
Expected life	2 years
Estimated volatility in the market price of the common shares	124 %
Dividend yield	Nil

For the year ended June 30, 2020 the Company expensed $11,467 (June 30, 2019 – $119,954) of these fair value of the warrants as share based compensation.

i) On October 31, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 1,000,000 common shares of the Company exercisable until October 30, 2022 at a price of $2.00 per share. The warrants shall vest in equal tranches of 250,000 every six months from the date of issuance.

The fair value of these issued warrants of $1,251,625 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.30
Risk-free interest rate	2.41 %
Expected life	4 years
Estimated volatility in the market price of the common shares	215 %
Dividend yield	Nil

(Expressed in Canadian Dollars)

20. WARRANTS (continued)

During the year ended June 30, 2020, 750,000 of the 1,000,000 warrants previously issued to the consultant were forfeited. As a result, the Company reversed $451,976 of the previously recorded share based compensation expense during the year ended June 30, 2020 (June 30, 2019 – expense of $764,874).

j) On October 31, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 1,000,000 common shares of the Company exercisable until October 30, 2022 at a price of $2.00 per share. The warrants shall vest in equal tranches of 250,000 every six months from the date of issuance.

The fair value of these issued warrants of $1,251,625 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.30
Risk-free interest rate	2.41 %
Expected life	4 years
Estimated volatility in the market price of the common shares	215 %
Dividend yield	Nil

On February 15, 2019, all 1,000,000 warrants previously issued to the consultant were forfeited. As a result, the Company reversed the previously recorded share based compensation expense during the year ended June 30, 2019. For the year ended June 30, 2020, the Company expensed $nil (June 30, 2019 – $nil) of the fair value of these warrants as share based compensation.

k) On December 1, 2018 and in connection to a consulting agreement, the Company issued warrants for the purchase of 250,000 common shares of the Company exercisable until November 30, 2020 at a price of $1.50 per share. Of these issued warrants, 100,000 vested immediately upon issuance while the remaining 150,000 warrants shall vest in three equal tranches of 50,000 warrants every three months from the date of issuance.

The fair value of these issued warrants of $138,853 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$1.06
Risk-free interest rate	2.14 %
Expected life	2 years
Estimated volatility in the market price of the common shares	116 %
Dividend yield	Nil

For the year ended June 30, 2020 the Company expensed $6,171 (June 30, 2019 – $132,682) of the fair value of these warrants as share based compensation.

(Expressed in Canadian Dollars)

20. WARRANTS (continued)

l) On February 1, 2019 and in connection to a consulting agreement, the Company issued warrants for the purchase of 325,000 common shares of the Company exercisable until January 31, 2022 at a price of $1.00 per share. Of these issued warrants, 81,250 vested immediately while the remaining 243,750 warrants shall vest in three equal tranches of 81,250 warrants every three months from the date of issuance.

The fair value of these issued warrants of $250,793 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.95
Risk-free interest rate	1.83 %
Expected life	3 years
Estimated volatility in the market price of the common shares	152 %
Dividend yield	Nil

For the year ended June 30, 2020 the Company expensed $38,316 (June 30, 2019 – $212,477) of the fair value of these warrants as share based compensation.

m) On February 25, 2020 and in connection to a consulting agreement, the Company issued warrants for the purchase of 3,000,000 common shares of the Company exercisable until February 23, 2023 at a price of $0.25 per share. Of these issued warrants, 500,000 vested immediately and the remainder shall vest over time as certain acquisition and duration milestones are met.

The fair value of these issued warrants of $389,390 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.19
Risk-free interest rate	1.37 %
Expected life	3 years
Estimated volatility in the market price of the common shares	124 %
Dividend yield	Nil

For the year ended June 30, 2020 the Company expensed $338,914 of the fair value of these warrants as share based compensation.

n) On April 1, 2020 and in connection to a consulting agreement, the Company issued warrants for the purchase of 540,000 common shares of the Company exercisable until March 31, 2023 at a price of $0.30 per share. These warrants vest in equal tranches of 30,000 each month from the date of issuance.

(Expressed in Canadian Dollars)

20. WARRANTS (continued)

The fair value of these issued warrants of $78,427 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.225
Risk-free interest rate	0.53 %
Expected life	3 years
Estimated volatility in the market price of the common shares	117 %
Dividend yield	Nil

For the year ended June 30, 2020 the Company expensed $34,793 of the fair value of these warrants as share based compensation.

o) On April 1, 2020 and in connection to a consulting agreement, the Company issued warrants for the purchase of 1,000,000 common shares of the Company exercisable until March 31, 2023 at a price of $0.30 per share. Of these issued warrants, 250,000 vested immediately while the remaining 750,000 warrants shall vest in three equal tranches of 250,000 warrants every three months from the date of issuance.

The fair value of these issued warrants of $145,235 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.225
Risk-free interest rate	0.53 %
Expected life	3 years
Estimated volatility in the market price of the common shares	117 %
Dividend yield	Nil

For the year ended June 30, 2020 the Company expensed $102,875 of the fair value of these warrants as share based compensation.

p) On April 15, 2020, and in connection to a consulting agreement, the Company issued warrants for the purchase of 1,000,000 common shares of the Company exercisable until April 14, 2022 at a price of $0.35 per share. Of these issued warrants, 250,000 vested immediately while the remaining 750,000 warrants shall vest in three equal tranches of 250,000 warrants every six months from the date of issuance.

The fair value of these issued warrants of $169,849 was determined using the Black-Scholes Option Pricing Model with the following assumptions:

Stock price	$0.30
Risk-free interest rate	0.42 %
Expected life	2 years
Estimated volatility in the market price of the common shares	118 %
Dividend yield	Nil

20. WARRANTS (continued)

For the year ended June 30, 2020 the Company expensed $74,899 of the fair value of these warrants as share based compensation.

q) On February 1, 2019 and in connection with the Promissory Note A, the Company issued warrants for the purchase of 150,000 common shares of the Company exercisable until January 31, 2020 at a price of $1.00 per share. The fair value of these issued warrants of $4,283 was determined by the residual method as noted in Note 15. For the year ended June 30, 2019, $4,283 (June 30, 2018 – $nil) of the fair value of the warrants was included in contributed surplus.

r) On March 13, 2019 and in connection with the private placement of Debenture Units of Series A-1, the Company issued warrants for the purchase of 300,000 common shares of the Company exercisable until March 12, 2021 at a price of $1.20 per share. The fair value of these issued warrants of $29,063 was determined by the residual method as noted in Note 17. For the year ended June 30, 2019, $29,063 (June 30, 2018 – $nil) of the fair value of the warrants was included in contributed surplus.

s) On June 19, 2019 and in connection with the Promissory Note C, the Company issued warrants for the purchase of 200,000 common shares of the Company exercisable until June 18, 2021 at a price of $1.00 per share. The fair value of these issued warrants of $14,367 was determined by the residual method as noted in Note 15. For the year ended June 30, 2019, $14,367 (June 30, 2018 – $nil) of the fair value of the warrants was included in contributed surplus.

t) On August 14, 2019 and in connection with the private placement of Debenture Units of Series A-2, the Company issued warrants for the purchase of 356,500 common shares of the Company exercisable until August 13, 2020 at a price of $1.20 per share. The fair value of these issued warrants of $33,816 was determined by the residual method as noted in Note 17. For the year ended June 30, 2020, $33,816 (June 30, 2019 – $nil) of the fair value of the warrants was included in contributed surplus.

u) On December 16, 2019 and in connection with the amendment of Promissory Note C, the Company issued warrants for the purchase of 200,000 common shares of the Company exercisable until June 18, 2021 at a price of $0.30 per share. The fair value of these issued warrants of $8,995 was determined by the residual method as noted in Note 15. For the year ended June 30, 2020, $8,995 (June 30, 2019 – $nil) of the fair value of the warrants was included in contributed surplus.

v) On April 24, 2020 and in connection with the private placement of Debenture Units of Series A-3, the Company issued warrants for the purchase of 2,328,000 common shares of the Company exercisable until April 23, 2022 at a price of $0.30 per share. The fair value of these issued warrants of $415,010 was determined by the relative fair value method as noted in Note 17. For the year ended June 30, 2020, $415,010 (June 30, 2019 – $nil) of the fair value of the warrants was included in contributed surplus.

During the year ended June 30, 2020 the Company expensed $631,335 in the fair value of warrants as a result of the issuances which have been recorded as share based compensation and reversed $451,976 of stock based compensation expense as a result of forfeitures (June 30, 2019 – $1,413,919).

21. LOSS ON DEPOSIT

On June 19, 2019, the Company entered into an asset purchase agreement to acquire certain assets and licenses. The Company made non-refundable payments of $124,428 (US $94,000), with the balance of US $246,000 to be paid within 45 days. The Company did not make the subsequent payment of US $246,000 and has recorded a loss on deposit in the amount of $124,428 for the year ended June 30, 2019.

22. COMMITMENTS

(a) Exclusivity Fee

On March 7, 2018, the Company entered into a memorandum of understanding (the "MOU") with a third party which granted the Company an exclusivity option on a transaction to acquire a majority stake in real estate and intellectual property owned by the third party. Under the terms of the MOU, the Company agreed to pay the third party up to US $100,000 for such exclusivity until termination by either party. In October 2019, the Company terminated the MOU. During the year ended June 30, 2020, the Company paid and expensed a total of $nil (June 30, 2019 - $48,367, June 30, 2018 - $42,550).

(b) Employment Agreements

The Company is party to certain employments agreements with key executives of the Company that contain clauses requiring additional payments of up to two times the annual entitlements under these agreements upon occurrence of certain events, such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

(c) Commitments

During the year ended June 30, 2020, the Company received a notice of termination letter (the "Termination Letter") from the landlord of a leased property, who subsequently repossessed the premises. The landlord of leased property has notified the Company that to the extent applicable, it intends to seek recovery of damages incurred including without limitation, the costs of recovering the leased property, solicitor fees, arrears and all future rental payments following the notice of termination.

The Company has expensed its rental deposit as a result of the Termination Letter. As of the date of these consolidated financial statements, the Company has not received any claims from the landlord as a result of the Termination Letter.

(d) Deposit in Joint Forces

On November 7, 2019, the Company advanced CDN $408,840 (US $300,000) to a non-arm's length party in exchange for Promissory Note D (the "Joint Forces Deposit").

On October 12, 2020, the Company entered into a settlement agreement (the "Settlement"), settling the outstanding Joint Forces Deposit for a payment term over 2 years for a total of US $338,000. The proceeds of the Settlement will be received by the beneficiaries of Promissory Note D. As a result, a gain on Settlement has been recorded in the amount of $51,023 (US $38,000).

22. COMMITMENTS (continued)

Accordingly, the Joint Forces Deposit was determined to be a financial instrument and recorded at amortized cost. The initial carrying amount of the financial asset was determined by discounting the stream of future payments of interest and principal at a market interest rate of 8% which is estimated to be the lending rate available to the Company for similar instruments. The balance as at June 30, 2020 was $405,214 (US $297,340), and interest expense amounted to $54,595. The current portion of the Joint Forces Deposit as at June 30, 2020 amounted to $74,450 (US $54,630).

(e) Loss on Deposit

During the year ended June 30, 2019, the Company made certain non-refundable deposits towards a transaction in California (the "California Transaction"). During the year ended June 30, 2020, the Company terminated the California Transaction and recorded a loss on the deposit in the amount of $396,000.

(f) COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel strain of coronavirus ("COVID-19") a pandemic, which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods as well as the Company's ability to find new business opportunities, raise capital or restructure the Company's finances

(g) Contingencies

On August 28, 2020, a subsidiary of the Company was identified as a defendant to a complaint in the Superior Court of California, County of Mendocino alleging breach of contract for unspecified damages. The Company intends on defending such complaint, however, it is not practical to estimate the potential effect of this complaint at such time.

23. RELATED PARTY TRANSACTIONS

Related party transactions for the year ended June 30, 2020 and 2019 and the balances as at those dates, not disclosed elsewhere in these consolidated financial statements are:

a) During the year ended June 30, 2020, the Company purchased equipment valued at $nil (June 30, 2019 - $nil; June 30, 2018 – $44,439) from a corporation related by virtue of a common officer and a director;

b) During the year ended June 30, 2020, the Company expensed $662,284 (June 30, 2019 - $1,116,103; June 30, 2018 – $508,399), in fees payable to officers and directors of the Company and in fees payable to a corporation related by virtue of a common officer and director. As at June 30, 2020, the Company had fees payable to officers and directors of the Company of $1,278,106 (June 30, 2019 - $546,653); and

c) During the year ended June 30, 2020, the Company expensed $559,846 (June 30, 2019 - $nil; June 30, 2018 – $2,286,120) in share based compensation related to officers and directors of the Company.

24. FINANCIAL INSTRUMENTS AND RISK FACTORS

The fair value hierarchy that reflects the significance of inputs used in making fair value measurements is as follows:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: 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. from derived prices); and

Level 3: inputs for the asset or liability that are not based upon observable market data.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair values of the Company's financial instruments consisting of cash and cash equivalents, promissory note and accounts payable and accrued liabilities approximate their carrying value due to the relatively short term maturities of these instruments.

Risk Management Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these consolidated financial statements. The following analysis provides a measurement of risks as at June 30, 2020:

24. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

Credit Risk

The Company's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, totals the carrying amount of these assets as stated in the consolidated statements of financial position. The Company's principal financial assets are cash, restricted investments and accounts receivable, which represent the Company's exposure to credit risk in relation to financial assets. The credit risk on cash and restricted investments is mitigated by transacting with banks with high credit ratings assigned by international credit-rating agencies. An allowance for expected credit losses is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at June 30, 2020, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and therefore it is not currently subject to any significant interest rate risk.

(ii) Foreign Currency Risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at June 30, 2020, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

(iii) Price Risk

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. In addition, the Company does not have any equity investment in other listed public companies, and therefore it is not subject to any significant stock market price risk.

(Expressed in Canadian Dollars)

25. CAPITAL MANAGEMENT

The Company includes equity comprised of issued share capital, contributed surplus, deficit in the definition of capital and accumulated other comprehensive loss. As at June 30, 2020, the Company's shareholders' equity was $6,276,689 (June 30, 2019 – shareholders' equity of $362,570). The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's ability to continue as a going concern; and

(ii) to raise sufficient capital to meet its business objectives.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's long-term and short-term capital requirements. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or debt.

26. INCOME TAXES

Canadian
Income Taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates were the following:

		June 30, 2020		June 30, 2019		June 30, 2018
Loss from Canadian operations	$	(4,254,121)	$	(5,057,042)	$	(4,860,659)
Combined Canadian statutory income tax rates		26.50%		26.50%		26.50%
Income tax recovery at statutory income tax rates	$	(1,127,342)	$	(1,340,116)	$	(1,288,075)
Increase (decrease) in taxes resulting from:						
Stock-based compensation expense		277,895		374,689		913,565
Other		26,336		11,671		4,790
Unrecognized benefit of non-capital losses		672,781		953,756		369,720
Provision for income taxes	$	(54,349)	$	-	$	-

Deferred Income Taxes

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

		June 30, 2020		June 30, 2019
Amounts related to tax loss carry forwards	$	11,898,000	$	8,467,000

A deferred tax asset has not been recognized in respect of the above because it is not probable that future taxable profits will be available against which the temporary difference can be utilized.

(Expressed in Canadian Dollars)

26. INCOME TAXES (continued)

Deferred Tax Liabilities	June 30, 2020
Convertible debt	$ 4,939

Non-capital Losses

As at June 30, 2020, the Company has accumulated non-capital tax loss carry forwards for income tax purposes of carry-forward of approximately $11,399,000 which may be applied against future Canadian taxable income and expire as detailed below. No deferred taxes have been recognized in these consolidated financial statements in respect of the following as the probability that future taxable profit will allow the deferred tax asset to be recognized cannot be predicted at this time.

The net operating losses for these years will not be available to reduce future taxable income until the returns are filed.

2027		536,000
2028		868,000
2029		1,047,000
2030		627,000
2031		251,000
2032		161,000
2033		52,000
2034		115,000
2035		177,000
2036		74,000
2037		88,000
2038		1,399,000
2039		3,602,000
2040		2,901,000
	$	**11,399,000**

United States
Income Taxes

The major factors that cause variations from the Company's combined United States federal and state level income tax rates were the following:

(Expressed in Canadian Dollars)

26. INCOME TAXES (continued)

	June 30, 2020	June 30, 2019
Loss from US Operations	**(420,578)**	(772,238)
Combined federal and state level taxes	**29.71%**	26.64%
	(124,941)	(205,724)
Temporary difference, Equipment	**-**	34,826
Unrecognized benefit of non-capital losses	**124,941**	170,898
Provision of income taxes (recovery)	**-**	-

Deferred Income Taxes

Deferred tax assets have not been recognized in respect of the following United States deductible temporary differences:

	June 30, 2020	June 30, 2019
Amounts related to tax loss carry forwards	**$ 1,199,000**	$ 778,000

A deferred tax asset has not been recognized in respect of the above because it is not probable that future taxable profits will be available against which the temporary difference can be utilized.

Non-capital Losses

As at June 30, 2020, the Company has accumulated non-capital tax loss carry forwards for income tax purposes of carry-forward of approximately $1,199,000 which may be applied against future United States taxable income and expire as detailed below.

No deferred taxes have been recognized in these consolidated financial statements in respect of the following as the probability that future taxable profit will allow the deferred tax asset to be recognized cannot be predicted at this time.

2038	144,000
2039	634,000
2040	421,000
	1,199,000

27. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for the current period. Such reclassifications did not have an impact on previously reported net and comprehensive loss.

28. SUBSEQUENT EVENTS

On July 24, 2020, the Company issued six million (6,000,000) common shares of the Company to Star Buds International Inc. for the opening of two cannabis retail stores under the Star Buds trade name. Of the 6,000,000 common shares issued, 3,000,000 were related to shares to be issued as at June 30, 2020.

On August 17, 2020, the Company closed a non-brokered private placement of common shares of the Company for gross proceeds of $967,846; of which $552,501 was received in cash and $415,345 was issued in settlement of outstanding fees and debt.

On October 12, 2020, the Company entered into a settlement agreement (the “Settlement”), settling the outstanding Joint Forces Deposit as disclosed in *Note 22 (d).*