Consolidated Financial Statements of

MOUNTAIN VALLEY MD HOLDINGS INC.
(formerly Meadow Bay Gold Corporation)

As at March 31, 2021 and 2020

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Mountain Valley MD Holdings Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mountain Valley MD Holdings Inc. and its subsidiaries (together, the Company) as at March 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2021;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The financial statements of the Company for the year ended March 31, 2020, excluding the adjustments applied to restate certain comparative information as stated in note 23, were audited by another auditor who expressed an unmodified opinion on those statements on September 29, 2020. As part of our audit of the financial statements for the year ended March 31, 2021, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied. Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended March 31, 2020. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Eric Talbot.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
July 29, 2021

MOUNTAIN VALLEY MD HOLDINGS INC.
(formerly Meadow Bay Gold Corporation)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	March 31, 2021	March 31, 2020 (Restated - Note 23)
TOTAL ASSETS			
CURRENT			
Cash and cash equivalents		**$ 19,510,286**	$ 1,741,563
HST recoverable		**234,661**	123,992
Prepaid, deposits and other	4	**1,138,365**	290,239
Note receivable	10	**107,027**	102,027
Due from shareholder		**-**	98,492
Right of use asset	18	**86,320**	7,208
		21,076,659	2,363,521
NON-CURRENT			
Intangible assets	7	**4,769,270**	4,993,323
Licences	5	**-**	300,000
Equity investments	9	**5,383,967**	2,870,224
Investment in associates	8	**89,250**	280,001
Capital assets	13	**289,186**	1,426,815
		10,531,673	9,870,363
		$ 31,608,332	$ 12,233,884
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT			
Accounts payable and accrued liabilities		**$ 776,161**	$ 611,865
Deferred revenue	11	**250,000**	-
Lease liability	18	**40,133**	6,563
Mortgage payable	15	**-**	320,000
		1,066,294	938,428
NON-CURRENT			
Lease liability	18	**44,364**	-
Convertible note	12	**-**	226,672
		1,110,658	1,165,100
SHAREHOLDER'S EQUITY			
Share capital	16	**51,705,876**	25,962,332
Class B shares	9, 23	**2,398,750**	2,398,750
Contributed surplus	16	**1,005,879**	442,010
Warrants	16	**3,151,710**	1,887,488
Deficit		**(27,764,541)**	(19,621,796)
		30,497,674	11,068,784
		$ 31,608,332	$ 12,233,884

Approved on behalf of the Board:

/s/ *"Dennis Hancock"* /s/ *"Kevin Puloski"*

MOUNTAIN VALLEY MD HOLDINGS INC.
(formerly Meadow Bay Gold Corporation)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	For the years ended, March 31, 2021	March 31, 2020 (Restated - Note 23)
EXPENSES			
General and administrative		**$ 2,710,230**	$ 2,730,128
Research and development		**1,181,589**	52,159
Stock based compensation		**840,445**	322,084
Amortization of intangible assets	7	**343,949**	46,021
Depreciation of capital assets and right-of use assets	13 & 18	**86,239**	29,838
NET LOSS BEFORE OTHER ITEMS		**5,162,452**	3,180,230
OTHER ITEMS			
Impairment of intangible assets	5	**300,000**	1,438,750
Loss from equity accounted associates	8	**125,000**	135,276
Fair value gain on equity investments	9	**(2,183,743)**	(36,516)
Impairment in associates	8	**197,806**	7,842,297
Accretion and interest on convertible debt	12	**20,184**	6,690
Loss from sale of assets	14	**493,719**	-
Loss from debt settlement	16	**4,036,822**	-
Listing expense	6	**-**	6,178,692
Investment income and other		**(4,495)**	(18,628)
Interest earned on note receivable	10	**(5,000)**	(2,027)
		2,980,293	15,544,534
NET LOSS FOR THE YEAR		**8,142,745**	18,724,764
BASIC AND DILUTED LOSS PER SHARE		**$ (0.03)**	$ (0.09)
Weighted average number of shares outstanding		**263,510,981**	208,414,518

MOUNTAIN VALLEY MD HOLDINGS INC.
(formerly Meadow Bay Gold Corporation)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Class A Number of shares	Class A Share capital	Class B Number of shares	Class B Share capital	Class B Non-voting Number of shares	Class B Non-voting Share capital	Common shares Number of shares	Common shares Share capital	Contributed surplus	Warrants	Deficit	Total
		$		$		$		$	$	$	$	$
Balance at March 31, 2019	70,625,200	737,501	112,217,807	9,517,419	-	-	-	-	-	1,596,058	(897,032)	10,953,946
Shares issued for investment	-	-	35,750,000	7,848,750	-	-	-	-	-	-	-	7,848,750
Shares issued as finders fees for intellectual property purchase	-	-	2,400,000	864,000	-	-	-	-	-	-	-	864,000
Share issue costs related to private placement	-	-	-	(8,800)	-	-	-	-	-	-	-	(8,800)
Shares issued for services	-	-	3,307,375	871,607	-	-	-	-	-	-	-	871,607
Units issued for private placement at $0.20	-	-	3,977,500	634,912	-	-	-	-	-	150,588	-	785,500
Units issued for private placement at $0.40	-	-	1,274,918	405,295	-	-	-	-	-	104,672	-	509,967
Issuance of Class B shares	-	-	-	-	10,000,000	2,398,750	-	-	-			2,398,750
Equity component of convertible debenture	-	-	-	-	-	-	-	-	119,926	-	-	119,926
Issuance of stock options	-	-	-	-	-	-	-	-	322,084	-	-	322,084
Shares issued as finders fees for reverse takeover	-	-	6,886,434	2,479,116	-	-	-	-	-	-	-	2,479,116
Shares issued to Meadow Bay Gold Corporation shareholders	-	-	-	-	-	-	7,257,031	2,612,532	-	-	-	2,612,532
Warrants revalued as a result of reverse takeover	-	-	-	-	-	-	-	-	-	36,170	-	36,170
Shares exchanged as a result of reverse takeover	(70,625,200)	(737,501)	(165,814,034)	(22,612,299)	-	-	236,434,236	23,349,800	-	-	-	-
Net loss for the year	-	-	-	-	-	-	-	-	-	-	(18,724,764)	(18,724,764)
Balance at March 31, 2020 (restated)	-	-	-	-	10,000,000	2,398,750	243,691,267	25,962,332	442,010	1,887,488	(19,621,796)	11,068,784
Shares issued for debt	-	-	-	-	-	-	8,357,185	3,329,420	-	1,264,222	-	4,593,642
Exercise of stock options	-	-	-	-	-	-	4,100,000	363,650	(156,650)	-	-	207,000
Issuance of stock options	-	-	-	-	-	-	-	-	840,445	-	-	840,445
Conversion of convertible note	-	-	-	-	-	-	875,000	350,000	(119,926)	-	-	230,074
Shares issued for finder's fees	-	-	-	-	-	-	250,000	41,250	-	-	-	41,250
Shares for services	-	-	-	-	-	-	926,743	89,950	-	-	-	89,950
Shares issued for private placement	-	-	-	-	-	-	19,650,908	4,323,199	-	-	-	4,323,199
Shares issued as finders fees for private placement	-	-	-	-	-	-	1,107,436	243,636	-	-	-	243,636
Share issue costs	-	-	-	-	-	-	-	(254,435)	-	-	-	(254,435)
Exercise of warrants	-	-	-	-	-	-	48,879,052	17,256,874	-	-	-	17,256,874
Net loss for the year	-	-	-	-	-	-	-	-	-	-	(8,142,745)	(8,142,745)
Balance at March 31, 2021	-	-	-	-	10,000,000	2,398,750	327,837,591	51,705,876	1,005,879	3,151,710	(27,764,541)	30,497,674

MOUNTAIN VALLEY MD HOLDINGS INC.
(formerly Meadow Bay Gold Corporation)
Consolidated Statements of Cash flows
(Expressed in Canadian Dollars)

	Note		For the years ended, March 31, 2021		2020 (Restated - Note 23)
Operating activities:					
Net loss for the year		$	**(8,142,745)**	$	(18,724,764)
Adjustments for:					
Common shares issued for consulting services			**89,950**		871,607
Accretion and interest on note receivable	10		**(5,000)**		
Loss from sale of assets	14		**493,719**		-
Loss from debt settlement			**4,036,822**		-
Fair value gain on equity investments	9		**(2,183,743)**		(36,516)
Shares issued for agriculture license			**41,250**		-
Stock based compensation			**840,445**		322,084
Amortization of intangible assets	7		**343,949**		38,131
Depreciation of tangible and right-of use assets			**86,239**		38,638
Listing expense, less amounts paid			**-**		5,155,518
Impairment in associate	8		**329,861**		7,977,573
Impairment of intangible asset	5		**300,000**		1,438,750
Changes in non-cash operating working capital					
GST/HST receivable			**(110,669)**		(102,980)
Prepaid expenses and deposits			**(848,126)**		(217,204)
Deferred revenue			**200,000**		-
Due from shareholder			**98,492**		(98,492)
Accounts payable			**571,323**		371,585
Net cash used in operating activities:			**(3,858,233)**		(2,966,070)
Investing activities:					
Cash acquired in sale of subsidiary	14		**436,090**		-
Cash paid to acquire intellectual property	7		**(119,896)**		(585,454)
Cash paid to acquire cannabis license			**-**		(130,000)
Cash paid for investment in associates			**(132,055)**		(4,800,001)
Cash paid to acquire equity investments			**-**		(434,958)
Note receivable			**-**		(102,026)
Capital asset additions	13		**(333,456)**		(59,855)
Deposit - acquisition	8		**-**		100,000
Net cash used in investing activities:			**(149,317)**		(6,012,294)
Financing activities:					
Issuance of share capital	16		**4,323,199**		1,295,467
Exercise of stock options	16		**207,000**		-
Exercise of warrants	16		**17,256,874**		-
Issuance of convertible note			**-**		346,598
Share issue costs			**(10,800)**		(8,800)
Net cash received from finance activities:			**21,776,273**		1,633,265
Net change in cash			**17,768,723**		(7,345,099)
Cash and cash equivalent - Beginning of year			**1,741,563**		9,086,662
Cash and cash equivalent - End of year		**$**	**19,510,286**	$	1,741,563

1. NATURE OF OPERATIONS

Mountain Valley MD Holdings Inc. ("MVMDH" or the "Company"), formerly Meadow Bay Gold Corporation ("Meadow Bay"), was incorporated under the provisions of the British Columbia Business Corporations Act on March 8, 2005. The Company is building a world-class health and wellness organization centred around the implementation of its patented Quicksome™ oral drug formulation and delivery technologies to innovate industry leading products that are sought out globally.

On Feb 21, 2020, the Company completed a reverse takeover transaction (Note 6), pursuant to which it has acquired all of the outstanding securities of the privately held Mountain Valley MD Inc. As part of the Transaction, the Company changed its name to "Mountain Valley MD Holdings Inc." and consolidated the common shares of the Company, on the basis of one (1) post-consolidation common share for every eight (8) pre-consolidation common shares.

The Company's common shares trade on the Canadian Securities Exchange under the new ticker symbol "MVMD."

The address of the Company's registered and records office is 610 – 475 West Georgia Street, Vancouver, BC V6B 4M9 and the principal place of business is 260 Edgeley Boulevard, Unit 4, Vaughan, Ontario, Canada, L4K 3Y4.

2. BASIS OF PRESENTATION

a) Statement of compliance

These Consolidated Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

The Company's board of directors approved the release of these consolidated financial statements on July 28, 2021.

b) Basis of measurement

In preparing its consolidated financial statements, the Company makes judgments in applying its accounting policies. The judgments that have the most significant effect on the amounts recognized in the consolidated financial statements are outlined below in section c). In addition, the preparation of consolidated financial statements in conformity with IFRS requires the use of estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements. Information about assumptions and other sources of estimation uncertainty as at March 31, 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year are outlined below in section c).

c) Areas of judgment and estimation uncertainty

<u>*Intangible assets*</u>

Definite life intangible assets are carried at historical cost and amortized over their useful life. Judgment is required in assessing whether certain factors would be considered an indicator of impairment. The Company considers both internal and external information to determine whether there is an indicator of impairment present and, accordingly, whether impairment testing is required. The information the Company considers in assessing whether there is an indicator of impairment includes, but is not limited to, market and economic conditions, results of research and development activities and its market capitalization.

…. Note 2. BASIS OF PREPARATION (Continued)

As part of its assessment at March 31, 2021, the Company noted no impairment indicators related to its intellectual property, however, indicators of impairment were noted related to its licences. The Company's strategy to focus on its core assets and not continue with the development of these licences was considered to be an indicator of impairment. As a result, the Company performed an impairment assessment of its licences as at March 31, 2021.

Fair value of privately held equity investments

The Company holds privately held investments which are measured at fair value. To determine the fair value of privately held equity investments the Company will rely on recently completed equity transactions, or other methods of implied fair value, in determining the fair value of the investment. For privately held investments where recent equity transactions are not available, the Company uses valuation methods based on recently completed equity issuances.

Impairment of investment in associate

The Company follows the guidance of IAS 28, Investments in Associates and Joint Ventures to assess whether there are impairment indicators which may lead to the recognition of an impairment loss with respect to its net investment in an associate. This determination requires significant judgement in evaluating if a decline in fair value is significant or prolonged, which triggers a formal impairment test. In making this judgement, the Company's management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount, the volatility of the investment and the financial health and business outlook for the investee, including factors such as the current and expected status of the investee's projects and changes in discounted future cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

MVMDH has one subsidiary, Mountain Valley MD Inc ("MVMD"), a Company incorporated under the laws of the province of BC on October 28, 2018. MVMD has two wholly owned subsidiaries, Colverde, a corporation incorporated under the laws of Colombia and MVMD (Colombia) Inc. ("MVMDC"), a corporation incorporated under the laws of the province of Ontario on April 11, 2019.

Subsidiaries are entities that are controlled, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

b) Foreign currencies

The Company assesses functional currency on an entity by entity basis based on the related fact pattern. However, the presentation currency used in these consolidated financial statements is determined at management's discretion.

The functional currency of MVMDH, and the presentation currency applicable to these consolidated financial statements, is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of the exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Company has determined that the functional currency of its wholly owned subsidiaries is the United States dollar.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits with banks and highly liquid investments that are readily convertible to cash with maturities of three months or less when purchased.

d) Inventory

Inventory consists of supplies and is valued at the lower of weighted average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

e) Deferred revenue

Amounts received in advance of the performance of services are classified as deferred revenue.

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Capital assets

Property is carried at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes the acquisition cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property includes significant components with different useful lives, they are recorded and depreciated separately. Estimated useful lives are reviewed at the end of each reporting period.

The Company recognizes in the carrying amount of an item of property the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of net loss as an expense as incurred. Depreciation is not recorded on property that is not yet available for use.

Depreciation is recognized so as to write off the cost of items of property less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful life of the Company's property is 20 years.

The property and land were sold in the current year.

Lab equipment and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation is provided for leasehold improvements using the straight line method over 5 years, and lab equipment is depreciated on a 20% declining balance.

g) Intangible assets

Patents are stated at their historical cost and amortized on a straight-line basis over their expected useful lives, which is fifteen years. The Company's cannabis licenses are stated at amortized cost less impairment.

h) Impairment of non-financial assets

At each statement of financial position reporting date the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value to their present value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating units to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of impairment is recognized immediately in profit or loss.

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Share-based payment transactions

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

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

j) Investment in associates

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investment in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of loss and comprehensive loss and represents the Company's share of profit or loss after tax in the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

An equity accounted investment in the associate is reviewed for indication of impairment at each financial position date. Indications includes data of the comparative transactions indicating there is a measurable decrease of the investee's project(s).

When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal ("FVLCD") and value in use ("VIU"). If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings or loss in the period in which the reversal occurs.

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognizes any retained investments at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

k) Provisions

Provisions are recognized in the consolidated statement of financial position when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

l) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

m) Financial instruments

The following table summarizes the classification of the Company's financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

Cash and cash equivalents	Amortized cost
Note receivable	Amortized cost
Due from shareholder	Amortized cost
Equity investments	Fair value through profit or loss
Accounts payable and accrued liabilities	Amortized cost
Mortgage payable	Amortized cost
Convertible note	Amortized cost

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Valuation techniques based on 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 Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets

The classification of financial assets is based on the Company's assessment of its business model for holding financial assets and the contractual terms of the cash flows. The classification categories are as follows:

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through other comprehensive income ("FVOCI"): assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through profit or loss ("FVTPL"): assets that do not meet the criteria for amortized cost or FVOCI.

Financial assets are initially measured a fair value and are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

<u>Financial liabilities</u>

The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the consolidated statements of loss and comprehensive loss.

- Financial liabilities measured at FVTPL: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the consolidated statement of loss and comprehensive loss.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

<u>Impairment of financial assets</u>

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired under the expected credit loss ("ECL") model. Loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

The amortized cost of the financial asset is reduced by impairment losses at an amount equal to the lifetime expected credit losses. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the consolidated statements of loss and comprehensive loss. As at March 31, 2021, there are no ECLs recorded in the financial statements.

n) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

o) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance.

Class B common shares of the Company's subsidiary are classified as a liability as there is a contractual obligation to deliver the proceeds from sale of the specific equity investments associated with the Class B common shares of the Company's subsidiary within a specified period of time to the shareholders of the Class B common shares of the Company's subsidiary.

Options or warrants issued at the same time as the issuance of common shares are recorded at fair value based on the residual method. Proceeds are first allocated to the shares according to the fair value of the common shares and any residual of the proceeds is allocated to the options or warrants.

p) Convertible debentures

The liability, equity and other (when applicable) components of convertible debenture are presented separately on the statement of financial position, starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statement of loss and comprehensive loss as accretion expense.

The carrying amount of other components (when applicable), such as warrants, is determined using the Black-Scholes option pricing model. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible debenture, and is presented in Equity as an equity component of convertible debenture. The equity component is not remeasured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other (when applicable) components, on a pro-rata basis according to their carrying amounts.

(Expressed in Canadian Dollars)

…. Note 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) New and revised standards

The Company has adopted the following new or amended IFRS standards for the year ended March 31, 2021:

IAS 1 Presentation of Financial Statements

In October 2018, the IASB issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2019. The amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications. The amended definition of material states:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Company does not expect these amendments to have a material impact on its consolidated financial statements.

r) New and revised standards issued but not yet effective

None of the standards and amendments to standards and interpretations which have been issued but are not yet effective are expected to have a significant effect on the consolidated financial statements of the Company.

4. PREPAID EXPENSES AND DEPOSITS

	2021	2020
	$	**$**
Prepaid	**296,025**	254,318
Research and development trials	**780,150**	-
Supplies inventory	**44,881**	-
Lease deposits	**17,309**	35,921
	1,138,365	290,239

5. LICENCES

On November 15, 2019, Mountain Valley MD Inc. entered into a share purchase agreement with a private company in Colombia, Colverde MD SAS, ("Colverde").

MVMD acquired 100% of the shares of Colverde for a purchase price of $1,738,750.

Colverde is non-operating and its assets are a licences for the cultivation of psychoactive cannabis plants issued on November 23, 2018 by the Ministry of Justice and Law, a licence for the manufacture of cannabis derivatives issued on September 12, 2018 by the Colombian Ministry of Health and Social Protection, and a licence for the cultivation of non-psychoactive cannabis plants issued on December 16, 2019 by the Ministry of Justice and Law, as well as a month to month lease for land located in Tabio, a municipality and town of Colombia in the department of Cundinamarca. Colverde has also made an application for registration with the Colombia Agricultural Institute as a producer of certified seed (the "Colverde Application").

The Company reviewed the guidance provided under IFRS 3, Business Combinations, for definition of business and determined that the above business combinations did not have any processes or outputs and therefore did not meet the definition of a business. Consequently, this business combination is accounted for as an assets acquisition and the entirety of the assets acquired pertains to licenses.

(Expressed in Canadian Dollars)

…. Note 5. LICENSES (Continued)

Colverde is an asset not in use and management determined there were indicators of impairment at March 31, 2021. The Company made the decision in Q4 not to pursue and develop its cannabis assets. As a result, management performed a test of impairment. The recoverable amount was determined to be equal to its fair value less costs to sell of $Nil and as a result an impairment of $300,000 was recorded.

A continuity schedule of the licenses is as follows:

Purchase consderation	**2021**	2020
	$	$
Shares issued	**-**	1,608,750
Cash paid	**-**	130,000
Total purchase consideration	**-**	1,738,750
Identified intangible assets		
Carrying value beginning of year	**300,000**	1,738,750
Impairment	**(300,000)**	(1,438,750)
Carrying value end of year	**-**	300,000

6. AMALGAMATION AGREEMENT

On June 28, 2019, Mountain Valley MD Inc. entered into an amalgamation agreement with Meadow Bay Gold Corporation ("MBGC"), a reporting issuer in the provinces of British Columbia, Alberta and Ontario, and a wholly-owned Ontario subsidiary of MBGC ("Subco") to effect the combination of their respective businesses and assets by way of a "three-cornered amalgamation" between MBGC, MVMD and Subco (the "Amalgamation") to form a new corporation ("Amalco") in accordance with the provisions of the Business Corporations Act (Ontario) (the "OBCA") (completed on February 21, 2020). Pursuant to the amalgamation agreement:

- MBGC agreed to consolidate its issued and outstanding common shares on an 8 pre-consolidation common shares for 1 post-consolidation share basis prior to completion of the Amalgamation;
- MVMD agreed to subscribe for 350 MBGC convertible debentures *(subscribed for on July 11, 2019 and $350,000 paid)* subject to the MBGC financing fee of $24,500 (paid).

On the effective date of the amalgamation:

- Subco and MVMD amalgamated to form Amalco and continued on as one corporation under the OBCA;
- every MVMD Class A and Class B common share prior to the amalgamation received one post-consolidation MBGC share;
- every Subco share prior to the amalgamation received one Amalco share; and
- the name of Amalco was changed to Mountain Valley MD Holdings Inc.

Although the Transaction resulted in MVMD becoming a wholly-owned subsidiary of MBGC, the Transaction constitutes a reverse acquisition of MBGC by MVMD in-as-much as the former shareholders of MVMD own a majority of the issued and outstanding common shares of the resulting corporation. For accounting purposes, MVMD is considered the accounting acquirer and MBGC the accounting acquiree. The reverse acquisition has been accounted for in accordance with the guidance provided in IFRS 3, "Business Combinations". As MBGC did not meet the definition of a business under the guidance from IFRS 3, the reverse acquisition does not constitute a business combination and accordingly, the reverse acquisition has been accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payment". The net asset purchase price was determined as an equity settled share-based payment, under IFRS 2, at the fair value of the equity instruments issued by the Company, based on the market value of the Company's common shares on the date of closing the RTO. The market value has been determined based on Level 2 inputs under IFRS 13 fair value hierarchy basis of a recent private placement of units on January 24, 2020.

(Expressed in Canadian Dollars)

…. Note 6. AMALGAMATION AGREEMENT (Continued)

The transaction costs relating to the RTO plus the aggregate of the fair value of the consideration paid and the net liabilities acquired has been recognized as listing expenses, in the consolidated statement of loss and comprehensive loss. There are no costs pertaining to the former operations of MBGC after the date of the RTO and there are no prior operating expenses of MBGC, included in these consolidated financial statements.

The purchase price allocation for the assets were determined as follows:

Purchase consideration:	**$**
Common shares issued	5,091,647
Option, warrants issued	156,097
Bridge financing provided	350,000
Termination fee	126,000
Professional fees incurred	138,411
Total purchase consideration	**5,862,155**
Assets acquired and liabilities assumed:	
Cash	418
HST receivable	31,525
Prepaid expenses and deposits	9,580
Investment	2,398,750
Class B shares	(2,398,750)
Right of use assets	14,007
Accounts payable and accrued liabilities	(137,341)
Lease liability	(14,743)
Convertibe debenture	(219,983)
	(316,537)
Listing expense	6,178,692
	5,862,155

7. INTANGIBLE ASSETS

On December 20, 2019, Mountain Valley MD Inc. entered into an intellectual property asset purchase agreement with a private Delaware corporation ("Delaware Privco"), in the business of developing, manufacturing and licensing desiccated liposomes. The Company, through Mountain Valley MD Inc. acquired a portfolio of patents, and trademarks. Management determined all the value is attributable to the patents.

On the closing date (February 10, 2020), the Delaware Privco assets were sold, transferred and assigned to a subsidiary of MVMD (Mountain Valley MD Inc).

The consideration comprised of:

- an initial payment of $100,000 (paid on July 11, 2019) related to a specified third party expenses and a deposit; and
- an amount equal to $500,000 ($150,000 paid October 16th) less the deposit and 10,000,000 Class B common shares on the closing date (issued and subject to an escrow agreement pending delivery of certain post-closing deliverables). The fair value of the Class B common shares provided as consideration of $0.36 was based on Level 2 inputs under IFRS 13 fair value hierarchy resulting from the fair value of the Class B common shares issued in the most recent private placement.

(Expressed in Canadian Dollars)

…. Note 7. INTELLECTUAL PROPERTY (Continued)

The Company issued 2,400,000 Class B common shares at $0.36 as finders fees related to the transaction. Fair value of the Class B common shares provided as consideration was based on the fair value of the Class B common shares issued in the most recent private placement.

As part of the acquisition agreement the Company entered into an arrangement where Delaware Privco will provide services for certain post closing deliverables to be delivered at various times within twenty-four (24) months from the closing date. The following are the details on the services and the consideration to be paid:

- $250,000 and 5,000,000 common shares following the completion of a specified milestone and its assignment to MMVD or a subsidiary of MVMD and thereafter upon receipt of combined licensing fees and royalties in connection therewith equal to a minimum value of $USD 200,000;
- $250,000 and 5,000,000 common shares following the completion of a second specified milestone and its assignment to MVMD or a subsidiary of MVMD and thereafter upon receipt of orders equal to a minimum value of $USD 200,000;
- 2,500,000 common shares upon the achievement of production and sales of the specified product resulting in a minimum net profit of $50,000;
- An additional 2,500,000 common shares upon the achievement of production and sales of the specified product resulting in a minimum net profit of $50,000
- 10,000,000 warrants upon receipt by MVMD or a subsidiary of MVMD of a minimum of $USD 2,000,000 in gross revenues arising from the assigned assets.

The above milestone payments have not been accounted for as part of the acquisition as they are contingent on future events which are not likely to be met.

The Company's intellectual property consists of the following:

	2021 **$**	2020 $	
Allocated purchase price			
Shares issued	-	3,600,000	a)
Finders fees: shares issued	-	864,000	b)
Cash paid	-	575,344	
Total purchase consideration	-	5,039,344	
Identified intangible assets			
Patents - beginning of the year	**4,993,323**	5,039,344	
Additions	**119,896**	-	c)
Amortization for the year	**(343,949)**	(46,021)	d)
Carrying value - end of the year	**4,769,270**	4,993,323	

a) The Company issued 10,000,000 Class B common shares at a fair value of $0.36. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

b) 2,400,000 Class B common shares were issued as finders fee with a fair value of $0.36, in conjunction with this transaction. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

c) The Company recorded additions $119,896 (2020: $Nil) related to direct costs to acquire new patents.

d) The Company recorded $343,949 of depreciation during the year (2020: $46,021) based on the estimated useful life of the portfolio of patents.

(Expressed in Canadian Dollars)

8. INVESTMENT IN ASSOCIATES

	2021	2020
	$	$
Sativa Nativa SAS (a)	**89,250**	280,000
CCJC Holdings Inc. (b)	**-**	1
	89,250	280,001

a) Sativa Nativa

On April 4, 2019, the Company. entered into a subscription and share purchase agreement (the "SSPA") with Sativa Nativa SAS ("Sativa Nativa"). Sativa Nativa is a company incorporated in the Republic of Columbia and is a cultivator of cannabis. Pursuant to the SSPA:

- the Company subscribed for 17,892,248 common shares (representing 10% post subscription) of Sativa Nativa for an aggregate subscription price of $2,800,000 cash;
- the Company agreed to purchase an additional 26,838,372 common shares of Sativa Nativa (representing 15% post subscription) from existing shareholders of Sativa Nativa for an aggregate purchase price of $3,815,000 payable as follows:
    - a cash payment of $2,000,000; and
    - $1,815,000 in Class B common shares of the Company at a fair value equal to $0.165 per share (*11,000,000 Class B common shares*);

Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

The total consideration provided for the 25% interest in Sativa Nativa on April 4, 2019 was $6,615,000.

The Company recorded its share of Sativa Nativa loss for the year ended March 31, 2021 of $265,265 (2020: $135,276).

As at March 31, 2021, the Company performed its annual impairment test on its investment in Sativa Nativa. The recoverable amount of all CGU's was determined based Level 3 inputs under the IFRS 13 fair value hierarchy resulting from a discounted future cash flow model. The key assumptions use in the estimates of the recoverable amounts are described as follows:

- Cash flows: Estimated cash flows were projected based on the Company's business plans, which are based on actual operating results from internal sources as well as industry and market trends. The forecasts were extended to a total of five years (with a terminal year thereafter);
- Terminal value growth rate: The terminal growth rate of 1.5% to 2.5% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and
- Discount rate: The post-tax discount rate was 25%

As of March 31, 2021, management determined impairment charges of $190,750 (2020: $6,199,724). These impairment charges are recognized in impairment in associates.

(Expressed in Canadian Dollars)

…. Note 8. INVESTMENT IN ASSOCIATES (Continued)

b) CCJC Holdings Inc.

On June 10, 2019, Mountain Valley MD Inc. entered into a subscription agreement with CCJC Holdings Inc. "CCJC" and acquired 1,333,333 common shares of CCJC, representing 10% of the issued and outstanding shares of CCJC, by way of conversion of a promissory note in the amount of $817,573 (USD$600,000).

Also on June 10, 2019, MVMD entered into share purchase agreements with CCJC and acquired an additional 1,333,334 common shares of CCJC, representing a second 10% of the issued and outstanding shares of CCJC, by the issuance of 5,000,000 Class B common shares at a fair value of $0.165 for consideration of $825,000..

The total consideration provided for the 20% interest in CCJC on June 10, 2019, was $1,642,573.

CCJC is the majority shareholder (90%) of a US private corporation who has made an application with the U.S. Drug Enforcement Administration to become registered under the Controlled Substances Act (United States) to manufacture marijuana to supply to researchers in the United States.

In the March 31, 2020 fiscal year, the Company determined the net investment in CCJC had indications of impairment. The net investment in CCJC was determined to be fully impaired based on no registrations granted to date, no active market for applications, and uncertainty as to the application process, therefore MVMD incurred an impairment of $1,642,573.

9. EQUITY INVESTMENTS

The following summarizes the Company's investments at March 31, 2021 and 2020:

	March 31, 2020	Additions	Unrealized Gains / (Losses)	March 31, 2021
	$	$	$	$
Sixth Wave Innovations Inc. (a)	166,666	-	(29,999)	**136,667**
Winchester MD (b)	184,958	-	(184,958)	**-**
Palisade Goldcorp Ltd. (c)	1,118,600	-	2,077,400	**3,196,000**
1234721 B.C. Ltd (c)	1,400,000	-	321,300	**1,721,300**
Circadian Wellness Corp. (d)	**-**	330,000	-	**330,000**
	2,870,224	**330,000**	**2,183,743**	**5,383,967**

a) Sixth Wave Innovations Inc.

On October 1, 2019, Mountain Valley MD Inc. subscribed for 333,333 ordinary shares of Sixth Wave Innovations Inc. (CSE: SIXW) by way of private placement for a subscription price of $250,000.

As at March 31, 2021, management re-valued the investment to $136,667 (2020: $166,666) based on Level 1 input under the IFRS 13 fair value hierarchy using the trading price of Sixth Wave Innovations Inc. as at March 31, 2021.

b) Winchester MD

On May 9, 2019, Mountain Valley MD Inc. subscribed for 700,000 ordinary shares for a subscription price of $184,958 (£105,000), with a company in the United Kingdom, Winchester MD. The Company has reviewed the fair value of this equity investment and determined that the investment has been fully impaired.

…. Note 9. EQUITY INVESTMENTS (Continued)

c) Nevada King Gold Corp. and Palisade Goldcorp Ltd.

On November 18, 2019, the Company disposed of its shares of Desert Hawk Resources Inc. to Casino Gold Corp. Casino Gold Corp. issued 10,000,000 shares to the Company which represents approximately 5.8% of Casino Gold's issued and outstanding shares.

In January 2020, Casino Gold Corp completed a plan of arrangement in which Casino Gold Corp. was split into two private companies, and the Company now owns the following equity investments:

- 3,442,600 common shares of Nevada King Gold Corp. (formerly Nevada King Mining Ltd, and formerly 1234721 B.C. Ltd.)
- 799,000 common shares of Palisade Goldcorp Ltd.

As at March 31, 2021, management fair valued Palisade Goldcorp Ltd. using Level 2 inputs under the IFRS 13 fair value hierarchy. The fair value was based on the most recent private placement by Palisade Goldcorp Ltd. As a result, the fair value of the equity investment was increased by $2,077,400 to $3,196,000 (2020: $119,850).

As at March 31, 2021, management fair valued Nevada King Gold Corp. to $1,721,300 (2020: $1,400,000 – Level 2 inputs) based on Level 1 input under the IFRS 13 fair value hierarchy. The fair value was determined using the trading price of Nevada King Gold Corp. as at March 31, 2021.

Prior to the amalgamation (Note 6) shareholders of the Company (formerly, MBGC) received one additional Class B share of the Company for each common share held.

The special rights and restrictions of the Class B shares provide that if:

- the Company decides, by way of a directors resolution to distribute the Casino Gold shares (now Palisade Goldcorp Ltd. and Nevada King Gold Corp.); or
- the Company completes the sale of all or any portion of the Casino Gold shares,

the Company will redeem all of the outstanding Class B shares for an amount equal to the redemption price.

Since the Company has discretion over any distribution or disposal that would require a redemption of the Class B shares, the above special rights and restrictions do not result in a liability classification. The Class B shares have therefore been presented as equity.

d) Circadian Wellness Corp.

The Company owns 3,666,667 shares of Circadian Wellness Corp. related to the sale of assets (Note 14) and license agreement (Note 11).

The Company has reviewed the fair value of this equity investment in light of relevant information available and determined that the valuation as at March 31, 2021 has not changed from the initial subscription price.

10. NOTE RECEIVABLE

On November 4, 2019, the Company advanced $100,000 to Agroresults Inc, ("AG") a private company and received a 5% note receivable that is convertible into shares at any time during the term of the note, upon any additional capital raise by AG. The Company will have the right to convert the note into equity at any time prior to the maturity date of November 4, 2022, upon any additional raise of AG at a 20% discount. The Company accrued $5,000 (2020: $2,207) in interest related to this note receivable.

11. DEFERRED REVENUE

On February 25, 2021, the Company entered into a commercial license agreement with Circadian Wellness Corp. (a privately held Ontario Corporation). The license agreement is based on applying the Company's Quicksome™ technology to mushroom nutraceutical products in consideration of ongoing product royalties and an initial advance payment in the amount of $250,000, made up of $200,000 cash and $50,000 of equity shares of the privately held corporation.

12. CONVERTIBLE NOTE

On July 11, 2019, the Company issued a convertible note to Nevada King Mining Ltd. (formerly 1234721 B.C. Ltd). in the principal amount of $350,000 including 350,000 warrants pursuant to the amalgamation agreement (43,750 warrants post amalgamation). The convertible note bears interest at 10% per annum which accrues and is payable on the earlier of the conversion date or maturity, matures on July 11, 2023, is convertible at the option of the holder in $10,000 increments or multiples thereof and is redeemable in certain circumstances by the Company. The convertible note is convertible at $0.05 pre-amalgamation and $0.40 post amalgamation.

For accounting purposes, the convertible note is a hybrid financial instrument and was allocated into corresponding liability, equity (conversion feature) and warrants components at the date of issue. The Company used Level 3 inputs under the IFRS 13 fair value hierarchy which allocated the values based on their fair market value at date of issue. The debt component is subsequently accreted to the face value of the debt portions of the convertible note at the effective interest rate of 25%. Upon issuance of the unsecured note, the fair value of the debt component was $217,575 based on an effective interest rate of 25% and the remaining inputs are consistent with the terms of the debt, the warrants were $12,500 based on the Black-Scholes Model and residual of the difference between the face value of the debt and the sum of the fair value of the debt and the warrants was allocated to the conversion feature for a fair value of $119,926. No transactional costs were incurred.

During the year interest expense was recorded for $20,184 (2020: $9,907) and the convertible note had an amortized cost of $Nil (2020: $226,672) as at March 31, 2021.

During the year, the full amount was converted, and the Company issued 875,000 shares and 875,000 share purchase warrants at $0.48. The warrants expire on July 11, 2023.

(Expressed in Canadian Dollars)

13. CAPITAL ASSETS

	Land	Building	Lab Equipment	Leasehold Improvements	Total
	$	$	$	$	$
Cost					
At March 31, 2019	814,000	576,000	-	-	1,390,000
					-
Additions	-	59,855	-	-	59,855
At March 31, 2020	814,000	635,855	-	-	1,449,855
Additions	-	-	224,215	109,240	333,455
					-
Disposals	(814,000)	(635,855)	-	-	(1,449,855)
At March 31, 2021	**-**	**-**	**224,215**	**109,240**	**333,455**
Accumulated amortization					
At March 31, 2019	-	-	-	-	-
Depreciation expense	-	23,040	-	-	23,040
At March 31, 2020	-	23,040	-	-	23,040
Additions	-	-	**22,421**	**21,848**	**44,269**
Disposals	-	**(23,040)**	-	-	**(23,040)**
At March 31, 2021	**-**	**-**	**22,421**	**21,848**	**44,269**
Carrying amounts:					
At March 31, 2019	814,000	576,000	-	-	1,390,000
At March 31, 2020	814,000	612,815	-	-	1,426,815
At March 31, 2021	**-**	**-**	**201,794**	**87,392**	**289,186**

Land and building consisted of a 34-acre property located in Qualicum Beach, British Columbia.

On November 24, 2020, the Company sold the land and building as part of the share purchase and exchange agreement (Note 14).

14. SALE OF ASSETS

On November 24, 2020, the Company entered into a share purchase and exchange agreement (the "SPA") with Circadian Wellness Corp. ("CW"), a private Ontario corporation, for the sale of the Company's subsidiaries (Mountain Valley Medicinals Inc. "MVM", and 0987182 BC Ltd.) and their respective assets, including the property in Qualicum Beach, British Columbia (Note 13), for a purchase price of $400,000 cash plus additional consideration for prepaid assets, 1,037,037 common shares of CW at $0.27 per share (representing an approximate 9.17% equity interest in CW) with a value of $280,000, and the assumption of the mortgage on the property in the amount of $320,000.

The Company recorded a loss of $493,719 on the sale of these non-core business assets.

15. MORTGAGE PAYABLE

On January 27, 2015, 0987182 B.C. Ltd., a wholly owned subsidiary of MVM, entered into a first mortgage for the principal amount of $310,000 with Cambridge Mortgage Investment Corporation ("CMIC") on a building located in Qualicum Beach, British Columbia. The mortgage renewed on February 21, 2020, bears interest at 6.99%, has interest-only monthly payments of $1,864 and was to mature on February 21, 2021.

On November 24, 2020, the mortgage was assumed by Circadian Wellness Corp, as part of the share purchase and exchange agreement referred to in Note 14.

16. SHARE CAPITAL

a) Share Capital

Authorized

The Company has authorized share capital of:

- Unlimited Common Shares without par value.
- 10,000,000 Class B Non-Voting shares (Note 9(c))

Issued and outstanding

The Company has issued share capital of 327,837,591 Common Shares and 10,000,000 Non-Voting Class B shares.

Share issuance from April 1, 2019 to March 31, 2020

On April 11, 2019, MVMD paid $2,000,000 cash and issued 11,000,000 Class B common shares at $0.165 pursuant to the SSPA with Sativa Nativa SAS ("Sativa Nativa") (Note 8). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On June 5, 2019, MVMD completed a fourth tranche of a private placement offering of $0.20 per unit each unit consisting of one Class "B" common share and one half of one share purchase warrant, each warrant exercisable at $0.35 per Class B common share for 2 years from the issuance date, subject to acceleration provisions. MVMD issued 3,977,500 Class B common shares and 3,977,500 Class B common share purchase warrants for gross proceeds of $785,500. MVMD also settled shares for debt by issuance of 325,000 Class B common shares and 325,000 Class B common share purchase warrants. The fair value of the warrants issued in the unit offering was determined to be $0.035 based on Level 2 inputs under IFRS 13 fair value hierarchy using a barrier option pricing model. Inputs into the model included: (a) strike price of $0.35; (b) expected term of 2 years; (c) risk free rate of 1.89%; (d) volatility of 100%; (e) barrier price of $0.50; and (f) rebate of $0.15. The class B common shares were ascribed a value of $0.165.

On June 10, 2019, MVMD entered into share purchase agreements with CCJC Holdings Inc. "CCJC" and acquired an additional 1,333,334 common shares of CCJC, representing a second 10% of the issued and outstanding shares of CCJC, by the issuance of 5,000,000 Class B common shares at $0.165, on June 14, 2019 (Note 8). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On July 3, 2019, MVMD issued 773,000 Class B common shares at $0.165 pursuant to shares-for-services agreements for a value of $127,545. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On September 27, 2019, MVMD issued 87,500 Class B common shares at $0.165 per share to various individuals for accounts payable. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

…. Note 16. SHARE CAPITAL (Continued)

On September 27, 2019, MVMD issued 775,000 Class B common shares pursuant to shares-for-services agreements for a value of $127,875. Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On January 24, 2020 MVMD completed a private placement offering of units at $0.40 per unit each unit consisting of one Class “B” common share and one half of one share purchase warrant, each warrant exercisable at $0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions. MVMD issued 1,269,919 Class B common shares and 634,959 Class B common share purchase warrants for gross proceeds of $509,967. The fair value of the warrants issued in the unit offering was determined to be $0.04 based on Level 2 inputs under IFRS 13 fair value hierarchy using a barrier option pricing model. Inputs into the model included: (a) strike price of $0.60; (b) expected term of 2 years; (c) risk free rate of 1.65%; (d) volatility of 100%; (e) barrier price of $0.90; and (f) rebate of $0.30. The Class B common shares were ascribed a value of $0.365.

On January 24, 2020, MVMD issued 1,346,875 Class B units at $0.40 pursuant to shares-for-services agreements for a value of $538,750. Each unit consisting of one Class B common share and one half of one share purchase warrant, each warrant exercisable at $0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions. The fair value of the warrants issued in the unit offering was determined to be $0.04 based on Level 2 inputs under IFRS 13 fair value hierarchy using a barrier option pricing model. Inputs into the model included: (a) strike price of $0.60; (b) expected term of 2 years; (c) risk free rate of 1.65%; (d) volatility of 100%; (e) barrier price of $0.90; and (f) rebate of $0.30. The class B common shares were ascribed a value of $0.365.

On February 10, 2020, MVMD issued 2,400,000 shares at a fair value per share price of $0.365 to a Canadian corporation as a finder’s fee in connection with the asset purchase from Delaware Privco (Note 7). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On February 21, 2020, MVMD issued 7,257,031 shares at $0.36 to former Meadow Bay Gold Corporation shareholder in relation to the reverse takeover transaction (Note 6). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On February 21, 2020, MVMD issued 6,886,434 shares at $0.365 as finders fees on the reverse takeover (Note 6). Fair value of the Class B common shares provided as consideration was based on Level 2 inputs under IFRS 13 fair value hierarchy and is based on the fair value of the Class B common shares issued in the most recent private placement.

On February 21, 2020, MVMD cancelled its Class A and Class B common shares and issued 236,434,236 common shares of MVMDH in relation to the reverse takeover transaction (Note 6). The shares described above issued on February 21, 2020 were included in the total common share issuance.

Share issuance from April 1, 2020 to March 31, 2021

On May 1, 2020, the Company issued 912,500 common shares to settle accounts payable in the amount of $48,000 and $25,000 related to general consulting services.

On May 7, 2020, the Company issued 1,740,000 common shares at a fair value share price of $0.05 and made cash payments totaling $74,095 to the former CFO and CEO of Meadow Bay Gold Corporation regarding a termination fee.

On May 28, 2020, the Company issued 1,500,000 shares in regard to the exercise of stock options at $0.05. The Company received $75,000 in gross proceeds.

On July 17, 2020, the Company issued 875,000 common shares with the conversion of the outstanding convertible debenture.

…. Note 16. SHARE CAPITAL (Continued)

On July 28, 2020, the Company issued 300,000 shares in regard to the exercise of stock options at $0.05. The Company received $15,000 in gross proceeds

On August 4, 2020, the Company issued 200,000 shares in regard to the exercise of stock options at $0.05. The Company received $10,000 in gross proceeds

On August 4, 2020, the Company issued 100,000 shares in regard to the exercise of stock options at $0.07. The Company received $7,000 in gross proceeds

On August 10, 2020, the Company issued 250,000 shares at $0.165 in regard to finder's fees related to a supply and license agreement. The fair value was determined based on the Company's share price at the time of the transaction.

On December 14, 2020, the Company entered into a debt settlement agreement and issued 6,617,185 units to various individuals for accounts payable to settle indebtedness of $469,820. The fair value of the shares issued in the unit offering was determined to be $0.49 based on the closing trading price. The loss on debt settlement attributed to the common share was $2,772,600. Each unit consists of one common share and one half of one share purchase warrant, each warrant is exercisable at $0.13 for 2 years from the issuance date. The fair value of the warrants issued was determined to be $1,264,222. The Company recorded a loss on debt settlement in the amount of $4,036,822 related to this transaction.

On December 22, 2020, the Company completed a non-brokered private placement offering at $0.22 per unit for gross proceeds of $4,323,200 issuing 19,650,908 units. Each unit consisting of one common share and one half of one share purchase warrant, each warrant exercisable at $0.45 for 2 years from the issuance date. The fair value of the warrants issued was determined to be $Nil using the residual value approach.

In conjunction with the offering, the Company paid finders fees by issuance of 1,106,945 units at $0.22 per unit. Each unit consisting of one common share and one half of one share purchase warrant, each warrant exercisable at $0.45 for 2 years from the issuance date. The Company also paid cash of $10,800.

On February 25, 2021, the Company issued 1,000,000 shares in regard to the exercise of stock options at $0.05. The Company received $50,000 in gross proceeds.

On March 31, 2021, the Company issued 1,000,000 shares in regard to the exercise of stock options at $0.05. The Company received $50,000 in gross proceeds.

On March 31, 2021, the Company issued 16,950 shares for investor relations services in the amount of $15,000.

From December 31, 2020, to March 31, 2021, the Company issued 48,879,052 warrants at $0.35 and $0.60 for gross proceeds of $17,256,041.

b) Stock Options

In January 2019, pursuant to its stock option plan, the Company granted 8,288,500 stock options to officers, directors and consultants of the Company to purchase up to 8,288,500 Class A common shares of the Company at an exercise price of $0.05. The options vest and become exercisable as at the date upon which the Company becomes listed for trading on any nationally recognized stock exchange in Canada. The options expire five years following the vesting date.

On March 13, 2020, the Company granted 4,800,000 stock options to officers, directors and consultants of the Company to purchase 4,800,000 common shares of the Company at an exercise price of $0.07. The options vest in stages over a period of two years. The options expire five years following the vesting date.

(Expressed in Canadian Dollars)

…. Note 16. SHARE CAPITAL (Continued)

On May 4, 2020, the Company granted 250,000 stock options at $0.075 to an officer of the Company. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

On August 31, 2020, the Company granted 100,000 stock options at $0.22 to an advisor. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period. On the same date, the Company also signed a month to month advisory agreement for $835 per month with the same individual.

On December 1, 2020, the Company granted 235,000 stock options at $0.22 to consultants. The options are exercisable for a period of five (5) years from the date of grant. The options vest over a one (1) year period.

On February 16, 2021, the Company granted 2,625,000 stock options to officers, directors and consultants of the Company at an exercise price of $2.04. The options vest in stages over a period of one year and expire in five years.

The table below summarizes assumptions used by the Company in calculating the value of stock options based on the Black-Scholes Model:

	March 31, 2021	March 31, 2020
Average share price	**$1.36**	$0.07
Expected dividend yield	**$nil**	$nil
Volatility	**90%**	90%
Expected life (years)	**5**	5
Forfeiture rate	**10%**	0%
Risk-free rate	**0.25%**	1.93%

Volatility was estimated using the average comparable companies in the industry that have trading history and volatility history.

The continuity of the Company's stock options is as follows:

	Outstanding Options	Weighted Average Exercise Price
		$
March 31, 2019	8,288,500	0.05
Issued	5,249,219	0.19
Expired	(38,281)	6.08
March 31, 2020	13,499,438	0.11
Issued	4,210,000	1.36
Forfeited	(400,000)	0.07
Expired	(410,938)	2.02
Excercised	(4,100,000)	0.05
Balance at March 31, 2021	**12,798,500**	**0.49**

(Expressed in Canadian Dollars)

…. Note 16. SHARE CAPITAL (Continued)

The following table summarizes the stock options outstanding at March 31, 2021:

Expiry Date	Number	Weighted Average Exercise Price	Options exercisable
March 13, 2025	4,300,000	0.07	4,300,000
May 1, 2025	250,000	0.075	125,000
May 3, 2025	4,288,500	0.05	4,288,500
August 20, 2025	100,000	0.22	50,000
December 1, 2025	235,000	0.095	47,000
December 14, 2025	1,000,000	0.29	200,000
February 12, 2026	2,625,000	2.04	525,000
	12,798,500	0.49	4,425,000

c) Warrants

The continuity of the Company's share purchase warrants is as follows:

	Outstanding Warrants	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
			$
March 31, 2019	45,619,768	1.39	0.35
Issued	6,255,260	1.21	0.39
March 31, 2020	51,875,028	1.37	0.38
Issued	14,562,763	1.76	0.38
Exercised	(48,879,052)		0.35
Expired	(1,047,861)		0.55
March 31, 2021	16,510,878	1.56	0.44

(Expressed in Canadian Dollars)

…. Note 16. SHARE CAPITAL (Continued)

The following table summarizes the share purchase warrants outstanding at March 31, 2021:

Expiry Date	Number	Weighted Average Exercise Price
April 28, 2021	129,562	2.24
July 25, 2021	188,875	2.24
Dec 16, 2021	137,531	1.92
June 5, 2021	625,000	0.35
January 4, 2022	902,147	0.60
July 11, 2023	875,000	0.48
December 18, 2022	3,273,593	0.13
December 21, 2022	10,379,170	0.45
	16,510,878	0.44

17. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence for the year ended March 31, 2021 and 2020:

Year ended March 31,	**2021**	2020
	$	$
Short-term benefits	**440,000**	733,643
Stock based compensation	**434,692**	201,760
Business development	**-**	59,200
	874,692	994,603

2021 transactions:
$440,000 in consulting fees paid as follows: $90,000 paid to a Company controlled by the CFO, $10,000 paid to a Company controlled by the former CFO, $240,000 paid to a Company controlled by the CEO, and $100,000 paid to a Company controlled by the Vice President of Product Development.

2020 transactions:

- $733,643 in consulting fees paid as follows: $6,893 paid to a former director of MVM, $100,000 paid to a Company controlled by a common director, $120,000 to a Company controlled by the former CFO and director, and $506,750 to a Company controlled by the CEO by way of issuance of 1,686,750 shares.

- $59,200 in business development fees paid as follows: $10,000 to the former CFO and $49,200 to a former director.

- $Nil (2019: $44,750) paid to a Company controlled by the president of MVM.

Included in accounts payable and accrued liabilities as at March 31, 2020, was $174,095 owing to related parties, of which $161,095 is owing to the former CFO and CEO of Meadow Bay Gold Corporation. The payment terms are similar to the payment terms of non-related party trade payables.

The Company is owed $98,492 from the former CFO as at March 31, 2020, the amount was received subsequent to year end.

…. Note 17. RELATED PARTY TRANSACTIONS (Continued)

On June 10, 2019, MVMD entered into a consulting agreement for President and CEO services with a company controlled by the CEO for his consulting services. Pursuant to the agreement:

- the consultant received the following compensation:
  - in and for any part of the period from June 10, 2019 and concluding on August 30, 2019 (the “initial term”), MVMD will pay the consultant $40,000 for the period from June 10, 2019 to June 30, 2019 and $57,500 for each of July and August, payable by the issuance of an aggregate of 775,000 Class B Common shares of MVMD at a valued price of $0.20 per share on or about the termination date of the initial term; and
  - thereafter, in and for any part of each contract year in which the services are provided, such compensation as approved by the board of directors and as agreed between the consultant and MVMD; and
- the agreement will continue until either party gives the other 60 days written notice of termination.

Effective October 15, 2019, the Company agreed to an amendment to the consulting agreement with the President and CEO of the Company to extend the initial term of the agreement until February 28, 2020, or such earlier or later date as agreed by the parties, for the same monthly compensation, payable by the issuance of Class B Common shares of MVMD at a fair value price of $0.40 per share. Attached to each Class B Common share is a half warrant, each warrant exercisable at $0.60 per Class B common share for 2 years from the issuance date, subject to acceleration provisions

18. RIGHT OF USE ASSET AND LEASE LIABILITY

On March 4, 2020, MVMD signed a three (3) year lease agreement for office premises in Vaughan, Ontario. The rental term begins June 1, 2020, and payments consist of $3,611 per month in year one (1) increasing to $3,750 per month in year three (3).

The Company paid a deposit of $19,057 in relation to the lease agreement.

On the adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 – Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate as of June 1, 2020.

The associated right-of-use assets for the leases were measured at the amount equal to the lease liability.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company’s financial instruments include cash and cash equivalents, note receivable, accounts payable and accrued liabilities, and lease liability. The carrying amounts of these financial instruments are a reasonable estimate of their fair values based on their current nature and current market rates for similar financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are

:

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

As at March 31, 2021, the Company did not have any financial assets and liabilities which are measured at fair value, other than equity investments. There were no transfers between Level 1, 2 or 3 during the year ended March 31, 2021, other than the investment in Nevada King Mining, which transferred from Level 1 to Level 2 as a result of becoming publicly listed.

(Expressed in Canadian Dollars)

…. Note 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

a) Credit risk

Credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. Credit risk arises from cash and note receivable. The amount of credit risk related to cash and cash equivalents is considered insignificant as the Company's funds are held with a large Canadian bank. The Company obtains financial information from the creditor to determine the carrying amount of the note receivable.

The credit risk for both the cash and cash equivalent and note receivable is monitored quarterly, and any change is reflected as an adjustment through expected credit loss.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

As at March 31, 2021, the Company's financial liabilities have contractual maturities as summarized below:

	Due within		
	0-12 months	**1-2 years**	**2-3 years**
	$	**$**	**$**
Accounts payable and accrued liabilities	776,161	-	-
Lease liability	40,133	44,364	-
Total	816,294	44,364	-

c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact on comprehensive earnings which a change in the equity investments would have on the Company during the year ended March 31, 2021. As a result, a 10% change in the equity investments will translate to a $505,397 (March 31, 2020, $287,022) gain or loss from equity investments.

20. SEGMENT INFORMATION

Management has determined that the Company has one reportable operating segment, being research and development of its delivery, solubility, and adjuvant technologies. This segment accounts for all of the Company's operating expenses. Determination of the operating segment was based on the level of financial reporting to the Company's chief decision makers.

All of the Company's fixed assets are located in Canada. The Company has investments in associates (Note 8) and licenses (Note 5) that are located in Colombia.

(Expressed in Canadian Dollars)

21. CAPITAL MANAGEMENT

The Company manages its cash, common shares, warrants and share purchase options as capital. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash held.

22. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 27% (2020: 27%) to the effective tax rate is as follows:

As at March 31, 2021, the Company has unused non-capital loss carry forwards of approximately $6,463,681 (2020: $3,118,847) that expire between 2037 and 2041, available for deduction against future years taxable income. As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized.

	March 31, 2021	March 31, 2020
		(Restated - Note 23)
Deferred tax assets	**$**	$
Net loss before recovery of income taxes	**8,142,745**	18,724,764
Expected income tax (recovery) expense	**(2,198,541)**	(5,055,687)
Non-deductible expenditures for tax	**1,255,511**	2,238,873
Non-deductible portion of capital items and rate differences	**(148,247)**	1,118,484
Share issuance costs	**68,697**	(2,376)
Change in tax benefits not recognized	**1,022,580**	1,700,706
Income tax expense	**-**	-

The significant components of the Company's net deferred tax assets and liabilities are as follows:

	2021	2020
	$	$
Land and building	**44,269**	23,040
Intellectual property	**389,970**	46,021
Equity investments	**298,290**	83,334
Investment in associates	**8,300,379**	7,977,573
Non capital losses carried forward	**6,463,681**	3,118,847
Financing costs and other	**778,761**	125,842
	16,275,350	11,374,657

(Expressed in Canadian Dollars)

23. RESTATEMENT OF COMPARATIVE FIGURES

Subsequent to March 31, 2021, management determined that the Class B shares (note 9(c)) should be presented as equity and not a liability as originally stated. To reflect this change, the Company has reclassified its share redemption liability to Class B shares and restated the loss (gain) from equity investments and deficit.

The following tables summarize the effects of the adjustment described above.

As at March 31, 2020 the following adjustments were recorded to the consolidated statement of financial position:

	As at March 31, 2020 *(Previously reported)*	Adjustment	As at March 31, 2020 *(As restated)*
	$	$	$
Share redemption liability	2,518,600	(2,518,600)	-
Total liabilities	3,683,700	(2,518,600)	1,165,100
Class B shares	-	2,398,750	2,398,750
Deficit	(19,741,646)	119,850	(19,621,796)
Total equity	8,550,184	2,518,600	11,068,784

For the year ended March 31, 2020 the following adjustments were recorded to the consolidated statement of operations:

	As at March 31, 2020 *(Previously reported)*	Adjustment	As at March 31, 2020 *(As restated)*
	$	$	$
Loss (gain) from equity investments	83,334	(119,850)	(36,516)
Net loss and comprehensive loss for the year	18,844,614	(119,850)	18,724,764

For the year ended March 31, 2020 the following adjustments were recorded to the consolidated statement of cash flows:

	As at March 31, 2020 *(Previously reported)*	Adjustment	As at March 31, 2020 *(As restated)*
	$	$	$
Net loss and comprehensive loss for the year	18,844,614	(119,850)	18,724,764
Loss (gain) from equity investments	83,334	(119,850)	(36,516)

24. SUBSEQUENT EVENTS

Subsequent to March 31, 2021:

a) The Company issued 500,000 shares in regard to the exercise of stock options at $0.07. The Company received $35,000 in gross proceeds.

b) The Company issued 885,0000 shares in regard to the exercise of warrants. The Company received $349,750 in gross proceeds.

c) The Company granted 3,690,000 stock options at $0.27 to certain directors, officers, and consultants in accordance with the Company's stock option plan. The stock options are exercisable for a period of 5 years and must meet certain vesting criteria.