



AGRAFLOA ORGANICS INTERNATIONAL INC.

**Condensed Interim Consolidated Financial Statements
Nine Months Ended September 30, 2020**

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Agriflora Organics International Inc. for the nine months ended September 30, 2020 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

AGRAFLORA ORGANICS INTERNATIONAL INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		\$ 226,308	\$ 4,076,295
Loan receivable	6	212,033	205,721
Amounts receivable	5	369,027	836,417
Prepays and deposits	7	616,568	1,073,617
Inventory	21	164,667	5,135
		1,588,603	6,197,185
Non-current assets			
Investments	10,11,14	53,605,188	50,791,920
Prepayment for acquisitions	7	-	11,902,083
Property and equipment	8	23,659,454	8,837,948
Convertible debenture receivable	14	29,210,671	24,636,507
Intangible assets	9	25,058,974	1,491,410
Goodwill	9,13	5,690,845	3,759,646
TOTAL ASSETS		\$ 138,813,735	\$ 107,616,699
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	15	\$ 8,465,131	\$ 2,407,377
Current portion of lease liability	16	167,775	113,340
Loan payable	18	485,000	-
Convertible loan payable-short term	17	-	7,569,106
		9,117,906	10,089,823
Non-current Liabilities			
Long-term convertible debt	17	27,261,868	28,191,802
Contingent consideration payable	13	5,000,000	-
Long-term lease liability	16	4,980,151	1,770,392
Derivative liability	13,17	9,491,171	1,465,129
TOTAL LIABILITIES		\$ 55,851,096	41,517,146
SHAREHOLDERS' EQUITY			
Share capital	19	181,540,327	149,515,773
Reserves	19	36,370,446	40,464,785
Deficit		(134,036,667)	(123,209,175)
Attributable to shareholders		83,874,106	66,771,383
Non-controlling interest	12	(911,467)	(671,830)
TOTAL SHAREHOLDERS' EQUITY		82,962,639	66,099,553
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 138,813,735	\$ 107,616,699

Nature and continuance of operations (Note 1)

Commitments (Note 24)

Subsequent events (Note 25)

AGRAFLORA ORGANICS INTERNATIONAL INC.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	Three months ended		Nine months ended	
		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Sales		\$ 420,732	\$ -	\$ 1,243,111	\$ -
Cost of goods sold		(315,563)	-	(772,409)	-
		105,169	-	470,702	-
Expenses					
Amortization	8,9	165,586	380,499	569,051	393,763
Consulting and management	20	487,642	1,375,595	4,511,115	9,782,490
Corporate development		179,813	435,665	897,947	2,943,505
Finance and other costs		1,226,389	52,826	4,310,767	52,826
Foreign exchange loss (gain)		(415,220)	7,000	(11,341)	59,365
Development and compliance		(6,358)	44,351	200,443	86,882
Distribution expenses		(20,647)	3,458,678	36,053	3,458,678
Due diligence		7,000	-	7,000	-
Investor communications		-	-	23,184	-
Insurance		52,452	-	52,452	-
Office and sundry		46,312	241,999	273,291	278,805
Other general and operating costs		278,830	-	488,713	-
Production costs		(362,819)	4,841,323	272,559	4,841,323
Professional fees		1,043,050	284,658	1,853,950	486,223
Property taxes and fees		112,792	-	112,792	-
Regulatory and transfer agent fees		32,638	148,717	183,846	417,771
Rent expense		24,210	-	72,180	-
Repairs and maintenance		4,338	-	4,338	-
Research and development		271,075	11,824,399	389,075	11,824,399
Share-based compensation	12,19	-	31,015,915	2,611,683	37,641,588
Transaction costs	10,12,17	-	3,545,179	5,898,353	4,325,179
Wages and salary		478,464	-	1,115,163	-
		(3,605,547)	(57,656,804)	(23,872,614)	(76,592,797)
Other items					
Fair value movement on investments	9, 13	413,315	-	4,553,743	-
Gain on debt settlement	15, 19	174,465	17,537	404,690	17,537
Gain on revaluation of PSC		-	19,919,518	-	19,919,518
Gain on sale of assets		-	352,560	-	678,097
Gain on write-off of accounts payable	15	-	-	29,039	-
Interest income	6	328	19,638	6,312	19,638
Share of losses in equity accounted investments	10,11	(906,168)	(46,324)	(1,821,447)	(529,592)
Write-off of accounts receivable	5	(875,011)	-	(875,011)	-
Write-down of assets		(48,495)	-	(48,495)	-
Write-off of prepaid expenses	7	(350,000)	-	(350,000)	-
Unrealized gain (loss) on marketable securities	4	-	(608,886)	-	(494,703)
Net loss for the period		\$ (5,197,113)	\$ (38,002,761)	\$ (21,973,783)	\$ (56,982,302)
Comprehensive loss for the period		\$ (5,091,944)	\$ (38,002,761)	\$ (21,503,081)	\$ (56,982,302)
Net and comprehensive loss attributable to:					
Shareholders of Agriflora Organics International Inc.		\$ (4,852,307)	\$ (37,706,476)	\$ (21,263,444)	\$ (56,686,017)
Non-controlling interests	12,13	(239,637)	(296,285)	(239,637)	(296,285)
		\$ (5,091,844)	\$ (38,002,761)	\$ (21,503,081)	\$ (56,982,302)
Net loss per share – basic and diluted		\$ (0.00)	\$ (0.05)	\$ (0.02)	\$ (0.10)
Weighted average number of common shares outstanding		1,456,036,322	825,501,140	1,245,936,666	564,615,960

AGRAFLOA ORGANICS INTERNATIONAL INC.
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share capital		Subscriptions received	Share-based payment reserves	Warrant reserve	Non-controlling interest	Deficit	Total
	Number of shares	Amount						
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 period	-	-	-	-	-	(296,285)	(56,686,017)	(56,982,302)
Non-controlling interest on consolidation of PSC	-	-	-	-	-	18,087,669	-	18,087,669
Non-controlling interest on acquisition of SUHM	-	-	-	-	-	4,877,996	-	4,877,996
Subscriptions received / receivable	-	-	61,000	-	-	-	-	61,000
Options exercised (Note 19)	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 19)	13,147,700	1,051,816	-	-	-	-	-	1,051,816
Shares issued for equity participation (Note 19)	44,582,040	20,000,000	-	-	-	-	-	20,000,000
Shares issued for acquisition (Note 19)	398,251,583	91,528,453	-	-	-	-	-	91,528,453
Shares issued for service (Note 19)	16,531,690	7,151,479	-	-	-	-	-	7,151,479
Shares issued for transaction costs (Note 19)	2,000,000	780,000	-	-	-	-	-	780,000
Share-based compensation (Notes 12 and 19)	-	-	-	12,177,809	25,463,779	-	-	37,641,588
Issuance of special warrants (Note 19)	-	-	-	-	2,000,000	-	-	2,000,000
Shares issued for debt settlement (Note 19)	319,551	94,267	-	-	-	-	-	94,267
Balance at September 30, 2019	873,905,880	\$ 174,165,360	\$ -	\$ 12,699,774	\$ 28,273,288	\$ 22,669,380	\$(78,914,125)	\$ 158,893,677
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
Net and comprehensive loss for the year	-	-	-	-	-	(239,637)	(21,263,444)	(21,503,081)
Expired options (Note 19)	-	-	-	(10,435,952)	-	-	10,435,952	-
Fair value adjustment (Notes 9, 13)	-	(6,828,125)	-	-	-	-	-	(6,828,125)
Transaction cost (Note 19)	58,823,529	5,882,353	-	-	-	-	-	5,882,353
Conversion of special warrants (Note 19)	6,666,667	2,000,000	-	-	(2,000,000)	-	-	-
Shares for services (Note 19)	23,602,938	1,568,000	-	-	-	-	-	1,568,000
Shares for acquisition (Note 19)	76,666,666	7,900,000	-	-	-	-	-	7,900,000
Shares for debt settlement (Note 15, 19)	359,325,417	19,528,654	-	-	5,333,541	-	-	24,862,195
Private placements (Note 19)	32,312,000	2,029,600	-	-	393,800	-	-	2,423,400
Share issuance cost – finder fees	-	(3,150)	-	-	-	-	-	(3,150)
Finders warrants issued	-	(2,589)	-	-	2,589	-	-	-
Shares returned to treasury (Note 19)	(912,532)	(50,189)	-	-	-	-	-	(50,189)
Share-based compensation (Notes 12, 19)	-	-	-	2,611,683	-	-	-	2,611,683
Balance at September 30, 2020	1,490,807,232	\$ 181,540,327	\$ -	\$ 4,707,177	\$ 31,663,269	\$(911,467)	\$(134,036,667)	\$ 82,962,639

See accompanying notes to the condensed interim consolidated financial statements

AGRAFLORA ORGANICS INTERNATIONAL INC.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months ended	
	September 30, 2020	September 30, 2019
Operating activities		
Net loss for the period	\$ (21,503,081)	\$ (56,982,302)
Adjustments for:		
Amortization	569,051	393,763
Unrealized (gain) loss on marketable securities	-	494,703
Gain on sale of assets	-	(678,097)
Gain on revaluation of PSC	-	(19,919,518)
Foreign exchange	-	59,365
Accrued interest	(428,682)	(19,638)
Consulting fees	1,568,000	-
Share of losses in equity investments	1,821,447	529,592
FV change on movement in investments	(4,553,743)	-
Shares issued for services	-	7,150,979
Transaction cost	5,882,353	4,325,179
Gain on debt settlement	(404,690)	(17,537)
Share-based compensation	2,611,683	37,641,587
Foreign exchange loss	(11,341)	-
Shares issued for production costs	-	4,841,323
Shares issued for research and development costs	-	10,827,747
Shares issued for distribution expenses	-	3,458,678
Changes in non-cash working capital items:		
Accounts receivables	467,390	(514,073)
Prepays	457,049	(3,266,498)
Inventory	(159,532)	-
Lease liability	-	1,864,608
Accounts payable and accruals	8,866,637	1,636,885
Net cash flows used in operating activities	(4,817,459)	(8,173,254)
Financing activities		
Proceeds from convertible debt	9,770,000	-
Repayment of lease liability	(281,365)	-
Proceeds from loan received	135,000	-
Subscriptions received	-	61,000
Proceeds on issuance of common shares, net of subscriptions received / receivable	2,420,250	23,922,566
Net cash flows provided by financing activities	12,043,885	23,983,566
Investing activities		
Expenditures on equipment	(6,421,277)	(1,440,272)
Purchase of seed agriculture	-	(12,510)
Capital lease advances	-	(20,000,000)
Dividend payment received	350,000	-
Investment in marketable securities	-	(2,200,000)
Investment in and advances to PSC	(5,005,136)	-
Investment in Best Cannabis Products Inc.	-	(230,000)
Investment in Glow Lifetech Ltd.	-	(200,000)
Proceeds received from interest income	-	(633,848)
Loans receivable	-	10,413
Net cash flows used in investing activities	(11,076,413)	(24,706,217)
Change in cash	(3,849,987)	(8,895,905)
Cash, beginning	4,076,295	10,718,888
Cash, ending	\$ 226,308	\$ 1,822,983

Non-cash transactions (Note 22)

Subsequent events (Note 25)

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 diversified Company focused exclusively on the international cannabis industry. The Company’s flagship assets include Edibles & Infusions, a fully automated manufacturing facility in Winnipeg, Man., for white-label and consumer-branded edible production and it’s 70% equity interest in Propagation Services Canada, a 2,200,000 sq. ft. greenhouse complex in Delta, B.C. In addition, Agraflora's wholly owned subsidiary Farmako GmbH is a distributor of medical cannabis in Europe. The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7. The Company is listed on the Canadian Securities Exchange (“CSE”).

These 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 18. At September 30, 2020, the Company has a working deficit of \$7,529,303 (December 31, 2019 - \$3,892,638), and an accumulated deficit of \$134,036,667 (December 31, 2019 - \$123,209,175).

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. 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 material uncertainties 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 statement of financial position classifications used. These 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

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company’s annual consolidated financial statements, except for the adoption of new accounting standards and/or estimates identified in Note 3. Given that certain information and disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended December 31, 2019, including the accompanying notes thereto.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 30, 2020.

2. BASIS OF PREPARATION (continued)

Basis of Consolidation

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 principal subsidiaries:

	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
Sanna Health Corp	100%	Canada
The Good Company GmbH	100%	Germany
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.

COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during the third quarter of 2020. The production and sale of cannabis have been recognized as essential services across Canada and Europe. As at September 30, 2020, we have also not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on our business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets including intangibles and goodwill. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Newly adopted accounting standards

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 January 1, 2020.

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

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

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

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 and September 30, 2020
	\$	\$	\$	\$	\$
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). As at September 30, 2020, the shares of Volt Energy Inc. had a fair value of \$Nil (2019 - \$18,750) and the Company has an unrealized loss of \$Nil (2019 - \$3,125).

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 19).

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

4. MARKETABLE SECURITIES (CONTINUED)

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.

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.

4. MARKETABLE SECURITIES (CONTINUED)

Sire Bioscience Inc. (continued)

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

	September 30, 2020	December 31, 2019
Current:		
Government sales tax recoverable	\$ 252,495	\$ 806,417
Other receivable	116,532	30,000
	\$ 369,027	836,417

During the period ended September 30, 2020, the Company wrote-off \$874,397 (2019 - \$Nil) of government sales tax recoverable on the basis that the amounts are denied per the Canada Revenue Agency.

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, and at September 30, 2020, a balance of \$212,033 is receivable including accrued interest.

7. PREPAID EXPENSES

	September 30, 2020	December 31, 2019
	\$	\$
Current:		
Advances to third-party supplies	616,568	1,065,784
Prepaid insurance and property taxes	-	7,833
Total	616,568	1,073,617
Non-current:		
Prepayment for asset acquisitions	-	11,902,083
Total	616,558	12,975,700

7. PREPAID EXPENSES (CONTINUED)

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 and paid \$50,000 during the period ended September 30, 2020. The amounts recorded in prepayment of \$200,000 were written-off during the period ended September 30, 2020 as the acquisition has become inactive.

During the year ended December 31, 2019, the Company advanced \$150,000 towards potential acquisition of Farma Swiss S.A.S. The amounts recorded in prepayment of \$150,000 were written-off during the period ended September 30, 2020 as the acquisition became inactive.

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, 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	4,211,473	78,474	1,931,548	387,563	373,700	9,015,366
Additions	2,613,965	3,448,559	-	-	362,937	-	6,425,461
Acquired from business combinations / asset acquisitions	152,271	3,169,500	-	3,414,784	2,336,311	-	9,072,866
September 30, 2020	4,798,844	10,829,532	78,474	5,346,332	3,086,811	373,700	24,513,693
Amortization:							
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)
At December 31, 2019	(31,903)	-	(32,841)	(112,674)	-	-	(177,418)
Charge for the period	(25,127)	(179,895)	(15,267)	(239,720)	-	-	(460,009)
Acquired from business combinations	-	-	-	(216,812)	-	-	(216,812)
September 30, 2020	(57,030)	(179,895)	(48,108)	(569,206)	-	-	(854,239)
Net book value:							
December 31, 2019	2,000,705	4,211,474	45,633	1,818,874	387,563	373,700	8,837,948
September 30, 2020	4,741,814	10,649,637	30,366	4,777,126	3,086,811	373,700	23,659,454

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 as well as leased manufacturing facility in Ontario upon acquisition of Sanna (Note 12). The Manitoba and Ontario leases are reflected on the balance sheet as right-of-use assets, with an associated lease liability (Note 16). The discount rate applied to the lease is 11.34% and 10.58%.

9. INTANGIBLE ASSETS AND GOODWILL

At December 31, 2019, the Company had intangible assets of licenses, a non-compete agreement and goodwill. During the period ended September 30, 2020, the Company acquired customer relationships, distribution license, brand and additional goodwill as follows:

	Licenses \$	Customer Relationships \$	Intangible Agreement \$	Non- Compete Agreement \$	Brand \$	Goodwill \$	Total \$
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
Acquired from business combinations / asset acquisitions	21,942,711	869,040	-	-	869,040	1,931,199	25,611,990
Amortization	-	(96,560)	-	(16,667)	-	-	(113,227)
Balance, September 30, 2020	23,245,232	772,480	-	172,222	869,040	5,690,845	30,749,819

The Health Canada licenses arose as a result of acquisition of AAA Heidelberg Inc. (Note 10) and Sanna Health Corp (Note 12). The distribution licenses arose as a result of acquisition of The Good Company (Note 13). The Health Canada licenses are not ready for their intended use and no amortization has been recorded for the period ended September 30, 2020 (2019 - \$Nil). The distribution licenses have an indefinite life and will not be amortized.

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, resulting in an amortization of \$16,667 for the period ended September 30, 2020 (2019 - \$Nil)

The brand and customer relationships arose as a result of the acquisition of The Good Company (Note 12). The brand will not be amortized as it has an indefinite life. The customer relationships will be amortized on a straight line basis over its life of 6 years, resulting in an amortization amount of \$60,350 for the period ended September 30, 2020 (2019 - \$Nil).

At December 31, 2019, the Company had intangible assets of licenses, a non-compete agreement and goodwill. During the period ended September 30, 2020, the Company acquired customer relationships, distribution license, brand and additional goodwill as follows:

The goodwill arose as a result of acquisition of Cantura Naturals Ltd and The Good Company. 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 \$Nil for the nine months ended September 30, 2020 (2019 - \$Nil). The Company determined the fair value of goodwill acquired from acquisition of The Good Company to be \$1,931,199 and recognized an impairment loss on goodwill of \$Nil for the nine months ended September 30, 2020.

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 19).

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 as at December 31, 2019. As a result, an impairment of \$4,048,380 was recorded for the year ended December 31, 2019. For the period ended September 30, 2020, the fair value of the CGU was \$1,302,521 and no impairment was recorded as a result.

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 and September 30, 2020	\$ -

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 Canvas 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.

10. INVESTMENTS (CONTINUED)

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

During the year ended December 31, 2019, 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 September 30, 2020, the Company owns 50% (50% at December 31, 2019) 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 gain on its equity investment of \$13,200 for the nine months ended September 30, 2020 (loss of \$576,359 for the year ended December 31, 2019) and received a dividend payment from JJ Wolf due to sale of investments of \$350,000 (2019: \$Nil). The investment balance as at September 30 2020 is \$1,353,077 (\$1,689,877 as at December 31, 2019).

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 for the year ended December 31, 2019.

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. The balance of this loan is \$67,599 as at September 30, 2020 (2019 - \$Nil).

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 for the period ended September 30, 2020 totaled \$1,834,647 (2019 - \$447,419).

The table below provides a continuity of the PSC investment:

	September 30, 2020	December 31, 2019
Opening balance	\$ 49,014,021	\$ 11,474,873
Acquisition of initial/additional interests	-	18,000,000
Loss on disposal of interest	-	(994,672)
Advances	5,005,136	22,092,436
Loss on equity investment	(1,834,647)	(1,558,616)
Ending balance	\$ 52,184,510	\$ 49,014,021

The tables below provide a summary of PSC’s financial position and profit and loss:

Summary statements of financial position as at	September 30, 2020	December 29, 2019
Non-current assets	\$ 25,204,023	\$ 44,854,017
Total assets	25,462,047	46,060,351
Current liabilities	22,696,104	40,739,297
Non-current liabilities	7,968,745	7,902,933
Shareholders’ deficiency	(5,202,802)	(2,581,879)
Total liabilities and shareholders’ deficiency	\$ 25,462,047	\$ 46,060,351

Summary statements of comprehensive loss for the periods ended	September 30, 2020	September 30, 2019
Operating general and administration expenses	\$ 2,555,922	\$ 526,387
Other income (expenses)	(65,002)	(716,304)
Net loss and comprehensive loss	\$ 2,620,924	\$ 1,242,691

12. ACQUISITIONS

OFIG 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.

12. ACQUISITIONS (CONTINUED)

OFIG Acquisitions (Continued)

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.

	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	391,360
Non-controlling interest	(38,272)
Transaction cost	17,086,912
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)
Non-controlling interest in loss of Edibles to September 30, 2020	(238,459)
Total non-controlling interest, September 30, 2020	(740,894)

12. ACQUISITIONS (CONTINUED)

The Edibles and Infusions Corp. (Continued)

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

	September 30, 2020	December 31, 2019
	\$	\$
Summary statements of financial position as at		
Current assets	185,674	248,739
Non-current assets	12,716,638	6,436,043
Total assets	12,902,312	6,684,782
Current liabilities	11,998,280	7,426,563
Non-current liabilities	1,683,400	1,770,392
Equity attributable to AGRA	(540,909)	(2,009,738)
Non-controlling Interests	(238,459)	(502,435)
Total liabilities and shareholders' deficiency	12,902,312	6,684,782

	September 30, 2020	September 30, 2019
	\$	\$
Summary statements of comprehensive loss for the period ended		
Operating general and administration expenses	(1,192,296)	(360,013)
Net loss and comprehensive loss	(1,192,296)	(360,013)

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)
Loss attributable to NCI	(238,459)	-	(1,178)	(239,637)
As at September 30, 2020	(740,894)	(40,295)	(130,278)	(911,467)

Sanna Health Corp. Acquisition

On March 10, 2020, the Company closed the acquisition of 100% of the issued and outstanding common shares of Sanna Health Corp. ("Sanna") 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 \$7,900,000.

This acquisition has been accounted for as an asset acquisition as Sanna 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 \$7,900,000.

12. ACQUISITIONS (CONTINUED)

Sanna Health Corp. Acquisition (Continued)

Consideration paid	\$
Shares issued	7,900,000
Net assets acquired	
Cash	89,247
Accounts receivable	80,972
Property, plant and equipment	8,825,833
Intangible asset – license (Note 9)	6,300,000
Accounts payable and accrued liabilities	(7,396,052)
Total net assets acquired	7,900,000

The tables below provide a summary of Sanna’s financial position and profit and loss before intergroup eliminations:

	September 30, 2020
Summary statements of financial position as at	\$
Current assets	2,733
Non-current assets	7,181,307
Total assets	7,184,040
Current liabilities	4,054,466
Non-current liabilities	4,630,022
Equity	(1,500,448)
Total liabilities and shareholders’ deficiency	7,184,040

	September 30, 2020
Summary statements of comprehensive loss for the period ended	\$
Operating general and administration expenses	1,635,476
Other income (expenses)	(64,971)

The accounting for this acquisition has been provisionally determined at September 30, 2020. The fair value of total consideration has been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted retrospectively to the acquisition date in future reporting periods.

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.

13. BUSINESS COMBINATION (CONTINUED)

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:

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 September 30, 2020 (\$3,759,646 at December 31, 2019).

The Good Company

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 (paid), issuance of 47,916,667 common shares of the Company and repayment of certain shareholder loans (issued on November 4, 2019) and cash repayment of \$1,202,674 Euro on the closing date (paid). The 47,916,667 shares issued were initially measured at \$10,302,083 in 2019, then revalued again on acquisition date at \$3,473,958, resulting in an adjustment in fair value of \$6,828,125.

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 recorded the Earn-Out considerations as contingent consideration payable at February 13, 2020 at its estimated fair value of \$5,000,000 and the floor protection clause as a derivative liability with a fair value of \$8,026,042. As at September 30, 2020, the estimated fair value of the contingent consideration relating to the Earn-Outs is determined to be \$5,000,000, and the estimated fair value of the floor protection derivative liability is determined to be \$8,026,042 resulting \$Nil change in fair value. The derivative liability is subsequent measured at fair value with changes in profit and loss. The Company also agreed to make cash contributions to The Good Company totaling \$1,200,000.

13. BUSINESS COMBINATION (CONTINUED)

Consideration paid	\$
Cash	1,000,000
Repayment of shareholder loans	1,763,120
Shares issued	3,473,958
Fair value of earn-out contingent consideration	5,000,000
Fair value of floor protection derivative	8,026,042
Total	19,263,120
Net assets acquired	
Cash	157,668
Intangible assets	7,013
Prepaid expenses	29,233
Accounts receivable	157,822
Inventory	127,925
Property, plant and equipment	30,220
Accounts payable and accrued liabilities	(558,750)
Total net assets acquired	(48,869)
Balance allocated to	
Distribution Licenses (Note 9)	15,642,712
Customer Relationships (Note 9)	869,039
Brand (Note 9)	869,039
Goodwill (Note 9)	1,931,199
Total	19,263,120

The accounting for this acquisition has been provisionally determined at September 30, 2020. The fair value of total consideration has been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted retrospectively to the acquisition date in future reporting periods.

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 September 30, 2020, the fair value of the convertible debenture was determined to be \$29,210,671 (\$24,636,507 as at December 31, 2019) and the warrants were \$2 (\$20,423 as at December 31, 2019) which is recorded in investments. The fair value of the instruments is estimated using the binomial lattice method, using a risk-free rate of 0.1076%, volatility of 136%, discount for lack of marketability of 20% and credit rating of CCC. The Company recorded a gain on fair value movements on investment of \$4,553,742 as a result.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
Accounts payable (note 19)	\$ 5,684,263	\$ 1,932,845
Mortgage payable	1,333,271	-
Amount due to related parties (note 20)	340,019	123,341
Accrued liabilities	182,578	351,191
	\$ 7,540,131	\$ 2,407,377

The Company acquired two mortgages payable for \$1,200,00 (“First Mortgage) which bears interest at 10% and \$100,000 (“Second Mortgage) which bears interest at 12% per annum. The mortgages relate to the building owned by the Company in Ontario. The First Mortgage matures on October 1, 2021 and the Second Mortgage matures on October 23, 2021. As at September 30, 2020, the total amount of mortgages payable outstanding including accrued interest is \$1,333,271.

During the period ended September 30, 2020, the Company settled certain debts with creditors and recorded a gain on debt settlement of \$230,225 (2019: \$Nil) and wrote off accounts payable of \$29,039 (2019: \$Nil) (Note 19).

16. LEASE LIABILITY

Manitoba Lease

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

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 period ended September 30, 2020:

	\$
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
Lease additions	-
Lease payments	(232,134)
Interest expense on lease liabilities	155,154
Balance, September 30, 2020	1,806,752
Current portion	\$(123,352)
Long-term portion	\$1,683,400

16. LEASE LIABILITY (Continued)

Manitoba Lease (Continued)

The lease liabilities are payable as follows:

	2020		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than 1 year	335,303	211,951	123,352
Between 1 and 5 years	1,648,141	731,239	916,902
More than 5 years	879,524	113,026	766,498
Balance, end of year	2,862,968	1,056,216	1,806,752
Long term lease liabilities	2,527,665	844,265	1,683,400

Ontario Lease

The Company acquired from Sanna a right-of-use asset for the lease manufacturing facility in Ontario in the interim condensed consolidated statement financial position as at September 30, 2020. The Company recorded right-of-use asset of \$3,197,972 and lease liability of \$3,365,097 on acquisition date (Notes 8 and 12).

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 10.58%, which is the Company's incremental borrowing rate.

The following is a continuity schedule of lease liabilities for the period ended September 30, 2020:

	\$
Balance, December 31, 2018 and 2019	-
Lease acquired from acquisition	3,365,096
Interest expense on lease liabilities	197,647
Lease payments	(221,569)
Balance, September 30, 2020	3,341,174
Current portion	(44,423)
Long-term portion	\$3,296,751

The lease liabilities are payable as follows:

	2020		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than 1 year	379,835	335,412	44,423
Between 1 and 5 years	1,519,337	1,289,407	229,930
More than 5 years	5,873,239	2,806,418	3,066,821
Balance, end of year	7,772,411	4,431,237	3,341,174
Long term lease liabilities	7,392,576	4,095,825	3,296,751

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.

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. On August 7, 2020, the Company entered into securities exchange agreements (the "Exchange Agreements") with holders of the Company's convertible debentures and repaid \$3,000,000 of convertible debentures and aggregate interest payment \$1,500,000 owing on June 30, 2020 (the "Accrued Interest") by the issuance of 54,822,666 common shares and 27,411,333 common shares respectively and recorded a gain on debt settlement of \$182,715 (Note 19). At September 30, 2020, the fair value of the liability component was estimated to be \$27,261,868 resulting in an interest expense of \$1,120,976. The fair value of the derivative liability was estimated to be \$1,465,129 at September 30, 2020.

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 has been fully settled during the period ended September 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. During the period ended September 30, 2020, the maximum amount of the loan was increased to \$20,000,000.

On April 30, 2020, the entire loan was settled with units of the Company (Note 19). The loan conversion feature does not meet the fixed for fixed criteria, the entire loan is classified as a liability prior to settlement. Immediately prior to settlement, the loan and accrued interest had a fair value of \$17,666,208 (\$7,569,106 as at December 31, 2019). At September 30, 2020, the loan and accrued interest has a fair value of \$Nil.

18. LOAN PAYABLE

The Company acquired \$350,000 promissory note payable (“Loan”) upon acquisition of Sanna. The Loan is non-interest bearing and is due on demand. At September 30, 2020, the entire balance of \$350,000 is due and outstanding.

During the period ended September 30, 2020, the Company and its subsidiaries received three \$40,000 Canada Emergency Business Account (“CEBA”) loans received from the Government of Canada for a total of \$120,000 CEBA loans. The CEBA loan is interest-free until December 31, 2022 of which \$10,000 is eligible for forgiveness if \$30,000 is repaid before December 31, 2022, and if not repaid the loan will be extended for an additional 3 year term bearing interest of 5% per annum. At September 30, 2020, the entire balance of \$120,000 is due and outstanding.

On June 15, 2020, the Company received \$80,000 loan payable from an arm’s length party bearing interest of 8% per annum, due on demand. During the period ended September 30, 2020, the Company accrued interest of \$533 on the loan payable and the entire balance of \$80,533 was paid in full. At September 30, 2020, \$Nil is due and outstanding.

On September 24, 2020, the company received \$15,000 loan payable from an arm’s length party bearing interest of 8% per annum, due on demand. At September 30, 2020, the entire balance of \$15,000 is due and outstanding.

At September 30, 2020, the Company has a loans payable balance of \$485,000 due and outstanding.

19. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

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.

On January 17, 2020, the Company issued 58,823,529 shares with a fair value of \$5,882,353 for transaction cost related to investment in SUHM.

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 19d).

On February 13, 2020, the Company recorded fair value adjustments on shares issued for acquisition of The Good Company of \$6,828,125 (Note 13).

On March 10, the Company issued 76,666,666 common shares of the Company with a fair value of \$7,900,000 for the acquisition of Sanna Health Corp. (Note 12).

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.

On April 7, 2020, the Company issued 3,731,846 common shares with a fair value of \$186,592 to settle debt of \$362,508 and recorded a gain on debt settlement of \$175,916.

19. SHARE CAPITAL (CONTINUED)

On April 30, 2020, the Company closed a non-brokered private placement offering of 266,666,667 units of the Company at a price of \$0.075 per Unit for gross proceeds of \$20,000,000. Each Unit consists 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 and debt owed to arm's length parties of \$17,666,208 (Note 17) and \$2,334,000 (Note 15) respectively. The fair value of the shares issued was \$14,666,667 and a value of \$5,333,541 was assigned to the warrants.

On May 4, 2020, the Company issued 2,692,905 common shares with a fair value of \$148,110 to settle debt of \$201,968 with certain creditors for past consulting and other services provided to the Company and recorded a gain on debt settlement of \$53,858 (Note 15).

On May 25, 2020, the Company closed the second tranche of its non-brokered private placement offering of 20,700,000 units of the Company at a price of \$0.075 per Unit for gross proceeds of \$1,552,500. Each Unit consists 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 fair value of the shares issued was \$1,449,000 and a value of \$103,500 was assigned to the warrants. In connection with the private placement, the Company paid a cash finder's fee of \$3,150 and 42,000 Finder's Warrants. The Finder's Warrants have the same terms as the Unit warrants and are valued at \$2,589 using Black-Scholes.

On June 5, 2020, the Company issued 22,802,938 common shares with a fair value of \$1,500,000 for consulting services.

On July 8, 2020, the Company completed a non-brokered private placement of 11,612,000 units of the Company at a price of \$0.075 per Unit for gross proceeds of \$870,900. Each Unit consists of one common share and one transferable common share purchase warrant. Each Warrant entitles the holder thereof to purchase one additional common share for a period of five years from closing at a price of \$0.10 per common share. The fair value of the shares issued was \$580,600 and a value of \$290,300 was assigned to the warrants.

On August 7, 2020, the Company issued 82,233,999 common shares pursuant to the Exchange Agreements with holders of the Company's 10% convertible debentures (Note 17) providing for the purchase of \$3,000,000 aggregate principal amount of the debentures (the "Purchased Securities"). In exchange for the Purchased Securities, the Company issued 54,822,666 common shares at a fair value of \$2,878,190. Further, the Company issued 27,411,333 common shares with a fair value of \$1,439,095 to satisfy the aggregate interest payment of \$1,500,000 (the "Accrued Interest") owing on June 30, 2020 on a pro-rata basis to the holders of the Debentures. The total fair value of the shares issued were \$4,317,285 and Company recorded a gain on debt settlement of \$182,715.

On August 7, 2020, the Company issued 4,000,000 common shares with a fair value of \$210,000 to settle debt of \$220,000 for services rendered and recorded a gain on debt settlement of \$10,000 (Notes 15 and 24).

On August 20, 2020, the Company returned 912,532 common shares to treasury which were previously issued on May 4, 2020 to a creditor for past consulting and other services valued at \$68,440 and recorded a reversal of gain on debt settlement of \$18,251. The Company and the creditor have agreed to an alternative to settle the debt at a future date.

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.

19. SHARE CAPITAL (CONTINUED)

Issued: (Continued)

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).

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 \$94,267 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.

On 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 13). 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.

19. SHARE CAPITAL (CONTINUED)

Issued (continued):

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.

As at December 31, 2019 and September 30, 2020, the Company had \$Nil in subscription receivable.

19. SHARE CAPITAL (CONTINUED)

b) Warrants outstanding

	Number of warrants	Weighted average exercise price
At December 31, 2018	14,607,700	\$ 0.40
Warrants exercised	(13,147,700)	0.40
Special warrants granted (Note 19d)	6,666,667	0.50
Warrants granted	129,927,633	0.39
Warrants expired	(1,460,000)	0.40
At December 31, 2019	136,594,300	\$ 0.39
Warrants granted	299,020,667	0.10
Special warrants exercised (Note 19d)	(6,666,667)	0.50
At September 30, 2020	428,948,300	0.19

On May 25, 2020, the Company granted 42,000 warrants for finder's fees in connection to a its private placement with an exercise price of \$0.10 per option expiring May 25, 2025. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$2,589 assuming an expected life of 5 years, a risk-free interest rate of 0.36%, an expected dividend rate of 0.00%, and an expected annual volatility of 147%.

The weighted average remaining life of the options outstanding is 4.17 years (December 31, 2019 – 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
October 31, 2018	October 31, 2023	1,250,000	0.142
May 21, 2019	May 21, 2024	2,200,000	0.460
May 30, 2019	May 30, 2024	1,000,000	0.390
August 1, 2019	August 1, 2024	2,850,000	0.310
July 11, 2019	May 17, 2024	4,090,000	0.330
January 6, 2020	January 6, 2022	100,000	0.150
January 30, 2020	January 30, 2022	15,000,000	0.150
January 31, 2020	January 31, 2022	1,000,000	0.100
April 30, 2020	April 30, 2025	95,000,000	0.075
Balance at September 30, 2020		122,490,000	\$ 0.110

	Number of options	Weighted average exercise price
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	0.380
Options cancelled and expired	(60,550,000)	0.410
Options granted	111,100,000	0.080
At September 30, 2020	122,490,000	0.110

The weighted average remaining life of the options outstanding is 4.07 years (December 31, 2019 – 2.98 years)

19. SHARE CAPITAL (CONTINUED)

c) Stock options outstanding (Continued)

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%.

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 \$2,932,250 and 3,750,000 options were exercised for \$630,000 as departing compensation for past services for the former CEO and President.

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. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$2,451 assuming an expected life of 2.0 years, a risk-free interest rate of 1.63%, an expected dividend rate of 0.00%, and an expected annual volatility of 108%.

19. SHARE CAPITAL (continued)

c) Stock options outstanding (continued)

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. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$416,888 assuming an expected life of 2.0 years, a risk-free interest rate of 1.47%, an expected dividend rate of 0.00%, and an expected annual volatility of 108%.

On January 31, 2020, the Company granted 1,000,000 stock options to consultants of the Company with an exercise price of \$0.10 per option expiring January 31, 2022. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$47,888 assuming an expected life of 2.0 years, a risk-free interest rate of 1.43%, an expected dividend rate of 0.00%, and an expected annual volatility of 109%.

On April 30, 2020, the Company granted 96,000,000 stock options to consultants of the Company with an exercise price of \$0.075 per option expiring April 30, 2025. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of \$2,144,456 assuming an expected life of 2.5 years, a risk-free interest rate of 0.38%, an expected dividend rate of 0.00%, and an expected annual volatility of 122%.

During the nine months ended September 30, 2020, Nil options (2019 – 23,125,000 options) were exercised for gross proceeds of \$Nil (2019 - \$2,932,250) and Nil options (2019 – 3,750,000 options) were exercised for \$Nil (2019 - \$630,000) as departing compensation for past services for the former CEO and President.

During the nine months ended September 30, 2020, an amount of \$10,435,952 (2019 - \$51,380) 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. During the period ended September 30, 2020, all of the special warrants were exercised, resulting in transferring of \$2,000,000 from warrant reserve to share capital.

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 September 30, 2020, 124,483,333 (47,917,000 as at December 31, 2019) shares were held in escrow.

20. 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 for the period ended September 30, 2019 and 2020:

Nine months ended September 30, 2020		
	Consulting and Management Fees	Share-based Compensation
Legal fees paid/accrued to a private company controlled by a director	7,950	56,433
Consulting fees paid to current directors	-	112,866
Consulting fees paid/accrued to a former director	66,000	-
Consulting fees paid/accrued to a company controlled by the former Corporate Secretary	34,978	-
Consulting fees paid/accrued to a private company controlled by the CFO	76,500	-
Consulting fees paid/accrued to a private company controlled by the CEO	180,000	135,440
	\$ 365,428	\$ 304,739

Nine months ended September 30, 2019		
	Consulting and Management Fees	Share-based compensation
Consulting fees paid/accrued to a company controlled by the former CFO	59,955	70,355
Consulting fees paid/accrued to a private company controlled by the former CEO	3,775,483	89,128
Consulting fees paid/accrued to a private company controlled by a former director	230,000	678,127
Consulting fees paid/accrued to a director	90,000	161,956
Consulting fees paid/accrued to a private company controlled by a director	19,340	158,385
Directors	-	196,596
Former Corporate Secretary	85,200	18,449
Consulting fees paid/accrued to a private company controlled by the CFO	15,000	-
Consulting fees paid/accrued to a private company controlled by the CEO	150,000	1,005,385
	\$ 4,424,978	\$ 2,378,381

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand. At September 30, 2020, \$340,019 (December 31, 2019 - \$123,341) is owing to related parties for unpaid fees which are included in accounts payable and accrued liabilities. Refer also to Note 15.

21. INVENTORY

The Company's inventory consists of raw materials and finished goods, the break-down is as follows:

	September 30, 2020	December 31, 2019
Raw materials	\$ 65,797	\$ 830
Finished goods	98,870	4,305
	\$ 164,667	\$ 5,135

22. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the nine months ended September 30, 2020 and year ended December 31, 2019 are as follows:

	September 30, 2020	December 31, 2019
Fair value of transfer on exercise of stock options and warrants	\$ 10,435,952	\$ 2,054,266
Shares issued for acquisitions and investments	7,900,000	75,466,452
Shares issued for debt settlement	4,811,798	94,268
Shares issued for transaction costs	5,882,353	10,813,663
Shares and options issued for services	1,568,000	8,530,229

23. 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 September 30, 2020 and December 31, 2019:

	As at September 30, 2020		
	Level 1	Level 2	Level 3
Cash	\$ 226,308	-	-
Convertible debenture receivable	-	\$ 29,210,671	-
Derivative liability	-	-	\$ 9,491,171
Investments	-	-	\$ 67,600
	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

23. 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 September 30, 2020 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.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(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.

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.

24. 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 period ended September 30, 2020, the Company terminated the agreement with Vendure and settled \$220,000 of debt with Vendure with the issuance of 4,000,000 common shares and recorded a gain on debt settlement of \$10,000 (Notes 15 and 19).

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, 2029 and has the following estimated annual payments:

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

During the period ended September 30, 2020, the Company acquired from Sanna a right-of-use asset for the lease manufacturing facility in Ontario in the interim condensed statement of financial position as at September 30, 2020 (Notes 8, 12 and 16).

The lease expires on October 31, 2029 with option to extend the lease term of two additional terms of five years each and has the following estimated annual payments:

2020 – Oct 2020	\$364,425 per annum
Nov 2020 – Oct 2022	\$381,375 per annum
Nov 2022 – Oct 2024	\$398,325 per annum
Nov 2024 – Oct 2026	\$415,275 per annum
Nov 2026 – Oct 2029	\$432,225 per annum

25. EVENTS AFTER REPORTING PERIOD

Subsequent to quarter end:

On November 11, 2020, the Company closed a share for debt transaction with a certain creditor for \$450,000, for past services rendered to the Company. A total of 15,000,000 common shares will be issued to the creditor with a fair value of \$525,000 for full satisfaction of the debt owed by the Company.

On November 25, 2020, the Company acquired equipment for its Winnipeg Edibles Facility through the issuance of 10,000,000 common shares with a fair value of \$300,000.