CAPTOR CAPITAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Captor Capital Corp.:

Opinion

We have audited the consolidated financial statements of Captor Capital Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and March 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020 and March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other information

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Sandra Alison Solecki.

MNP LLP

Mississauga, Ontario

Chartered Professional Accountants

September 14, 2020

Licensed Public Accountants

CAPTOR CAPITAL CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2020	As at March 31, 2019
Assets		
Current		
Cash and cash equivalents	$ **19,766,334**	$ 32,722,957
Amounts receivable and prepaid expenses (Note 6)	**2,130,148**	1,796,080
Inventory	**711,911**	950,430
Investments at fair value (Note 11)	**5,782,045**	31,241,882
Lease receivable (Note 7)	**75,368**	-
	28,465,806	66,711,349
Amounts receivable and prepaid expenses (Note 6)	**621,630**	-
Lease receivable (Note 7)	**99,872**	-
Right-of-use assets (Note 9)	**1,102,915**	-
Property and equipment (Note 8)	**1,024,001**	1,252,706
Goodwill (Note 10)	**7,689,450**	7,146,211
Intangibles (Note 10)	**5,994,339**	6,060,463
Investment in associate (Note 12)	**167,416**	275,109
	$ **45,165,429**	$ 81,445,838
Liabilities and Shareholders' Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 23)	$ **6,829,185**	$ 6,543,531
Other payables	**-**	765,834
Promissory note payable (Note 13)	**170,640**	2,174,393
Loans and notes payable (Note 13)	**12,619**	11,180
Lease liabilities (Note 14)	**405,326**	-
Income tax payable	**395,282**	584,867
	7,813,052	10,079,805
Promissory note payable (Note 13)	**-**	241,147
Loans and notes payable (Note 13)	**53,465**	62,268
Lease liabilities (Note 14)	**955,383**	-
Deferred tax liability (Note 20)	**1,332,001**	1,808,442
	10,153,901	12,191,662
Shareholders' Equity		
Share capital (Note 15)	**104,151,855**	106,448,007
Warrants reserve (Note 16)	**-**	18,889,485
Contributed surplus (Note 17)	**29,060,545**	10,171,060
Accumulated other comprehensive loss	**(539,634)**	(271,348)
Deficit	**(97,661,238)**	(65,983,028)
	35,011,528	69,254,176
	$ **45,165,429**	$ 81,445,838

NATURE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 25)

APPROVED ON BEHALF OF THE BOARD:

Signed *"John Zorbas "*, Director Signed *"Kyle Appleby"*, Director

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

CAPTOR CAPITAL CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years Ended March 31, 2020	2019
Sales, net of excise tax	**$ 12,494,797**	$ 5,865,687
Cost of sales	**9,096,831**	4,246,331
Gross profit	**3,397,966**	1,619,356
Expenses		
General and administrative expenses (Note 19)	**10,902,611**	18,303,404
Foreign exchange gain	**(196,021)**	(1,554,250)
Transaction costs	**1,013,356**	-
Interest income	**(207,139)**	(123,312)
Write down of receivables	**127,387**	136,610
Amortization of intangible assets	**472,410**	228,755
Total expenses	**(12,112,604)**	(16,991,207)
Net loss for the year before other items:	**(8,714,638)**	(15,371,851)
Gain on disposal of property and equipment	**110,810**	-
Unrealized loss on investments at fair value	**(433,782)**	(4,264,939)
Equity loss pick-up (Note 12)	**(107,693)**	(383,550)
Realized (loss) gain on investments at fair value	**(23,438,059)**	389,161
Loss on fair value of receivables	**(277,968)**	-
Loss on settlement of debt	**-**	(237,650)
Loss on disposition of subsidiary (Note 11)	**-**	(26,244,153)
Net loss before income taxes	**(32,861,330)**	(46,112,982)
Income tax expense (Note 20)	**(489,564)**	(323,084)
Deferred tax recovery (Note 20)	**476,441**	-
Net loss	**(32,874,453)**	(46,436,066)
Other comprehensive (loss) income		
Items that may be reclassified subsequently:		
Share of loss from investment in associate (Note 12)	**(11,338)**	(242,351)
Foreign currency translation adjustment	**(256,948)**	(28,997)
	(268,286)	(271,348)
Comprehensive loss for the year	**$ (33,142,739)**	$ (46,707,414)
Loss per share - basic and diluted (Note 18)	**$ (0.84)**	$ (1.23)

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

CAPTOR CAPITAL CORP.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended March 31, 2020	2019
Cash (used in) provided by:		
Operating Activities		
Net loss for the year	**$ (32,874,453)**	$ (46,436,066)
Unrealized loss on other investments	**433,782**	4,264,939
Realized gain in investments at fair value	**23,438,059**	-
Foreign exchange gain	**(3,345,564)**	-
Gain on disposal of property and equipment	**(110,810)**	-
Loss on fair value of receivables	**277,968**	-
Consulting fees paid in investments	**153,000**	-
Loss on settlement of debt	**-**	237,650
Unrealized loss on investment in associate	**107,693**	383,550
Write down of receivables	**127,387**	136,610
Deferred tax recovery	**(476,441)**	-
Loss on disposition of subsidiary	**-**	26,244,153
Depreciation and amortization	**971,363**	283,864
Accretion	**177,638**	-
Stock based compensation expense	**-**	2,040,350
Other	**132,683**	(98,474)
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	**(1,145,700)**	(722,242)
Income tax payable	**(189,585)**	394,395
Accounts payable and accrued liabilities	**285,693**	5,360,159
Inventory	**238,519**	(397,700)
Prepaid deposit	**-**	214,290
	(11,798,768)	(8,094,522)
Financing activities		
Repurchase of shares	**(1,103,909)**	(60,235)
Exercise of warrants	**4,000**	95,000
Lease payments	**(531,379)**	-
	(1,631,288)	34,765
Investing Activities		
Additions to property and equipment	**(362,564)**	(214,110)
Proceeds from sale of property and equipment	**31,939**	-
Repayments of loans and notes payable	**(2,444,705)**	(250,882)
Purchase of Chai Cannabis Inc.	**-**	(5,969,339)
Purchase of Higher Level of Care	**-**	(1,384,207)
Purchase of investments at fair value	**(2,234,831)**	(16,962,601)
Proceeds from sale of investments at fair value	**5,195,327**	44,191,260
Receipts from loan receivable	**59,793**	-
	244,959	19,410,121
Foreign exchange effect	**228,474**	75,751
Change in cash and cash equivalents	**(13,185,097)**	11,426,115
Cash and cash equivalents, beginning of year	**32,722,957**	21,296,842
Cash and cash equivalents, end of year	**$ 19,766,334**	$ 32,722,957

SUPPLEMENTAL INFORMATION:		
Interest received	**$ 207,139**	$ 123,312
Interest paid	**$ 150,728**	$ 12,151

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

CAPTOR CAPITAL CORP.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital	Warrant Reserve	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, March 31, 2018	**$ 65,735,076**	**$ 16,379,014**	**$ 8,130,710**	**$ -**	**$ (19,580,675)**	**$ 70,664,125**
Common shares issued for the acquisition of I-5 Holding Ltd. (note 11(b))	38,670,685	2,529,264	-	-	-	41,199,949
Common shares issued for acquisition of Chai Cannabis Inc. (note 5(a))	1,149,408	-	-	-	-	1,149,408
Common shares issued for acquisition of Mellow Extracts LLC (note 5(c))	525,000	-	-	-	-	525,000
Common shares issued for exercise of warrants	113,793	(18,793)	-	-	-	95,000
Common shares issued for settlement of debt	347,993	-	-	-	-	347,993
Share repurchase	(93,948)	-	-	-	33,713	(60,235)
Share based compensation	-	-	2,040,350	-	-	2,040,350
Net comprehensive loss for the year	-	-	-	(271,348)	(46,436,066)	(46,707,414)
Balance, March 31, 2019	**106,448,007**	**18,889,485**	**10,171,060**	**(271,348)**	**(65,983,028)**	**69,254,176**
Common shares issued for exercise of warrants	4,000	-	-	-	-	4,000
Share repurchase	(2,300,152)	-	-	-	1,196,243	(1,103,909)
Expiry of warrants	-	(18,889,485)	18,889,485	-	-	-
Net comprehensive loss for the year	-	-	-	(268,286)	(32,874,453)	(33,142,739)
Balance, March 31, 2020	**$ 104,151,855**	**$ -**	**$ 29,060,545**	**$ (539,634)**	**$ (97,661,238)**	**$ 35,011,528**

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

1. NATURE OF OPERATIONS

Captor Capital Corp. (the "Company" or "Captor") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated September 26, 2003. On June 2, 2017, the Company changed its name from NWT Uranium Corp. to Captor Capital Corp. The Company also delisted its common shares from the TSX Venture Exchange (the "Exchange") on June 1, 2017. The delisting of the Company's shares from the Exchange was done pursuant to a resolution approved by shareholders that was passed on December 16, 2016. On October 30, 2017, the common shares of Captor commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "CPTR". The primary office is located at 4 King Street West, Suite 401, Toronto, Ontario, M5H 1B6, Canada.

The Company was a cannabis focused investment and merchant banking company. During the year ended March 31, 2019, the Company made certain acquisitions in the cannabis industry (Note 5) and changed its strategy. Effective August 3, 2018, the Company was deemed to be an operating company engaged in the retail sale of cannabis products.

The consolidated financial statements were approved by the Board of Directors on September 14, 2020.

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. In response, Captor has shifted its strategic approach and the manner in which it operates its business to continue providing affordable and high quality products to its customers, and ensure that its workplace and stores have appropriate measures in place to limit social interactions and enforce social distancing measures. The Company has also taken steps to alter its marketing methods, conserve cash, and align its overall strategic direction to preserve the health of its business.

On March 31, 2020, the Company implemented certain initiatives in response to the impact of the COVID-19 pandemic. Such initiatives aim to allow the Company to continue offering affordable and high quality products in a safe environment, with additional measures in place to allow its customers to access its products while limiting social interactions, and enforcing social distancing measures throughout its retail stores. These initiatives have allowed the Company to operate mostly uninterrupted and to implement its business continuity plan. Some of the measures that Captor initiated included: (i) increasing curbside pick-up and/or drive-thru options at all of its retail locations; (ii) expanding home delivery services to customers located in Castroville and Santa Cruz areas; and (iii) enhancing its in-store safety and sanitation protocols. The Company has also increased its efforts to align labour costs with customer demand and reduce all non-essential operational expenses.

As of the issuance of this report, the Company's operations have not been significantly impacted as cannabis has been deemed an essential service in the state of California since March, 2020. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended March 31, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Effective August 3, 2018, the Company made certain acquisitions in the cannabis industry (Note 5) and changed its strategy and as such transitioned from reporting requirements applicable to it as an investment entity ("Investment Entity Reporting") under IFRS 10: Consolidated Financial Statements.

The resulting financial reporting change was significant to the Company. Effective August 3, 2018, the Company recognized Captor Acquisition Corp. and I-5 Holdings Ltd. and their respective subsidiaries as controlled entities and consolidated their respective financial accounts with those of the Company. This resulted in the introduction of the assets and liabilities of Captor Acquisition Corp. and I-5 Holdings Ltd. and their respective subsidiaries to the Consolidated Statements of Financial Position of the Company. All the income and expenses of Captor Acquisition Corp. and I-5 Holdings Ltd. and their respective subsidiaries are reported on the Company's Consolidated Statements of Loss and Comprehensive Loss from August 3, 2018 or the date of acquisition, if later. Previously, Captor Acquisition Corp. and I-5 Holdings Ltd. were accounted for as investments at fair value. Effective August 3, 2018, the Company redesignated its investment in URU from an investment carried at fair value to an investment in associate accounted for using the equity method. The remaining investments (all equity investments) of the Company continue to be accounted for as investments at fair value through profit and loss.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(r).

(c) Basis of consolidation

The Company was a cannabis focused investment and merchant banking company which accounted for its investments at fair value, but effective August 3, 2018 was deemed to be a operating company engaged in the sale of cannabis products and the consolidated financial statements for the years ended March 31, 2019 and 2020 include the consolidated accounts of the Company and its subsidiaries from August 3, 2018 onwards.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity.

The Company uses the acquisition method of accounting to account for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed, and the fair value of the consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. The excess, if any, of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill.

Subsidiaries are consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all assets, liabilities, revenues, expenses and cash flows for the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(Expressed in Canadian Dollars, unless otherwise indicated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

		Ownership	
Name	**Place of incorporation**	**March 31, 2020**	**March 31, 2019**
Captor Capital Corp.	Ontario, Canada	100%	100%
Captor Acquisition Corp.	Delaware, USA	100%	100%
Chai Cannabis Co. Inc.	California, USA	100%	100%
Higher Level of Care	California, USA	100%	100%
Captor Cash Management Inc.	California, USA	100%	100%
CAC Consumer Services LLC	Delaware, USA	100%	100%
CAC Consumer Group LLC	California, USA	100%	100%
Mellow Extracts LLC	California, USA	100%	100%
Fesanta Investments Ltd.	Republic of Cyprus	100%	100%
I-5 Holdings Ltd.	British Columbia, Canada	100%	100%
ICH Holdings Ltd.	Washington, USA	100%	100%
ICH Washington Holdings Ltd.	Washington, USA	100%	100%
Northwest Minerals Mexico, S.A. de C.V.	Mexico	100%	100%

(d) Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in the associates are initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associates. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Company. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Due to the change of the Company from an investment company that accounts for its investments at fair value to an operating company, from August 3, 2018, the Company started to account for its investment in URU Metals Limited as an investment in associates using the equity method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Classification	IFRS 9
Cash and cash equivalents	FVTPL
Amounts receivable	Amortized cost
Investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Other payables	Amortized cost
Loans and notes payable	Amortized cost
Promissory note payable	Amortized cost
Lease liabilities	Amortized cost

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

The Company's cash and cash equivalents and investments at fair value are classified at FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost less expected credit losses if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest".

The Company’s amounts receivable are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company’s accounts payable and accrued liabilities, loans and notes payable, promissory note payable and lease liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (continued)

Financial liabilities (continued)

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income. When an instrument at FVTOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected Credit Loss Impairment Model

IFRS 9 includes a single expected credit loss impairment model, which is based on changes in credit quality since initial application.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(f) Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventory

Inventory consists primarily of cannabis and related merchandise for resale and is valued at the lower of cost, determined using the weighted average method, and net realizable value. Net realizable value is the estimated selling price net of estimated discounts. Writedowns to net realizable value may be reversed in a subsequent period if circumstances that previously caused a writedown no longer exist.

(h) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods starting from the date it is available for use:

Computers	Straight-line 3 years
Furniture and fixtures	Straight-line 5 years
Cannabis equipment	Straight-line 5 years
Leasehold improvements	Straight-line over lease term
Vehicles	Straight-line 5 years

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

Significant judgment is involved in the determination of estimated residual values and useful lives and no assurance can be given that actual residual values and useful lives will not differ significantly from current estimates.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted if appropriate. Property and equipment not yet available for use are not subject to depreciation.

(i) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Customer relationships	Straight-line 5 years
Tradenames	Straight-line 5 years

Licenses are considered to have an indefinite life and are not amortized.

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization.

(j) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

Goodwill and indefinite life intangible assets are tested annually for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGU's for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgment.

An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on a fair value less costs of disposal. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. 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 value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior period. Impairment losses on goodwill are not subsequently reversed.

(l) Leases

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its consolidated statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company adopted IFRS 16, effective April 1, 2019, under the modified retrospective approach. Comparatives for 2019 were not restated. At transition, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after April 1, 2019. At April 1, 2019, the Company adopted IFRS 16 and recognized right-of-use assets of $1,892,891, lease receivable of $258,502 and lease liability of $2,151,393 (notes 9 and 14).

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets (less than $5,000); and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to exercise that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

Under IFRS 16, the Company is required to assess the classification of a sublease as a finance or operating lease, with reference to the right-of-use asset and not the underlying asset. At initial adoption on April 1, 2019, the Company assessed and classified its sublease as a finance lease under IFRS 16 and recognized a lease receivable equal to the net investment in the sublease, recognized lease obligation in its capacity as lessee, recognized the related interest expense thereafter, and recognized interest income on the sublease receivables in its capacity as finance lessor.

(m) Revenue recognition

Revenue is generated from sales to customers through retail stores for cannabis. Revenue from retail sales is recognized at the point of sale.

The revenue recognition standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time or over time, the assessment of which requires judgment. The model features the following five-step contract-based analysis of transactions to determine whether, how much and when revenue is recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Revenue recognition (continued)

In accordance with IFRS 15, revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. Payment is typically due prior to shipment and is recognized into revenue upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer.

(n) Foreign currency translation

The Canadian dollar is the presentation currency of the Company. The functional currencies of the Company and its subsidiaries are as follows:

Name	Functional currency
Captor Capital Corp.	Canadian dollar
Captor Acquisition Corp.	US Dollar
Chai Cannabis Co. Inc.	US Dollar
Higher Level of Care	US Dollar
Captor Cash Management Inc.	US Dollar
CAC Consumer Services LLC	US Dollar
CAC Consumer Group LLC	US Dollar
Mellow Extracts LLC	US Dollar
Fesanta Investments Ltd.	US Dollar
I-5 Holdings Ltd.	Canadian Dollar
ICH Holdings Ltd.	US Dollar
ICH Washington Holdings Ltd.	US Dollar
Northwest Minerals Mexico, S.A. de C.V.	Mexican Peso

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Foreign exchange gains and losses are recognized in the statements of loss and comprehensive loss.

Assets and liabilities of subsidiaries having a currency other than the Canadian dollar are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the periods, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive loss.

(o) Share-based payments

The Company operates a stock option plan under which it receives services from employees, and others providing similar services, as consideration for equity instruments of the Company.

Stock options granted are settled with shares of the Company when exercised. The expense is determined based on the fair value of the award granted and recognized over the period which services are received, which is usually the vesting period. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the statements of loss and comprehensive loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of “in-the-money” stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

(q) Income taxes

Income tax comprises current and deferred tax. Income taxis recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying value in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized only to the extent that future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probably that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Critical accounting estimates and judgments

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

i) Critical judgments in applying accounting policies

Determination of functional currency - foreign currency translation under IFRS requires each entity to determine its own functional currency, which becomes the currency that entity measures its results and financial position in. Judgment is necessary in assessing each entity's functional currency. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour, material and other costs for each consolidated entity.

Fair value of investment in securities not quoted in an active market or private company investments - where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. As valuations of investments for which market quotations are not readily available are inherently uncertain, determination of fair value may differ materially from the values that would have resulted if a ready market existed.

Estimated useful lives, impairment considerations and amortization of property and equipment - amortization of property and equipment is dependent upon estimates of useful lives based on management's judgment.

Estimated useful lives, impairment considerations and amortization of goodwill and intangibles - amortization of intangible assets is dependent upon estimates of useful lives based on management's judgment. There is a material degree of judgment with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future.

Share-based compensation - the fair value of share-based compensation expenses is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

Acquisition date asset values - allocation of assets acquired in asset acquisitions and business combinations often requires management to make assumptions and estimates about the fair value of those assets at the acquisition date.

Income taxes – provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

IRC Section 280E - as the Company derives revenue from the cannabis industry and taking into account the potential impact of ongoing US tax cases that interpret the application of IRC Section 280E, the Company is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to the cost of the products. This results in permanent differences between ordinary and necessary business expenses deemed not allowable under IRC Section 280E.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Investments

The Company carries its investments at fair value as financial assets at FVTPL. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to investments are not included as part of the cost of the investment and are recorded as an expense in the statements of income and comprehensive income. Purchases and sales of investments are accounted for on a trade-date basis. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded.

In the absence of an active market, the fair value is determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. Investments in options and warrants that are not traded on a recognized securities exchange do not have readily available market values. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the options and warrants are valued using valuation techniques using inputs from recent financings, trends in comparable publicly traded companies and general market conditions or using discounted cash flow method.

The Company also incurs costs to investigate certain early stage and other potential investment opportunities to determine whether an investment will be made. These costs are expensed as incurred.

(t) Provisions

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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(u) Revenue recognition on investments

Investment transactions are recorded on a trade-date basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of the investments are reflected in the statements of loss and comprehensive loss.

Interest and loan income is recorded on an accrual basis when reasonable assurance exists regarding measurement and collectability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following recent accounting pronouncement has not yet been adopted:

Business Combinations

On October 22, 2018, the IASB issued amendments to the guidance in IFRS 3 - Business Combinations ("IFRS 3"), revising the definition of a business and providing for the addition of an optional 'concentration test' to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input - Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process - Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output - The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional 'concentration test' permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined not to be a business and no further assessment is needed.

The amendments to IFRS 3 apply to businesses acquired in annual reporting periods beginning on or after January 1,2020, with early adoption permitted. The Company has chosen to adopt the amendments to IFRS 3 effective April 1, 2020 and will consider the adoption of the optimal concentration test on future acquisitions.

3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, reserve and deficit which at March 31, 2020 totaled $35,011,528 (2019 - $69,254,176). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its investments. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2020.

(Expressed in Canadian Dollars, unless otherwise indicated)

4. FINANCIAL RISK FACTORS

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash and cash equivalents are held with reputable financial institutions. Amounts receivable are in good standing as of March 31, 2020. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents and amounts receivable is minimal.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2020, the Company had cash and cash equivalents of $19,766,334 (2019 - $32,722,957) to settle current liabilities of $7,813,052 (2019 - $10,079,805). The Company generates cash flow primarily from its financing activities and management is of the opinion that additional funding is available to allow the Company to meet its financial obligations when they become due. While it has been successful in the past, there can be no assurance that it will be able to raise sufficient funds in the future.

The Company has the following contractual obligations as of March 31, 2020:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 6,829,185	$ -	$ -	$ -	$ 6,829,185
Promissory note payable	170,640	-	-	-	170,640
Loans and notes payable	12,619	53,465	-	-	66,084
Lease liabilities	405,326	782,898	172,485	-	1,360,709
	$ 7,417,770	$ 836,363	$ 172,485	$ -	$ 8,426,618

The Company has the following contractual obligations as of March 31, 2019:

	< 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 6,543,531	$ -	$ -	$ -	$ 6,543,531
Other payables	765,834	-	-	-	765,834
Promissory note payable	2,174,393	241,147	-	-	2,415,540
Loans and notes payable	11,180	62,268	-	-	73,448
	$ 9,494,938	$ 303,415	$ -	$ -	$ 9,798,353

4. FINANCIAL RISK FACTORS (Continued)

Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash and cash equivalents and interest bearing debt at fixed interest rates. The Company considers interest rate risk to be immaterial.

(ii) Foreign Currency Risk

Foreign currency risk arises from commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company maintains United States dollar bank accounts and pays certain expenses in United States dollars. The Company's reporting currency is the Canadian dollar and it is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars.

(iii) Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices, individual equity movements and the stock market in general to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period. The sensitivity analysis shown in the notes below may differ materially from actual results.

(i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents and accounts payable and accrued liabilities that are denominated in United States dollars. As at March 31, 2020, had the United States dollar varied by 5% against the Canadian dollar with all other variables held constant, the Company's reported net loss and comprehensive loss for the year ended March 31, 2020 would have varied by approximately $241,000.

(ii) The Company's investments are sensitive to an estimated plus or minus 10% change in equity prices which would affect net loss and comprehensive loss by approximately $590,000.

(Expressed in Canadian Dollars, unless otherwise indicated)

5. BUSINESS ACQUISITIONS

(a) In August 2018, through its subsidiary Captor Acquisition Corp. ("Acquisition Corp."), the Company completed the acquisition of all of the issued and outstanding shares of Chai Cannabis Inc. ("Chai") for US$6,015,000. Chai operates a fully adult use dispensary in Santa Cruz, California. The Company acquired Chai to expand its operations into the retail distribution of cannabis products in the emerging legal cannabis sector.

The acquisition was accounted for accordance with *IFRS 3 Business Combinations*. Accordingly, the acquisition of Chai is accounted at the fair value of the equity instruments issued plus the cash paid. The excess of consideration over the net assets acquired has been recorded as goodwill.

The fair value of the consideration is as follows:

Issuance of 383,136 common shares	$ 1,149,408
Cash	5,816,521
Promissory note	860,408
Present value of escrow	166,919
Total consideration	$ 7,993,256

The consideration has been allocated as follows:

Current assets	$ 404,589
Tradename	551,712
Customer relationship	689,640
Licenses	2,311,936
Goodwill	5,286,152
Tax payable	(190,472)
Deferred tax liability	(1,060,301)
	$ 7,993,256

Goodwill arising from the acquisition represents expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition.

For the year ended March 31, 2019, Chai accounted for $4,247,160 in sales and $602,725 in net loss since the August 13, 2018 acquisition date.

(b) In December 2018, the Company acquired all of the issued and outstanding shares of the Higher Level of Care dispensary ("Higher Level") in Castroville, California operating as Chai Castroville. The total purchase price was US$2,875,000 for the Castroville dispensary. The purchase price shall be satisfied by cash payments of US$1,500,000 ($2,016,581) and the remaining US$1,375,000 ($1,777,687) shall be paid pursuant to a promissory note, which has been issued for a term of one year at an interest rate of 9% compounded monthly. In addition, Acquisition Corp. made a cash payment for the cannabis inventory owned by the company, which was determined upon the closing of the deal. The Company acquired Higher Level to further expand its operations into the retail distribution of cannabis products in the emerging legal cannabis sector.

The acquisition was accounted for accordance with *IFRS 3 Business Combinations*. Accordingly, the acquisition of Higher Level is accounted at the fair value of the cash paid and inventory received. The excess of consideration over the net assets acquired has been recorded as goodwill.

(Expressed in Canadian Dollars, unless otherwise indicated)

5. BUSINESS ACQUISITIONS (Continued)

The fair value of the consideration is as follows:

Cash	$	1,250,747
Other payable		765,834
Promissory note		1,777,687
Present value of escrow		133,460
Total consideration	$	3,927,728

The consideration has been allocated as follows:

Current assets	$	148,141
Tradename		774,068
Customer relationship		333,650
Licenses		1,628,212
Goodwill		1,860,059
Deferred tax liability		(816,402)
	$	3,927,728

Goodwill arising from the acquisition represents expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition. This dispensary provides our customers with more access to our Chai branded stores.

For the year ended March 31, 2019, Higher Level accounted for $1,618,527 in sales and $198,039 in net loss since the December 14, 2018 acquisition date.

(c) In September 2018, the Company acquired Mellow Extracts, LLC ("Mellow") in Costa Mesa, California. The Company acquired 100% of the membership interests of Mellow for 187,500 common shares. The Company acquired Mellow to expand its operations into the production of edible and vape pen cannabis products for distribution in its existing dispensaries.

The acquisition did not meet the definition of a business combination and was accounted for as an asset acquisition. Accordingly, the acquisition of Mellow is accounted at the fair value of the equity instruments.

The fair value of the consideration is as follows:

Issuance of 187,500 common shares	$	525,000
Total consideration	$	525,000

The consideration has been allocated as follows:

Property and equipment	$	525,000
	$	525,000

For the year ended March 31, 2019, Mellow accounted for $nil in sales and $691,432 in net loss since the December 14, 2018 acquisition date.

(Expressed in Canadian Dollars, unless otherwise indicated)

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	As at March 31, 2020	As at March 31, 2019
Sales tax receivable - Canada	**$ 143,603**	$ 87,474
Amounts receivable [2]	**162,633**	71,866
Other receivables [1]	**882,424**	699,673
Prepaid expenses and deposits	**1,563,118**	937,067
	$ 2,751,778	$ 1,796,080
Long-term amounts receivable [2]	**(621,630)**	-
	$ 2,130,148	$ 1,796,080

[1] During the year ended March 31, 2020, the Company deemed that $127,387 (2019 - $136,610) of receivables were uncollectible and wrote down receivables by that amount.
[2] Includes two loan receivables discounted at 15% over the 60 month terms.

7. LEASE RECEIVABLE

The Company entered into an agreement to sublease its former office space to an arm's length party in a prior year. The sublease expires on September 30, 2022.

The continuity of the net investment in sublease is presented in the table below:

	As at March 31, 2020	As at March 31, 2019
Balance, beginning of year	**$ -**	$ -
Additions on IFRS 16 adoption	**258,502**	-
Finance income on lease receivable	**3,852**	-
Lease payments	**(87,114)**	-
Balance, end of year	**$ 175,240**	$ -

The net investment in sublease is classified as follows:

	As at March 31, 2020	As at March 31, 2019
Current portion	**$ 75,368**	$ -
Non-current portion	**99,872**	-
Total net investment in sublease	**$ 175,240**	$ -

(Expressed in Canadian Dollars, unless otherwise indicated)

8. PROPERTY AND EQUIPMENT

Cost	Computer	Furniture and fixtures	Field equipment	Cannabis equipment	Leasehold improvements	Vehicles	Total
At March 31, 2018	**$ 44,906**	**$ 95,924**	**$ 57,365**	**$ -**	**$ -**	**$ -**	**$ 198,195**
Additions during the year	13,331	-	-	129,614	47,043	101,107	291,095
Additions from acquisitions	-	-	-	369,023	155,977	-	525,000
Additions from consolidation of I-5 Holdings	-	-	-	-	506,880	48,081	554,961
Impairment	(44,906)	(95,924)	(57,365)	-	-	-	(198,195)
At March 31, 2019	**$ 13,331**	**$ -**	**$ -**	**$ 498,637**	**$ 709,900**	**$ 149,188**	**$ 1,371,056**
Additions during the year	36,167	-	-	30,406	295,991	-	362,564
Disposal	-	-	-	-	(438,306)	(63,929)	(502,235)
Impairment	-	-	-	(128,043)	-	-	(128,043)
Impact of foreign exchange	3,377	-	-	(41,048)	(2,845)	22,077	(18,439)
At March 31, 2020	**$ 52,875**	**$ -**	**$ -**	**$ 359,952**	**$ 564,740**	**$ 107,336**	**$ 1,084,903**
Accumulated depreciation							
At March 31, 2018	**$ 43,253**	**$ 72,587**	**$ 44,219**	**$ -**	**$ -**	**$ -**	**$ 160,059**
Depreciation expense	1,451	-	-	-	98,883	18,016	118,350
Impairment	(43,253)	(72,587)	(44,219)	-	-	-	(160,059)
At March 31, 2019	**$ 1,451**	**$ -**	**$ -**	**$ -**	**$ 98,883**	**$ 18,016**	**$ 118,350**
Depreciation expense	11,545	-	-	3,583	-	33,561	48,689
Disposal	-	-	-	-	(98,883)	(1,894)	(100,777)
Impact of foreign exchange	(688)	-	-	237	-	(4,909)	(5,360)
At March 31, 2020	**$ 12,308**	**$ -**	**$ -**	**$ 3,820**	**$ -**	**$ 44,774**	**$ 60,902**
Carrying value							
At March 31, 2019	**$ 11,880**	**$ -**	**$ -**	**$ 498,637**	**$ 611,017**	**$ 131,172**	**$ 1,252,706**
At March 31, 2020	**$ 40,567**	**$ -**	**$ -**	**$ 356,132**	**$ 564,740**	**$ 62,562**	**$ 1,024,001**

9. RIGHT-OF-USE ASSETS

Balance - March 31, 2019	**$ -**
Additions	1,892,891
Amortization	(450,264)
Disposal	(405,004)
Impact of foreign exchange	65,292
Balance - March 31, 2020	**$ 1,102,915**

(Expressed in Canadian Dollars, unless otherwise indicated)

10. GOODWILL AND INTANGIBLES

Cost	Licenses	Customer relationship	Tradename	Total Intangibles	Goodwill
At March 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Acquisition of Chai	2,311,936	689,640	551,712	3,553,288	5,286,152
Acquisition of Higher Level	1,628,212	333,650	774,068	2,735,930	1,860,059
At March 31, 2019	**3,940,148**	**1,023,290**	**1,325,780**	**6,289,218**	**7,146,211**
Impact of foreign exchange	294,440	78,250	94,557	467,247	543,239
At March 31, 2020	**$ 4,234,588**	**$ 1,101,540**	**$ 1,420,337**	**$ 6,756,465**	**$ 7,689,450**
Accumulated amortization					
At March 31, 2018	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Amortization	-	103,589	125,166	228,755	-
At March 31, 2019	**-**	**103,589**	**125,166**	**228,755**	**-**
Amortization	-	212,565	259,845	472,410	-
Impact of foreign exchange	-	27,382	33,579	60,961	-
At March 31, 2020	**$ -**	**$ 343,536**	**$ 418,590**	**$ 762,126**	**$ -**
Carrying value					
At March 31, 2019	**$ 3,940,148**	**$ 919,701**	**$ 1,200,614**	**$ 6,060,463**	**$ 7,146,211**
At March 31, 2020	**$ 4,234,588**	**$ 758,004**	**$ 1,001,747**	**$ 5,994,339**	**$ 7,689,450**

As of March 31, 2020, the Company performed its annual impairment tests for goodwill and intangible assets. The recoverable amount of all cash generating units was determined based on their value-in-use using Level 3 inputs in a discounted cash flow model. The key assumptions used in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of 5 years (with a terminal year thereafter);
- Terminal value of growth rate: The terminal growth rate of 3% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Discount rate: The post tax discount rates were 13% to 25%.

As at March 31, 2020, management determined that the goodwill and intangible assets were not impaired.

(Expressed in Canadian Dollars, unless otherwise indicated)

11. INVESTMENTS AT FAIR VALUE

Other investments consist of shares held in publicly listed and private companies.

	Level 1	Level 1	Level 2	Level 3	
	MedMen Enterprises (a)	**Other investment (Public)**	**I-5 Holdings (b)**	**Other investment (Private)**	**Total**
At March 31, 2018	**$ 37,081,734**	**$ 4,159,840**	**$ 7,500,000**	**$ -**	**$ 48,741,574**
Additions (disposal)	(5,639,278)	88,374	41,199,646	733,246	36,381,988
Revaluation to fair market value	(1,942,669)	(2,000,199)	-	(16,083)	(3,958,951)
Reclassified as subsidiary	-	-	(48,699,646)	-	(48,699,646)
Transfer to investment in associate	-	(1,223,083)	-	-	(1,223,083)
At March 31, 2019	**29,499,787**	**1,024,932**	**-**	**717,163**	**31,241,882**
Additions (disposal)	(11,673,471)	3,351,860	-	-	(8,321,611)
Revaluation to fair market value	(17,612,429)	295,525	-	178,678	(17,138,226)
At March 31, 2020	**$ 213,887**	**$ 4,672,317**	**$ -**	**$ 895,841**	**$ 5,782,045**

Within Level 3, the Company includes non-public company investments. The key assumptions used in the valuation of these instruments include the value at which a recent financing was done by the investee and company-specific information.

(a) On February 26, 2018, Captor acquired 5,181,785 Class A Units of MM Enterprises USA, LLC ("MM Enterprises") for US$23,000,000 ($29,164,000). On May 28, 2018, MM Enterprises completed a business combination with MedMen Enterprises Inc. ("MedMen Enterprises"), a US based medical and adult use cannabis company listed in the CSE.

Captor Acquisition Corp. (the “Acquiror”), a subsidiary of Captor, in connection with the business combination with I-5 Holdings, acquired 7,991,251 Class B Common Shares (“Class B Shares”) of MM Can USA, Inc. (“PC Corp”), a subsidiary of MedMen Enterprises, pursuant to a contribution by the Acquiror of the same number of units of the LLC in exchange for such Class B Shares. Pursuant to the articles of incorporation of PC Corp, Captor may, from time to time, exchange its Class B Common Shares for Class B Subordinate Voting Shares of MedMen Enterprises on a one-for-one basis (the “Subordinate Voting Shares”).

The Company received 7,991,251 Subordinate Voting Shares of MedMen Enterprises in exchange for the 5,181,785 Class A Units of MM Enterprises.

On February 4, 2019, the Company announced the sale of its two MedMen branded retail operations in southern California to MedMen for USD$31,255,353 pursuant to a stock purchase agreement (the “SPA”) entered into on January 9, 2019. Under the terms of the SPA, MedMen acquired all of the shares of ICH California Holdings, Ltd., a wholly owned subsidiary of Captor that held the ownership interests in both of its MedMen branded retail cannabis dispensaries. The purchase price was paid by MedMen with 9,736,870 of its Class B Subordinate Voting Shares at a price of USD$3.21 per share.

During the year ended March 31, 2020, the Company sold 6,493,802 (2019 - 10,893,411) shares for cash of $4,927,338 (2019 - cash of $44,191,260 and $4,527,916 for the extinguishment of a loan owed by I-5 Holdings to MedMen Enterprises resulting in a gain of $237,650). As at March 31, 2020, the Company held 701,268 shares in MedMen Enterprises with a value of $213,887.

(Expressed in Canadian Dollars, unless otherwise indicated)

11. INVESTMENTS AT FAIR VALUE (Continued)

(b) On December 20, 2017, Captor acquired 12,500,000 common shares of I-5 Holdings Ltd. ("I-5 Holdings") for $5,000,000, representing approximately 21% of I-5 Holdings' issued and outstanding shares at the date of acquisition.

On February 26, 2018, Captor issued a total of 8,593,418 Captor Shares in escrow to acquire the remaining 79% of the I-5 Holdings securities. The Acquisition was completed on May 30, 2018 pursuant to an amended merger agreement dated February 16, 2018 between Captor and I-5 Holdings whereby the holders of common shares of I-5 (“I-5 Shares”) received 0.13 common shares of Captor Capital Corp. (“Captor Share”) in exchange for each I-5 Share.

As a result of the Acquisition, certain common share purchase warrants of I-5 Holdings are exercisable into 1,105,402 Captor Shares at an exercise price of $5.00 per Captor Share and other common share purchase warrants of I-5 Holdings are exercisable into 187,545 Captor Shares at an exercise price of $6.20 per Captor Share.

The fair value of the investment in I-5 Holdings prior to the Company no longer qualifying as an Investment Entity was calculated as follows:

Issuance of 8,593,418 common shares	$ 38,670,685
Issuance of 1,292,946 warrants	2,529,264
Cash	5,000,000
Total consideration	**46,199,949**
Revaluation to fair market value	2,500,000
Total value	**$ 48,699,949**

During the year ended March 31, 2019, the Company changed its status from an investment company to an operational company and therefore its investment in I-5 Holdings was eliminated upon consolidation with the accounts of I-5 Holdings.

12. INVESTMENT IN ASSOCIATE

As at March 31, 2020, the Company owned 118,511 common shares (March 31, 2019 - 118,511 common shares) in URU Metals Limited (“URU”) which represents approximately 15% (March 31, 2019 - 15%) of URU's shareholding.

Effective August 3, 2018, the Company redesignated its investment in URU from an investment carried at fair value to an investment in associate accounted for using the equity method due to the change of Captor's status from an investment company to a cannabis operational company.

The following is a summary of the Company’s investment in URU:

Investment as at March 31,2018	$ 1,223,083
Fair value adjustment to August 3, 2018	(322,073)
Captor's share of loss and comprehensive loss from August 4, 2018 to March 31, 2019	(625,901)
Investment as at March 31, 2019	275,109
Captor's share of loss and comprehensive loss from April 1, 2019 to March 31, 2020	(107,693)
Investment as at March 31, 2020	**$ 167,416**

(Expressed in Canadian Dollars, unless otherwise indicated)

12. INVESTMENT IN ASSOCIATE (Continued)

The following is a summary of financial information of URU for the periods presented based on the latest publicly available information. The numbers have not been pro-rated for the Company's ownership interest:

Statement of financial position as at	**March 31, 2020**	**March 31, 2019**
Cash and cash equivalents	**$ 93,634**	$ 634,772
Other current assets	**85,122**	85,523
Non-current asset	**3,712,738**	3,414,405
Current liabilities	**1,919,501**	1,548,844

Statement of comprehensive loss	**For the year ended March 31, 2020**	**From August 4, 2018 to March 31, 2019**
Depreciation	**$ 49,240**	$ 24,674
Net loss	**709,316**	2,526,681
Other comprehensive loss	**82,510**	1,596,515
Total comprehensive loss	**791,826**	4,123,196

13. LOANS AND NOTES PAYABLE

(i) The Company entered into certain auto loans for the purchase of vehicles. The table below is a summary of the continuity of the auto loans:

	Years Ended March 31, 2020	**2019**
Balance - beginning of the year	**$ 73,449**	**$ -**
Addition	-	75,618
Interest expenses	4,153	1,491
Repayments	(15,305)	(5,028)
Impact of foreign exchange	3,787	1,367
Balance - end of the year	**$ 66,084**	**$ 73,448**
Current portion	$ 12,619	$ 11,180
Non-current portion	$ 53,465	$ 62,268

The terms of the auto loans are as follows: principal: US$57,658, annual interest rate: 5.84% - 6.19%, maturity: November 25, 2024 and annual repayment: US$11,501 in monthly installments.

(Expressed in Canadian Dollars, unless otherwise indicated)

13. LOANS AND NOTES PAYABLE (Continued)

(ii) During the year ended March 31, 2019, the Company issued a promissory note payable to Chris Morganelli in the amount of US$721,800 for the purchase of the Chai Santa Cruz store and issued a note payable to Salvatore Palma in the amount of US$1,375,000 for the purchase of the Chai Monterey store. The table below is a summary of the continuity of the promissory notes payable:

March 31, 2019	**Chris Morganelli**	**Salvatore Palma**	**Total**
Balance - beginning of the year	**$ -**	**$ -**	**$ -**
Addition	858,612	1,780,111	2,638,723
Interest expense	9,198	-	9,198
Repayments	(245,854)	-	(245,854)
Impact of foreign exchange	13,473	-	13,473
Balance - end of the year	**$ 635,429**	**$ 1,780,111**	**$ 2,415,540**
Current portion	$ 394,282	$ 1,780,111	$ 2,174,393
Non-current portion	$ 241,147	$ -	$ 241,147

March 31, 2020	**Chris Morganelli**	**Salvatore Palma**	**Total**
Balance - beginning of the period	**$ 635,429**	**$ 1,780,111**	**$ 2,415,540**
Interest expense	9,296	137,279	146,575
Repayments	(519,658)	(1,909,742)	(2,429,400)
Impact of foreign exchange	45,573	(7,648)	37,925
Balance - end of the period	**$ 170,640**	**$ -**	**$ 170,640**
Current portion	$ 170,640	$ -	$ 170,640
Non-current portion	$ -	$ -	$ -

The terms of the note payable to Chris Morganelli are as follows: principal: US$721,800, annual interest rate: 2%, maturity: September 8, 2020 and annual repayment: US$360,900 in monthly installments.

The terms of the note payable to Salvatore Palma are as follows: principal: US$1,375,000, annual interest rate: 9%, maturity: January 2, 2020 and annual repayment: US$687,500 in semi-annual installments.

(Expressed in Canadian Dollars, unless otherwise indicated)

14. LEASE LIABILITIES

On April 1, 2019, the Company adopted IFRS 16. As at April 1, 2019, the Company recognized right-of-use assets of $1,892,891, lease receivable of $258,502 (note 7) and lease liability of $2,151,393. The Company did not apply IFRS 16 on a fully retrospective basis.

The Company recorded right-of-use assets (note 9) and lease liabilities for office and retail store spaces in the statement of financial position as at March 31, 2020. At the commencement date of the leases, the lease liabilities were measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate.

The continuity of lease liabilities is presented in the table below:

Balance - March 31, 2019	**$**	**-**
Additions on IFRS 16 adoption		2,151,393
Disposal		(423,049)
Accretion expense		181,490
Lease payments		(618,493)
Impact of foreign exchange		69,368
Balance - March 31, 2020	**$**	**1,360,709**
Current portion	$	405,326
Non-current portion	$	955,383

Maturity analysis - contractual undiscounted cash flows

As at March 31,2020		
Due less than one year	$	435,252
Due between one and two years		354,482
Due between two and three years		346,821
Due thereafter		280,903
Total undiscounted lease obligations	**$**	**1,417,458**

During the year ended March 31, 2020, the Company expensed $19,965 related to short-term leases.

(Expressed in Canadian Dollars, unless otherwise indicated)

15. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

	Number of shares	Amount
Balance, March 31, 2018	**30,171,452**	**$ 65,735,076**
Common shares issued for acquisition of I-5 Holdings (Note 11(b))	8,593,418	38,670,685
Common shares issued for acquisition of Chai Cannabis Inc. (note 5(a))	383,136	1,149,408
Common shares issued for acquisition of Mellow Extracts LLC (note 5(c))	187,500	525,000
Common shares issued for settlement of debt (i)	233,133	338,043
Common shares issued for services (ii)	5,000	9,950
Common shares issued for exercise of warrants	47,500	95,000
Fair value of warrants exercised	-	18,793
Share repurchase (iii)	(34,500)	(93,948)
Balance, March 31, 2019	**39,586,639**	**106,448,007**
Share repurchase (iv)	(855,400)	(2,300,152)
Common shares issued for exercise of warrants	2,000	4,000
Balance, March 31, 2020	**38,733,239**	**$ 104,151,855**

(i) On January 3, 2019, the Company issued 233,133 common shares (valued at $338,043) to the CEO of the Company in lieu of $350,000 in deferred and unpaid salaries and bonuses.

(ii) On March 28, 2019, the Company issued 5,000 common shares (valued at $9,950) for services rendered by a vendor.

(iii) On December 28, 2018, the Company commenced a normal course issuer bid (the "Issuer Bid"). The Issuer Bid will be for up to 1,967,650 common shares of the Company over a period of one year, being approximately 5% of the Company's issued and outstanding common shares, with up to 787,060 common shares of the Company purchasable over any 30-day period within the bid period, being 2% of the Company's issued and outstanding common shares. The bid period will expire the earlier of December 28, 2019 or the date by which the Company has acquired the maximum 1,967,650 common shares which may be purchased under the Issuer Bid.

During the year ended March 31, 2019, 34,500 common shares were purchased for cash consideration of $60,235 in accordance with the current Issuer Bid. The amount by which the repurchased amount was less than the stated capital of the shares has been credited to deficit.

The common shares repurchased by the Company but not cancelled being 34,500 will be returned to treasury for cancellation and accordingly, they are not considered to be outstanding shares for the purposes of loss per share calculations.

(iv) During the year ended March 31, 2020, 855,400 common shares were purchased for cash consideration of $1,103,909 in accordance with the current Issuer Bid. The amount by which the repurchased amount was less than the stated capital of the shares has been credited to deficit.

The common shares repurchased by the Company but not cancelled being 855,400 will be returned to treasury for cancellation and accordingly, they are not considered to be outstanding shares for the purposes of loss per share calculations.

(Expressed in Canadian Dollars, unless otherwise indicated)

16. WARRANTS

The following table reflects the continuity of warrants for the years presented:

	Number of warrants	Weighted average exercise price
Balance, March 31, 2018	**14,709,692**	**$ 4.00**
Issued for acquisition of I-5 Holdings (Note 11(b))	1,292,946	5.17
Exercised	(47,500)	(2.00)
Expired	(97,195)	(5.00)
Balance, March 31, 2019	**15,857,943**	**4.03**
Expired	(15,855,943)	4.03
Exercised	(2,000)	2.00
Balance, March 31, 2020	**-**	**$ -**

17. STOCK OPTIONS

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the stock option plan is 10% of the issued and outstanding common shares of the Company. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The vesting term of the options is fixed by the Board of Directors of the Company at the time of grant and may vary from immediate vesting to up to 24 months.

The following table reflects the continuity of stock options for the years presented:

	Number of stock options	Weighted average exercise price
Balance, March 31, 2018	**210,000**	**$ 2.00**
Options granted (i)	1,825,000	6.00
Balance, March 31, 2019	2,035,000	5.59
Options expired	(210,000)	2.00
Balance, March 31, 2020	**1,825,000**	**$ 6.00**

(i) On August 8, 2018, the Company granted an aggregate of 1,825,000 options to officers, directors, employees and consultants of the Company. All stock options vested immediately and are exercisable at $6.00 per common share for a period of 2 years. The fair value of $2,040,350 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; share price of $3.20; expected volatility of 110%; risk-free interest rate of 1.22% and an expected life of 2 years.

The Company had the following stock options outstanding at March 31, 2020:

Outstanding options	Exercisable options	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Expiry date
1,825,000	1,825,000	0.61	6.00	August 8, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

18. LOSS PER SHARE

	Years Ended March 31, 2020	2019
Net loss for the year	**$ (32,874,453)**	$ (46,436,066)
Net loss per share - basic and diluted	**$ (0.84)**	$ (1.23)
Weighted average number of shares outstanding - basic and diluted	**38,916,212**	37,766,237

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Years Ended March 31, 2020	2019
Management and administrative services (Note 23)	**$ 2,303,019**	$ 1,124,806
Professional fees	**4,021,001**	4,982,351
Business advisory fees[(1)]	**-**	4,690,060
Operational expenses	**3,454,129**	4,222,104
Travel expenses	**297,834**	507,724
Shareholders information	**18,875**	484,282
Regulatory fees	**32,832**	83,023
Share based compensation (Note 17)	**-**	2,040,350
Interest and penalty	**98,330**	46,237
Depreciation	**48,689**	122,467
Accretion	**177,638**	-
Amortization - right-of-use assets	**450,264**	-
	$ 10,902,611	$ 18,303,404

[(1)] Relates to advisory fees associated with the Company's key investment acquisitions.

(Expressed in Canadian Dollars, unless otherwise indicated)

20. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) on the net loss is as follows:

	Years Ended March 31, 2020	Years Ended March 31, 2019
Loss before income taxes	**$ (32,861,330)**	$ (46,112,982)
Expected income tax recovery	**$ (8,708,252)**	$ (12,219,940)
Share based compensation and non-deductible expenses	**-**	607,375
280E non-deductible expenses	**1,613,405**	820,320
Difference in tax rates	**(790,810)**	323,042
Difference in tax rates on taxable capital gain	**(111,250)**	1,204,297
Change in tax benefit not recognized	**8,010,030**	9,587,990
Income tax expense reflected in the statement of loss	**$ 13,123**	$ 323,084

The following table summarizes the components of deferred tax:

Deferred Tax	**March 31, 2020**	**March 31, 2019**
<u>Deferred Tax Assets</u>		
Property and equipment	**$ 1,619**	$ -
Capital lease obligation	**115,810**	-
Reserves	**3,530**	-
Operating tax losses carried forward	**699,580**	176,235
Subtotal of assets	**$ 820,539**	$ 176,235
<u>Deferred Tax Liabilities</u>		
Intangible assets	**$ (1,788,710)**	$ (1,808,442)
Unrealized foreign exchange gain or losses	**(220,770)**	(172,659)
Right-of-use assets	**(115,810)**	-
Investment in Mainstem	**(27,250)**	(3,576)
Subtotal of liabilities	**$ (2,152,540)**	$ (1,984,677)
Net deferred tax asset	**$ (1,332,001)**	$ (1,808,442)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

	March 31, 2020	**March 31, 2019**
Balance at the beginning of the year	**$ (1,808,442)**	$ -
Recognized in profit and loss	**476,441**	68,261
Goodwill	**-**	(1,876,703)
Balance at the end of the year	**$ (1,332,001)**	$ (1,808,442)

(Expressed in Canadian Dollars, unless otherwise indicated)

20. INCOME TAXES (Continued)

Unrecognized Deferred Tax Assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	March 31, 2020	March 31, 2019
Investments	**$ 12,220,380**	$ 38,579,264
Other investments	**1,644,600**	1,887,408
Non-capital losses carried forward - Canada	**17,477,930**	12,937,451
Capital losses carried forward - Canada	**283,550**	-
Losses carried forward - US	**1,087,730**	2,347,892
Capital tax losses carried forward - US	**62,339,910**	-
Share issuance costs	**620,000**	930,000
Equipment	**103,020**	283,862
Capital lease obligation	**65,760**	-
Accounts payable and accrued liabilities	**1,338,040**	1,588,035
Intangible assets	**468,090**	468,093
Write down of notes receivable	**-**	131,550

The Canadian operating tax losses carry forwards expire as noted in the table below. The US operating tax losses may be carried forward indefinitely. Capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom. The Company's Canadian non-capital income tax losses expire as follows:

2034	$ 127,997
2035	768,218
2036	612,645
2037	53,942
2038	4,299,992
2039	6,714,450
2040	4,900,686
	$ 17,477,930

(Expressed in Canadian Dollars, unless otherwise indicated)

21. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

Operating segments

As at March 31, 2020	Corporate	Cannabis Operations	Total
Current assets	$ 26,856,905	$ 1,608,901	$ 28,465,806
Property and equipment	-	1,024,001	1,024,001
Other assets	888,918	14,786,704	15,675,622
Total assets	**$ 27,745,823**	**$ 17,419,606**	**$ 45,165,429**

As at March 31, 2019	Corporate	Cannabis Operations	Total
Current assets	$ 64,336,111	$ 2,375,238	$ 66,711,349
Property and equipment	418,125	834,581	1,252,706
Other assets	275,109	13,206,674	13,481,783
Total assets	**$ 65,029,345**	**$ 16,416,493**	**$ 81,445,838**

Year Ended March 31, 2020	Corporate	Cannabis Operations	Total
Sales, net of excise tax	$ -	$ 12,494,797	$ 12,494,797
Gross profit	-	3,397,966	3,397,966
Net loss	(28,632,836)	(4,241,617)	(32,874,453)

Year Ended March 31, 2019	Corporate	Cannabis Operations	Total
Sales, net of excise tax	$ -	$ 5,865,687	$ 5,865,687
Gross profit	-	1,619,356	1,619,356
Net loss	(44,214,689)	(2,221,377)	(46,436,066)

(Expressed in Canadian Dollars, unless otherwise indicated)

21. SEGMENTED INFORMATION (Continued)

Geographical segments

As at March 31, 2020	Canada	United States	Other	Total
Current assets	$ 25,000,734	$ 1,876,459	$ 1,588,613	$ 28,465,806
Property and equipment	-	1,024,001	-	1,024,001
Other assets	167,416	15,508,206	-	15,675,622
Total assets	**$ 25,168,150**	**$ 18,408,666**	**$ 1,588,613**	**$ 45,165,429**

As at March 31, 2019	Canada	United States	Other	Total
Current assets	$ 64,326,039	$ 2,375,238	$ 10,072	$ 66,711,349
Property and equipment	-	1,252,706	-	1,252,706
Other assets	-	13,481,783	-	13,481,783
Total assets	**$ 64,326,039**	**$ 17,109,727**	**$ 10,072**	**$ 81,445,838**

Year Ended March 31, 2020	Canada	United States	Other	Total
Sales, net of excise tax	$ -	$ 12,494,797	$ -	$ 12,494,797
Gross profit	-	3,397,966	-	3,397,966
Net loss	(28,274,539)	(4,552,955)	(46,959)	(32,874,453)

Year Ended March 31, 2019	Canada	United States	Other	Total
Sales, net of excise tax	**$ -**	$ 5,865,687	$ -	$ 5,865,687
Gross profit	**-**	1,619,356	-	1,619,356
Net income	**(44,524,924)**	(1,921,214)	10,072	(46,436,066)

22. CONTINGENCIES

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect in relation to the Company's financial position, liquidity, or results of operations.

(Expressed in Canadian Dollars, unless otherwise indicated)

23. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management of the Company was as follows:

	Years Ended March 31, 2020	Years Ended March 31, 2019
Directors fees (i)	**$ 177,000**	$ 24,000
Alegana Enterprises Ltd. ("Alegana") (ii)	**219,998**	1,099,996
2249872 Ontario Ltd. (iii)	**10,000**	(32,190)
Marrelli Support Services Inc ("MSSI") (iv)	**18,000**	18,000
Alexander Dement'ev (v)	**48,000**	60,000
CFO Advantage Inc. (vi)	**20,000**	-
Roeedo Enterprises LLC (vii)	**40,513**	-
Share based compensation	**-**	419,250
	$ 533,511	$ 1,589,056

(i) Fees paid to directors of the Company. Included in accounts payable and accrued liabilities at March 31, 2020, is $60,000 (March 31, 2019 - $45,350) due to directors of the Company.

(ii) Alegana is a company controlled by Mr. John Zorbas, the President and Chief Executive Officer ("CEO") of the Company. The consulting fees paid to Alegana are for the function of the President which include, but are not limited to, managing the capital structure and current investment portfolio of the Company. Included in accounts payable and accrued liabilities at March 31, 2020 is $610,810 (March 31, 2019 - $1,431,364) owing to Alegana.

(iii) 2249872 Ontario Ltd. is a company controlled by Henry Kloepper, the former CEO of Captor. The management fees to 2249872 Ontario Ltd. were for the CEO function performed by Mr. Kloepper which includes the day-to-day operations of the Company as well as an implementation of the Company’s long and short term plans. Included in accounts payable and accrued liabilities at March 31, 2020 is $nil (March 31, 2019 - $nil) due to 2249872 Ontario Ltd.

(iv) Mr. Jing Peng, the Chief Financial Officer (“CFO”), is a senior employee of MSSI. The management fees paid to MSSI relate to CFO function performed by Mr. Peng which includes the reporting of financial information and the safeguard of the Company’s assets. Included in accounts payable and accrued liabilities at March 31, 2020 is $2,978 (March 31, 2019 – $2,930) owing to MSSI.

(v) Alexander Dement'ev, a former director of Captor, was paid consulting fees for consulting services performed for the Company. Included in accounts payable and accrued liabilities at March 31, 2020 is $38,010 (March 31, 2019 - $5,660) due to Alexander Dement'ev.

(vi) CFO Advantage Inc. is a company controlled by Kyle Appleby, a director of Captor for consulting services performed for the Company.

(vii) Roeedo Enterprises LLC is a company controlled by Mark Klein, a director of Captor for consulting services performed for the Company.

(viii) The Company is owed $25,576 (March 31, 2019 - $25,576) from a company related to Captor through common management. These amounts are included in the amounts receivable and prepaid expenses balance on the statements of financial position.

(Expressed in Canadian Dollars, unless otherwise indicated)

24. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(a) Assets and liabilities measured at fair value on a recurring basis:

As at March 31, 2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Aggregate fair value
Investments at fair value	**$ 4,886,564**	**$ -**	**$ 895,481**	**$ 5,782,045**
As at March 31, 2019				
Investments at fair value	**$ 30,524,719**	**$ -**	**$ 717,163**	**$ 31,241,882**

(b) Fair values of financial assets and liabilities:

	March 31, 2020		March 31, 2019	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Amortized cost				
Amounts receivable (i)	**$ 1,504,054**	**$ 1,504,054**	$ 699,673	$ 699,673
Lease receivable (i)	**175,241**	**175,241**	-	-
	$ 1,679,295	**$ 1,679,295**	$ 699,673	$ 699,673
FVTPL				
Cash and cash equivalents	**$ 19,766,334**	**$ 19,766,334**	$ 32,722,957	$ 32,722,957
Investments at fair value	**5,782,045**	**5,782,045**	31,241,882	31,241,882
	$ 25,548,379	**$ 25,548,379**	$ 63,964,839	$ 63,964,839
Other financial liabilities				
Accounts payable and accrued liabilities (i)	**$ 6,829,185**	**$ 6,829,185**	$ 6,543,531	$ 6,543,531
Other payables	**-**	**-**	765,834	765,834
Promissory note payable	**170,640**	**170,640**	2,415,540	2,415,540
Loans and notes payable	**66,084**	**66,084**	73,448	73,448
	$ 7,065,909	**$ 7,065,909**	$ 9,798,353	$ 9,798,353

(i) The carrying amounts of amounts receivable, lease receivable, loan receivable, accounts payable and accrued liabilities, promissory notes and loans and notes payable are reasonable approximation of their fair values due to their short-term nature.

25. SUBSEQUENT EVENTS

(i) On May 5, 2020, the Company announced a normal course issuer bid ("NCIB") to expend up to an aggregate of $5 million on the purchase of common shares of the Company. The actual number of shares that may be purchased under the NCIB, the value of the consideration per share, and the exact timing of any such purchases will be determined by the Company.

(ii) On August 10, 2020, the Company announced that it entered into a joint venture (the “Joint Venture”) with California based Three Habitat Consulting Holdco Inc. (“Three Habitat”), which owns and operates a retail chain of dispensaries in California under the brand One Plant®. Captor and Three Habitat have set up a joint venture company called Captor Retail Group Inc. (“CRG”), which will be owned 51% by Captor and 49% by Three Habitat. Under the terms of a contribution agreement entered into between Captor and Three Habitat (the “Contribution Agreement”), Captor will contribute $2million in cash along with its two Chai branded dispensaries in Santa Cruz and Castroville in exchange for its 51% interest in CRG. Three Habitat will contribute its seven One Plant dispensaries to CRG in exchange for its 49% interest in CRG. Of the seven dispensaries being contributed to the Joint Venture by Three Habitat, the retail dispensaries in Salinas, Atwater, and El Sobrante are licenced and open for business. The locations in Antioch, Goleta, Lompoc, and Palm Springs are currently under construction and are expected to be operational soon.

(iii) On August 10, 2020, the Company entered into a stock purchase and sale agreement with Wealthcraft Capital Corp. ("Wealthcraft") whereby Wealthcraft would acquire 100% of the issued and outstanding shares of ICH Washington Holdings Ltd. , a wholly owned subsidiary of Captor. As consideration for the sale, Wealthcraft will issue 2,250,000 common shares from its treasury and issue a $117,500 promissory note to Captor which shall bear no interest and mature in five years from the date of closing.