

# **MAPLE LEAF GREEN WORLD INC.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**(Expressed in Canadian dollars, unless otherwise stated)**

## **Independent Auditor's Report**

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To the Shareholders of Maple Leaf Green World Inc.

### **Opinion**

We have audited the consolidated financial statements of Maple Leaf Green World Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity (deficit) 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 December 31, 2019 and December 31, 2018, 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.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$2,758,583 during the year ended December 31, 2019 and, as of that date, the Company had a accumulated deficit of \$31,458,878 and negative working capital of \$6,795,301. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis ("MD&A").

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 financial statements of Maple Leaf Green World Inc for the year ended December 31, 2018 were audited by the firm of MNP LLP.

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

*Heil & Company*  
*Professional Corporation*

Calgary, Alberta  
May 14, 2020

Chartered Professional Accountants



**Maple Leaf Green World Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
*(Expressed in Canadian dollars except share data)*  
For the period ended December 31,

	Notes	2019	2018
<b>Revenue</b>		-	-
<b>Operating expenses</b>			
Share-based compensation	10	-	6,933,834
Personnel costs		236,943	296,107
Professional fees		96,208	308,216
Consulting fees		227,913	626,731
Office		127,642	297,162
Finance Fees		640,065	5,592
Advertising and promotion		72,382	155,487
Rent		17,011	106,269
Repairs and maintenance		4,649	16,150
Regulatory and transfer agent		29,509	114,568
Travel		13,089	62,373
Research and development		516	30,638
Foreign exchange expense		5,593	29,699
Bad debt		3,947	25,356
Depreciation and amortization	6 & 7	72,275	20,442
		<b>1,547,743</b>	<b>9,028,624</b>
<b>Loss before other items</b>		<b>(1,547,743)</b>	<b>(9,028,624)</b>
Interest income		-	451
Finance expense	8	(160,197)	(120,991)
Net finance expense		(160,197)	(120,540)
<b>Other items</b>			
Other income		-	2,954
Impairment of assets	5 & 7	(1,102,500)	(2,135,701)
Gain on settlement of accounts payable	10 & 11	60,000	-
<b>Loss for the period</b>		<b>\$ (2,750,440)</b>	<b>\$ (11,281,911)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation adjustment, net of tax of \$nil		(8,144)	243,133
<b>Total comprehensive loss</b>		<b>\$ (2,758,583)</b>	<b>\$ (11,038,778)</b>
<b>Loss per share attributable to the equity holders of the Company</b>			
<b>Loss per share - basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>		<b>160,538,624</b>	<b>154,848,215</b>

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

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**Maple Leaf Green World Inc.**  
**Consolidated Statements Financial Position**  
*(Expressed in Canadian dollars)*  
As at December 31,

	Notes	2019	2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 36,601	\$ 574,242
Other receivables		51,024	141,646
Asset held for sale	7	1,139,789	-
Current portion of right-of-use assets		51,488	
Prepays		-	29,528
		<b>1,278,902</b>	<b>745,416</b>
<b>Deposits</b>	5	-	1,102,500
<b>Long term prepaids</b>		<b>15,660</b>	<b>15,659</b>
<b>Right-of-use assets</b>	6	<b>102,976</b>	-
<b>Property, plant and equipment</b>	7	<b>10,769,050</b>	<b>11,459,771</b>
<b>Total assets</b>		<b>\$ 12,166,588</b>	<b>\$ 13,323,346</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 5,463,450	\$ 4,452,200
Current portion of lease liability	6	50,146	-
Current portion of finance leases	9	195,617	142,806
Current portion of notes payable	8	1,173,887	815,606
Due to shareholders	11	41,651	-
Other payables		8,307	6,852
		<b>6,933,057</b>	<b>5,417,464</b>
<b>Lease liability</b>	6	<b>148,179</b>	-
<b>Finance Leases</b>	9	<b>399,902</b>	<b>552,087</b>
<b>Notes Payable</b>	8	-	<b>143,241</b>
<b>Total liabilities</b>		<b>7,481,138</b>	<b>6,112,792</b>
<b>Equity</b>			
Share capital	11	23,471,632	23,218,131
Other reserves	11	12,672,697	12,672,697
Accumulated other comprehensive income		209,772	217,916
Deficit		(31,668,651)	(28,898,190)
		<b>4,685,450</b>	<b>7,210,554</b>
<b>Total liabilities and equity</b>		<b>\$ 12,166,588</b>	<b>\$ 13,323,346</b>

Going Concern Note 2

APPROVED ON BEHALF OF THE BOARD

(signed) Raymond Lai  
Director

(signed) Terence Lam  
Director

**Maple Leaf Green World Inc.**  
**Consolidated Statements of Changes in Equity (Deficit)**  
*(Expressed in Canadian dollars)*  
**As at December 31,**

Note	Number of common shares	Amounts	Share-based payments reserve	Warrant reserve	Total - other reserves	Accumulated other comprehensive income	Deficit	Total equity
<b>At December 31, 2018</b>	<b>159,218,302</b>	<b>23,218,132</b>	<b>12,050,864</b>	<b>621,833</b>	<b>12,672,697</b>	<b>217,916</b>	<b>(28,898,190)</b>	<b>7,210,555</b>
Other comprehensive income	-	-	-	-	-	(8,144)	-	(8,144)
Loss for the period	-	-	-	-	-	-	(2,750,440)	(2,750,440)
Shares issued to settle accounts payable	387,096	60,000	-	-	-	-	-	60,000
Shares issued upon option exercised	300,000	30,000	-	-	-	-	-	30,000
Shares issuance expense	-	(25,000)	-	-	-	-	-	(25,000)
Private placement	1,450,000	188,500	-	-	-	-	-	188,500
Impact of change in accounting policy	-	-	-	-	-	-	(20,021)	(20,021)
<b>At December 31, 2019</b>	<b>161,355,398</b>	<b>23,471,632</b>	<b>12,050,864</b>	<b>621,833</b>	<b>12,672,697</b>	<b>209,772</b>	<b>(31,668,651)</b>	<b>4,685,451</b>

  

Note	Number of common shares	Amounts	Share-based payments reserve	Warrant reserve	Total - other reserves	Accumulated other comprehensive income	Deficit	Total equity
<b>At December 31, 2017</b>	<b>147,073,331</b>	<b>19,361,733</b>	<b>5,351,464</b>	<b>145,000</b>	<b>5,496,464</b>	<b>(25,217)</b>	<b>(17,616,279)</b>	<b>7,216,701</b>
Other comprehensive income	-	-	-	-	-	243,133	-	243,133
Loss for the period	-	-	-	-	-	-	(11,281,911)	(11,281,911)
Options granted	-	-	6,768,883	-	6,768,883	-	-	6,768,883
Options granted for land lease	-	-	69,768	-	69,768	-	-	69,768
Brokers warrants	-	-	-	164,951	164,951	-	-	164,951
Shares issued upon option exercised	1,100,000	263,251	(139,251)	-	(139,251)	-	-	124,000
Shares issued upon warrant exercised	6,021,272	1,285,581	-	(145,000)	(145,000)	-	-	1,140,581
Shares issuance expense	-	(249,771)	-	-	-	-	(249,771)	-
Private placement	5,023,699	2,557,337	-	456,882	456,882	-	-	3,014,219
<b>At December 31, 2018</b>	<b>159,218,302</b>	<b>23,218,131</b>	<b>12,050,864</b>	<b>621,833</b>	<b>12,672,697</b>	<b>217,916</b>	<b>(28,898,190)</b>	<b>7,210,554</b>

Share capital      Other Reserves

**Maple Leaf Green World Inc.**  
**Consolidated Statements of Cash Flows**  
*(Expressed in Canadian dollars)*  
As at December 31,

	Notes	2019	2018
<b>OPERATING ACTIVITIES</b>			
Loss for the period		\$ (2,750,440)	\$ (11,281,911)
Items not affecting cash:			
Depreciation and amortization	6 & 7	72,275	20,442
Gain on settlement of accounts payable	10	(60,000)	-
Disposal of assets		4,134	-
Accrued interest on notes payable	8	158,281	-
Impairment of assets		1,102,500	2,135,701
Share based compensation	10	-	6,933,834
<b>Cash flows used in operations before non-cash working capital</b>		<b>(1,473,250)</b>	<b>(2,191,934)</b>
<b>Changes in non-cash working capital</b>			
Other receivables		90,622	(7,870)
Prepays		29,528	8,701
Other payables		1,455	-
Accounts payable and accrued liabilities		1,011,250	4,245,630
		<b>1,132,855</b>	<b>4,246,461</b>
<b>Cash flows from (used in) operating activities</b>		<b>(340,394)</b>	<b>2,054,527</b>
<b>INVESTING ACTIVITY</b>			
Change in right-of-use asset	6	(154,464)	-
Payment on finance land lease	9	-	(128,227)
Deposits	5	-	(705,132)
Additions to property, plant and equipment	7	(544,310)	(8,979,379)
<b>Cash flows used in investing activity</b>		<b>(698,774)</b>	<b>(9,812,738)</b>
<b>FINANCING ACTIVITIES</b>			
Note payable	8	200,000	815,606
Issuance of common share units	10	248,500	3,014,219
Share issuance costs	10	(25,000)	(249,772)
Proceeds from option exercised	10	30,000	124,000
Advances from shareholder	11	41,651	-
Proceeds from warrant exercised	10	-	1,140,581
Shares issued for payment of debt	10	(60,000)	-
<b>Cash flows from financing activities</b>		<b>435,151</b>	<b>4,844,634</b>
<b>Foreign exchange effect on cash</b>		<b>66,377</b>	<b>76,041</b>
<b>Net decrease in cash</b>		<b>(537,641)</b>	<b>(2,837,536)</b>
Cash, beginning of period		574,242	3,411,778
<b>Cash, end of period</b>		<b>\$ 36,601</b>	<b>\$ 574,242</b>

**1. NATURE OF OPERATIONS**

Maple Leaf Green World Inc. ("Maple Leaf" or the "Company") is incorporated in Alberta, Canada, with common shares listed on the Aequitas NEO Exchange under the ticker symbol MGW. The corporate office is located at 500, 1716 – 16 Ave NW, Calgary, Alberta, T2M 0L7. In October 2012, Maple Leaf changed its name to Maple Leaf Green World Inc. from Maple Leaf Reforestation Inc.

In order to develop its medical marijuana/cannabis business in the United States of America ("USA"), the Company incorporated a wholly-owned subsidiary, Golden State Green World LLC ("Golden State"), in California, USA in 2015. In March 2018, the Company incorporated another wholly-owned subsidiary, SSGW LLC ("SSGW"), in Nevada, USA.

Maple Leaf and its subsidiaries focus on the cannabis industry in North America. The Company operates or funds three cannabis projects, in British Columbia, California, and Nevada. To date, the Company has not yet generated material revenue to cover expenditures, and therefore it has incurred losses since inception.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 14, 2020.

**2. GOING CONCERN**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As of December 31, 2019, The Company had an accumulated deficit of \$31,458,878, a negative working capital of \$6,795,301 and incurred losses of \$2,758,583 for the year then ended. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management has forecasted the expected expenditure levels and contracted commitments will exceed the Company's net cash inflows and working capital during the first quarter of fiscal 2020 unless further financing is obtained. Additional sources of funding will be required during fiscal 2020 to carry on operations and/or to realize on investment opportunities. The Company's future operations are dependent upon its ability to secure additional funds, obtain standard cultivation and processing licenses and generate product sales. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be achieved, or such sources of funds will be available or obtained on favorable terms or obtained at all. Historically, the Company has obtained funding via the issuance of shares and warrants. If the Company cannot secure additional financing on terms that would be acceptable to it or otherwise generate product sales, the Company will have to consider additional strategic alternatives which may include, among other strategies, cost curtailments and delays of product launch, as well as seeking to license and/or divest assets or a merger, sale or liquidation of the Company. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that may be required should the Company be unable to continue as a going concern. Such adjustments will be material.

**3. BASIS OF PREPARATION**

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect at January 1, 2019.



**3. BASIS OF PREPARATION (continued)**

**(b) Basis of consolidation and comparative figures and functional currency**

These consolidated financial statements for the year ended December 31, 2019 include the accounts of Maple Leaf and its wholly owned subsidiaries, Golden State and SSGW. All significant intercompany balances and transactions have been eliminated upon consolidation.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

**(c) Basis of measurement**

These consolidated financial statements have been prepared on a historical basis, except for financial instruments recorded at fair value and share-based payments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these consolidated financial statements is presented in Canadian dollars ("CAD"), except as otherwise stated. The functional currency of the Company's USA subsidiaries is the USA dollar ("USD").

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Significant accounting judgments and estimates**

Preparing the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

*Critical accounting estimates*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas where actual results could differ from those estimates relate to, but are not limited to, the following:

*i. Income taxes*

Management makes estimates in determining the appropriate rates and amounts in recording deferred income tax assets or liabilities, giving consideration to timing and probability. Actual taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities. The recognition of deferred income tax assets is subject to estimates over whether these amounts can be realized.

*ii. Stock options and warrants*

The fair value of the Company's stock options and warrants are derived from estimates based on available market data at that time, which include volatility, risk-free rates and share prices. Changes to subjective input assumptions can materially affect the fair value estimate.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(a) Significant accounting judgments and estimates**

*Critical accounting estimates (continued)*

*iii. Accrued liabilities*

The Company must estimate the amount of accrued liabilities related to contractual arrangements or when invoices have not been received or when contracts to ensure all expenditures have been recognized. Changes to the estimate can materially affect the liquidity of the Company.

*Critical accounting judgments*

Management must make judgments given the various options available as per accounting standards for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. Management judgments include, but are not limited to:

*Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCD"). If any such indication exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of FVLCD and VIU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

A reversal of an impairment loss is recognized immediately in consolidated statement of loss and comprehensive loss. An impairment loss on intangible assets with an indefinite life and on any goodwill is not reversed. The Company undertakes an impairment assessment at the end of each reporting period and uses its judgment when identifying impairment indicators. Significant inputs into the discounted cash flow model included discount rates, useful life and future operating costs.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Financial instruments**

**(i) Financial assets**

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through earnings (loss), then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

*Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents, accounts receivable, and deposits accounts as financial assets measured at amortized cost.

*Financial assets at fair value*

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net earnings (loss) unless hedge accounting is used in which case the changes are recognized in other comprehensive income. Also, for investments in equity instruments that are not held for trading, the Company may irrevocably elect, at initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. This election is made on an investment-by-investment basis.

*Impairment of financial assets*

Since January 1, 2018, upon the initial adoption of IFRS 9, the Company prospectively estimates the expected credit losses associated with the financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Company measures loss allowances at an amount equal to the lifetime expected credit loss ("ECL") as allowed by IFRS 9 under the simplified method. The Company recognizes in earnings (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal thereof) that is required to adjust the loss allowance at the reporting date to the required amount.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(ii) Financial liabilities**

The Company classifies its financial liabilities in the following categories: as fair value or amortized cost.

*Financial liabilities at fair value*

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings (loss) unless hedge accounting is used in which case the changes are recognized in other comprehensive income.

*Financial liabilities at amortized cost*

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies its accounts payable and other payables and long-term debt as liabilities measured at amortized cost.

**(iii) Fair value hierarchy**

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

**(c) Cash and cash equivalents**

Cash and cash equivalents is comprised of cash on hand and cash balances with banks and similar institutions.

**(d) Impairment of non-financial assets**

At the end of each reporting period, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model will be used.

**(e) Foreign currency translation**

The functional currency of Maple Leaf is the Canadian Dollar ("CAD") while the functional currency of Golden State and SSGW are the United States Dollar ("USD"). The presentation currency of the Company is CAD.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Foreign currency translation (continued)**

Foreign currency transactions are translated into CAD at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains or losses are recognized in the consolidated statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into CAD at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into CAD using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

**(f) Property, plant, and equipment**

Property, plant and equipment are initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is computed on a straight-line basis based on nature and useful lives of the assets. The significant classes of plant and equipment and their estimated useful lives are as follows:

Furniture, equipment and software	5 years
Computer equipment	3 years
Greenhouse	10 years
Land improvement	10 years

Subsequent costs that meet the asset recognition criteria are capitalized, while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period.

Assets under construction are capitalized as construction-in-progress. The cost of construction-in-progress comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress is transferred to other respective asset classes and depreciated when completed and available for use. Land is not depreciated.

All assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

**(g) Leases**

The Company classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The Company classifies leases as right-of-use assets when the terms of the lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It classifies all other leases as operating leases.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Borrowings**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Other borrowing costs are expensed in the period they are incurred.

**(i) Provisions**

Provisions are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

**(j) Unit offerings**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and share purchase warrants on a residual value basis where the fair value of the common shares is the market value on the date of issuance of the shares and the balance, if any, is allocated to the attached warrants.

**(k) Share-based payments**

The Company grants share options to acquire common shares of the Company to Directors, Officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. Volatility is calculated based on the Company's historical stock price.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related fair value in share-based payments reserve is transferred to share capital.

**(l) Taxes**

Income tax expense, consisting of current and deferred tax expense, is recognized in the consolidated statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in loss in the period that substantive enactment occurs.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Taxes (continued)**

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(m) Loss per share**

Basic loss per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of shares outstanding for the relevant period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

**(n) Accounting standards adopted in the year**

***IFRS 16 Leases***

The Company applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 6.

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less and lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(n) Accounting standards adopted in the year (continued)

***IFRS 16 Leases (continued)***

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of an asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset if either
  - The Company has the right to operate the asset
  - The Company designed the asset in a way that predetermines how and for what purpose

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether or not it met the criteria above.



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**5. DEPOSITS**

Company	December 31, 2018	Additions	Impairment	Used	Foreign Exchange	December 31, 2019
Deposit 1 <sup>(iii)</sup>	1,102,500	-	(1,102,500)	-	-	-
<b>Total</b>	<b>\$ 1,102,500</b>	<b>-</b>	<b>(1,102,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>

  

Company	December 31, 2017	Additions	Impairment	Used	Foreign Exchange	December 31, 2018
BioNeva <sup>(i)</sup>	\$ 68,270	\$613,830	\$(682,100)	\$ -	\$ -	-
Deposit 1 <sup>(ii)</sup>	1,102,500	-	-	-	-	1,102,500
Deposit 2 <sup>(iii)</sup>	330,634	-	-	(330,634)	-	-
Deposit 3 <sup>(iv)</sup>	81,542	416,391	(497,933)	-	-	-
Foreign exchange	(5,545)	-	-	-	5,545	-
<b>Total</b>	<b>\$ 1,577,401</b>	<b>\$ 1,030,221</b>	<b>(1,180,033)</b>	<b>(330,634)</b>	<b>\$ 5,545</b>	<b>1,102,500</b>

During 2018 the Company reclassified the deposits to long term due to the nature of the deposits and that it is not more likely than not that these items will be realized within a year.

- (i) In November 2016, the Company entered into a letter of intent ("LOI") with BioNeva Innovations of Henderson LLC ("BioNeva") to purchase 100% of its Nevada Medical Marijuana Registration Certificate C115 ("Permit 115"), for \$500,000 USD cash. Upon execution of the LOI, a deposit of \$68,270 (\$50,000 USD) was paid to BioNeva. The remaining \$450,000 USD was payable to BioNeva when the "Transfer of Application" process to Maple Leaf was completed by the State of Nevada. On September 15, 2018, the LOI was updated to allow for the acquisition of all outstanding equity shares of BioNeva on the same terms, instead of just acquiring Permit 115. On January 23, 2018, the Company completed the purchase of all of the ownership interests in BioNeva and all of the ownership interest in the Nevada Medical Marijuana Registration Certificate C115 for \$613,830 (\$450,000 USD). In accordance with the terms of the transaction, the previous holders of the ownership interest of BioNeva assigned their interest to a Director of Maple Leaf, who in turn will transfer one hundred percent of the ownership interest and related licenses to SSGW in accordance with the terms of a Confession of Judgment upon direction of the Company. The license cannot be transferred until the Nevada facility is operational, therefore, the purchase price is included in deposits.

On December 31, 2018, Permit 115 expired as the cultivation facility had not been completed. The Company appealed this decision but in March 2019 was informed that the appeal had been denied. For this reason, the deposit on BioNeva has been impaired for the full amount of \$682,100 (\$500,000 USD). Management has indicated it does not intend to appeal the decision.

- (ii) On May 24, 2017, the Company announced it engaged an independent contractor as the procurement, engineering, and construction manager for its cannabis cultivation facilities at Telkwa, British Columbia (the "BC Facility") and Henderson, Nevada. In June of 2017, Maple Leaf provided a deposit of \$1,102,500 for this work so that it could contract with construction partners and move the projects forward. In January of 2018, a dispute arose between the contractor and Maple Leaf which is currently in litigation. The Company has engaged counsel who has stated that there will be significant litigation at each step of the court application. Management will use all due diligence to recover the funds distributed. During the year the Company impaired the deposit to nil since it is not certain if this amount will be recoverable.

**5. DEPOSITS (continued)**

- (iii) Deposits of \$330,634 have been paid to order products for the BC Facility which were used in 2018.
- (iv) On August 17, 2017, the Company entered into an agreement with an engineering firm to construct its cannabis cultivation facility in Henderson, Nevada. Maple Leaf provided deposits of \$900,000 USD, of which \$535,000 USD had been recorded as development of the project and \$365,000 USD was recorded as a deposit. On June 20, 2018, the Company terminated the contract with the engineering firm. After review by the new architect and project manager it was determined that work claimed by the previous engineering firm could not be utilized, therefore, the assets under construction incurred of \$535,000 USD (see note 7) and deposit of \$497,933 (\$365,000 USD) have been impaired to \$nil. The Company has engaged counsel who has recommended arbitration with the engineering firm as per the terms of the contract. Management believes they had just cause to terminate the contract and will use all due diligence to recover the funds distributed.

**6. RIGHT-OF-USE ASSETS**

The Company leases an office space for its operations. Information about leases for which the Company is a lessee is presented below.

	2019
Balance at January 1	205,953
Additions	-
Depreciation charge for the year	(51,488)
Balance at December 31	154,465

**Lease liabilities**

	2019
Maturity analysis - contractual undiscounted cash flows	
Less than one year	85,379
One to five years	88,910
more than five years	92,440
total undiscounted liabilities included at December 31	266,729
Lease Liabilities included in the statement of financial position at	
December 31	198,325
Current	50,146
Non-current	148,179

Total adjustment to retained earnings related to the modified retrospective approach is \$20,021. The implicit borrowing rate used for calculation of the lease liability is 20%.

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**6. RIGHT-OF-USE ASSETS (continued)**

Amounts recognised in profit or loss

	2019
Interest on lease liabilities	(42,837)
Expenses relating to short-term leases	(17,011)

Amounts recognised in statement of cash flows

	2019
Total cash outflow for leases	(71,255)

**7. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

Cost	Furniture, equipment and software	Project development costs	Greenhouse and land improvement	Land on finance lease	Land	Total
As at December 31, 2017	\$ 33,690	\$ 951,790	\$ 139,940	\$ 874,726	\$ 1,251,451	\$ 3,251,597
Additions	48,360	8,931,020	-	69,768	-	9,049,147
Disposals	-	(955,668)	-	-	-	(955,668)
Foreign translation impact	1,032	58,689	12,237	-	109,433	181,392
As at December 31, 2018	\$ 83,082	\$ 8,985,830	\$ 152,177	\$ 944,494	\$ 1,360,884	\$ 11,526,467
Additions	-	544,310	-	-	-	544,310
Disposals and impairment	(4,134)	-	-	-	-	(4,134)
Reclass as held for sale	-	-	-	-	(1,139,789)	(1,139,789)
Foreign translation impact	(584)	-	(7,296)	-	(65,239)	(73,119)
As at December 31, 2019	\$ 78,364	\$ 9,530,140	\$ 144,881	\$ 944,494	\$ 155,856	\$ 10,853,735

Accumulated depreciation	Furniture, equipment and software	Project development costs	Greenhouse and land improvement	Land on finance lease	Land	Total
As at December 31, 2017	\$ 25,983	\$ -	\$ 17,493	\$ -	\$ -	\$ 43,476
Depreciation and amortization	5,992	-	14,454	-	-	20,445
Disposal	-	-	-	-	-	-
Foreign translation impact	481	-	2,293	-	-	2,775
As at December 31, 2018	\$ 32,456	\$ -	\$ 34,240	\$ -	\$ -	\$ 66,696
Depreciation and amortization	6,030	-	14,800	-	-	20,830
Disposal	(633)	-	-	-	-	(633)
Foreign translation impact	(374)	-	(1,833)	-	-	(2,207)
As at December 31, 2019	\$ 37,480	\$ -	\$ 47,207	\$ -	\$ -	\$ 84,687

Net book value	Furniture, equipment and software	Project development costs	Greenhouse and land improvement	Land on finance lease	Land	Total
As at December 31, 2018	\$ 50,626	\$ 8,985,830	\$ 117,937	\$ 944,494	\$ 1,360,884	\$ 11,459,771
As at December 31, 2019	\$ 40,884	\$ 9,530,140	\$ 97,674	\$ 944,494	\$ 155,856	\$ 10,769,049

On June 20, 2018, the Company terminated the contract with the engineering firm hired to construct the cannabis cultivation facility in Henderson, Nevada. After review by the new architect and project manager it was determined that work completed by the previous engineering firm could not be utilized, therefore, the assets under construction incurred of \$729,847 (\$535,000 USD) have been impaired. The Company learned that an appeal to extend the deadline to complete the Henderson facility had been denied (see Note 5), therefore an additional \$225,821 (\$165,534 USD) allocated to project development costs was also impaired.

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**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

The Company has classified land held in Nevada, USA as an asset held for sale. Sale of this asset occurred on February 12, 2020. The total liability associated with this asset is \$823,513 (\$634,057 USD).

**8. NOTES PAYABLE**

A summary of the notes payable is as follows:

	<b>Golden State Green World Note Payable</b>	<b>SSGW Note Payable</b>	<b>Maple Leaf Green World Note Payable</b>	<b>Total Notes Payable</b>
Balance, December 31, 2017	\$ 131,723	\$ -	\$ -	\$ 131,723
Add Note Payable	-	847,210	30,000	877,210
Less financing cost	-	(61,604)	-	(61,604)
Interest incurred	8,163		1,055	
Interest paid	(8,163)		(1,055)	
Foreign exchange effect	11,518	-	-	11,518
<b>Balance, December 31, 2018</b>	<b>\$ 143,241</b>	<b>\$ 785,606</b>	<b>\$ 30,000</b>	<b>\$ 958,847</b>
<b>Add Note Payable</b>			<b>\$ 200,000</b>	<b>200,000</b>
<b>Interest incurred</b>	<b>8,285</b>	<b>77,204</b>	<b>14,895</b>	<b>100,384</b>
<b>Interest paid</b>	<b>(8,285)</b>		<b>(895)</b>	<b>(9,180)</b>
<b>Loan payment</b>	<b>-</b>	<b>-</b>	<b>(30,000)</b>	<b>(30,000)</b>
<b>Foreign exchange effect</b>	<b>(6,867)</b>	<b>(39,297)</b>	<b>-</b>	<b>(46,164)</b>
<b>Current portion</b>	<b>(136,374)</b>	<b>(823,513)</b>	<b>(214,000)</b>	<b>(1,173,887)</b>
<b>Long Term Balance December 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

In 2015, the Company's wholly-owned subsidiary, Golden State, entered into an agreement to purchase approximately 20 acres of land in southern California for an aggregate purchase price of US\$120,000. The Company paid US\$15,000 in cash and issued a promissory note in the amount of US\$105,000 secured by a Deed of Trust to arm's length third parties. The note bears interest at the rate of 6% per annum and matures on March 1, 2020. As at December 31, 2019, the carrying value of the note payable is \$136,374 (US\$105,000) (2018 - \$143,241 (US\$105,000)), and interest of \$8,163 (US\$6,300) (2017 - \$10,101 (US\$7,875)) on the note payable had been paid.

On December 17, 2018, the Company's wholly owned subsidiary, SSGW, signed a secured Promissory Note in the amount of \$847,210 (\$621,031 USD) before financing costs, with a Utah limited liability company. The note bears interest at 12% per annum and matures on December 17, 2019. The note is secured by a Deed of Trust on the Company's Nevada property. As at December 31, 2019, the carrying value of the note payable is \$823,513 (US\$634,057) (2018 - \$847,210 (US - \$621,031)), and interest of \$Nil (2018 - \$Nil) on the note payable had been paid. In November 2019, the Company exercised the option to extend the initial maturity date to March 17, 2020.

On September 17, 2018, the Company issued a promissory note in the amount of \$30,000 to an arm's length individual. The note bears interest at the rate of 12% per annum and matures on December 31, 2018. As at December 31, 2019, the carrying value of the note payable is \$30,000 (December 31, 2018 - \$30,000, and interest of \$895 (2018 - \$1,055) on the note payable had been paid.

On October 1, 2019, the Company issued a promissory note in the amount of \$200,000 to an arm's length individual. The note bears interest at the rate of 10% per annum and matures on December 31, 2020. As at December 31, 2019, the carrying value of the note payable is \$214,000 (2018 - \$Nil) and interest of \$Nil (2018 - \$Nil) on the note payable had been paid.

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**9. OBLIGATIONS UNDER FINANCE LEASES**

The Company has the following commitments relating to its obligations under finance leases:

	December 31, 2019	December 31, 2018
Current	\$ 195,617	\$ 142,806
Non-current	339,902	552,087
<b>Present Value</b>	<b>\$ 535,519</b>	<b>\$ 694,893</b>

Interest expense on finance leases for the year ended December 31, 2019 was \$30,667 (2018 - \$120,991).

**10. SHARE CAPITAL**

**(a) Authorized**

Unlimited number of common shares without par value.

	Number of common shares	Amount
Balance, December 31, 2017	147,073,331	19,361,734
Shares issued upon option exercised	1,100,000	263,251
Shares issued upon warrant exercised	6,021,272	1,285,581
Share issuance costs	-	(249,771)
Private placement	5,023,699	2,557,337
Balance, December 31, 2018	159,218,302	\$ 23,218,132
Shares issued upon option exercised	300,000	30,000
Private placement	1,450,000	188,500
Shares issued for debt settlement	387,096	60,000
Share issuance costs	-	(25,000)
Balance, December 31, 2019	161,355,398	\$ 23,471,632

**(b) Private placements**

On October 30, 2018, the Company closed the private placement approved on June 12, 2018. The Company received subscriptions in three separate tranches and raised gross proceeds of \$3,014,219 by issuance of 5,023,699 units ("Units") at a price of \$0.60 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.90 per share for two years. A total of \$456,882 (2017 - \$Nil) was recorded to warrant reserve.

Share issuance costs were \$249,771, including finder's fees of \$176,050, were recorded in connection with this private placement.

On May 15, 2019, The Company closed the first tranche of a private placement financing ("the Financing"). The Company issued a total of 1,450,000 common shares at a price of \$0.13 per share for total proceeds of \$188,500. The Company also issued 387,096 common shares at a price of \$0.155 per share for settlement of debt with Woodmere Nursery Ltd. In the amount of \$120,000.

Share issuance costs were \$25,000 including finder's fees of \$20,000, were recorded in connection with this private placement.

**10. SHARE CAPITAL (continued)**

**(c) Stock options**

In February 2018, the Company granted 7,200,000 options to employees, directors and consultants at \$0.60. In April 2018, the Company granted 600,000 options to an employee and a director at \$0.70. A total of \$6,768,883 (2018 - \$6,768,883) share-based compensation expenses have been recorded in the consolidated statement of comprehensive loss.

There were 300,000 options exercised during the year (2018 – 1,100,000) for gross proceeds of \$30,000 (2018-\$124,000).

The following is a summary of option transactions:

		Number of options	Weighted average exercise price per option
Balance, December 31, 2017		7,420,000	0.16
Options granted		7,800,000	0.61
Options forfeited		(300,000)	0.60
Options cancelled		(1,700,000)	0.41
Options exercised		(1,100,000)	0.11
Balance, December 31, 2018	\$	12,120,000	\$ 0.41
Options cancelled		(600,000)	0.60
Options exercised		(300,000)	0.10
<b>Balance, December 31, 2019</b>	<b>\$</b>	<b>11,220,000</b>	<b>\$ 0.40</b>

As of December 31, 2019, the following stock options were outstanding:

Expiry date	Weighted average Exercise price	Number of options outstanding	Number of options exercisable	Weighted average years of expiry
April 23, 2023	\$ 0.70	300,000	300,000	4.31
January 31, 2023	\$ 0.60	4,450,000	4,150,000	4.09
January 31, 2021	\$ 0.60	1,450,000	1,050,000	2.09
April 10, 2021	\$ 0.10	4,400,000	4,400,000	2.28
September 27, 2021	\$ 0.24	100,000	100,000	2.74
	<b>\$ 0.40</b>	<b>11,220,000</b>	<b>10,920,000</b>	<b>3.10</b>

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**10. SHARE CAPITAL (Continued)**

**(d) Warrants (continued)**

The following is a summary of warrant transactions:

Number of warrants outstanding as at January 1, 2019	Issued	Exercised	Expired	Number of warrants outstanding as at December 31, 2019	Exercise price per warrant	Expiry date
12,794,798	-	-	-	12,794,798	\$ 0.600	April 23, 2022
400,000	-	-	-	400,000	\$ 0.600	June 15, 2020
4,093,699	-	-	-	4,093,699	\$ 0.600	April 23, 2022
797,000	-	-	-	797,000	\$ 0.600	April 23, 2022
133,000	-	-	-	133,000	\$ 0.600	April 23, 2022
18,218,497	-	-	-	18,218,497		

Number of warrants outstanding as at January 1, 2018	Issued	Exercised	Expired	Number of warrants outstanding as at December 31, 2018	Exercise price per warrant	Expiry date
1,150,000	-	(1,150,000.00)	-	-	\$ 0.100	April 8, 2018
4,450,000	-	(4,450,000.00)	-	-	\$ 0.150	May 24, 2018
13,216,070	-	(421,272.00)	-	12,794,798	\$ 0.850	August 31, 2019
	400,000	-	-	400,000	\$ 0.600	June 15, 2020
	4,093,699	-	-	4,093,699	\$ 0.900	June 15, 2020
	797,000	-	-	797,000	\$ 0.900	August 13, 2020
	133,000	-	-	133,000	\$ 0.900	October 29, 2020
18,816,070	5,423,699	(6,021,272)	-	18,218,497		

During 2018, a total of 6,021,272 warrants were exercised for gross proceeds of \$1,140,581. \$145,000 was transferred from warrant reserve to share capital on exercise of these warrants. There have been no warrants exercised during 2019.

- (i) On May 30, 2018, the Company entered into an agreement with Emerging Equities Inc. ("EEI") whereby EEI was engaged as strategic financial advisor and facilitator for the Company (the "Agreement"). Pursuant to the Agreement, EEI will evaluate various funding alternatives for the Company including potential private placements and debt funding by candidates introduced by EEI to the Company. The Agreement supersedes and replaces the letter agreement the Company entered into with EEI dated May 1, 2018 and announced by the Company on May 3, 2018 in conjunction with a proposed brokered private placement financing with EEI as lead agent. In consideration of EEI providing strategic financial advisor and facilitator services to the Company, the Company issued to EEI 400,000 common share purchase warrants on September 15, 2018, each warrant entitling EEI to acquire one common share of the Company at an exercise price of \$0.60 with a maturity date of September 15, 2020. The warrants are subject to a four-month hold. There was a total of \$164,951 share-based compensation expense recorded as a result of this transaction.

**10. SHARE CAPITAL (continued)**

**(d) Warrants (continued)**

- (ii) On April 9, 2019, the Company announced it had decided to extend the expiry dates and lower the exercise price of an aggregate of 17,818,497 common share purchase warrants (comprising of 12,794,798 warrants in the May 2017 private placement offering ("May 2017 Warrants") expiring August 2019 and 5,023,699 warrants in the 2018 private placement offering ("2018 Warrants") expiring June – August 2020. Pursuant to the policies of the Neo Exchange Inc. the extension and repricing of Warrants are material to the Company and require disinterested shareholder approval. The independent board of directors approved the extension of May 2017 Warrants from May 4, 2019 to April 29, 2022 and the extension of the 2018 Warrants to April 29, 2020 with a lowered exercise price of \$0.60. The shareholders approved the changes to Warrants in its 2019 annual general and special meeting on September 27, 2019.
- (iii) On June 1, 2018, the Company announced a non-brokered private placement (the "Offering"), which was approved by the Aequis NEO Exchange on June 12, 2018. Each Unit is comprised of one common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.90. The securities are subject to a four-month hold. The Company received subscriptions in three separate tranches:
- a. The first tranche closed June 15, 2018. A total of 4,093,699 units were issued, the warrants have a maturity date of June 15, 2020;
  - b. The second tranche closed August 13, 2018. A total of 797,000 units were issued, the warrants have a maturity date of August 13, 2020; and,
  - c. The third and final tranche closed October 29, 2018. A total of 133,000 units were issued, the warrants have an expiry date of October 29, 2020.
- A total of \$456,882 (2017 - \$Nil) was recorded to warrant reserve.

The Black Scholes valuation method was used to fair value the warrants issued with the following parameters:

	<b>December 31, 2018</b>
Weighted average risk-free interest rate	2.06%
Weighted average expected life of options (years)	2.00
Weighted average volatility	115%
Dividend	-
Estimated forfeiture rate	-
Weighted average share price at the date of estimate	\$ 0.44



## 11. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the fair value of consideration paid.

The Company has identified its directors and executive staff as key management personnel. Compensation to key management, including fees paid to companies controlled by directors and executive staff for their services provided, is as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Management remuneration	\$ 156,000	\$ 120,000
Consulting fee	22,500	60,000
Land lease	105,000	240,000
Stock based compensation	-	3,987,386
<b>Total</b>	<b>\$ 283,500</b>	<b>\$4,407,386</b>

As at December 31, 2019, an amount of \$595,519 (2018 - \$694,893) for a finance lease for land in Telkwa, BC is due to an entity, partially owned by a Director of the Company. The lease is for a term of 5 years at \$20,000 per month. The Company has the option to purchase the land after October 2018 for a minimum of \$500,000.

On November 29, 2018 the Company signed a debt settlement and option agreement with the holder of the finance lease to settle unpaid rent in the amount of \$120,000 by issuing common shares of 387,096 at a deemed price \$0.155 for a total share-based payment of \$60,000. A gain on settlement of debt of \$60,000 was recorded in the financial statements. The shares were issued in the private on May 15, 2019. The agreement also reduced the lease payments on the lease from \$240,000 to \$60,000 for the period of October 2018 to September 2019.

As at December 31, 2019, the Company owed a total of \$283,332 (2018 - \$Nil) to directors which has been recorded in accounts payable

As at December 31, 2019, the Company was owed \$5,000 (2018 - \$Nil) from key management personnel which as been recorded in other receivables.

Amounts are non-interest bearing and are due on demand. The Company did not pay any long-term or termination benefits to its key management.

## 12. CAPITAL MANAGEMENT

The Company's objectives of capital management are to provide returns for shareholders and to comply with externally imposed capital requirements, if any, to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis and continue to develop and expand its projects. As at December 31, 2019 and 2018, the Company has no externally imposed capital requirements.

The capital of the Company consists of notes payable and the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no changes in the way the Company manages its capital during the year ended December 31, 2019.

### 13. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The Company manages its exposure to key financial risk in accordance with the Company's financial risk management framework. The objective of the framework is to protect the Company's future financial security. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are liquidity risk, credit risk and market risk, which comprise foreign exchange rate risk, interest rate risk and other price risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Currently, the Company does not apply any form of hedge accounting.

#### (a) Carrying value

Carrying value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates. Management assessed that the fair values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and interest payable approximate their carrying amounts largely due to the short-term maturities of these instruments, and the fair value of the notes payable approximates its carrying value, as the interest rate is a market rate for similar instrument offered to the Company.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's financial assets and liabilities.

	December 31, 2019			December 31, 2018		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities measured at fair value						
Cash	\$ 36,601	\$ -	\$ -	\$ 574,242	\$ -	\$ -
Other receivables	51,042	-	-	141,646	-	-
Notes payable	-	1,369,504	-	-	958,847	-

There was no transfer between fair value levels during the years ended December 31, 2019 and 2018.

#### (b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated to other receivables and cash and cash equivalents. The carrying value of the financial assets represents the maximum credit exposure. The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. Trade receivables at December 31, 2019 contains an employee receivable which is short-term in nature and is secured by the individual's bonus and salary.

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2019, the Company has negative working capital of \$6,795,301 (2018 – \$4,672,048).

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**13. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS (continued)**

**(c) Liquidity risk (continued)**

Based on the contractual obligations of the Company as at December 31, 2019, cash outflows of those obligations are estimated and summarized as follows:

		Payment Due by Year			
	2020	2021	2022 and beyond	Total	
Accounts payable and accrued liabilities	\$ 5,463,450	\$ -	\$ -	\$ 5,463,450	
Notes payable	1,173,887	-	-	1,173,887	
Right of use obligations	85,379	88,910	92,440	266,729	
Finance land lease obligations	240,000	240,000	180,000	660,000	
	<b>\$ 6,962,716</b>	<b>\$ 328,910</b>	<b>\$ 272,440</b>	<b>\$ 7,564,066</b>	

**(d) Market risk**

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

**(i) Interest rate risk**

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As the notes payable bear fixed coupon rates of 6 - 12% per annum, the Company does not have interest rate risk on its notes payable. The finance lease bears interest at prime plus 6%. The Company is exposed to interest rate risk on its finance lease obligations.

**(ii) Currency risk**

The Company is exposed foreign currency risk when the Company undertakes transactions and holds assets or liabilities denominated in foreign currencies other than its functional currency.

The Company currently does not manage currency risk through hedging or other currency management tools. As at December 31, 2019, the Company's exposure to currency risk is summarized as follows:

Expressed in Canadian dollar equivalents	December 31, 2019	December 31, 2018
Financial assets denominated in US dollars		
Cash	33,762	381,492
	<b>33,762</b>	<b>381,492</b>
Financial liabilities denominated in US dollars		
Accounts payable	308,797	439,939
Notes payable	959,887	928,847
	<b>1,268,684</b>	<b>1,368,786</b>

**13. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS (continued)**

**(d) Market risk (continued)**

**(ii) Currency risk (continued)**

As at December 31, 2019, with other variables unchanged, a 10% change in the USD against the CAD would have increased (decreased) comprehensive loss by \$95,989 (2018 – \$98,729).

**(iii) Other price risk**

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to other price risk.

**(e) Legal claim contingency**

The Company is subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, and cash flows. These matters are subject to inherent uncertainties and management's view of these matters may change in the future.

**14. SEGMENT INFORMATION**

Operating segments are components of the Company where separate financial information is available that is evaluated and determined regularly by management. As at December 31, 2019, the Company has one reportable segment, being eco-agriculture and two geographical segments, being Canada and United States. Segment information is summarized as follows:

	December 31, 2019			December 31, 2018		
	Canada	US	Consolidated	Canada	US	Consolidated
Current assets	\$ 43,362	\$ 1,235,540	\$ 1,278,902	\$ 595,984	\$ 149,432	\$ 745,416
Other long term assets	15,660	102,976	118,636	1,118,159	-	1,118,159
Property, plant and equipment	10,584,807	184,244	10,769,050	9,974,041	1,485,730	11,459,771
Total assets	\$ 10,643,828	\$ 1,522,760	\$ 12,166,588	\$ 11,688,185	\$ 1,635,162	\$ 13,323,347
Current liabilities	\$ 5,019,484	\$ 1,913,573	\$ 6,933,057	\$ 4,631,858	\$ 785,606	\$ 5,417,464
Long term liabilities	352,464	195,617	548,081	552,087	143,241	695,328
Total liabilities	\$ 5,371,948	\$ 2,109,190	\$ 7,481,138	\$ 5,183,945	\$ 928,847	\$ 6,112,792

  

	December 31, 2019			December 31, 2018		
	Canada	US	Consolidated	Canada	US	Consolidated
Operating expenses	2,066,942	683,498	2,750,440	8,523,465	505,159	9,028,624
Net loss	\$ (2,066,942)	\$ (683,498)	\$ (2,750,440)	\$ (8,523,465)	\$ (505,159)	\$ (9,028,624)

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**15. TAXES**

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	<b>December 31, 2019</b>	December 31, 2018
Loss for the year	<b>\$ (2,750,440)</b>	\$ (11,281,911)
Statutory tax rate	<b>23%</b>	27%
Income tax benefit computed at statutory rates	<b>(632,601)</b>	(3,046,116)
Items non-deductible for income tax purposes	<b>268,027</b>	963,905
Differences on foreign tax rates	<b>123,561</b>	142,606
Share issue costs	<b>(88,145)</b>	(86,295)
Unused tax losses and tax offsets not recognized in tax asset	<b>329,158</b>	2,025,900
Income tax benefit	<b>\$ -</b>	\$ -

The Company's statutory rate includes a combined Canadian federal corporate tax rate of 15% and the applicable provincial corporate tax rate of 8%. The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets. The Alberta 2019 budget released on October 24, 2019 has reduced the corporate tax rate from 12% to 8% over the course of four years. This has the effect of reducing the future non-capital losses.

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	<b>December 31, 2019</b>	December 31, 2018
Non-capital losses	<b>\$ 16,803,312</b>	\$ 15,140,027
Share issue costs	<b>250,876</b>	446,372
Tax value over book value of property, plant and equipment	<b>(1,781)</b>	(15,262)
Unrecognized deductible temporary differences	<b>\$ 17,052,407</b>	\$ 15,571,137

**15. TAXES (continued)**

The Company's unrecognized unused non-capital losses have the following expiry dates:

	US	Canada	Total
2025	-	2,492,000	2,492,000
2026	-	343,000	343,000
2027	-	174,000	174,000
2028	-	1,346,000	1,346,000
2029	-	780,000	780,000
2030	-	-	-
2031	-	470,000	470,000
2032	-	1,679,000	1,679,000
2033	-	1,692,000	1,692,000
2034	-	358,000	358,000
2035	78,000	564,583	642,583
2036	98,000	515,549	613,549
2037	437,000	1,142,048	1,579,048
2038	1,599,000	1,371,847	2,970,847
2039	232,161	1,431,124	1,663,285
	<b>\$ 2,444,161</b>	<b>\$ 14,359,151</b>	<b>\$ 16,803,312</b>

**16. COMPARATIVE FIGURES**

Certain comparative figures have been restated where necessary to conform with current period presentation.

**17. SUBSEQUENT EVENTS**

In January of 2020, the Company sold its property in Henderson Nevada. The balance of net proceeds from the sale have been used to finance the Company's California project.

Beginning in March 2020 the Governments of Canada and Alberta, as well as foreign governments instituted emergency measures as a result of the COVID-19 virus. The virus has had an adverse impact on Canadian and international securities and currency markets and consumer activities which may impact the Company's financial position, its results of operations and its cash flows significantly. As these are subsequent events, these financial statements do not reflect such impact. As at May 14, 2020, it is also not possible to accurately quantify or estimate that impact. Furthermore, we are unable to determine the impact this subsequent event may have on the Company's future operations.