AGRAFLORA ORGANICS INTERNATIONAL INC.

Consolidated Financial Statements
Year Ended December 31, 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agraflora Organics International Inc.

Opinion

We have audited the consolidated financial statements of Agraflora Organics International Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
June 15, 2020

AGRAFLORA ORGANICS INTERNATIONAL INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		$ 4,076,295	$ 10,718,888
Loans receivable	4,6	205,721	253,333
Amounts receivable	5	836,417	253,509
Marketable securities	4	-	21,875
Prepaids and deposits	7	1,073,617	148,748
Inventory		5,135	-
		6,197,185	11,396,353
Non-current assets			
Equity accounted investments	10,11,14	50,791,920	11,656,240
Prepayment for acquisitions	7	11,902,083	-
Property and equipment	8	8,837,948	1,591,099
Convertible debenture receivable	14	24,636,507	-
Intangible assets	9	1,491,410	5,350,901
Goodwill	9,13	3,759,646	-
TOTAL ASSETS		**$ 107,616,699**	**$ 29,994,593**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	15	$ 2,407,377	$ 324,632
Current portion of lease liability	16	113,340	-
Convertible debenture	17	7,569,106	-
		10,089,823	324,632
Non-current Liabilities			
Long-term convertible debt	17	28,191,802	-
Long-term lease liability	16	1,770,392	-
Derivative liability	17	1,465,129	-
TOTAL LIABILITIES		**41,517,146**	**324,632**
SHAREHOLDERS' EQUITY			
Share capital	18	149,515,773	48,624,710
Subscriptions receivable	18	-	(61,000)
Reserves	18	40,464,785	3,385,740
Deficit		(123,209,175)	(22,279,489)
Attributable to shareholders		66,771,383	29,669,961
Non-controlling interest	12	(671,830)	-
TOTAL SHAREHOLDERS' EQUITY		**66,099,553**	**29,669,961**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 107,616,699**	**$ 29,994,593**

Nature and continuance of operations (Note 1)
Commitments (Note 22)
Subsequent events (Note 24)

AGRAFLORA ORGANICS INTERNATIONAL INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		Year ended	
	Notes	December 31, 2019	December 31, 2018
Sales		$ 3,888	$ -
Cost of goods sold		(12,996)	-
		(9,108)	-
Expenses			
Professional fees		715,737	145,218
Consulting and management	19	13,188,159	2,866,175
Development and compliance		56,205	84,558
Corporate development		4,075,429	153,322
Amortization	8,9	151,477	12,817
Investor communications		288,379	704,210
Wages and salary		39,660	-
Office and sundry		269,412	101,348
Regulatory and transfer agent fees		513,751	225,967
Rent expense		46,858	-
Transaction costs	4,10,12,17,18	30,110,126	-
Foreign exchange loss		61,222	-
Finance and other costs		212,452	-
Research and development		396,479	-
Share-based compensation	12,18	37,133,311	2,073,494
		(87,258,657)	(6,367,109)
Other items			
Loss on write-off of Solaris	10	-	(339,406)
Unrealized loss on marketable securities	4	-	(290,624)
Gain on debt settlement	18	17,537	975,179
Gain on write-off of loan payable	10	-	129,950
Loss on write-off of amounts receivable		(446,610)	-
Loss on plan of arrangement of Eurolife	10	-	(129,662)
Gain on plan of arrangement of Natures Hemp	10	-	310,437
Loss on disposition of equity investments	10,11	(362,499)	-
Share of losses in equity accounted investments	10,11	(2,217,148)	(31,967)
Provision on loan receivable	6	(419,945)	-
Gain on sale of marketable securities	4	1,178,210	-
Loss on sale of assets	10	(2,392,236)	-
Impairment of intangible asset	9,10	(4,089,089)	(77,016)
Impairment of goodwill	9,13	(5,724,369)	-
Interest income	6	32,745	-
Net and comprehensive loss for the year		**$ (101,691,169)**	**$ (5,820,218)**
Net and comprehensive loss attributable to:			
Shareholders of Agraflora Organics International Inc.		$ (100,981,067)	$ (5,741,082)
Non-controlling interests	12,13	(710,102)	(79,136)
		$ (101,691,169)	**$ (5,820,218)**
Net loss per share – basic and diluted		**$ (0.16)**	**$ (0.02)**
Weighted average number of common shares outstanding		**651,174,193**	**304,393,955**

AGRAFLORA ORGANICS INTERNATIONAL INC.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital								
	Number of shares	Amount	Subscriptions received (receivable)	Share-based payment reserves	Warrant reserve	Non-controlling interest	Deficit	AOCI	Total
Balance at December 31, 2017	**276,052,890**	**$ 22,252,798**	**$ 149,200**	**$ 809,657**	**$ 855,963**	**$ 920,305**	**$ (17,384,754)**	**$ (37,500)**	**$ 7,565,669**
Reallocation on adoption of IFRS 9	-	-	-	-	-	-	(37,500)	37,500	-
Net and comprehensive loss for the year	-	-	-	-	-	(79,136)	(5,741,082)	-	(5,820,218)
Subscriptions received / receivable	-	-	61,000	-	-	-	-	-	61,000
Non-controlling interest on consolidation of AAA-H (Note 9)	-	-	-	-	-	(841,169)	841,169	-	-
Options exercised (Note 18)	5,400,000	371,200	-	-	-	-	-	-	371,200
Warrants exercised (Note 18)	25,405,150	1,691,076	(149,200)	-	-	-	-	-	1,541,876
Fair value of stock options exercised / expired (Note 18)	-	275,559	-	(314,875)	-	-	39,316	-	-
Fair value of warrants exercised / expired	-	35,136		-	(38,499)	-	3,363	-	-
Shares issued for debt settlement (Note 18)	2,008,236	351,441	-	-	-	-	-	-	351,441
Shares issued for acquisition (Note 9)	12,500,000	2,187,500	-	-	-	-	-	-	2,187,500
Shares issued for equity participation (Note 11)	44,582,040	20,000,000	-	-	-	-	-	-	20,000,000
Shares issued for service (Note 18)	10,000,000	1,460,000	-	-	-	-	-	-	1,460,000
Share-based compensation (Note 18)	-	-	-	2,073,494	-	-	-	-	2,073,494
Balance at December 31, 2018	**375,948,316**	**48,624,710**	**(61,000)**	**2,568,276**	**817,464**	**-**	**(22,279,489)**	**-**	**29,669,961**
Net and comprehensive loss for the year	-	-	-		-	(710,102)	(100,981,067)	-	(101,691,169)
Non-controlling interest on acquisition of SUHM	-	-	-	-	-	38,272	-	-	38,272
Subscriptions received	-	-	61,000	-	-	-	-	-	61,000
Options exercised (Note 18)	23,125,000	2,931,750	-	-	-	-	-	-	2,931,750
Fair value of warrants exercised / expired	-	7,955	-	-	(7,955)	-	-	-	-
Fair value of options exercised / expired	-	1,994,930	-	(2,046,311)	-	-	51,381	-	-
Warrants exercised (Note 18)	13,147,700	1,051,816	-	-	-	-	-	-	1,051,816
Shares issued for equity participation (Note 11)	44,582,040	20,000,000	-	-	-	-	-	-	20,000,000
Shares issued for acquisitions (Note 12,13)	416,614,153	55,466,452	-	-	-	-	-	-	55,466,452
Shares issued for service (Note 18)	24,031,690	8,530,229	-	-	-	-	-	-	8,530,229
Shares issued for transaction costs (Note 4, 18)	36,554,097	10,813,663	-	-	-	-	-	-	10,813,663
Share-based compensation (Note 18)	-	-	-	12,009,481	25,123,830	-	-	-	37,133,311
Issuance of special warrants (Note 18)	-	-	-	-	2,000,000	-	-	-	2,000,000
Shares issued for debt settlement (Note 18)	319,551	94,268	-	-	-	-	-	-	94,268
Balance at December 31, 2019	**934,322,547**	**$ 149,515,773**	**$ -**	**$12,531,446**	**$27,933,339**	**$ (671,830)**	**$(123,209,175)**	**$ -**	**$ 66,099,553**

AGRAFLORA ORGANICS INTERNATIONAL INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2019	December 31, 2018
Operating activities		
Net loss for the year	$ (101,691,169)	$ (5,820,219)
Adjustments for:		
Amortization	151,477	12,817
Unrealized loss on marketable securities	-	290,624
Gain on write-off of loan payable	-	(129,950)
Gain on settlement of debt	(17,537)	(975,179)
Shares issued for services	8,530,229	1,460,000
Accrued interest	131,787	(3,333)
Loss on spin-out of Cannvas	-	129,662
Impairment of goodwill	5,724,359	-
Loss of sale of assets to JJ Wolf	2,392,236	-
Loss on write-off of Solaris	-	339,406
Impairment of intangible asset	4,089,089	77,016
Provision on loan receivable	419,945	-
Non-cash transaction costs	27,927,126	-
Share of losses in equity investments	2,217,148	31,967
Loss on disposition of equity investments	362,499	-
Gain on sale of marketable securities	(1,178,210)	-
Write-off of amounts receivable	446,610	-
Share-based compensation	37,133,311	2,073,494
Foreign exchange loss	61,222	-
Changes in non-cash working capital items:		
Accounts receivables	(582,908)	(121,555)
Prepaids	(924,869)	(39,586)
Inventory	(5,135)	-
Accounts payable and accruals	999,229	(151,684)
Net cash flows used in operating activities	(13,813,551)	(2,826,520)
Financing activities		
Proceeds on issuance of special warrants	2,000,000	-
Proceeds from convertible debt	12,487,042	-
Repayment of lease liability	(154,755)	-
Proceeds on issuance of common shares, net of subscriptions received / receivable	24,044,566	22,354,072
Net cash flows provided by financing activities	38,376,853	22,354,072
Investing activities		
Expenditures on equipment	(4,226,274)	(503,667)
Investment in marketable securities	(2,200,000)	-
Prepayment for acquisitions	(1,600,000)	
Loan receivable	(657,185)	(250,000)
Investment in and advances to PSC	(20,092,436)	(11,688,207)
Funds advanced for investments made	(430,000)	(158,039)
Net cash flows used in investing activities	(31,205,895)	(12,599,913)
Change in cash	(6,642,593)	6,927,639
Cash, beginning	10,718,888	3,791,249
Cash, ending	**$ 4,076,295**	**$ 10,718,888**

Non-cash transactions (Note 20)
Subsequent events (Note 24)

1. NATURE AND CONTINUANCE OF OPERATIONS

AgraFlora Organics International Inc. (the "Company" or "Agraflora") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). The Company focuses on the cannabis industry. During the year ended December 31, 2018, the Company changed its name from PUF Ventures Inc. to Agraflora Organics International Inc. and completed a share split on a 5 for 1 basis. All share capital numbers have been restated to reflect the share split. The Company's corporate office is located at Suite 810, 789 Pender Street, Vancouver, British Columbia V6C 1H2. The Company is listed on the Canadian Securities Exchange ("CSE").

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 21. At December 31, 2019, the Company has a working deficit of $3,892,638 (December 31, 2018 –working capital of $11,071,721), and an accumulated deficit of $123,209,175 (December 31, 2018 - $22,279,489).

The Company generated minimal cash flow from operations and therefore relies upon the issuance of securities and debt for financing to fund continuing operations. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These factors indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the consolidated statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Basis of preparation
The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors and authorized for issue on June 15, 2020.

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its subsidiaries listed below:

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (CONTINUED)

	Ownership Interest	Jurisdiction
AAA Heidelberg Inc.	100%	Canada
Potluck Potions and Edibles Inc.	80%	Canada
Canutra Naturals Ltd.	100%	Canada
SUHM Investments Inc.	100%	Canada
The Edibles and Infusions Corp.	80%	Canada
11122347 Canada Corp d/b/a Canada Cap Corp	80%	Canada
1180782 B.C. Ltd. d/b/a Delta Organic Cannabis Corp.	100%	Canada
11353675 Canada Corp. d/b/a CanaBeer	80%	Canada
11353705 Canada Corp. d/b/a Canada Gum Corp.	80%	Canada
Trichome Canabrands Inc.	100%	Canada
11406426 Canada Corp. d/b/a Canada Formulations Corp	80%	Canada

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Presentation and functional currency
The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's subsidiaries is also the Canadian dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the statement of comprehensive loss.

Significant accounting judgments and estimates
The preparation of these 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, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimates and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: fair value allocation in business combination and asset acquisitions, value of marketable securities and other financial instruments; impairment of non-financial assets; discount rate used, and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its cannabis assets. This includes estimating the fair value of intangible assets held relating to the cannabis venture.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs

2. BASIS OF PREPARATION (CONTINUED)

Significant accounting judgments and estimates (continued)
subsequent to the issuance of the annual financial statements. The continuation of the Company as a going concern requires judgment and factors used are disclosed in Note 1.

Management has applied significant estimates and judgements related to the following:

Business combination and asset acquisition
Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisition was an asset acquisition, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Convertible debenture receivable
Management is required to make a number of estimates when determining the valuation of its convertible debenture receivable, as the convertible debenture receivable required option pricing models that involved various estimates and assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash
Cash in the consolidated statement of financial position is comprised of cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Property and equipment
Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Equipment is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used.

Furniture and equipment - 20% declining balance
Computer - 30% declining balance
Building - 6% declining balance
Right-of-use asset - straight-line over term of lease
Leasehold improvements - straight-line over term of lease

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:

Health Canada licenses – Useful life of the facility or lease term
Other operational licenses – Useful life of the facility or lease term
Non-compete agreement – over the duration of the non-compete agreement
Intellectual property – 5-10 years

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.

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized as research and development expenses on the consolidated statement of comprehensive loss as incurred. Capitalized deferred development costs are internally generated intangible assets.

Inventory

Inventory is valued at the lower of cost and net realizable value. The Company’s inventory is comprised of cannabis products, hemp products, and purchased finished goods for resale. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

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.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)
statement of comprehensive loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

Equity accounted investments
Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements whereby the parties have joint control of the arrangement and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

The Company accounts for the following using the equity method as the Company does not have control:

	Ownership Interest	Jurisdiction
Propagation Services Canada Inc.	70%	Canada
Eurasia Infused Cosmetics Inc.	50%	Canada
JJ Wolf Investment Ltd.	50%	Canada

Business combination
A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the statement of comprehensive loss.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)
Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Non-controlling interests
Non-controlling interests ("NCI") are recognized either at fair value or at the NCI's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interests held prior to obtaining control and the NCI in the acquiree, over the fair value of the identifiable net asset acquired, is recorded as goodwill.

Impairment

Long-lived assets
At each financial position reporting date, the carrying amounts of the Company's long-lived 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset or cash generating unit 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 statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized in the statement of comprehensive loss.

Share capital
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital (continued)
Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

Share-based payment transactions
The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share
The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting
The Company operates in the cannabis segment in Canada.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), amended revenue recognition requirements and established principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

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

Revenue from the sale of hemp health products and cannabis to medical and recreational customers are recognized when the Company transfers control of the good to the customer. In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

Financial instruments
The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)
The following table shows the original classification under IFRS 9:

Financial assets/liabilities	Classification IFRS 9
Cash	Amortized cost
Loans receivable	Amortized cost
Marketable securities	FVTPL
Convertible debenture receivable	FVTPL
Amounts receivable	Amortized cost
Convertible debenture	Amortized cost
Accounts payable	Amortized cost
Derivative liability	FVTPL

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to the statement of comprehensive loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the statement of comprehensive loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)
(iv) Derecognition

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

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

Gains and losses on derecognition are generally recognized in the statement of comprehensive loss.

Newly adopted accounting standards

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases ("IAS 17") and related interpretations. The standard introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases with a term exceeding 12 months, unless the underlying asset is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17. The Company adopted the standard on January 1, 2019. The Company did not have any leased properties in previous years, so the adoption of IFRS 16 has no impact on the beginning balances.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in "finance and other costs" in the consolidated statement of comprehensive (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the consolidated statement of comprehensive (loss) income. Short term leases are defined as leases with a lease term of 12 months or less.

Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration or sales and marketing expense, as appropriate given how the underlying leased asset is used, in the consolidated statement of comprehensive loss.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 – Leases (continued)
Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

Revised IFRS standard in issue but not yet effective

Amendments to IFRS 3, Business Combinations ("IFRS 3")
In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business.

The amendments are effective for business combinations and asset acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's financial statements.

4. MARKETABLE SECURITIES

The continuity of the Company's marketable securities is as follows:

	December 31, 2018	Additions	Disposals	Realized gain (losses)	December 31, 2019
Investment in public and private entities:	$	$	$	$	$
Volt Energy Inc.	21,875	-	37,500	15,625	-
Empower Clinics Inc	-	1,000,000	1,000,000	-	-
Transnational Cannabis Ltd.	-	9,703	156,000	146,297	-
Cannabis Clonal Corp.	-	300,000	300,000	-	-
1205293 B.C. Ltd.	-	500,000	500,000	-	-
Roughrider Capital Corp.	-	-	532,500	532,500	-
Eurolife Brands Inc.	-	-	433,920	433,920	-
Mindful Capital Inc.	-	400,000	400,000	-	-
Sire Bioscience Inc.	-	498,684	548,552	49,868	-
Total	21,875	2,708,387	3,908,472	1,178,210	-

Investment in equities include both publicly-traded and private investments. The fair value of investments in publicly-traded entities is based on quoted closing prices at the valuation date. The fair value of investments in private entities were estimated based on a Level 3 market approach of fair value. The Company held Volt Energy Inc. common shares valued at $21,875 as at December 31, 2018 and recorded an unrealized loss of $290,624 during year ended December 31, 2018. During the year ended December 31, 2019, the Company obtained and purchased several investments for a total of $2,708,387. During the year ended December 31, 2019, all of the marketable securities held by the Company were sold to JJ Wolf Investment Ltd. ("JJ Wolf") for $3,908,472, being the fair value of 10,000,000 shares received in consideration for the sale, resulting in a realized gain on sale of $1,178,210 (Note 10).

4. MARKETABLE SECURITIES (CONTINUED)

Transnational Cannabis Ltd.

The Company entered into a Cannabis Strain and Genetics Transfer Agreement with Transnational Cannabis Ltd. (formerly ICC International Cannabis Corp.) (“Transnational”) on April 9, 2019, whereby the Company sold a portfolio of cannabis strains with a cost of $9,703 to Transnational in exchange for 1,000,000 common shares of Transnational.

On May 21, 2019, the Company entered into a commercial rights and offtake agreement with Transnational, whereby Transnational will purchase 20,000 kilograms of dried cannabis per annum for a term of 5 years expiring on December 31, 2024 from Propagation Services Canada Inc. (“PSC”). On May 28, 2019, in consideration for facilitating the execution of the Offtake Agreement, the Company issued 2,000,000 common shares with a fair value of $780,000 to an arm’s length third party as transaction costs (Note 18).

On July, 24, 2019, the Company sold its 1,000,000 common shares of Transnational to JJ Wolf (Note 10).

Eurolife Brands Inc.
On July 15, 2019, the Company purchased 452 common shares of 1216165 B.C. Ltd for cash payment of $0.0452. During the year ended December 31, 2019, the Company sold all of the common shares of 1216165 B.C Ltd in exchange for 3,616,000 common shares of Eurolife Brands Inc. (formerly Cannvas Medtech Inc.).

On July 24, 2019, the Company sold its 3,616,000 common shares of Eurolife Brands Inc. to JJ Wolf (Note 10).

Roughrider Capital Corp.
In 2018, Volt Energy Inc. (“Volt”) Volt spun out its oil and gas assets into Roughrider Capital Corp. (“Roughrider”) and distributed to the Volt shareholders two common shares of Roughrider for every one Class A Volt shares held. As a result, the Company received 1,250,000 Roughrider common shares for its 625,000 common shares of Volt. At December 31, 2018, the Company recorded the Roughrider shares at $Nil due to lack of market and uncertainty of realizing any value. The 1,250,000 Roughrider shares were valued at $156,250 prior to sale to JJ Wolf.

On April 2, 2019, the Company entered into a Share Purchase Option agreement with a third party, whereby the Company was granted an option to purchase all of the shares of AgraLeaf SA for a period of 12 months. On May 13, 2019, the Company assigned and transferred to Roughrider the option to purchase all of the optioned shares of AgraLeaf SA for a purchase price of 3,010,000 common shares of Roughrider. The shares were received and were initially valued at $376,250.

On July, 24, 2019, the Company sold its 4,260,000 common shares of Roughrider to JJ Wolf. (Note 10).

Sire Bioscience Inc.
On February 28, 2019, the Company entered into a Simple Agreement for Future Equity (“SAFE”) with Sire Bioscience Inc. (“Sire”) (formerly Best Cannabis Products Inc. (“BCP”)) whereby the Company invested $230,000 (“Purchase Amount”) into Sire. Pursuant to the terms of the agreement, Sire is required to issue shares of BCP at a discount of 20% and subject to a valuation cap of $8,672,500, upon the occurrence of certain events as indicated below:

- In the event of equity financing, Sire will automatically issue shares to the Company equal to the Purchase Amount divided by the conversion price if there is a transaction or series of related transactions with the principal purpose of raising capital pursuant to which Sire issues and sells shares at a fixed pre-money valuation of $20,000,000 or more generating gross proceeds to Sire of at least $10,000,000 before the expiration or termination of this SAFE; and
- In the event of liquidity, the Company will receive from Sire the number of shares equal to the Purchase Amount divided by the liquidity price.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES (CONTINUED)

Sire Bioscience Inc. (continued)
In the event of dissolution, Sire will repay the Company the Purchase Amount, due and payable to the Company immediately prior to, or concurrent with, the consummation of the dissolution event.

The termination of the SAFE agreement is the earlier of the occurrence of any of the above events or December 31, 2019. If an equity financing, liquidity event or dissolution event does not occur on or before December 31, 2019, Sire will automatically issue to the Company the number of shares equal to the Purchase Amount divided by the conversion price. The conversion price of the SAFE agreement is the higher of the price per share equal to the valuation cap divided by the corporation capitalization or the price per share of the shares sold in the equity financing multiplied by the discount rate.

On September 11, 2019, Sire completed an equity financing and issued 4,600,000 common shares of Sire to the Company with a fair value of $230,000. The Company did not recognize any gain from the conversion of investment to shares.

On August 27, 2018 the Company advanced $250,000 by way of a loan to Sire. The loan was due October 25, 2019 and bore interest at 4% per annum. As at December 31, 2018, a balance of $253,333 is receivable, including accrued interest. The Company further advanced $18,684 of loan to Sire during the year ended December 31, 2019. During the year ended December 31, 2019, the Company received a cash payment of $10,413 for the interest on the loan and converted its $250,000 convertible loan receivable and $18,684 of debt to 5,373,670 common shares of Sire with a fair value of $268,684. The Company did not recognize any gain or loss from the conversion of loan to shares.

On July, 24, 2019, the Company sold its 9,973,670 common shares of Sire to JJ Wolf. (Note 10).

5. AMOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
Current:		
Government sales tax recoverable	$ 806,417	$ 253,509
Other receivable	30,000	-
	$ 836,417	$ 253,509

6. LOANS RECEIVABLE

On July 2, 2019, the Company advanced $400,000 by way of a convertible loan to 2459160 Ontario Ltd. The loan is unsecured, matured on August 2, 2019 and bears interest at 10% per annum. The Company has the option to convert all or any portion of the principal amount of the loan, accrued interest and fees outstanding into common shares of 2459160 Ontario Ltd. before the maturity date, at the maximum allowable discount. As at December 31, 2019, the loan has matured and is no longer convertible. The outstanding loan receivable is $419,945, including accrued interest. During the year ended December 31, 2019, the Company recorded a provision of $419,945 against the loan and impaired the loan receivable to $Nil.

On July 10, 2019, the Company advanced $200,000 by way of a loan to 1187744 BC Ltd. The loan is due July 10, 2020 and bears interest at 6% per annum. At December 31, 2019, a balance of $205,721 is receivable, including accrued interest.

(Expressed in Canadian Dollars)

7. PREPAID EXPENSES

	December 31, 2019 $	December 31, 2018 $
Current:		
Advances to third-party supplies	1,065,784	141,042
Prepaid insurance and property taxes	7,833	7,706
Total	1,073,617	148,748
Non-current:		
Prepayment for asset acquisitions	11,902,083	-
Total	12,975,700	148,748

On October 22, 2019, the Company entered into a Share Purchase Agreement and an Assignment and Assumption of Share Purchase Agreement to purchase 100% of the issued and outstanding shares of The Good Company GmbH, a German limited liability company on a pro-rata basis. As consideration, the Company paid cash consideration of $1,000,000, issued 47,916,667 common shares on November 4, 2019 (which were held in escrow) with a fair value of $10,302,083 and repayment of certain shareholder loans. A further $300,000 was also advanced during the year ended December 31, 2019. The cash paid and shares issued are recorded in prepaid expenses as the acquisition had not closed as of December 31, 2019.

Under the terms of the Share Purchase Agreement, the sellers are entitled to receive additional shares of the Company corresponding to an aggregate deemed value of $5,000,000 if certain milestones are achieved or triggered within 18 months from the closing date of the Share Purchase Agreement or in the event that the sellers exercise Earn-Out Shifting Option. The Company also agreed to make cash contributions to The Good Company totaling $1,200,000.

In consideration for facilitating the execution of the transaction, the Company issued 5,000,000 finder shares to arm's length parties with a fair value of $1,075,000. This is expensed as transaction cost in the statement of comprehensive loss. The acquisition was completed subsequent to year end (Note 24).

On August 27, 2019, the Company entered into Letter of Intent to acquire 100% of all of the issued and outstanding common shares of 11371436 Canada Corp for a purchase price of $250,000. As consideration, the Company paid $150,000 during the year ended December 31, 2019. The cash paid is recorded in prepayment as the acquisition had not closed as of December 31, 2019.

During the year ended December 31, 2019, the Company advanced $150,000 towards potential acquisition of Farma Swiss S.A.S. The cash paid is recorded in prepayment as the acquisition had not closed as of December 31, 2019.

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

Property and equipment are held by the Company and its subsidiaries. The buildings, certain furniture and equipment, computers and leasehold improvements are currently not available for use and have therefore not been amortized. The opening balances have been shown as of the date of transition to the consolidation method of accounting.

	Furniture & equipment $	Building $	Computers $	Right of use asset $	Leasehold improvements $	Land $	Total $
Cost:							
December 31, 2017	28,055	1,084,518	8,423	-	-	-	1,120,996
Additions	27,900	406,256	69,506	-	-	-	503,662
December 31, 2018	55,955	1,490,774	77,929	-	-	-	1,624,658
Additions	1,117,467	2,720,699	545	-	387,563	-	4,226,274
Acquired from business combinations / asset acquisitions	859,186	-	-	1,931,548	-	373,700	3,164,434
December 31, 2019	2,032,608	4,211,474	78,474	1,931,548	387,563	373,700	9,015,366
Amortization:							
At December 31, 2017	(14,781)	-	(5,967)	-	-	-	(20,748)
Charge for the year	(5,375)	-	(7,436)	-	-	-	(12,811)
At December 31, 2018	(20,156)	-	(13,403)	-	-	-	(33,559)
Charge for the year	(8,254)	-	(19,438)	(112,674)	-	-	(140,366)
Acquired from business combinations	(3,493)	-	-	-	-	-	(3,493)
December 31, 2019	(31,903)	-	(32,841)	(112,674)	-	-	(177,418)
Net book value:							
December 31, 2018	35,799	1,490,774	64,526	-	-	-	1,591,099
December 31, 2019	2,000,705	4,211,474	45,633	1,818,874	387,563	373,700	8,837,948

The right-of-use asset relates to the leased building and land in Winnipeg, Manitoba for the purpose of production of edibles and infusion products containing CBD and THC. The lease is reflected on the balance sheet as a right-of-use asset, with an associated lease liability (Note16). The discount rate applied to the lease is 11.34%.

9. INTANGIBLE ASSETS AND GOODWILL

During the year ended December 31, 2019, the Company acquired an intangible agreement, a non-compete agreement and goodwill as follows:

	Licenses $	Intangible Agreement $	Non-Compete Agreement $	Goodwill $	Total $
Balance, December 31, 2017	3,240,416	-	-	-	3,240,416
Addition on full acquisition of AAA-H	2,187,801	-	-	-	2,187,801
Impairment	(77,016)	-	-	-	(77,016)
Balance, December 31, 2018	5,350,901	-	-	-	5,350,901
Acquired from business combinations / asset acquisitions	-	40,709	200,000	9,484,015	9,724,724
Amortization	-	-	(11,111)	-	(11,111)
Impairment	(4,048,380)	(40,709)	-	(5,724,369)	(9,813,458)
Balance, December 31, 2019	1,302,521	-	188,889	3,759,646	5,251,056

(Expressed in Canadian Dollars)

9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The licenses arose as a result of acquisition of AAA Heidelberg Inc. (Note 10) and are not ready for their intended use and no amortization has been recorded for the years ended December 31, 2019 and 2018. The non-compete agreement arose as a result of the acquisition of The Edibles and Infusions Corp. (Note 12) and is amortized on a straight-line basis over the 9-year term of the agreement.

The goodwill arose as a result of acquisition of Cantura Naturals Ltd. The Company determined the fair value of Cantura Naturals Ltd. on the acquisition date to be $3,759,646 and recognized an impairment loss on goodwill of $5,724,369 for the year ended December 31, 2019.

10. INVESTMENTS

Investment in AAA-H

Over a period of five years, the Company acquired 100% of AAA-Heidelberg Inc. ("AAA-H") in stages for a total of $2,935,501. During the year ended December 31, 2018, the Company issued 2,008,236 common shares with a fair value of $351,441 to settle outstanding debts in AAA-H (Note 18).

The intangible asset arising from the acquisition of AAA-H increased during the year ended December 31, 2018 by $2,187,801 from $3,240,416 to $5,427,917 upon the full acquisition of AAA-H before impairment (Note 9). At December 31, 2019 the Company conducted an impairment analysis of the CGU which included the intangible asset as well and the associated property, plant and equipment, and determined that the fair value of the CGU was $1,302,521 (December 31, 2018 - $5,350,901). As a result, an impairment of $4,048,380 (December 31, 2018 - $77,016) was recorded.

Prior to acquiring full control in 2018, the non-controlling interest of 45.51% in AAA-H was held by other minority shareholders.

Balance, December 31, 2017, allocated to intangible asset	$	920,305
Non-controlling interest in loss of AAA-H to December 19, 2018		(79,136)
Non-controlling interest allocated to equity on acquisition of 100% interest		(841,169)
Balance, December 31, 2018 and 2019	$	-

Investment in Solaris

In 2017, the Company acquired a 35% interest in Solaris Nutraceuticals Pty Ltd. ("Solaris") for $257,795 (US$200,000). The Company advanced a further $158,038 and subsequent to these advances, the Company wrote off its investment resulting in a net loss of $339,406, which was recorded prior to January 1, 2018.

During the year-ended December 31, 2018, as part of the settlement with Solaris, Solaris forgave a loan receivable and the Company recorded a gain of $129,950.

Investment in Eurolife Brands

In 2017, the Company held an equity investment in EuroLife Brands Inc. (formerly Cannvas MedTech Inc.) ("Eurolife"). On January 16, 2018, the Company completed a Plan of Arrangement ("Arrangement") with Eurolife whereby the Company distributed 100% of Eurolife shares to the Company's shareholders on a pro rata basis.

Upon completion of the Arrangement in 2018 the Company recorded a loss of $129,662 on the transaction.

Investment in Natures Hemp

In 2017, the Company acquired a 100% interest in a private company, Natures Hemp Corp. ("Natures Hemp"). In 2018, Natures Hemp was spun out of the Company by way of a plan of arrangement (the "Arrangement"). whereby the shareholders of the Company received shares in Natures Hemp.

Upon completion of the Arrangement in 2018 the Company recorded a gain of $310,437 on the transaction.

(Expressed in Canadian Dollars)

10. INVESTMENTS

Investment in Glow Lifetech Ltd.
During the year ended December 31, 2019, the Company acquired 37.5% interest in a private company Glow Lifetech Ltd. for $200,000. On June 10, 2019, Glow Lifetech Ltd. closed a private placement and diluted the Company's interest to 23.4%. The investment was accounted for as an equity interest. Under equity accounting, the Company's share of Glow Lifetech Ltd.'s loss for the year ended December 31, 2019 totaled $82,173. On July 24, 2019, the Company sold its investment in Glow Lifetech Ltd. to JJ Wolf pursuant to a share exchange agreement for $750,000. Prior to the sale, the Company recorded its investment in Glow Lifetech Ltd. at fair value, and recorded a realized gain of $632,173.

Investment in JJ Wolf Investments Ltd
The Company entered into a share exchange agreement (the "Agreement") with JJ Wolf, whereby the Company sold certain assets valued at $4,658,482 to JJ Wolf in exchange for the issuance of 10,000,000 common shares in the capital of JJ Wolf, valued at $2,266,236, resulting in a realized loss on sale of $2,392,236. At December 31, 2019, the Company owns 50% of the common equity of JJ Wolf and the other 50% interest is owned by a former director. The Company commenced equity accounting its investment in JJ Wolf and recorded a loss on its equity investment of $576,359 for the year ended December 31, 2019. The investment balance as at December 31, 2019 is $1,689,877.

The Company transferred the assets listed below to JJ Wolf:

Asset	**Shares transferred**
Sire Bioscience Inc.	4,600,000 shares
Sire Bioscience Inc.	5,373,670 shares
Roughrider Capital Corp.	4,260,000 shares
Volt Energy Corp.	625,000 shares
Cannabis Clonal Corp.	3,000,000 shares
Empower Clinics Inc.	10,000,000 shares
Empower Clinics Inc.	10,000,000 warrants
1205293 B.C. Ltd.	5,000,000 shares
1205293 B.C. Ltd.	2,500,000 warrants
Transnational Cannabis Ltd.	1,000,000 shares
Mindful Capital Inc.	888,889 shares
Eurolife Brands Inc.	3,616,000 shares
Glow Lifetech Ltd.	3,750,000 shares

Eurasia Infused Cosmetics Inc.
On August 19, 2019, the Company entered into a Share Purchase Agreement with Eurasia Infused Cosmetics Inc. ("Eurasia"), a private company in British Columbia, whereby the Company purchased 50% of the outstanding common and preferred shares of Eurasia. On August 21, 2019, the Company issued 15,000,000 common shares with a fair value of $4,050,000 and 1,500,000 finder's shares with a fair value of $405,000 for the common shares of Eurasia. The consideration received had a fair value of $Nil. Therefore, the Company expensed the $4,455,000 as transaction costs in the statement of comprehensive loss.

During the year ended December 31, 2019 the Company advanced $67,599 (US$50,000) to Eurasia as a shareholder loan. The loan is non-interest bearing and is to be repaid out of proceeds from the sale of products before the distribution of any dividends.

(Expressed in Canadian Dollars)

11. PROPAGATION SERVICES CANADA INC.

During the year ended December 31, 2018, the Company acquired a 40% interest in PSC, a joint venture which has ownership of the Houwelings Delta Propagation Facility ("Facility"), consisting of 2,200,000 square feet of greenhouse space and 1,700,000 square feet of irrigation space. On April 25, 2019, the Company issued 20,588,235 common shares with a fair value of $6,000,000 to acquire an additional 10% interest in PSC.

The Company entered into an earn-in agreement with Delta Organics Cannabis Corp. ("DOCC") whereby DOCC can acquire an equity interest in the Company by committing $40,000,000 for the furtherance of the Facility's lease obligations, construction expenses, and operational expenses. As consideration the Company will grant to DOCC the option to acquire up to 19.9% of the outstanding common shares of the Company and a 20% interest in class B non-voting shares of PSC pursuant to the terms of the agreement. DOCC had acquired 89,164,080 (2018- 44,582,040) of the common shares of the Company for proceeds of $40,000,000 (2018 - $20,000,000) and received 20% of class B non-voting shares in PSC. As a result of granting 10% interest in class B non-voting shares in PSC on March 20, 2019 to DOCC, the Company recorded loss on disposal of $994,672.

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with Organic Flower Investments Group Inc. ("OFIG") whereby the Company acquired 100% of all of issued and outstanding common shares of DOCC with a fair value of $12,000,000, which gives the Company an additional 20% equity interest in PSC. The Company now has a 70% equity interest in PSC. As of December 31, 2019, the Company has advanced $33,599,176 to PSC. This advance is unsecured, due on demand and is presented within the equity accounted investment.

Under equity accounting, the Company's share of PSC loss for the year totaled $1,558,616 (2018 - $31,967).

The table below provides a continuity of the PSC investment:

	December 31, 2019	December 31, 2018
Opening balance	$ 11,474,873	$ -
Acquisition of initial/additional interests	18,000,000	1
Loss on disposal of interest	(994,672)	-
Advances	22,092,436	11,506,839
Loss on equity investment	(1,558,616)	(31,967)
Ending balance	**$ 49,014,021**	**$ 11,474,873**

The tables below provides a summary of PSC's financial position and profit and loss:

Summary statements of financial position as at	December 28, 2019	December 29, 2018
Non-current assets	$ 44,854,017	$ 11,500,000
Total assets	46,060,351	11,679,858
Current liabilities	40,739,297	11,779,475
Non-current liabilities	7,902,933	-
Shareholders' deficiency	(2,581,879)	(99,617)
Total liabilities and shareholders' deficiency	$ 46,060,351	$ 11,679,858

Summary statements of comprehensive loss for the years ended	December 31, 2019	December 31, 2018
Operating general and administration expenses	$ 1,683,737	$ 99,817
Other income (expenses)	(798,525)	-
Net loss and comprehensive loss	$ 2,482,262	$ 99,817

12. ACQUISITIONS

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with OFIG whereby the Company acquired certain assets listed below from OFIG ("Vendor"). As consideration the Company issued 348,109,251 common shares with a fair value of $39,164,369 on July 11, 2019.

- Exclusive Distribution Agreement dated May 8, 2019 between the Vendor and Transnational which gives the Company access to a European distribution network of retail outlets and pharmacies, as well as commercial rights for cannabis processing / finishing at select European-GMP certified facilities. The Company assessed the fair value of this to be $Nil at acquisition date.
- Exclusive Sub-License Agreement dated May 30, 2019 between the Vendor and 1205293 B.C. Ltd. operating as True Focus Canada, which gives the Company rights to True Focus Canada's IP portfolio. The Company assessed the fair value of this to be $Nil.
- 80% of all of issued and outstanding common shares of 11353675 Canada Corp., which is party to an exclusive partnership agreement with a Toronto-based brewery to formulate, manufacture and distribute all cannabinoid-infused beverages developed by the brewery. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of SUHM Investments Inc. ("SUHM"). SUHM is an 80% partner of the Edibles and Infusions Joint Venture. The Company accounted for the acquisition as an asset acquisition.
- 80% of all of issued and outstanding common shares of Potluck Potions and Edibles Inc. ("Potluck"), a party to an exclusive cannabinoid-infused bottling and manufacturing agreement with a Toronto bottling facility. The Company assessed the fair value of this to be $Nil at acquisition date.
- 80% of all of issued and outstanding common shares of 11122347 Canada Corp., which is party to a distribution agreement and licensing agreement (collectively, the "Definitive Agreements") with Health Cap Holdings, Inc. ("HealthCap") whereby, subject to obtaining applicable licenses, HealthCap will manufacture, supply and license certain dosing caps. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of 1180782 B.C. Ltd. ("DOC"), which owns a 20% equity stake in Propagation Services Canada Inc. (Note 11).
- 80% of all of issued and outstanding common shares of 11353705 Canada Corp., which controls the rights to a proprietary manufacturing process and formulation catalogue for a Nicorette-inspired medicinal cannabinoid product line. The Company assessed the fair value of this to be $Nil at acquisition date.
- 80% of all of issued and outstanding common shares of 11406426 Canada Corp., which holds Canadian exclusive rights to a portfolio of cannabinoid-infused product formulations. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of Trichome Cannabrands Inc., which holds the rights to a portfolio of 57 registered trademarks in Canada for a diversified range of cannabis products and services. The Company assessed the fair value of this to be $Nil at acquisition date.
- 100% of all of issued and outstanding common shares of Canutra Naturals Ltd. ("Canutra"), which has operations in the cultivation, extraction, manufacturing, and marketing of premium skincare, cosmetics and cannabinoid product lines from its flagship facility in eastern Canada. The Company accounted for the acquisition as a business combination under IFRS 3 (note 13).

The Company issued a finder's fee of 13,054,097 common shares with a fair value of $4,503,663 to an arm's length party for facilitating the acquisition. The finder fees were expensed as transaction costs. The Company also granted 6,040,000 stock options with a fair value of $1,110,733 and 129,927,633 warrants with a fair value of $25,123,830 as part of the consideration paid to acquire the assets from OFIG. The Company expensed the fair value of the warrants and options as share-based compensation expense.

The fair value above represents the price for a batch of assets and the allocations of the purchase price has been determine below, using the relative costing method.

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

	Relative fair value applied $
DOCC (Note 11)	12,000,000
SUHM (Edibles and Infusions)	17,440,000
Canutra Naturals Ltd. (Note 13)	9,724,369
Total	39,164,369

The Edibles and Infusions Corp.

On July 11, 2019, the Company acquired 100% of the issued and outstanding shares of SUHM. SUHM is an 80% partner of The Edibles and Infusions Corp. Joint Venture ("Edibles"). SUHM controls the joint venture. Edibles is developing an edibles manufacturing facility in Winnipeg, Manitoba. This acquisition has been accounted for as an asset acquisition as Edibles does not meet the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company paid common shares with a fair value of $17,440,000.

Consideration paid	**$**
Shares issued	17,440,000
Implied value of Edibles	17,478,272
Net assets acquired	
Cash	56,636
Accounts receivable	100,515
Property, plant and equipment	847,543
Intangible asset – non-compete agreement (Note 9)	200,000
Accounts payable and accrued liabilities	(813,334)
Total net assets acquired	191,360
Non-controlling interest	(38,272)
Transaction cost	17,286,912
Total	**17,440,000**

The non-controlling interest of 20% in Edibles is held by the joint venture partner.

	$
Non-controlling interest, December 31, 2018	-
Fair value of non-controlling interest on acquisition	38,272
Non-controlling interest in loss of Edibles to December 31 2019	(540,707)
Total non-controlling interest, December 31, 2019	(502,435)

(Expressed in Canadian Dollars)

12. ACQUISITIONS (CONTINUED)

The tables below provide a summary of Edibles' financial position and profit and loss before intergroup eliminations

Summary statements of financial position as at	December 31, 2019 $	December 31, 2018 $
Current assets	248,739	
Non-current assets	6,436,043	-
Total assets	6,684,782	-
Current liabilities	7,426,563	-
Non-current liabilities	1,770,392	-
Equity attributable to AGRA	(2,009,738)	-
Non-controlling Interests	(502,435)	-
Total liabilities and shareholders' deficiency	6,684,782	-

Summary statements of comprehensive loss for the years ended	December 31, 2019 $	December 31, 2018 $
Gross profit	(6,858)	
Operating general and administration expenses	(2,696,675)	-
Net loss and comprehensive loss	(2,703,533)	-

The net change in non-controlling interest ("NCI") is as follows:

	Edibles	11122347	Potluck	Total
As at December 31, 2018	-	-	-	-
Initial recognition of NCI	38,272	-	-	38,272
Loss attributable to NCI	(540,707)	(40,295)	(129,100)	(710,102)
As at December 31, 2019	502,435	(40,295)	(129,100)	671,830

13. BUSINESS COMBINATION

Canutra Naturals Ltd.
On July 11, 2019 the Company acquired 100% of the issued and outstanding shares of Canutra. Canutra is in the process of becoming licensed to process, cultivate and sell cannabis. This acquisition has been accounted for as business combination as Canutra met the definition of a business under IFRS 3, Business Combinations.

As consideration, the Company paid 28,186,576 common shares with a fair value of $9,724,369. In accordance with IFRS 3 – Business Combination, the equity consideration on transfer was measured at fair value at the acquisition date, which is the date control was obtained.

The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

(Expressed in Canadian Dollars)

13. BUSINESS COMBINATION (CONTINUED)

Canutra Naturals Ltd. (continued)

Consideration paid	**$**
Shares issued	9,724,369
Net assets acquired	
Cash	129,255
Accounts receivable	24,032
Inventory	2,610
Property, plant and equipment	381,850
Accounts payable and accrued liabilities	(297,393)
Total net assets acquired	240,354
Balance allocated to	
Goodwill (Note 9)	9,484,015
Total	**9,724,369**

On the date of acquisition, the goodwill amount was impaired by $5,724,369 as the fair value of Canutra was $4,000,000 on the date of acquisition resulting in an ending balance of $3,759,646 at December 31, 2019.

14. CONVERTIBLE DEBENTURES RECEIVABLE

On December 30, 2019, the Company purchased 20,000 units (“Units”) of senior unsecured convertible units of Transnational from three arm’s length parties for $23,682,600 (US$18,000,000). The convertible debenture bears interest at 10% and expires on March 12, 2021. Each Unit consists of US$1,000 principal amount of convertible debenture and 1,428 common share purchase warrants of the Company. Each convertible debenture warrant is exercisable into one common share of Transnational at an exercise price of US $0.50 for a period of two years from the closing date. The convertible debentures are convertible into the number of common shares equal to the principal amount divided by US$0.38 per debenture share. Upon conversion, the holder shall receive a cash payment equal to the accrued and unpaid interest due on the convertible debenture.

The initial fair value of the convertible debenture was determined to be $24,636,507 and the fair value of the attached warrants were determined to be $20,423. As at December 31, 2019, the fair value of the convertible debenture was determined to be $24,636,507 and the warrants were $20,423 which is recorded in investments. The fair value of the instruments is estimated using the binomial lattice method, using a risk-free rate of 1.566%, volatility of 71%, discount for lack of marketability of 40% and credit rating of CCC.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2019	**December 31, 2018**
Accounts payable	$ 1,932,845	$ 178,473
Amount due to related parties (note 19)	123,341	31,841
Accrued liabilities	351,191	114,318
	$ 2,407,377	**$ 324,632**

(Expressed in Canadian Dollars)

16. LEASE LIABILITY

The Company recognized right-of-use asset of $1,931,548 and lease liability of $1,931,548. The Company recorded a right-of-use asset for the lease facility in Manitoba in the consolidated statement financial position as at December 31, 2019 (Note 8).

At the commencement date of the lease, the lease liability was measured as the present value of the future lease payments that were not paid at that date. These lease payments are discounted using a discount rate of 11.34%, which is the Company's incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the year ended December 31, 2019:

	$
Balance, December 31, 2018	**-**
Lease additions	1,931,548
Lease payments	(154,755)
Interest expense on lease liabilities	106,939
Balance, December 31, 2019	**1,883,732**
Current portion	(113,340)
Long-term portion	**1,770,392**

The lease liabilities are payable as follows:

			2019
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than 1 year	335,303	221,963	113,340
Between 1 and 5 years	1,596,556	795,914	800,642
More than 5 years	1,163,241	193,492	959,750
Balance, end of year	3,095,100	1,211,368	1,883,732
Long term lease liabilities	2,759,797	989,405	1,770,392

17. CONVERTIBLE DEBENTURE

During the year ended December 31, 2019, the Company closed a non-brokered private placement offering of 30,000 unsecured convertible debentures for gross proceeds of $30,000,000 from three arm's length parties. The debentures bear interest at a rate of 10% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2019. The debentures mature on March 12, 2021.

The debentures will be convertible at the holder's option into: (i) that number of common shares of the Company calculated on the basis of the aggregate principal amount of the debentures being converted divided by the conversion price of $0.30 per share (the "Conversion Price"); and (ii) a cash payment equal to the additional interest amount that such holder would have received if it had held the Debenture from the date of conversion to the maturity date. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, but excluding, the date of conversion.

The Company accounted for the convertible debentures issued for cash as a hybrid financial instrument with separate debt and derivative liability components. The derivative liability is recorded at fair value and deducted from the face value of the debt to arrive at the liability component which is recorded at amortized cost and will be accreted to the face value over the life of the convertible note.

17. CONVERTIBLE DEBENTURE (CONTINUED)

The fair value of the liability component at December 31, 2019 was estimated to be $28,191,802 and the fair value of the derivative liability at December 31, 2019 was estimated to be of $1,465,129. The Company also expensed $26,551 of transaction cost associated with issuing the debentures. The Company utilized the financing to acquire convertible debentures (note 14) from the same three arm's length parties. The net cash received following both transactions is approximately $4,973,450.

After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face amount over the term to maturity of the convertible debenture at an effective interest rate of 15%.

On October 25, 2019, the Company entered into a loan agreement with a private company to borrow an aggregate principal amount of a maximum of $12,500,000. The loan bears an interest of 7.5% per annum and matures on June 30, 2020. The loan, including accrued interest and fees outstanding is convertible at the election of the lender into common shares of the Company at any time before the maturity date at the maximum allowable discount. As at December 31, 2019, the Company borrowed $7,513,592 principal amount. Subsequent to the year end, the maximum amount of the loan was increased to $20,000,000. This loan was settled for private placement units that closed after year end (note 24).

The loan conversion feature does not meet the fixed for fixed criteria, the entire loan is classified as a liability. At December 31, 2019, the loan and accrued interest has a fair value of $7,569,106.

18. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

Issued:
During the year ended December 31, 2019, the former CEO and president resigned from the Company. The Company issued 3,750,000 common shares pursuant to an option exercise for $630,000 as departing compensation for past services, which was recorded as consulting fees.

On March 22, 2019, the Company closed a $20,000,000 third tranche of the $40,000,000 Equity Participation and Earn-In Agreement with DOCC and issued 44,582,040 common shares of the Company at a price of $0.45 per share.

On April 25, 2019 the Company issued 20,588,235 common shares with a fair value of $6,000,000 for the acquisition of 10% of PSC (Note 11).

On April 25, 2019, the Company issued 10,000,000 common shares with a fair value of $5,200,000 to key personnel, including former related parties, who assisted with securing investment in PSC.

On April 25, 2019 the Company issued 281,690 common shares with a fair value of $146,479 pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018 for the supply of certain cannabis plants and intellectual property rights.

On April 25, 2019 and June 26, 2019, the Company issued two tranches of 1,250,000 common shares each as the first and second allotment to a consultant with fair values of $650,000 and $525,000 respectively pursuant to a letter of intent.

On May 28, 2019, the Company issued 2,000,000 common shares at a fair value of $780,000 to a non-related party as transaction costs in connection with the commercial rights and offtake agreement entered into with Transnational (Note 4).

18. SHARE CAPITAL (CONTINUED)

On July 11, 2019, the Company issued 348,109,251 common shares with a fair value of $39,164,369 and 13,054,097 common shares with a fair value of $4,503,663 for the acquisition certain assets from OFIG (Note 12).

On August 12, 2019, the Company issued 319,551 common shares with a fair value of $94,268 to settle $111,805 of debt for past consulting and other services provided, resulting in a gain on settlement of $17,537.

On August 21, 2019, the Company issued 15,000,000 common shares with a fair value of $4,050,000 and 1,500,000 finder's shares with a fair value of $405,000 for the common shares of Eurasia (Note 10).

On October 15, 2019, the Company issued 1,250,000 common shares as the third allotment to a consultant with fair value of $318,750 pursuant to a letter of intent.

November 4, 2019, the Company issued 47,916,667 common shares (which were held in escrow until completion) with a fair value of $10,302,083 for the acquisition of The Good Company (Note 7). In consideration for facilitating the execution of the transaction, the Company issued 5,000,000 finder shares to arm's length parties with a fair value of $1,075,000.

On November 15, 2019, the Company issued 2,000,000 common shares with a fair value of $380,000 for consulting services provided.

On December 2, 2019, Company issued 4,250,000 common shares with a fair value of $680,000 for consulting services provided.

During the year ended December 31, 2019, the Company issued 23,125,000 common shares on the exercise of options for proceeds of $2,931,750. An amount of $1,994,930 was transferred from option reserve to share capital on exercise.

During the year ended December 31, 2019, 13,147,700 common shares on the exercise of warrants for proceeds of $1,051,816. An amount of $7,955 was transferred from warrant reserve to share capital on exercise.

On October 18, 2018, the Company closed a $12,500,000 first tranche of $40,000,000 Equity Participation and Earn-In Agreement with DOCC and issued 27,863,775 common shares of the Company at a price of $0.448 per share.

On December 7, 2018, the Company closed a $7,500,000 second tranche of the $40,000,000 Equity Participation and Earn-In Agreement with DOCC. and issued 16,718,265 common shares of the Company at a price of $0.448 per share.

During the year ended December 31, 2018, the Company issued 10,000,000 common shares with a fair value of $1,460,000 for consulting services provided.

During year ended December 31, 2018 the Company issued 2,008,236 common shares with a fair value of $351,441 to settle $1,326,620 of debt, resulting in a gain on settlement of $975,179 (Note 10).

During year ended December 31, 2018 the Company issued 12,500,000 common shares with fair value of $2,187,500 to acquire the remaining outstanding shares of AAA-H, giving the Company 100% ownership of AAA-H (Note 10).

During the year ended December 31, 2018, 25,405,150 warrants was exercised for proceed of $1,691,076. An amount of $35,136 was transferred from warrant reserve to share capital on exercise.

During the year ended December 31, 2018, 5,400,000 options was exercised for proceeds of $371,200. An amount of $275,559 was transferred from option reserve to share capital on exercise.

(Expressed in Canadian Dollars)

18. SHARE CAPITAL (CONTINUED)

As at December 31, 2019, the Company had $Nil in subscription receivable, compared to $61,000 subscription received in December 31, 2018.

b) Warrants outstanding

	Number of warrants	Weighted average exercise price
At December 31, 2017	40,456,250	$ 0.40
Warrants exercised	(25,405,150)	0.40
Warrants expired	(443,400)	-
At December 31, 2018	14,607,700	0.40
Warrants exercised	(13,147,700)	0.40
Warrants granted	129,927,633	0.39
Warrants expired	(1,460,000)	0.40
As at December 31, 2019	129,927,633	$ 0.39

On July 11, 2019, the Company granted 129,927,633 warrants as part of the consideration paid to acquire the assets from OFIG. Out of the 129,927,633 warrants, 20,628,140 warrants have an exercise price of $0.05 per warrant expiring June 16, 2021, 43,685,818 warrants have an exercise price of $0.15 per warrant expiring August 21, 2023 and 65,613,675 warrants have an exercise price of $0.65 per warrant expiring December, 5 2020. These warrants have a total fair value of $25,123,830, calculated using the Black-Scholes Option Pricing Model assuming an expected life of 1.5 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 113%, and were expensed as stock-based compensation. The weighted average remaining life of outstanding warrants is 1.93 years.

c) Stock options outstanding

Under Company's 2015 Stock Option Plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options	Exercise price
March 29, 2018	March 29, 2020	4,750,000	$ 0.168
September 10, 2018	September 10, 2020	500,000	0.128
October 31, 2018	October 31, 2020	1,250,000	0.142
March 15, 2019	March 15, 2020	20,400,000	0.550
May 21, 2019	May 21, 2024	6,000,000	0.460
May 30, 2019	May 30, 2024	3,000,000	0.390
July 11, 2019	May 17, 2024	6,040,000	0.325
August 1, 2019	August 1, 2024	30,000,000	0.310
Balance at December 31, 2019		71,940,000	$ 0.38

(Expressed in Canadian Dollars)

18. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding (continued)

	Number of options	Weighted average exercise price
At December 31, 2017	15,087,500	$ 0.080
Options cancelled and expired	(500,000)	0.080
Options exercised	(5,400,000)	0.069
Options granted	24,625,000	0.159
At December 31, 2018	33,812,500	0.138
Options cancelled and expired	(437,500)	0.128
Options exercised	(26,875,000)	0.133
Options granted	65,440,000	0.404
At December 31, 2019	71,940,000	$ 0.38

The weighted average remaining life of the options outstanding is 2.98 years (December 31, 2018 – 1.16 years)

On March 29, 2018, the Company granted 16,625,000 stock options to officers and consultants of the Company with an exercise price of $0.168 per option expiring March 29, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,305,255 assuming an expected life of 1.5 years, a risk-free interest rate of 1.77%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%.

On September 10, 2018, the Company granted 1,000,000 stock options to officers and consultants of the Company with an exercise price of $0.13 per option expiring September 10, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $58,412 assuming an expected life of 1.5 years, a risk-free interest rate of 2.11%, an expected dividend rate of 0.00%, and an expected annual volatility of 97%.

On October 31, 2018, the Company granted 7,000,000 stock options to officers and consultants of the Company with an exercise price of $0.14 per option expiring October 31, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $707,827 assuming an expected life of 1.5 years, a risk-free interest rate of 2.11%, an expected dividend rate of 0.00%, and an expected annual volatility of 109%.

During the year ended December 31, 2018, 5,400,000 options were exercised for gross proceeds of $371,200.

On March 15, 2019, the Company granted 20,400,000 stock options to consultants of the Company with an exercise price of $0.55 per option and a one-year term expiring March 15, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,333,476 assuming an expected life of 0.75 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 115%.

On May 21, 2019, the Company granted 6,000,000 incentive stock options to directors, officers and consultants with an exercise price of $0.46 and a five-year term expiring on May 21, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,688,545 assuming an expected life of 1.5 years, a risk-free interest rate of 1.66%, an expected dividend rate of 0.00%, and an expected annual volatility of 125%.

On May 30, 2019, the Company granted 3,000,000 incentive stock options to directors, officers and consultants with an exercise price of $0.39 and a five-year term expiring on May 30, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $594,888 assuming an expected life of 1.5 years, a risk-free interest rate of 1.47%, an expected dividend rate of 0.00%, and an expected annual volatility of 121%.

18. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding (continued)

On July 11, 2019, the Company granted 6,040,000 stock options as consideration for purchase of assets from OFIG with an exercise price of $0.325 per option expiring May 17, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,110,733 assuming an expected life of 1.5 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 113%.

On August 1, 2019, the Company granted 30,000,000 stock options to certain directors, officers and consultants with an exercise price of $0.31 per option expiring August 1, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,281,838 assuming an expected life of 1.5 years, a risk-free interest rate of 1.53%, an expected dividend rate of 0.00%, and an expected annual volatility of 111%.

During the year ended December 31, 2019, 23,125,000 options were exercised for gross proceeds of $2,931,750 and 3,750,000 options were exercised for $630,000 as departing compensation for past services for the former CEO and President.

During the year ended December 31, 2019, an amount of $51,381 was transferred from option reserve to accumulated deficit for options expired, cancelled or forfeited.

d) Special warrants

On September 27, 2019, the Company issued 6,666,667 special warrants of the Company at a price of $0.30 per special warrant for gross proceeds of $2,000,000. Each Special Warrant is convertible into units with each unit consisting of one common share of the Company and one transferable common share purchase warrant with each warrant entitling the holder thereof to purchase one additional share of the Company at a price of $0.50 per share for a period of 36 months from the date of issuance of the warrants. The Company recorded $2,000,000 warrant reserve for the issuance of special warrants.

e) Share-based payments reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

f) Warrants reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

g) Escrowed shares

As at December 31, 2019, 47,917,000 shares were held in escrow.

(Expressed in Canadian Dollars)

19. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel and former management personnel for the year ended December 31, 2019 and 2018:

	Year ended December 31, 2019	
	Consulting and Management Fees	**Share-based Compensation**
Consulting fees paid/accrued to a private company controlled by the former CFO	$ 57,171	$ 70,350
Consulting fees paid/accrued to a private company controlled by the former CEO	3,595,483	-
Consulting fees paid/accrued to a director	120,000	160,976
Consulting fees paid/accrued to a director	-	105,955
Consulting fees paid/accrued to a private company controlled by a director	29,541	156,441
Consulting fees paid/accrued to a director	-	97,559
Consulting fees paid/accrued to a company controlled by the former Corporate Secretary	103,538	65,851
Consulting fees paid/accrued to a private company controlled by the CFO	45,000	-
Consulting fees paid/accrued to a private company controlled by the CEO	590,000	995,616
	$ 4,540,733	$ 1,652,748

	Year ended December 31, 2018	
	Consulting and Management Fees	**Share-based compensation**
Consulting fees paid/accrued to a director	$ -	$ 64,596
Consulting fees paid/accrued to a private company controlled by the former CFO	35,100	-
Consulting fees paid/accrued to a private company controlled by the former CEO	804,500	665,618
Consulting fees paid/accrued to a director	230,250	353,844
Consulting fees paid/accrued to a director	-	64,596
Consulting fees paid/accrued to a director	-	29,487
Consulting fees paid/accrued to a director	-	64,596
	$ 1,069,850	$ 1,242,737

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At December 31, 2019, $123,341 (December 31, 2018 - $31,841) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities. Refer also to Note 15.

(Expressed in Canadian Dollars)

20. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during year ended December 31, 2018 and 2019 are as follows:

	December 31, 2019	December 31, 2018
Fair value of transfer on exercise of stock options and warrants	$ 2,054,266	$ 310,695
Shares issued for acquisitions and investments	75,466,452	2,187,500
Shares issued for debt settlement	94,268	351,441
Shares issued for transaction costs	10,813,663	-
Shares and options issued for services	$ 8,530,229	$ 1,460,000

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments

IFRS 13, *Fair Value Measurement,* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash, marketable securities are measured using level 1 inputs.

The following is an analysis of the Company's financial assets measured at fair value as at and December 31, 2019 and 2018:

	As at December 31, 2019		
	Level 1	Level 2	Level 3
Cash	$ 4,076,295	-	-
Marketable securities	-	-	-
Convertible debenture receivable	-	$ 24,636,507	-
Derivative liability	-	-	$ 1,465,129
Investments	-	-	$ 88,022

	As at December 31, 2018		
	Level 1	Level 2	Level 3
Cash	$ 10,718,888	-	-
Marketable securities	$ 21,875	-	-

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, convertible debentures receivable and loans receivable. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable and convertible debentures receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; the other loan is unsecured. The convertible debentures receivable is convertible into shares of the entity.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with the construction of its cannabis facilities in Ontario and British Columbia. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2019 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk
Interest rate risk consists of two components: 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; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is not exposed to interest rate risk as its agreements are all done with fixed interest rates.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. The Company is exposed to foreign currency risk as its $18,000,000 note receivable with Transnational is denominated in USD. A 5% change in USD rate could result in a gain or loss of $900,000.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

(c) Capital risk management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

(Expressed in Canadian Dollars)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Capital risk management (continued)

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

22. COMMITMENTS

During the year ended December 31, 2019, the Company entered into Supply Agreement with Vendure Genetics Labs Inc. ("Vendure") to purchase from Vendure certain plants, plant matter, related plant-based products and Vendure's right, title and interest, including the intellectual property rights in the products for a purchase price of $200,000 (paid) and 281,690 common shares (issued with a fair value of $146,478). Under the agreement, the Company is committed to issue a further $200,000 worth of common shares at the time of awarding Cannabis Cultivation license, and a further number of shares equal to $150,000 per year on each of March 31, 2020, March 31, 2021, March 31, 2022, and March 31, 2023.

During the year ended December 31, 2019, the Company entered into a Lease Agreement for a leased facility in Manitoba. The lease expires on May 31, 2019 and has the following estimated annual payments:

2020 – May 2024	$309,510 per annum
June 2024 – May 2029	$340,461 per annum

23. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2019	December 31, 2018
Net income (loss)	$ (101,691,169)	$ (5,820,218)
Statutory tax rate	27%	27%
Expected income tax recovery	(27,456,616)	(1,571,459)
Items not recognized for tax purposes	16,488,578	937,169
Change in statutory rates	-	(90,515)
Prior year deferred income tax liability unrecognized	(445,089)	-
Other items including effects of consolidation	(1,023,855)	(157,915)
Change in valuation allowance	12,436,982	882,720
Deferred income tax recovery	$ -	$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	December 31, 2019	December 31, 2018
Exploration and evaluation assets	$ 793,924	$ 793,924
Non-capital losses	11,194,956	3,391,130
Net capital losses available	888,584	401,442
Share issuance costs	9,396	17,482
Property and equipment	(545,837)	(59,885)
Transaction cost	2,335,751	-
Capital lease obligation	508,608	-
Intangible assets	1,072,821	-
Investments	775,800	52,928
	17,034,003	4,597,021
Valuation allowance	(17,034,003)	(4,597,021)
Net deferred tax asset	$ -	$ -

23. INCOME TAXES (CONTINUED)

The Company has non-capital losses of approximately $41,495,000 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through 2039. Exploration and evaluation assets, property and equipment and net capital losses have no expiry date. 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 Company can utilize these benefits.

24. SUBSEQUENT EVENTS

a) On January 6, 2020, the Company granted 100,000 stock options to consultants of the Company with an exercise price of $0.15 per option expiring January 6, 2022.

b) On January 6, 2020, the Company issued 800,000 common shares with a fair value of $68,000 pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018 and amended on December 16, 2019 for the supply of certain cannabis plants and intellectual property rights.

c) On January 17, 2020, the Company issued 58,823,529 with a fair value of $5,882,353 in relation to investment in SUHM.

d) On January 28, 2020, the Company issued 6,666,667 common shares of the Company upon conversion of the Special Warrants issued on September 19, 2019 (Note 18).

e) On January 30, 2020, the Company granted 15,000,000 stock options to consultants of the Company with an exercise price of $0.15 per option expiring January 30, 2022.

f) On January 31, 2020, the Company grated 1,000,000 stock options to consultants of the Company with an exercise price of $0.10 per option expiring January 31, 2022.

g) On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna Health Corp. pursuant to a Share Purchase agreement dated March 10, 2020. As consideration, on March 10, 2020, the Company issued 76,666,666 common shares of the Company with a fair value of $4,600,000.

h) On March 15, 2020, 16,800,000 stock options with an exercise price of $0.55 expired without exercise.

i) On March 29,2020, 4,750,000 stock options with an exercise price of $0.168 expired without exercise.

j) In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

k) On April 30, 2020, the Company granted 95,000,000 stock options to consultants and officers of the Company with an exercise price of $0.075 per option expiring on April 30, 2025.

l) On June 5, 2020, the Company issued 22,805,938 common shares of the Company with a fair value of $1,126,613 for consulting services.

24. SUBSEQUENT EVENTS (CONTINUED)

m) On October 22, 2019, the Company entered into a Share Purchase Agreement and an Assignment and Assumption of Share Purchase Agreement to purchase 100% of the issued and outstanding shares of The Good Company GmbH, a German limited liability company on a pro-rata basis. On February 13, 2020, the Company closed the acquisition of 100% of the issued and outstanding shares of The Good Company GmbH. Total consideration paid includes cash payment of $1,000,000, issuance of 47,916,667 common shares of the Company and repayment of certain shareholder loans (issued on November 4, 2019 with a fair value of $10,302,083) and cash repayment of $1,202,674 Euro on the closing date (recorded as prepayments as at December 31, 2019).

Pursuant to the Share Purchase Agreement, the Company is to issue shares with a value of $5,000,000 if certain milestones are achieved or triggered within 18 months from the closing date.

The Company also agreed to make cash contributions to The Good Company to be used for working capital purposes of Farmako GmbH, the subsidiary of The Good Company, totaling $1,200,000, with $300,000 already paid on the closing date and $900,000 to be paid within 6 months of the closing date.

The assets and liabilities of The Good Company GmbH cannot be disclosed at this time because the Company is still in the process of completing the closing balance sheet and the valuation of assets and liabilities acquired.

n) Subsequent to year-end, the Company cancelled a total of 38,500,000 stock options. The options were held by various officers, directors and consultants of the Company with exercise prices of $0.31, $0.39, $0.325, $0.55 and $0.4.

o) Subsequent to year end, the Company closed two non-brokered private placement offering of 266,666,667 units of the Company and 20,700,000 units of the Company at a price of $0.075 per Unit for gross proceeds of $20,000,000 and $1,552,500 respectively. Each Unit shall consist of one common share and one transferable share purchase warrant. Each warrant is exercisable to purchase one common share of the Company for a period of five years at a price of $0.10 per share. The $20,000,000 tranche, consisted of the settlement of a convertible debenture (note 17) and debt owed to arm's length parties of $17,666,208 and $2,333,792 respectively.

p) Subsequent to year-end, the Company issued 6,424,751 common shares with a fair value of $321,238 to settle of debt of $564,476, resulting in a gain on settlement of $243,239.