Consolidated Financial Statements of

NABIS HOLDINGS INC.

(formerly Innovative Properties Inc.)

Fourteen-month period ended December 31, 2019 and
Twelve-month period ended October 31, 2018
(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nabis Holdings Inc. (formerly Innovative Properties Inc.)

Opinion

We have audited the consolidated financial statements of Nabis Holdings Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and October 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the fourteen months ended December 31, 2019 and for the year ended October 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and October 31, 2018, and its financial performance and its cash flows for the fourteen months ended December 31, 2019 and for the year ended October 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $26,290,647 during the fourteen months ended December 31, 2019 and, as of that date, the Company's current liabilities exceeded its total assets by $12,283,393. As stated in Note 1, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

July 3, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

As at	Note		December 31, 2019		October 31, 2018
ASSETS					
Current Assets					
Cash		**$**	**2,504,258**	$	705,836
Marketable securities	5		**-**		167,052
HST and other receivables	6		**593,072**		6,646
Inventory	7		**558,436**		-
Prepaids and deposits			**253,397**		35,000
			3,909,163		914,534
Non-Current Assets					
Property and equipment	4, 8		**15,241,516**		200,000
Intangible assets	4, 9		**8,354,456**		-
Goodwill	4, 10		**9,620,177**		-
Right-of-use assets	4, 12		**380,711**		-
TOTAL ASSETS		**$**	**37,506,023**	$	1,114,534
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade payables and accrued liabilities	14	**$**	**1,650,500**	$	264,033
Lease liabilities	4, 13		**162,611**		-
Mortgages payable	15		**4,726,451**		-
Note payable	4		**9,652,994**		-
			16,192,556		264,033
Non-current Liabilities					
Convertible debentures	16		**25,823,984**		-
Lease liabilities	4, 13		**218,269**		-
TOTAL LIABILITIES			**42,234,809**		264,033
SHAREHOLDERS' DEFICIENCY					
Share capital	18		**12,662,367**		4,513,498
Shares to be issued	18		**3,369,334**		687,500
Reserves	18		**12,266,537**		2,326,938
Accumulated other comprehensive income (loss)			**(58,942)**		-
Deficit			**(32,968,082)**		(6,677,435)
TOTAL SHAREHOLDERS' DEFICIENCY			**(4,728,786)**		850,501
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**37,506,023**	$	1,114,534

Nature of operations and going concern	1
Contingency	25
Subsequent events	26

These consolidated financial statements were approved for issue on behalf of the Board of Directors on July 3, 2020 by:

"Emmanuel Paul"
Director

"Shay Shnet"
Director

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

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars, except share data)

	Note		**Fourteen months ended December 31, 2019**		Twelve months ended October 31, 2018
Retail and wholesale revenues	19	**$**	**2,232,396**	**$**	-
Cost of goods sold			**1,411,097**		-
Gross profit			**821,299**		-
Operating expenses					
Selling, general and administrative	20		**12,765,412**		1,259,245
Share-based compensation	18		**1,843,508**		-
Depreciation and amortization	8,9,12		**467,594**		425
Total Operating Expenses			**15,076,514**		1,259,670
Loss from operations			**(14,255,215)**		(1,259,670)
Other Items					
Project costs on Cannova	4		**(6,663,350)**		-
Accretion expense	4, 16		**(2,598,755)**		-
Loss on marketable securities	5		**(167,052)**		(121,542)
Foreign exchange gain (loss)			**(222,082)**		23
Interest and other income			**166,086**		8,204
Interest expense	13, 15, 16		**(2,160,709)**		-
Impairment of equipment	8		**(133,333)**		-
Impairment of intangible assets	9		**(256,237)**		-
Recovery of loan receivable			**-**		40,000
Write-off of GST receivable			**-**		(20,705)
Write-off of loans receivable	11		**-**		(3,800,000)
			(12,035,432)		(3,894,020)
Net loss for the period			**(26,290,647)**		(5,153,690)
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations			**(58,942)**		-
Total comprehensive loss		**$**	**(26,349,589)**	**$**	(5,153,690)
Basic and diluted loss per share		**$**	**(0.24)**	**$**	(0.21)
Weighted average number of common shares outstanding, basic and diluted			**109,729,634**		24,034,822

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

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

Fourteen months ended December 31, 2019

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Shares to be issued	Reserves	AOCI	Deficit	Total
Balance at October 31, 2017	16,414,966	$ 2,008,082	$ -	$ 570,313	$ -	$(1,523,745)	$ 1,054,650
Private placement	11,183,899	2,882,442	-	1,591,118	-	-	4,473,560
Share issuance costs	-	(377,026)	-	-	-	-	(377,026)
Advance Subscriptions	-	-	687,500	-	-	-	687,500
Finders' fee warrants	-	-	-	165,507	-	-	165,507
Net and comprehensive loss	-	-	-	-	-	(5,153,690)	(5,153,690)
Balance at October 31, 2018	27,598,865	4,513,498	687,500	2,326,938	-	(6,677,435)	850,501
Convertible debentures	-	-	-	7,484,077	-	-	7,484,077
Shares issued for the Cannova transaction	13,299,999	1,950,666	3,369,334	-	-	-	5,320,000
Private placement	61,933,335	5,290,000	(687,500)	-	-	-	4,602,500
Finders' fee shares	2,726,000	283,900	-	-	-	-	283,900
Share issuance costs	-	(939,664)	-	-	-	-	(939,664)
Brokers' warrants – private placement	-	-	-	638,111	-	-	638,111
Brokers' warrants – convertible debentures	-	-	-	937,547	-	-	937,547
Exercise of warrants	846,220	487,245	-	(267,313)	-	-	219,932
Exercise of finders' fee warrants	1,250,000	220,510	-	(158,010)	-	-	62,500
Stock-based compensation	6,225,000	450,212	-	1,393,296	-	-	1,843,508
Options exercised, expired, cancelled or forfeited	550,000	170,500	-	(88,109)	-	-	82,391
Shares issued for services	300,000	25,500	-	-	-	-	25,500
Shares issued in settlement of accounts payable	1,399,998	210,000	-	-	-	-	210,000
Unrealized gain/loss on translation of foreign operations	-	-	-	-	(58,942)	-	(58,942)
Net loss	-	-	-	-	-	(26,290,647)	(26,290,647)
Balance as December 31, 2019	116,129,417	$12,662,367	$3,369,334	$12,266,537	$(58,942)	$(32,968,082)	$(4,728,786)

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

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)
CONSOLIDATED STATEMENTS OF CASHFLOWS
(Expressed in Canadian dollars)

		Fourteen months ended December 31, 2019		Twelve months ended October 31, 2018
Operating Activities				
Net loss for the period	**$**	**(26,290,647)**	$	(5,153,690)
Adjustment for non-cash items				
Project costs on Cannova		**6,663,350**		-
Accretion expense		**2,598,755**		-
Depreciation and amortization		**467,594**		425
Bad debt		**4,395**		-
Loss on sale of marketable securities		**167,052**		274,176
Gain from sale of marketable securities		**-**		(152,634)
Stock-based compensation		**1,843,508**		-
Unrealized foreign exchange gain		**(325,440)**		-
Shares issued for services		**25,500**		-
Impairment of equipment		**133,333**		-
Impairment of intangible assets		**256,237**		-
Write-off of receivables		**-**		20,705
Write-off of loans receivable		**-**		3,800,000
Changes in non-cash working capital items:				
HST and other receivables		**(369,924)**		(6,646)
Inventory		**384,359**		-
Prepaids and deposits		**(214,252)**		(35,000)
Due from related parties		**-**		6,368
Trade payables and accrued liabilities		**422,228**		(237,721)
Net cash flow used in operating activities		**(14,233,952)**		(1,484,017)
Investing Activities				
Acquisition of property and equipment		**(10,574,321)**		-
Acquisition of intangible assets		**(260,823)**		-
Acquisition of Perpetual		**(8,919,094)**		-
Cash acquired from Perpetual		**247,204**		-
Investment in Cannova		**(1,343,350)**		-
Proceeds from sale of marketable securities		**-**		451,590
Loan to unrelated parties		**-**		(4,000,000)
Deposit		**-**		380,000
Net cash flow used investing activities		**(20,850,384)**		(3,168,410)
Financing Activities				
Issuance of shares for cash, net		**4,584,847**		4,378,740
Advance subscriptions		**-**		687,500
Exercise of warrants		**282,433**		-
Exercise of options		**88,000**		-
Issuance of debentures, net		**31,996,970**		-
Mortgage payment		**(38,238)**		-
Payment of lease liability		**(22,776)**		-
Net cash flow provided by financing activities		**36,891,236**		5,066,240
Foreign exchange effect on cash		**(8,478)**		-
Change in cash		**1,798,422**		413,813
Cash, beginning of period		**705,836**		292,023
Cash, end of period	**$**	**2,504,258**	$	705,836

Supplemental disclosure with respect to cashflows (Note 22)

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

1. Nature of operations and going concern

Nabis Holdings Inc. (formerly Innovative Properties Inc.) (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 31, 2002. On May 29, 2019, the Company changed its name from Innovative Properties Inc. to Nabis Holdings Inc. The Company is primarily involved in investments in real properties and distribution and sales of cannabis products in the United States. The Company's shares are listed on the Canadian Securities Exchange under the symbol "NAB". The head office, principal address and records office of the Company are located at Unit 1409, 5000 Yonge Street, Toronto, Ontario, Canada, M2N 7E9.

The Company has incurred losses and has had negative cash flows from operations from inception that have primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. As at December 31, 2019, the Company had a working capital deficiency of $12,283,393 and an accumulated deficit of $32,968,082. Of the total mortgages outstanding on December 31, 2019, $3,023,713 (USD$2,326,291) is due on August 1, 2020 (Note 15). On June 30, 2020, the Company did not make the quarterly interest payment accrued on the convertible debentures (Note 16) due to Covid-19 and is not in default in accordance with the Force Majeure terms set out the convertible debentures. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, through the private placement of common shares, issuance of loans and convertible loans.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of preparation

(a) Change in the reporting period

During 2019, the Company changed its fiscal year-end from October 31st to December 31st in order to be better aligned with the Company's industry peers, as well as facilitate efficiencies in the administration, accounting and production of the annual audited financial statements. As a result of this change, the current fiscal year is a fourteen-month period from November 1, 2018 to December 31, 2019. The comparative period represents a twelve-month period from November 1, 2017 to October 31, 2018 and are not entirely comparable.

(b) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(c) Basis of measurement

These financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The following subsidiaries have been consolidated for all dates presented within these financial statements:

Subsidiary	Ownership	Location
Nabis Holdings Inc.	100%	Canada
Nabis Technologies Corp.	100%	Canada
Be In Synergy Inc.	100%	Canada
Abis Biopharma Corporation	100%	Canada
Nabis (CAN) Holdings Corp	100%	USA
Nabis (US) Corp.	100%	USA
Nabis AZ, LLC	100%	USA
Nabis Arizona Property, LLC	100%	USA
Perpetual Healthcare, Inc.	100%	USA
Nabis Joint Ventures (AZ), LLC	100%	USA
Nabis Hemp Holdings, LLC	100%	USA
Nabis Holdings California Inc.	100%	USA
Nabis Holdings California, LLC	100%	USA
Nabis Holdings, LLC	100%	USA
Nabis Holdings Michigan, LLC.	100%	USA
1904 Peck Street Ventures, LLC	100%	USA
1904 Peck Street, Inc.	100%	USA
1904 Peck, LLC	100%	USA
50680 28th Avenue, LLC	100%	USA
190 Wash & 140 Locust, LLC	100%	USA
190 N Washington, LLC	100%	USA
135 W. Monroe, LLC	100%	USA
Fifty Knapp Drive, LLC	100%	USA
1230 E. Michigan Avenue, LLC	100%	USA
50 Knapp, LLC	100%	USA
1230 Michigan Inc.	100%	USA
1639 S. Huron, LLC	100%	USA
1639 Huron Inc.	100%	USA
Nabis NM LLC	100%	USA
Nabis Holdings Oklahoma Inc.	100%	USA
Nabis Oklahoma Patient Care Inc.	100%	USA
Nabis Holdings Washington, LLC	100%	USA

All intercompany transactions are eliminated in full upon consolidation.

(e) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Company and its subsidiaries excluding Perpetual Healthcare, Inc. is the Canadian dollar. The functional of Perpetual Healthcare, Inc is the US dollar.

(f) Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future periods include the recoverability and measurement of deferred tax assets, the valuation of marketable securities, the recoverability of receivables, the impairment of non-financial assets, and the useful life of property and equipment.

(g) Significant judgments

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether the collection of revenue is reasonably assured, the determination of the functional currency, and the determination of asset acquisition vs business combination.

(h) Adoption of IFRS 16. Leases and resulting changes to lease accounting policy

Effective November 1, 2018, the Company adopted IFRS 16. The standard supersedes IAS 17 Leases, International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining Whether an Arrangement Contains a Lease, and related interpretations. IFRS 16 requires the recognition of a right-of-use asset ("ROU asset") and lease obligation on the statement of financial position for most leases, where the Company is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating or finance leases no longer exists, treating all leases as finance leases.

Initial adoption

The Company adopted IFRS 16 Leases effective November 1, 2018, using the modified retrospective approach which requires the cumulative effect of initial application to be recognized in retained earnings at November 1, 2018. On adoption of IFRS 16, the Company recognized lease liabilities for leases previously classified as an operating lease under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's applicable incremental borrowing rate as of November 1, 2018. For leases previously classified as finance leases under IAS 17, the carrying amount of the lease asset and lease liability immediately before transition was recognized as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Company has applied the following practical expedients permitted by IFRS 16:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at November 1, 2018 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As of November 1, 2018, the impact from the adoption of IFRS 16 to these financial statements is $nil.

Ongoing recognition and measurement

On the date that the leased asset becomes available for use, the Company recognized a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to profit or loss over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured at the net present value of the lease payments which may include: fixed lease payments, variable lease payments that are based on an index or a rate, amounts expected to be payable under residual value guarantees and payments exercised at an extension or a termination option if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

(i) ***Adoption of IFRS 9. Financial Instruments***

Effective November 1, 2018, the Company has adopted IFRS 9 Financial instruments: Classification and Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/ liabilities	**Original classification IAS 39**	**New classification IFRS 9**
Cash	Amortized cost	Amortized cost
Marketable securities	Fair value through profit or loss	Fair value through profit or loss
HST and other receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Trade payables and accrued liabilities	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Mortgages payable	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and digital assets are measured at FVTPL.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, due to shareholder, and convertible debentures are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company retrospectively adopted IFRS 9 on November 1, 2018. The adoption had no impact on the amounts recognized in the Company's consolidated financial statements for the fourteen months ended December 31, 2019.

3. Significant accounting policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. At December 31, 2019 and October 31, 2018, the Company did not hold any cash equivalents.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization is recorded as a straight-line over the estimated useful lives. The significant classes of property and equipment and their useful lives are as follows:

Building and improvements	25 years
Furniture, machinery and equipment	1 - 3 years
Leasehold improvement	Lease term
Right-of-use assets	Lease term

Impairment of Non-financial Assets

The Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized to profit or loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use.

Intangible assets

An intangible asset is an identifiable asset without physical substance. An asset is identifiable if it is separable, or arises from contractual or legal rights, regardless of whether those rights are transferrable or separable from the Company or from other rights and obligations. Intangible assets include cannabis license and brands.

Finite-lived intangible assets acquired externally or internally generated and available for use are measured at cost less accumulated amortization and impairment losses. The amortization is recognized straight-line over their estimated useful lives from the date they are available for use. The cost of a group of intangible assets acquired externally is allocated to the individual intangible assets based on their relative fair values. The cost of intangible assets acquired externally comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

The amortization periods of the Company's intangible assets are as follows:

Type	**Amortization period**
Brands	10 years
License	10 years

Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the CGU or CGUs to which it relates.

Goodwill is measured at historical cost and is evaluated for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Inventory

Inventory consists primarily of finished goods. Inventory is valued at the lower of cost and net realizable value with cost based upon the weighted average method of inventory costing. The realizable value of finished goods is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

Convertible Debentures

The components of the compound financial instrument (convertible debenture) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument. At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar nonconvertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible debentures will be transferred to share capital. No profit or gain is recognized to the conversion or expiration of the conversion option.

Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying value of the liability component and amortized over the estimated useful life of the debentures using the effective interest rate method.

Revenue Recognition

Revenue is recognized in accordance with the five steps in IFRS 15 Revenue from Contracts with Customers.

1. Identify the contract with customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price, which is the total consideration provided by the customer;
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair value; and
5. Recognize revenue when the revenue criteria are met for each performance obligation.

Retail and wholesale revenue

Retail and wholesale revenue represent the sale of physical cannabis goods to the customer for which revenue is recognized on transfer of control of the product to the customer on shipment to or collection by the customer. Payment for retail and wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company's credit policy upon the transfer of goods to the customer. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer.

Cost of Sales

Cost of sales includes the expenses incurred to acquire and produce inventory for sale, including product costs, inbound freight and duty costs, as well as provisions related to product shrinkage, excess or obsolete inventory, or lower of cost and net realizable value adjustments as required.

Share-Based Payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value on the grant date of stock options and recognized over the vesting period. Share-based payments to non-employees are measured at fair value of goods or services received or otherwise at fair value of the share-based payments are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value is determined using the Black-Scholes Option Pricing Model. The number of stock options expected to vest is reviewed and adjusted at the end of each reporting period.

Restricted Share Units ("RSUs)

The Company has a RSU plan for its Officers, Directors and Employees. The Company determines whether to account for the RSUs as equity-settle or cash-settled based on the terms of the contractual arrangement. The fair value of RSUs is recognized as share-based compensation with a corresponding increase in the Company's reserve if deemed equity-settled or a liability is raised if cash settled at grant date.

The fair value is estimated using the number of RSUs and the quoted market price of the Company's common shares at the grant date. It is then expensed over the vesting period with the credit recognized in equity in the Company's reserve. If cash-settled, the expense and liability are adjusted each reporting period for the changes in the quoted market value of the Company's common shares.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined using the Black-Scholes option pricing model. If the proceeds from the offering are less than or equal to the fair market value of warrants issued, a fair value of $nil is assigned to the shares.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian dollars)

Loss per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders for the period by the weighted-average number of common shares outstanding in the period. The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. Diluted amounts are not present when the effect of the computations is anti-dilutive.

Provision

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4. Acquisitions

(a) Acquisition of Assets of PDT Technologies, LLC

On May 30, 2019, the Company completed an acquisition of certain assets from PDT Technologies, LLC ("PDT"), a Washington-based private company, for consideration of $402,234 (US$300,000).

The acquisition constitutes an asset acquisition as the acquired assets did not meet the definition of a business, as defined in IFRS 3, *Business Combinations*.

The allocation of consideration transferred is summarized as follows:

Assets acquired:		
Extraction and production equipment	$	141,411
Lease of production facility		99,067
Option to purchase processing license		260,823
Total assets acquired		501,301
Liabilities assumed:		
Lease liability of production facility		(99,067)
Net assets acquired		402,234
Fair value of cash consideration	$	402,234

(b) Investment in Cannova Medical Ltd.

On June 25, 2019, the Company completed its acquisition of a 49% interest of Cannova Medical Ltd. ("Cannova"), a private company located in Israel that provides innovative solutions for cannabis consumption for consideration of $1,343,350 (US$1,000,000) in cash and issuance of 5,911,111 common shares with a fair value of $1,950,666. The Company also has an obligation to issue an additional 10,103,434 common shares with a fair value of $3,369,334 for total consideration of $6,663,350 (US$5,000,000). The Company also has an option to acquire the remaining 51% interest of Cannova by issuing an additional 7,388,888 common shares ("Option Shares") upon the completion of certain milestones. The Option Shares were issued, and are reflected in the number of shares outstanding at December 31, 2019 and are being held in escrow until when or if the milestones are achieved. Management has assessed that these milestones will not be achieved and therefore no value has been assigned to the shares held in escrow. The option to acquire the remaining 51% interest in Cannova has a 5-year life and if not exercised, will expire on May 23, 2024.

On the acquisition date, the Company expensed the total purchase price of $6,663,350 due to the uncertainty relating to the future economic benefit associated with Cannova. Subsequent to December 31, 2019, the Company is in the process of seeking back 13,299,999 common shares issued.

(Expressed in Canadian dollars)

(c) Acquisition of Assets of Perpetual Health Care, Inc. including Emerald Dispensary and Infusion Edibles

In October, 2019, the Company acquired exclusive rights to operate the Emerald dispensary in Phoenix, Arizona, whose license is held by Perpetual Healthcare, Inc. ("Perpetual").

The acquisition constitutes a business combination as the acquired assets meet the definition of a business, as defined in IFRS 3, *Business Combinations*. The allocation of the fair value of the consideration transferred is summarized as follows:

Cash	$	8,919,094
Fair value of US$8M promissory note		9,527,810
Fair value of consideration	$	**18,446,904**

Assets acquired:		
Cash	$	247,204
Accounts receivable		134,619
Inventory		468,531
Prepaid assets		10,613
Capital assets		8,181
License		7,976,400
Brands		543,725
Goodwill		9,620,177
Right-of-use asset dispensary lease		118,500
Total assets acquired		**19,127,950**
Liabilities assumed:		
Accounts payable and accrued expenses		(562,546)
Dispensary lease liability		(118,500)
Total liabilities assumed		(681,046)
Fair value of purchase consideration	$	**18,446,904**

The fair value of total consideration for the transaction was $18,446,904 of which $8,919,094 was paid in cash up-front and $9,527,810 is payable 12 months after closing. The note payable has an interest rate of 5% and has a face value of US$8,000,000. The fair value of the note payable is $9,527,810 assessed using a discount rate of 17.5%. Accretion expense for the promissory note during the fourteen-month period ended December 31, 2019 was $350,117 (October 31, 2018 - $nil).

From the date of acquisition to December 31, 2019, Perpetual including Emerald Dispensary and Infusion Edibles contributed revenue of $2,232,396. The amount of income attributable to the acquisition, from the date of acquisition to December 31, 2019 is $52,793. The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company.

(d) Acquisition of 1904 Peck Street Ventures LLC.

On April 4, 2019, the Company completed its acquisition of 100% interest in 1904 Peck Street Ventures LLC ("1904"), a Michigan Domestic Limited Liability Company for consideration of $1,195,452 (US$895,000). The consideration consisted of a down payment of $597,726 (US$447,500), paid at closing and a mortgage payable of $597,726 (US$447,500). See Note 15 for the detailed term of the mortgage .

The acquisition constitutes an asset acquisition as 1904 did not meet the definition of a business, as defined in IFRS 3, Business Combinations. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. The fair value of the land and building was estimated to be $1,128,667 and $66,785.

(e) Acquisition of 135 W. Monroe LLC

On April 3, 2019, the Company completed the acquisition of 135 W. Monroe, LLC ("135"), a Michigan Domestic Limited Liability Company for consideration of $732,820 (US$550,000). The consideration consisted of a down payment of $366,410 (US$275,000), paid at closing and a mortgage payable of $366,410 (US$275,000 See Note 15 for the detailed term of the mortgage.

The acquisition constitutes an asset acquisition as 135 did not meet the definition of a business, as defined in IFRS 3. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. The fair value of the land is $699,510 and the building is $33,310.

(f) Acquisition of 190 Wash & 140 Locust, LLC

On April 4, 2019, the Company completed its acquisition of 190 Wash & 140 Locust, LLC ("190"), a Michigan Domestic Limited Liability Company for consideration of $661,172 (US$495,000). The consideration consisted of a down payment of $330,586 (US$247,500), paid at closing and a mortgage payable of $330,586 (US$247,500). See Note 15 for the detailed terms of the mortgage .

The acquisition constitutes an asset acquisition as 190 did not meet the definition of a business, as defined in IFRS 3. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. The fair value of the land was estimated at $627,779 and the building was estimated at $33,393.

(g) Acquisition of Fifty Knapp Drive, LLC

On April 4, 2019, the Company completed its acquisition of Fifty Knapp Drive, LLC ("Fifty"), a Michigan Domestic Limited Liability Company for consideration of $2,664,722 (US$1,995,000). The consideration consisted of a down payment of $1,332,361 (US$997,500), paid at closing and a mortgage payable of $1,332,961 (US$997,500). See Note 15 for the detailed terms of the mortgage .

The acquisition constitutes an asset acquisition as Fifty did not meet the definition of a business, as defined in IFRS 3, Business Combinations. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. The fair value of the land was estimated at $2,597,937 and the building was estimated at $66,785.

(h) Acquisition of 50680 28th Ave, LLC

On April 23, 2019, the Company completed its acquisition of 50680 28th Ave, LLC ("50680"), a Michigan Domestic Limited Liability Company for consideration of $1,040,128 (US$775,000). The consideration consisted of a down payment of $520,064 (US$387,500), paid at closing and a mortgage payable of $520,064 (US$387,500). See Note 15 for the detailed terms of the mortgage .

The acquisition constitutes an asset acquisition as the 50680 did not meet the definition of a business, as defined in IFRS 3, Business Combinations. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. The fair value of the land was estimated at $1,006,575 and the building was estimated at $33,553.

(i) Acquisition of 1230 E Michigan, LLC

On October 31, 2019, the Company completed its acquisition of 1230 E Michigan, LLC (“1230”), a Michigan Domestic Limited Liability Company for consideration of $1,579,200 (US$1,200,000). The consideration consisted of a down payment of $263,200 (US$200,000), paid at closing and a mortgage payable of $1,316,000 (US$1,000,000). See Note 15 for the detailed terms of the mortgage .

The acquisition constitutes an asset acquisition as the 1230 did not meet the definition of a business, as defined in IFRS 3, Business Combinations. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. The fair value of the land was estimated at $1,513,400 and the building was estimated at $65,800.

(j) Acquisition of 1639 S. Huron, LLC

On October 31, 2019, the Company completed its acquisition of 1639 S. Huron, LLC (“1639”), a Michigan Domestic Limited Liability Company for consideration of $526,400 (US$400,000). The consideration consisted of a down payment of $118,440 (US$90,000), paid at closing and a mortgage payable of $407,960 (US$310,000). See Note 15 for the detailed terms of the mortgage .

The acquisition constitutes an asset acquisition as the 1639 did not meet the definition of a business, as defined in IFRS 3, Business Combinations. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values. The fair value of the land was estimated at $460,600 and the building was estimated at $65,800.

(k) Acquisition of Camp Verde asset

On September 10, 2019, the Company closed the acquisition of a cultivation, production and fulfillment facility located on land near Phoenix, Arizona, for consideration of $3,477,440 (US$2,645,000) which has been capitalized as building and improvements in the amount of $3,213,634 and land in the amount of $261,680 at December 31, 2019.

(Expressed in Canadian dollars)

5. Marketable securities

	December 31, 2019 **$**	October 31, 2018 $
Common Shares		
Fair value, beginning	**125**	725,851
Dispositions	**-**	(302,867)
Change in fair value	**(125)**	(422,859)
Fair value, end	**-**	125

	December 31, 2019 **$**	October 31, 2018 $
Warrants		
Fair value, beginning	**166,927**	14,333
Dispositions	**-**	-
Expiry of warrants	**(166,927)**	152,594
Fair value, end	**-**	166,927
Total	**-**	167,052

6. HST and other receivables

	December 31, 2019 **$**	October 31, 2018 $
HST receivable	**547,849**	-
Other receivables	**45,223**	6,646
	593,072	6,646

7. Inventory

	December 31, 2019 **$**	October 31, 2018 $
Finished goods	**558,436**	**-**

During the fourteen months ended December 31, 2019, inventory expensed to cost of goods sold was $1,411,097 (October 31, 2018 - $ nil).

(Expressed in Canadian dollars)

8. Property and equipment

	Land	Building and improvements	Furniture, Machinery and Equipment	Leasehold improvements	Total
Cost:					
Balance, October 31, 2017	$ -	$ -	$ -	$ -	$ -
Additions	-	-	200,000	-	200,000
Balance, October 31, 2018	-	-	200,000	-	200,000
Additions	8,402,764	5,564,536	1,454,835	23,292	15,445,427
Disposals	-	-	(15,962)	-	(15,962)
Currency translation adjustment	-	-	(254)	(64)	(318)
Impairment	-	-	(200,000)	-	(200,000)
Balance, December 31, 2019	$ 8,402,764	$ 5,564,536	$ 1,438,619	$ 23,228	$ 15,429,147
Depreciation:					
Balance, October 31, 2017 and 2018	$ -	$ -	$ -	$ -	$ -
Depreciation	-	-	255,522	1,719	257,241
Impairment	-	-	(66,667)	-	(66,667)
Currency translation adjustment	-	-	(58)	-	(58)
Disposals	-	-	(2,885)	-	(2,885)
Balance, December 31, 2019	$ -	$ -	$ 185,912	$ 1,719	$ 187,631
Net book value:					
Balance, October 31, 2018	$ -	$ -	$ 200,000	$ -	$ 200,000
Balance, December 31, 2019	$ 8,402,764	$ 5,564,536	$ 1,252,707	$ 21,509	$ 15,241,516

During the fourteen months ended December 31, 2019, the Company assessed the future economic benefit attributable to certain furniture, machinery and equipment and recorded an impairment charge of $133,333 (October 31, 2018 - $nil).

(Expressed in Canadian dollars)

9. Intangible assets

	Assets Acquired from PDT (Note 4)	Assets Acquired from Perpetual (Note 4)	Impairment	Total
Cost				
Balance, October 31, 2017 and 2018	$ -	$ -	$ -	$ -
Processing license option	260,823	-	(260,823)	-
License	-	7,976,400	-	7,976,400
Brands	-	543,725	-	543,725
Balance, December 31, 2019	260,823	8,520,125	(260,823)	8,520,125
Accumulated amortization				
Balance, October 31, 2018	-	-	-	-
Amortization expense	4,586	165,669	(4,586)	165,669
Balance, December 31, 2019	4,586	165,669	(4,586)	165,669
Net book value, October 31, 2018	-	-	-	-
Net book value, December 31, 2019	**$ 256,237**	**$ 8,354,456**	**$ (256,237)**	**$ 8,354,456**

As at December 31, 2019, the Company completed an impairment testing on the processing license option that resulted in a nominal recoverable amount. During the fourteen months ended December 31, 2019, the Company recorded impairment charge of $256,237 (October 31, 2019 - $nil) to profit or loss.

10. Goodwill

During the fourteen months ended December 31, 2019, the Company recognized goodwill of $9,620,177 pursuant to the acquisition of Perpetual.

As at December 31, 2019, the Company completed goodwill impairment testing that resulted in the recoverable amount being greater than the carrying value of goodwill. The Company estimated the recoverable amount of goodwill based on discounted cash flows (a five-year projection and a terminal year thereafter) and incorporated assumptions an independent market participant would apply. The key assumptions used in the calculation of the recoverable amount relate to the future cash flows and growth projections, future weighted average cost of capital and, income tax rates. These key assumptions were based on historical data, project development data from internal sources as well as industry and market trends. The Company adjusted the discount rate for its CGU for the risks associated with achieving its forecast. A post-tax discount rate of 20% was used. As of December 31, 2019, the Company recognized no impairment in goodwill.

(Expressed in Canadian dollars)

11. Loans receivable

During the year-ended October 31, 2018, the Company provided loans in the amount of $1,600,000 and $2,400,000 to Modular Block Mining Inc. ("Modular") pursuant to a transaction whereby, the Company would acquire 100% of the issued and outstanding securities of Modular. The loans were non-interest bearing, payable on demand and secured by general security agreements. During the year ended October 31, 2018, the Company had determined that the loans had become unrecoverable and entered into an Appointment of Receiver agreement dated August 10, 2018, pursuant to which the Company exercised its rights under the general security agreements. In lieu of repayment of the aforementioned loans, and pursuant to an agreement dated October 29, 2018, the Company acquired the right, title and interest in and to certain assets, valued at $200,000. Accordingly, during the year ended October 31, 2018, the Company recorded a write-down of the loans receivable $3,800,000 in the statement of comprehensive loss.

12. Right-of-use assets

During the fourteen months ended December 31, 2019, the Company entered into various leases for the use of office space and production facility. The following table details the change in the Company's right-of-use assets for the year ended December 31, 2019:

Cost		Total
Balance, January 1, 2019, on adoption of IFRS 16	$	-
Addition		420,809
Balance, December 31, 2019		420,808
Accumulated depreciation		
Balance, January 1, 2019, on adoption of IFRS 16		-
Depreciation		(40,098)
Balance, December 31, 2019		(40,098)
Net book value, December 31, 2019	$	380,711

13. Lease liability

The following table details the change in the Company's lease liability for the period ended December 31, 2019:

		Total
Balance, November 1, 2018, on adoption of IFRS 16	$	-
Additions		403,656
Interest expense		16,481
Lease payments		(39,257)
Balance, December 31, 2019	$	380,880
Lease liability, current	$	162,611
Lease liability, non-current		218,269
	$	380,880

(Expressed in Canadian dollars)

In May 2019, the Company assumed the lease of a production facility in the State of Washington when it acquired certain assets from PDT Technologies (see Note 4). The lease expires on March 31, 2023. Under the terms of the lease, the Company is required to make monthly lease payments of US$1,725 from June 1, 2019 to May 31, 2020, US$1,775 from June 1, 2020 to May 31, 2021, US$1,825 from June 1, 2021 to May 31, 2022 and US$1,875 from June 1, 2022 to March 31, 2023.

On October 1, 2019 the Company entered into a lease for its office premises in Toronto, Ontario, Canada. Under the terms of the lease, the Company is required to make monthly lease payments in the amount of $6,017 for a three-year period.

On October 10, 2019, the Company assumed the lease of the Emerald dispensary when it acquired the assets of Perpetual (see Note 4). The lease expires on December 31, 2020. Under the terms of the lease, the Company is required to make monthly lease payments of US$4,000 per month and 5% of gross sales in excess of sales threshold. Subsequent to the end of the year, this lease was renewed for another five year term, expiring on December 31, 2025 with monthly lease payments of US$4,500 per month.

Future minimum lease payments outstanding under the Company's lease obligations at December 31, 2019 are as follows:

		Total
Less than 1 year	$	161,953
1-5 years		246,124
Total lease payments		408,077
Amount representing implicit interests		(27,197)
Lease obligations	$	380,880

14. Trade Payables and Accrued Liabilities

	December 31, 2019 **$**	October 31, 2018 $
Trade payables	**1,248,803**	233,879
Accrued liabilities	**401,697**	30,154
	1,650,500	264,033

15. Mortgages Payable

		Total
Balance, October 31, 2017 and 2018	$	-
Borrowing		4,871,106
Repayments		(143,455)
Accrued interest		105,265
Foreign exchange impact		(106,465)
Balance, December 31, 2019	$	4,726,451
Current	$	4,726,451
Non-current		-
	$	4,726,451

Mortgages issued in April 2019 ("April Mortgages")

On April 3, 2019, the Company issued a mortgage payable in the amount of $336,410 (US$275,000) in connection with the acquisition of 135. The mortgage payable bears interest of 4% per annum, with interest payable on a monthly basis. The mortgage payable can be repaid in full at any time with no prepayment penalty. For the fourteen months ended December 31, 2019, interest expense of $10,940 (US$8,253) has been recorded. As at December 31, 2019, the carrying balance of the mortgage payable is $353,087 (US$271,648). Pursuant to the mortgage agreement, the mortgage shall be repaid according to the following schedule:

- US$917 per month for the 2nd – 7th month after the closing date;
- US$2,034 per month for the 8th – 11th month after the closing date; and
- US$270,571 on the 12th month after the closing date.

On April 4, 2019, the Company issued a mortgage payable in the amount of $597,726 (US$447,500) in connection with the acquisition of 1904. The mortgage payable bears interest of 4% per annum, with interest payable on a monthly basis. The mortgage payable can be repaid in full at any time with no prepayment penalty. For the fourteen months ended December 31, 2019, interest expense of $17,802 (US$13,428) has been recorded. As at December 31, 2019, carrying balance of the mortgage payable is $574,570 (US$442,045). Pursuant to the mortgage agreement, the mortgage shall be repaid according to the following schedule:

- US$1,492 per month for the 2nd – 7th month after the closing date;
- US$3,310 per month for the 8th – 11th month after the closing date; and
- US$440,190 on the 12th month after the closing date.

On April 4, 2019, the Company issued a mortgage payable in the amount of $330,586 (US$247,500) in connection with the acquisition of 190. The mortgage payable bears interest of 4% per annum, with interest payable on a monthly basis. The mortgage payable can be repaid in full at any time with no prepayment penalty. For the fourteen months ended December 31, 2019, interest expense of $9,846 (US$7,425) has been recorded. As at December 31, 2019, carrying balance of the mortgage payable is $317,779 (US$244,483). Pursuant to the mortgage agreement, the mortgage shall be repaid according to the following schedule:

- US$825 per month for the 2nd – 7th month after the closing date;
- US$1,831 per month for the 8th – 11th month after the closing date; and
- US$243,457 on the 12th month after the closing date.

On April 4, 2019, the Company issued a mortgage payable in the amount of $1,332,361 (US$997,500) in connection with the acquisition of Fifty. The mortgage payable bears interest of 4% per annum, with interest payable on a monthly basis. The mortgage payable can be repaid in full at any time with no prepayment penalty. For the fourteen months ended December 31, 2019, interest expense of $39,682 (US$29,925) has been recorded. As at December 31, 2019, carrying balance of the mortgage payable is $1,280,745 (US$985,340). Pursuant to the mortgage agreement, the mortgage shall be repaid according to the following schedule:

- US$3,325 per month for the 2nd – 7th month after the closing date;
- US$7,378 per month for the 8th – 11th month after the closing date; and
- US$981,205 on the 12th month after the closing date.

On April 23, 2019, the Company issued a mortgage payable in the amount of $520,063 (US$387,500) in connection with the acquisition of 50680. The mortgage payable bears interest of 4% per annum, with interest payable on a monthly basis. The mortgage payable can be repaid in full at any time with no prepayment penalty. For the fourteen months ended December 31, 2019, interest expense of $15,462 (US$11,628) has been recorded. As at December 31, 2019, carrying balance of the mortgage payable is $497,532 (US$382,776). Pursuant to the mortgage agreement, the mortgage shall be repaid according to the following schedule:

- US$1,292 per month for the 2nd – 7th month after the closing date;
- US$2,866 per month for the 8th – 11th month after the closing date; and
- US$381,170 on the 12th month after the closing date.

The April Mortgages are collateralized collectively by the property held under the name of the following entities:

- 135;
- 1904;
- 190;
- Fifty; and
- 50680.

Subsequent to December 31, 2019, the payment terms of the April Mortgages were extended with the last payment due on August 1, 2020.

<u>Mortgages issued in October 2019 ("October Mortgages")</u>

On October 31, 2019, the Company issued a mortgage payable in the amount of $1,316,000 (US$1,000,000) in connection with the acquisition of 1230. The mortgage payable bears interest of 4% per annum, with interest payable on a monthly basis. The mortgage payable can be repaid in full at any time with no prepayment penalty. For the fourteen months ended December 31, 2019, interest expense of $8,804 (US$6,666) has been recorded. As at December 31, 2019, carrying balance of the mortgage payable is $1,299,800 (US$1,000,000). Pursuant to the mortgage agreement, the mortgage shall be repaid according to the following schedule:

- US$3,333 per month for the 2nd – 6th month after the closing date;
- US$400,000 on the 7th month after the closing date;
- US$4,438 per month for the 8th – 11th month after the closing date; and
- US$590,199 on the 12th month after the closing date.

On October 31, 2019, the Company issued a mortgage payable in the amount of $407,960 (US$310,000) in connection with the acquisition of 1639. The mortgage payable bears interest of 4% per annum, with interest payable on a monthly basis. The mortgage payable can be repaid in full at any time with no prepayment penalty. For the fourteen months ended December 31, 2019, interest expense of $2,729 (US$2,066) has been recorded. As at December 31, 2019, carrying balance of the mortgage payable is $402,938 (US$310,000). Pursuant to the mortgage agreement, the mortgage shall be repaid according to the following schedule:

- US$1,033 per month for the 2nd – 6th month after the closing date;
- US$110,000 on the 7th month after the closing date;
- US$1,479 per month for the 8th – 11th month after the closing date; and
- US$196,733 on the 12th month after the closing date.

(Expressed in Canadian dollars)

The October Mortgages are collateralized collectively by the property held under the name of the following entities:

- 1230; and
- 1639.

For the fourteen months ended December 31, 2019, interest expenses of $105,265 accrued on the April and October Mortgages were capitalized to property and equipment.

16. Convertible Debentures

On March 26, 2019, the Company issued 35,088 units of unsecured convertible debentures at a price of $1,000 per unit for total principal of $35,088,000; each unit also consists of 1,111 warrants with an exercise price of $1.10 per common share and expires on March 26, 2022. These convertible debentures will mature on March 26, 2022, with coupon rate of 8% per annum, payable on the last day of each calendar quarter and are convertible into common shares of the Company at a conversion price of $0.90 per share at the option of the holder.

The Company paid cash commissions and transaction fees of $3,091,030 on the sale of the debenture units, and issued 1,855,334 broker warrants, each carrying the right to purchase one broker unit at a price of $0.90 per broker unit until March 26, 2022. Each broker unit consists of one common share and one warrant.

The Company estimates 20% to be the market interest rate for a similar debt instrument without a conversion option of these convertible debentures and applied this rate to obtain the fair value ($26,633,198) of the convertible debentures at inception. The Company applied the residual method to record the fair value of the conversion option of $8,454,802 to the Company's reserves. The fair value recorded was offset by the cash commissions paid to the agents.

In the event of default, the outstanding principal and accrued interest of the convertible debentures becomes due and payable immediately upon request of the trustee or convertible debenture holders of not less than 25% in principal amount of the convertible debenture then outstanding.

Convertible debentures consisted of the following

	December 31, 2019	October 31, 2018
Balance, beginning of period	$ -	$ -
Proceeds from issuance of convertible debenture	35,088,000	-
Amount allocated to equity on issuance of convertible debenture	(8,454,802)	-
Transaction costs allocated to host debt	(3,057,852)	-
Accretion expense	2,248,638	
Interest expense	2,144,228	
Interest paid	(2,144,228)	-
Balance, end of period	$ 25,823,984	$ -

(Expressed in Canadian dollars)

17. Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

		December 31, 2019		October 31, 2018
Management and consulting fees		**423,429**		473,224
Salaries and wages		**570,572**		-
Share-based compensation		**886,931**		-
	$	**1,880,932**	$	473,224

At December 31, 2019, $155,362 (October 31, 2018 - $48,504) is included in trade payables and accrued liabilities from amounts owing to related parties.

18. Share Capital

(a) Authorized Share Capital

At December 31, 2019, the authorized share capital of the Company consists of an unlimited number of no par value common shares. The common shares are voting and are entitled to dividends if, as and when declared by the Board of Directors.

(b) Common shares issued and outstanding during the period

For the fourteen months ended December 31, 2019

In November 2018, the Company closed a private placement financing consisting of 40,000,000 shares at a price of $0.05 per share for gross proceeds of $2,000,000. Of the total proceeds, $687,500 were received in October 2018 and an equivalent amount was reallocated from shares to be issued to share capital. In connection with the private placement, the Company issued 1,250,000 common shares as finders' fees with a fair value of $62,500 and issued 1,250,000 brokers' warrants to purchase up to 1,250,000 common shares at $0.05 per share for two years following the issuance date. Using the Black-Scholes Option Pricing Model, the brokers' warrants were valued at a fair value of $158,010, assuming a risk-free interest rate of 2.27%, an expected life of two years, an expected volatility of 145.87% and no expected dividends.

In November 2018, the Company closed a private placement and issued 21,933,335 shares at a price of $0.15 per share for gross proceeds of $3,290,000. Concurrent with the private placement, Company issued 1,399,998 shares for debt settlement with certain arms-length creditors in the amount of $210,000. The Company issued 1,476,000 common shares as finders' fee with a fair value of $221,400 and issued 1,476,000 brokers' warrants to purchase up to 1,476,000 common shares at $0.15 per share for two years following the issuance date. Using the Black-Scholes Option Pricing Model, brokers' warrants were valued at a fair value of $480,101, assuming a risk-free interest rate of 2.21% - 2.23%, an expected life of two years, an expected volatility of 153.50% - 154.27% and no expected dividends.

In connection with the aforementioned private placements, the Company paid share issuance cost of $17,653 in cash.

In December 2018, the Company issued 1,250,000 common shares upon exercise of 1,250,000 brokers' warrants for cash proceeds of $62,500. The fair value of the brokers' warrants of $158,010 was transferred from reserve to share capital.

In February 2019, the Company issued 362,500 common shares upon exercise of 362,500 options for cash proceeds of $58,000. The fair value of the options of $54,375 was transferred from reserve to share capital.

In February 2019, the Company issued 155,000 common shares upon exercise of 155,000 warrants for cash proceeds of $116,250. The fair value of the warrants of $42,887 was transferred from reserve to share capital.

In April 2019, the Company issued 125,000 common shares upon exercise of 125,000 options for cash proceeds of $20,000. The fair value of the options of $18,750 was transferred from reserve to share capital.

In May 2019, the Company issued 62,500 common shares upon exercise of 62,500 options for cash proceeds of $10,000. The fair value of the options of $9,375 was transferred from reserve to share capital.

In June 2019, the Company issued 13,299,999 common shares to acquire Cannova Medical Ltd. As at December 31, 2019, 7,388,888 of these shares are held in escrow and will be released upon completion of certain milestones. The Company also has an obligation to issue an additional 10,103,434 common shares relating to the purchase of Cannova (see Note 4).

In July 2019, the Company issued 432,125 common shares upon exercise of 432,125 warrants for cash proceeds of $64,818. The fair value of the warrants of $141,742 was transferred from reserve to share capital.

In August 2019, the Company issued 259,095 common shares upon exercise of 259,095 warrants for cash proceeds of $38,864. The fair value of the warrants of $82,684 was transferred from reserve to share capital.

In October 2019, the Company issued 300,000 common shares with a fair value of $25,500 as compensation for consulting services received.

In November, 2019, the Board of Directors approved the grant of an aggregate of 8,725,000 Restricted Share Units under the Company's Restricted Share Unit Plan (the "Plan") to certain Officers, Directors and Employees of the Company ("RSU Recipients"); 6,225,000 of the RSU's granted vested immediately, 2,000,000 RSU's vested on January 2, 2020 and the balance of 500,000 RSU's will vest on December 31, 2020. The RSU's have been granted to the RSU Recipients as compensation for their services to the Company and as an incentive mechanism to foster long-term success of the Company. Each RSU carries the right to receive one common share of the Company upon vesting; certain RSU Recipients have vesting conditions attached to their grant. The issuance of the RSUs are subject to the terms of the Plan and all required approvals, including, if applicable, the approval of the Canadian Security Exchange.

During the fourteen months ended December 31, 2019, the Company recognized a total of $450,212 (October 31, 2018 - $nil) as share-based compensation related RSUs.

(Expressed in Canadian dollars)

For the year ended October 31, 2018

In February 2018, the Company closed its first tranche of a private placement financing consisting of 6,746,116 units at a price of $0.40 per unit of gross proceeds of $2,698,447. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of $0.75 per share until August 14, 2019. In March 2018, the Company closed its second and third tranches of its private placement financing consisting of 4,437,781 units at a price of $0.40 per unit for gross proceeds of $1,775,112. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.75 per share until September 12, 2019.

Total proceeds raised from this private placement were $4,473,560. The fair value of the total warrants issued in the private placements was estimated to be $1,737,608 and the residual value, $2,735,952, was assigned to share capital. In addition, the Company paid an aggregate of $211,490 in cash commission to eligible finders and issued 528,796 brokers' warrants to purchase up to 528,796 common shares for 18 months following the issuance date. The brokers' warrants were allocated a fair value of $184,672, estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of $1.78% - 1.79%, an expected life of 1.5 years, an expected volatility of 114% - 141% and no expected dividends.

(c) Stock Options

	Number of Options		Option Reserve	Weighted Average Exercise Price
Balance at October 31, 2018 and 2017	-	$	130,901	-
Stock options issued [i]	8,960,000		-	0.20
Stock options exercised	(550,000)		(82,500)	0.16
Stock options forfeited	(50,000)		(5,609)	0.59
Stock based compensation expense	-		1,393,296	-
Balance at December 31, 2019	**8,360,000**	**$**	**1,436,088**	**0.20**

[i] During the fourteen-month period ended December 31, 2019, the Company issued 8,960,000 stock options with a fair value of $1,483,556.

The Company recorded stock-based compensation for the above option grants using the Black-Sholes option pricing model with the following assumptions:

Risk-free interest rate	1.42% - 2.36%
Dividend yield	0.00%
Expected volatility	70.9 – 164.0
Expected life	3 - 5 years

The weighted average life remaining of the options at December 31, 2019 is 4.1 years.

A continuity of the Company's options is as follows:

(Expressed in Canadian dollars)

Expiry Date	Number of options outstanding	Number of options exercisable	Weighted Average Exercise Price	Weighted average remaining life (years)
November 13, 2023	4,750,000	4,750,000	0.16	3.9
November 13, 2023	250,000	250,000	0.38	3.9
December 3, 2023	550,000	550,000	0.47	3.9
January 10, 2024	250,000	250,000	0.42	4.0
January 23, 2024	250,000	250,000	0.68	4.1
May 7, 2024	75,000	-	0.65	4.4
June 7, 2024	50,000	50,000	0.59	4.4
August 19, 2024	50,000	-	0.20	4.6
October 1, 2024	2,000,000	-	0.10	4.8
November 13, 2024	135,000	-	0.10	4.9
	8,360,000	6,100,000	0.20	4.1

(d) Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance at October 31, 2017	**-**		**-**
Issued	6,120,745	$	0.75
Balance at October 31, 2018	6,120,745	$	**0.75**
Issued	43,564,102	$	1.03
Exercised	(2,096,220)	$	0.26
Expired unexercised	(5,965,745)	$	0.75
Balance at December 31, 2019	**41,622,882**	**$**	**1.07**

The expiry of warrants is as follows:

Grant Date	Expiry Date	Number of warrants issued		Weighted Average Exercise Price
November 21, 2018	November 21, 2020	784,780	$	0.15
March 26, 2019	March 26, 2021	1,855,334	$	0.90
March 26, 2019	March 26, 2022	38,982,768	$	1.10
		41,622,882	$	1.07

The weighted average life remaining of the warrants at December 31, 2019 is 2.17 years.

19. Retail and wholesale revenue

		Fourteen months ended December 31, 2019		Twelve months ended October 31, 2018
Retail revenue	$	1,919,292	$	-
Wholesale revenue		313,104		-
	$	2,232,396	$	-

(Expressed in Canadian dollars)

20. Selling, general and administrative expenses

		Fourteen months ended December 31, 2019		Twelve months ended October 31, 2018
Salaries and benefits	$	1,473,063	$	-
Consulting and management fees		1,785,717		879,372
Sales and marketing		2,628,133		1,119
Rent and occupancy		137,147		6,300
Travel		375,964		-
Insurance		273,807		-
Professional fees		3,206,475		334,069
Office and general		457,954		12,023
Business development, investor relations and filing fees		2,409,980		24,427
Banking and merchant fees		17,172		1,935
	$	12,765,412	$	1,259,245

21. Income Taxes

The reconciliation of the income tax provision at the statutory tax rate to the reported income tax provision is as follows:

		December 31, 2019		October 31, 2018
Net loss for the period before tax	$	(26,290,647)	$	(5,153,690)
Statutory tax rate		27%		26%
Expected income tax recovery		(7,098,000)		(1,340,000)
Non-deductible expenses and non-taxable income		2,302,000		902,000
Increase in unrecognized tax assets		4,796,000		438,000
Income tax expense (recovery)	$	-	$	-

The Company has the following deferred tax assets and liabilities:

		December 31, 2019		October 31, 2018
Deferred tax assets				
Share issuance costs	$	714,000	$	78,000
Allowable capital costs		103,000		43,000
Property and equipment		166,000		-
Non-capital losses		4,531,000		619,000
Canadian eligible capital		-		3,000
		5,514,000		743,000
Deferred tax liabilities				
Marketable securities		-		(22,000)
Net deferred tax assets		5,514,000		721,000
Unrecognized deferred tax assets		(5,514,000)		(721,000)
	$	-	$	-

As at December 31, 2019, the Company has approximately $16,190,000 (October 31, 2018 - $2,370,000) of non-capital losses in Canada and non-capital losses of approximately $570,000 (October 31, 2018 - $nil) in US which can be carried forward to offset future taxable income.

22. Supplemental disclosure with respect to cashflows

Significant non-cash transactions for the fourteen months ended December 31, 2019 consisted of:

- Investment in Cannova with the Company’s common shares valued at $1,950,667;
- Investment in Cannova with the obligation to issue the Company’s common shares valued at $3,369,333;
- Acquisition of assets through mortgages payable of $4,871,106;
- Brokers’ warrants with a fair value of $937,547 for the issuance of convertible debentures;
- Brokers’ warrants with a fair value of $638,111 for the issuance of private placements; and
- Conversion option of the convertible debentures with fair value of $7,484,077.

Significant non-cash transactions for the year ended October 31, 2018 consisted of:

- Warrants issued as part of the private placements of $1,591,118
- Brokers’ warrants with fair value of $165,507 for the issuance of private placements

23. Financial Risk Management and Capital Management

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its cash held in bank accounts and its trade receivables. Cash deposited in bank accounts held with major banks in Canada. As most of the Company’s cash is held by one bank, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on a ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

(Expressed in Canadian dollars)

The following table details the remaining contractual maturities of the Company's financial liabilities as of December 31, 2019:

	Within 1 year	1 to 2 years	2 – 5 years	Total
Trade payables and accrued liabilities	$ 1,650,500	$ -	$ -	$ 1,650,500
Mortgages payable	4,726,451	-	-	4,726,451
Note payable	10,909,920	-	-	10,909,920
Convertible debentures	2,807,040	38,557,852	-	41,364,892
Lease liabilities	161,953	246,124	-	408,077
Balance, December 31, 2019	$ 20,255,864	$ 38,803,976	$ -	$ 59,059,840

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and convertible debenture financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the company's capital management during the year. The Company is not subject to any internally imposed capital requirements.

Fair Value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

At October 31, 2018, the only financial instruments measured at fair value were the common shares included in the Company's marketable securities, which were measured at Level 1 under the fair value hierarchy. The Company did not have any marketable securities at December 31, 2019.

(Expressed in Canadian dollars)

At October 31, 2018, the only financial instruments included in Level 3 under the fair value hierarchy were the warrants included in the Company's marketable securities.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk

The carrying value of the Company's convertible debentures approximates fair value as the liability component was discounted using an estimated market rate.

There were no transfers between the levels of the fair value hierarchy during the period.

24. Segmented information

Geographical information related the Company's activities is as follows:

Revenue:

		Fourteen months ended December 31, 2019		Twelve months ended October 31, 2018
United States	$	2,232,396	$	-
Canada		-		-
	$	2,232,396	$	-

Non-current assets:

		Fourteen months ended December 31, 2019		Twelve months ended October 31, 2018
United States	$	33,410,554	$	-
Canada		186,306		200,000
	$	33,596,860	$	200,000

25. Contingency

In November 2019, litigation was commenced against the Company pertaining to certain consulting service arrangements for consideration of up to USD $616,000. While the outcome of the lawsuit cannot be predicted with certainty, the Company is of opinion that the litigation is frivolous and without merit.

26. Subsequent events

The recent outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impact on the worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have on the ability for the Company to raise capital, and continue the construction of cannabis assets in the states of Arizona, Michigan and Washington, and the supply of product and inventory are highly uncertain and as such, the Company cannot determine the corresponding financial impacts at this time.

In March 2020, the Company entered into a $2,121,030 (US$1,600,000) real estate backed loan agreement secured by the land and building of the Camp Verde facility in Arizona, which bears interest at 12%. The loan is being paid monthly, interest only until March 1, 2025 but can be prepaid at any time subject to certain terms and conditions.

In June 2020, the Company reached an agreement with the vendors of the Michigan properties and the repayment terms were modified such that the April Mortgages are due on August 1, 2020. The Company is to make total payments of interest and principle in the amount of $3,023,713 (US$2,326,291), of which $448,898 (US$345,359) has paid.

In June 2020, the Company deferred the quarterly interest payment of the convertible debentures which was due on June 30, 2020 because of COVID-19 and is not in default in accordance with the force majeure terms set out in convertible debentures.