Condensed Interim Consolidated Financial Statements of

BENCHMARK BOTANICS INC.

For the three and six months ended June 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

BENCHMARK BOTANICS INC.

(the "Company")

Condensed Interim Consolidated Financial Statements

Three and Six Months ended June 30, 2021 and 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of Benchmark Botanics Inc. have been prepared by, and are the responsibility of, the Company's management.

Benchmark Botanics Inc.'s independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 27, 2021

Benchmark Botanics Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
		$	$
ASSETS			
Current Assets			
Cash		**112,106**	250,371
Restricted cash		**34,500**	34,500
Amounts receivable	4	**187,434**	257,599
Biological assets	5	**165,195**	69,790
Inventory	6	**332,845**	472,898
Prepaid expenses and deposits	7	**59,175**	99,974
		891,255	1,185,132
Deposits	9	**-**	324,364
Right of use assets	12	**-**	1,250,430
Property, plant and equipment	9	**9,549,349**	11,467,527
Goodwill	11	**-**	1,653,777
Intangible Assets	11	**2,835,193**	2,910,000
		13,275,797	18,791,230
LIABILITIES AND EQUITY			
Current Liabilities			
Bank Loan	14	**40,000**	40,000
Accounts payable and accrued liabilities	13	**2,373,259**	2,646,823
Debentures	14	**2,384,203**	917,659
Loans	14	**3,141,594**	3,141,594
Lease liabilities due within one year	12	**-**	224,822
		7,939,056	6,970,898
Lease liabilities	12	**-**	1,093,128
		7,939,056	8,064,026
Equity			
Share capital	16	**35,235,012**	35,235,012
Warrants reserve	16	**948,667**	948,667
Stock options reserve	16	**2,148,341**	2,209,748
Deficit		**(31,566,632)**	(28,153,776)
		6,765,388	10,239,651
Non-controlling interest	17	**(1,428,647)**	487,553
		5,336,741	10,727,204
		13,275,797	18,791,230

GOING CONCERN (Note 1)

Approved on behalf of the Board:

"George Dorin" Director

"Mike Cosic" Director

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

Benchmark Botanics Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and six months ended June 30, 2021 and 2020
(Unaudited)
(Expressed in Canadian Dollars)

	Note	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
		$	$	$	$
Revenue		301,392	87,420	837,979	278,515
Excise taxes		68,136	15,597	198,155	48,432
Net revenue		233,256	71,823	639,824	230,083
Inventory production costs expensed to cost of sales		184,236	38,799	463,026	107,770
Gross profit before fair value adjustments		49,020	33,024	176,798	122,313
Fair value changes in biological assets included in inventory sold and other inventory charges		21,238	36,327	102,770	115,293
Unrealized gain on changes in fair value of biological assets	5	(93,827)	(127,238)	(114,932)	(164,654)
Gross profit		121,609	123,935	188,960	171,674
Expenses					
Amortization of tangible assets		83,669	82,388	149,040	151,681
Depreciation on intangible and right of use assets		103,240	9,027	204,423	18,054
Sales and marketing expenses		11,537	112,362	47,218	156,423
General and administrative expenses		838,387	667,415	1,700,601	1,513,398
Share-based compensation	16	1,775	76,169	(61,407)	50,907
		1,038,608	947,361	2,039,875	1,890,463
Loss before other income (expense)		(916,999)	(823,426)	(1,850,915)	(1,718,789)
Other income (expense)					
Interest income	8	-	73,000	-	146,000
Impairment on tangible asset	9	(1,500,000)	-	(1,500,000)	-
Impairment on intangible asset	11	(1,653,777)	-	(1,653,777)	-
Loss on equity investments		-	(67,504)	-	(117,489)
Write off of deposits	9	(324,364)	-	(324,364)	-
		(3,478,141)	5,496	(3,478,141)	28,511
Net loss and comprehensive loss		(4,395,140)	(817,930)	(5,329,056)	(1,690,278)
Net loss and comprehensive loss attributable to:					
Equityholders of the Company		(2,673,007)	(817,930)	(3,412,856)	(1,690,278)
Non-controlling interests		(1,722,133)	-	(1,916,200)	-
		(4,395,140)	-	(5,329,056)	-
Loss per common share – basic and diluted					
Basic		($0.022)	($0.005)	($0.026)	($0.010)
Weighted average number of common shares					
Basic		203,612,218	176,612,260	203,612,218	174,773,615

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

Benchmark Botanics Inc.
Condensed Interim Consolidated Statements of Changes in Equity
For the six months ended June 30, 2021 and 2020
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Warrants Reserve	Stock Options Reserve	Deficit	Total	Non-Controlling Interest	Total
		$	$	$	$	$	$	$
Balance, December 31, 2019	**171,545,594**	**29,582,289**	**506,667**	**2,403,215**	**(18,049,026)**	**14,443,145**	**-**	**14,443,145**
Shares issued for cash, net	3,400,000	1,700,000	-	-	-	1,700,000	-	1,700,000
Stock option exercised	1,666,666	614,723	-	(281,390)	-	333,333	-	333,333
Share-based compensation	-	-		50,907	-	50,907	-	50,907
Comprehensive loss for the period	-	-		-	(1,690,278)	(1,690,278)	-	(1,690,278)
Balance, June 30, 2020	176,612,260	31,455,012	948,667	2,172,732	(19,739,304)	14,837,107	-	14,837,107
Balance, December 31, 2020	**203,612,218**	**35,235,012**	**948,667**	**2,209,748**	**(28,153,776)**	**10,239,651**	**487,553**	**10,727,204**
Share-based compensation (recovery)	-	-	-	(61,407)	-	(61,407)	-	(61,407)
Comprehensive loss for the period	-	-	-	-	(3,412,856)	(3,412,856)	(1,916,200)	(5,329,056)
Balance, June 30, 2021	**203,612,218**	**35,235,012**	**948,667**	**2,148,341**	**(31,566,632)**	**6,765,388**	**(1,428,647)**	**5,336,741**

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

Benchmark Botanics Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2021 and 2020
(Unaudited)
(Expressed in Canadian Dollars)

	Note	June 30, 2021	June 30, 2020
		$	$
OPERATING ACTIVITIES			
Net loss for the period		(5,329,056)	(1,690,278)
Items not involving cash:			
Fair value changes in biological assets included in inventory sold	6	102,770	115,293
Unrealized gain on changes in fair value of biological assets	5	(114,932)	(164,654)
Depreciation and amortization		362,303	182,580
Impairment on tangible asset	9	1,500,000	-
Impairment on intangible asset	11	1,653,777	-
Interest accretion on lease liabilities	12	55,867	8,559
Interest accrual on debentures	14	76,544	-
Interest income	8	-	(146,000)
Share-based compensation		(61,407)	50,907
Write off of deposits	9	324,364	-
Loss on equity investments		-	117,489
		(1,429,770)	(1,526,104)
Changes in non-cash working capital balances:			
Amounts receivable		70,165	34,276
Biological assets		(95,405)	2,048
Inventory		152,215	(264,309)
Prepaid expenses		40,799	(73,116)
Due from associate		-	(72,814)
Accounts payable and accrued liabilities		(281,094)	(5,638)
Cash used in operating activities		(1,543,090)	(1,905,657)
INVESTING ACTIVITIES			
Acquisition of property and equipment	9	(1,393)	(379,458)
Adjustment on property and equipment	9	261,691	-
Cash used in investing activities		260,298	(379,458)
FINANCING ACTIVITIES			
Proceeds from share subscriptions	16	-	2,033,333
Debentures received	14	1,390,000	-
Payment on lease liabilities		(245,473)	(27,018)
Cash provided by financing activities		1,144,527	2,006,315
Change in cash during the period		(138,265)	(278,800)
Cash, beginning of period		284,871	875,347
Cash, end of period		146,606	596,547
Supplemental cash flow information:			
Cash paid for interest		-	-
Cash paid for income taxes		-	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Benchmark Botanics Inc. (the "Company") was incorporated on November 23, 2009 under the Business Corporation Act of Alberta. On November 2, 2017, the Company acquired Potanicals Green Growers Inc. ("Potanicals") through a reverse acquisition transaction. The Company's common shares are trading as a Tier 2 Industrial Issuer on the Canadian Securities Exchange ("CSE") under the symbol "BBT". Potanicals was incorporated on February 7, 2014 under the British Columbia Business Corporation Act. The address of the Company's principal place of business is 4715 Paradise Valley Drive, Peachland, BC. The Company's head office and mailing address is 13460 Rippington Road, Pitt Meadows. The Company's registered and Records office is 700 - 595 Burrard Street | Vancouver, BC V7X 1S8.

The Company's principal business is the production of cannabis licensed under the *Cannabis Act (Canada)* and its relevant regulations (the "Cannabis Act"), which came into force on October 17, 2018. On October 13, 2017, the Company obtained a license to produce medical cannabis under the Access to Cannabis for Medical Purposes Regulations (the "ACMPR"). On May 29, 2018, the Company amended its licence to produce cannabis oil. On September 28, 2018, the Company obtained a licence to sell cannabis under the ACMPR. On July 26, 2019, the Company received a sales license from Health Canada. The Company has received its second cultivation license, effective November 29, 2019, from Health Canada for the Company's investment in a greenhouse operation located in Pitt Meadows, BC.

These condensed interim consolidated financial statements (the "interim consolidated financial statements") have been prepared on the basis of accounting principals applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at June 30, 2021, the Company has an accumulated deficit of $31,566,632 and has generated negative cash flows from operations. For the six months ended June 30, 2021, the Company incurred a net loss of $5,329,056 (2020 – $1,690,278). All of these matters and conditions indicate the existence of a material uncertainty that may raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and successfully generating positive cash flows from profitable operations.

These interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these interim consolidated financial statements. Management's plans to meet the Company's current and future obligations are to generate revenue from sales, raise equity capital through prospectus and private placements, rely on the financial support of its shareholders and parties related to the current shareholders, as well as explore financing that may be available to the Company.

2. BASIS OF PRESENTATION

a) These interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2020 and 2019.

   The interim consolidated financial statements were authorized for issue by the Board of Directors on August 27, 2021.

b) Basis of measurement
   The interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments carried at fair value where changes are recorded through profit or loss.

c) Basis of consolidation
   The interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary Potanicals Green Growers Inc. and controlled subsidiaries of 1139000 B.C. Ltd., 1161750 B.C. Ltd., and Canada Bond Biotechnology Co., Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgments

The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

- Estimating the stage of growth of the biological assets, the cannabis plants, up to the point of harvest, the expected future yields from the cannabis plants, their values during the growth cycle, costs to convert the harvested cannabis to finished goods, their sales price and net realizable value;
- Estimating the fair values of identifiable assets acquired and liabilities assumed in business combinations and the fair values of previously held equity interests and non-controlling interests in the acquiree;
- Determining the useful lives of property and equipment; and
- Estimating the value of variables used to calculate the fair value of share-based payment transactions.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements include the following:

- The evaluation of the Company's ability to continue as going concern (see Note 1);
- The determination of impairment in the carrying costs of inventory;
- The recognition and valuation of impairment of property and equipment, intangible assets and goodwill;
- In determining the appropriate basis of accounting for the Company's interests in investees, judgment is applied regarding the degree to which the Company has the ability to exert influence directly or indirectly over the investees' financial and operating activities; and
- Income tax and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities.

(b) Reclassifications

Certain reclassifications have been made to conform the prior year's consolidated financial statements and notes to the current year's presentation.

4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Accounts receivable	139,950	116,199
GST receivable	47,484	141,400
Balance, end of period	187,434	257,599

(Expressed in Canadian Dollars)

5. BIOLOGICAL ASSETS

As at June 30, 2021, the Company's biological assets consisted of cannabis plants. The changes in the carrying value of the biological assets are as follow:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Balance, beginning of period	69,790	102,258
Unrealized gain on changes in fair value of biological assets	114,932	281,344
Production costs capitalized	126,183	283,078
Harvested cannabis transferred to inventory	(145,710)	(596,890)
Balance, end of period	165,195	69,790

As of June 30, 2021, the weighted average fair value less cost to complete and cost to sell was $5.00 per gram (2020 - $5.00 per gram).

Biological assets are valued in accordance with IAS 41 and are presented at their fair values less costs to sell up to the point of harvest. The Company's biological assets are primarily cannabis plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth.

During the six months ended June 30, 2021, the Company's biological assets produced 29,142 (2020 – 66,613) grams of dried cannabis.

The significant unobservable inputs and their range of values are noted in the table below:

Unobservable Inputs	Range	Sensitivity
Estimated Yield per Plant – varies by strain and is obtained through historical growing results (trailing 6-months moving average) or grower estimate if historical results are not available.	25 grams/plant to 165 grams/plant	A slight increase in the estimated yield per plant would result in a significant increase in fair value, and vice versa.
Listed Selling Price of Dry Cannabis – varies by strain and is obtained through listed selling prices or estimated selling prices if historical results are not available.	$5 to $8/gram	A slight increase in the estimated selling price per strain would result in a significant increase in fair value, and vice versa.

The Company estimates the average grow cycle of plants up to the point of harvest is approximately twelve weeks.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

(Expressed in Canadian Dollars)

6. INVENTORY

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Dry cannabis	194,229	319,436
Raw materials	138,616	153,462
Total	332,845	472,898

For the six months ended June 30, 2021, the Company sold 178,257 (2020 – 42,739) grams of dried cannabis. Inventory expensed during the six months ended June 30, 2021, was $463,026 (2020 - $107,770).

The fair value changes of biological assets included in inventory sold for the six months ended June 30, 2021 was $102,770 (2020 - $115,293).

7. PREPAID EXPENSES AND DEPOSITS

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Prepaid expenses	-	25,737
Deposits	59,175	74,238
	59,175	99,975

8. LOANS RECEIVABLE

On January 28, 2019, the Company entered into a revolving loan agreement (the "Loan Agreement") with 1139000 BC Ltd. ("1139"), an associated company as described in Note 10. Pursuant to the Loan Agreement, the Company agreed to make loans to 1139 from time to time. The loans were unsecured, bear interest at 8% per annum and will be due on demand. As of June 30, 2021, the loans receivable totaled $4,241,624 (December 31, 2020 – $4,095,224), which included a principal amount of $3,660,000 (December 31, 2020 - $3,660,000) and accrued interest income of $581,624 (December 31, 2020 - $435,224). For the six months ended June 30, 2021, the interest income of $146,400 was accrued (2020 - $146,000).

As the Company gained ownership of 1139 on August 31, 2020, the loan receivable balance and interest income between the Company and 1139 has been eliminated as of June 30, 2021 on consolidation.

(Expressed in Canadian Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant	Building under Development	Greenhouse	Leasehold Improvement	Production and Other Equipment	Computer Equipment and Software	Furniture and Fixtures	Motor Vehicles	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
Balance, December 31, 2019	1,971,844	1,963,079	1,918,479	-	33,900	1,083,674	151,879	195,778	107,138	7,425,771
Acquisition of 1139	6,560,751	-	-	4,948,617	-	135,210	56,962	6,599	-	11,708,139
Impairment	(1,141,564)	(803,160)	(915,604)	(3,920,663)	-	-	-	-	-	(6,780,991)
Additions	-	-	216,111	105,652	-	25,844	5,563	11,876	-	365,046
Balance, December 31, 2020	7,391,031	1,159,919	1,218,986	1,133,606	33,900	1,244,728	214,404	214,253	107,138	12,717,965
Additions	-	-	-	-	-	308	-	1,085	-	1,393
Impairment	(1,500,000)	-	-	-	-	-	-	-	-	(1,500,000)
Adjustment	-	-	-	(261,691)	-	-	-	-	-	(261,691)
Balance, June 30, 2021	5,891,031	1,159,919	1,218,986	871,915	33,900	1,245,036	214,404	215,338	107,138	10,957,667
Accumulated Depreciation										
Balance, December 31, 2019	-	154,845	-	-	24,012	238,199	114,854	51,548	19,338	602,796
Acquisition of 1139	-	-	-	199,194	-	5,917	2,314	715	-	208,140
Charge for the year	-	78,523	-	78,779	9,888	135,422	53,144	49,102	34,644	439,502
Balance, December 31, 2020	-	233,368	-	277,973	33,900	379,538	170,312	101,365	53,982	1,250,438
Charge for the period	-	23,198	-	24,122	-	82,638	(4,132)	21,339	10,714	157,880
Balance, June 30, 2021	-	256,566	-	302,095	33,900	462,176	166,180	122,704	64,696	1,408,318
Net book value										
31-Dec-20	7,391,031	926,551	1,218,986	855,633	-	865,190	44,092	112,888	53,156	11,467,527
30-Jun-21	5,891,031	903,353	1,218,986	569,820	-	782,860	48,224	92,634	42,442	9,549,349

(Expressed in Canadian Dollars)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company wrote off deposits of $324,364 made to purchase equipment for the Company's extraction facility which is currently halted for construction. Due to Covid-19, the suppliers were not able to ship the equipment to the Company based on the purchase contract. The equipment also may not suit the Company's use as Benchmark's extraction facility is incomplete and the Company is not doing any extraction activities currently. The Company also will not be able to cover the remaining purchase amount. The Company is trying to negotiate with the suppliers to reduce the losses for both parties.

An adjustment made to property and equipment totalling $261,691. The Company negotiated with a major contractor to reduce an overdue accounts payable item by this amount for its 1139 property. Accordingly, the associated property's book value was reduced by the forgiven account payable.

As of December 31, 2020, the Company has concluded that there were some factors which were indicators of impairment. As a result, the Company has estimated the recoverable amount of its Peachland operations to be $4 million using the fair value less cost of disposal, which was estimated using level 3 inputs based on information received from third parties.

At December 31, 2020, the Company concluded that indicators of impairment on the property acquired through the acquisition of 1139 were present and occurred after August 31, 2020. The Company estimated the recoverable amount of its 1139 property to be $7.5 million at year-end using the fair value less cost of disposal, which was estimated using level 3 inputs, based on appraisals obtained by the Company and evaluation of current market conditions.

At June 30, 2021, the Company concluded that indications of further impairment on the Pitt Meadows' property were present and occurred during the six months ended June 30, 2021. The Company estimated the recoverable amount of its 1139 property to be an estimated $5.5 million at period-end based on a valuation report obtained by the Company and evaluation of current market conditions. An impairment of $1.5M was recorded accordingly.

10. ACQUISITION

The Company, through its wholly owned subsidiary, Potanicals Green Growers Inc., earned its initial 25% ownership interest in 1139000 B.C. Ltd. ("1139") by obtaining Health Canada's approval to extend its licence for cultivation and production of medical cannabis under the Cannabis Act to the Facility. The Company had the option to acquire from 1139's shareholders an additional 26% ownership interest in 1139 when the Facility reaches a Commercial Stage as defined by the Agreement. The Company would pay for the additional 26% ownership interest at its fair value to be determined at the time when the option is exercised by issuance of the Company's common shares. On November 29, 2019, the Company received a cultivation license for the Facility and received its 25% interest in 1139 on December 6, 2019.

As at December 6, 2019, the fair value of 1139's identifiable net assets were $7,236,000. The Company recognized a gain of $1,677,430 on its acquisition of the 25% ownership interest of 1139, as follows:

	$
Cash	247,955
Prepaid expenses and other current assets	311,161
Property, plant and equipment	12,666,709
Accounts payable	(252,803)
Mortgages payable	(1,984,600)
Loan payable	(3,752,422)
Net assets	7,236,000
The Company's 25% share of the net assets' fair value	1,809,000
Less: Costs incurred by the Company to extend the licence	(131,570)
Gain on acquisition of associate	1,677,430

On August 11, 2020, the Company entered into a share exchange agreement with shareholders of 1139 for the acquisition of an additional 5,199,000 common shares of 1139 from 1139's shareholders. Prior to the share exchange agreement, the Company owned 5,000,000 common shares of 1139. After the completion of the transactions contemplated under the share exchange agreement, the Company will own 10,199,000 Common shares, which will represent 51% of issued and outstanding share capital of 1139. Pursuant to the share exchange

(Expressed in Canadian Dollars)

10. ACQUISITION (continued)

agreement, the Company issued to the shareholders of 1139 an aggregate of 26,999,958 common shares in exchange for their 5,199,000 common shares of 1139. On August 31, 2020, the Company completed the share exchange transaction contemplated under the share exchange agreement.

The following table outlines the investment in 1139 that is accounted for using the equity method for the period ended August 31, 2020:

	$
Balance, December 31, 2018	-
Initial recognition of the 25% ownership of 1139	1,809,000
Share of 1139 loss for the year	(24,822)
Balance, December 31, 2019	1,784,178
Share of 1139 loss for the period	(1,363,694)
Balance, August 31, 2020	420,484

The Company's acquisition of the additional 26% ownership interest of 1139 was determined to be a business combination, and consequently has been accounted for by applying the acquisition method. Applying the acquisition method requires recognizing and measuring (i) the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and (ii) goodwill or a gain from a bargain purchase. The measurement of a business combination requires management estimation in determining the fair value of assets and liabilities acquired. In a business combination, identifiable assets, liabilities and contingent liabilities are recorded at the date of acquisition at their respective fair values. The excess of the fair value of 1139 over the fair value of the identifiable assets acquired and liabilities assumed was recognized as goodwill.

Under IFRS 3, to record the acquisition of control of 1139 on August 31, 2020, the Company remeasured its previously held 25% interest in 1139 to fair value with the remeasurement gain recorded in income.

The following table summarizes the fair value of net assets acquired and the fair value of the non-controlling interest on acquisition of 1139 on August 31, 2020:

	$
Cash	54,486
Prepaid expenses	6,715
GST receivables	123,896
Inventory	306,000
Property, plant & equipment	11,500,000
Goodwill	4,327,777
Licenses	4,745,000
Due to related parties	(4,473,910)
Bank loan	(40,000)
Accounts payable and accrued liabilities	(1,790,370)
Mortgage payable	(3,141,594)
Deferred tax liability	(714,000)
Net Assets	10,904,000
Non-controlling interest	(4,717,000)
Net Assets Acquired	6,187,000
Consideration paid in shares	3,780,000
Fair value of initial 25% interest	2,407,000
Orginal carrying cost	420,484
Gain on acquisition of initial 25% interest	1,986,516

(Expressed in Canadian Dollars)

11. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

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

Health Canada licenses - Useful life of the facility

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

Goodwill

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

Impairment of intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually at year-end, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment. Goodwill and indefinite life intangible assets are tested annually as of December 31 for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is tested for impairment based on the level at which it is monitored by management, and not at a level higher than an operating segment. The allocation of goodwill to the CGUs or group of CGUs requires the use of judgment. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on either fair value less costs of disposal or value-in-use method. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. Impairment losses on goodwill are not subsequently reversed.

At December 31, 2020, the Company identified impairment indicators and concluded that the carrying values of the Health Canada license and goodwill at 1139 were impaired. The recoverable amounts of the license and the cash generating unit were estimated using the fair value less costs of disposal, using discounted cash flow projections involving level 3 inputs.

The Company's intangible assets are comprised of the following:

Cost	$
Balance, December 31, 2019	-
Health Canada Licenses acquired on acquisition of 1139 (note 10)	4,745,000
Impairment	(1,752,717)
Balance, December 31, 2020	2,992,283
Addition	-
Balance, June 30, 2021	2,992,283

(Expressed in Canadian Dollars)

11. INTANGIBLE ASSETS AND GOODWILL (continued)

Accumulated depreciation	
Balance, December 31, 2019	-
Depreciation	82,283
Balance, December 31, 2020	82,283
Depreciation	74,807
Balance, June 30, 2021	157,090
Carrying amount as at December 31, 2020	2,910,000
Carrying amount as at June 30, 2021	2,835,193

The net change on Goodwill is as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Balance – beginning of the period	1,653,777	-
Goodwill from acquisition of 1139 (note 10)	-	4,327,777
Impairment	(1,653,777)	(2,674,000)
Balance – ending of the period	-	1,653,777

12. RIGHT OF USE ASSETS

The following is the continuity of the cost and accumulated depreciation of right-of-use assets (office premises leases) as at and for the six months ended June 30, 2021:

Cost	$
Balance, January 1, 2020	160,843
Addition	1,312,742
Balance, December 31, 2020	1,473,585
Adjustment	(1,120,814)
Balance, June 30, 2021	352,771
Accumulated depreciation	
Balance, January 1, 2020	58,140
Depreciation	165,015
Balance, December 31, 2020	223,155
Depreciation	129,616
Balance, June 30, 2021	352,771
Carrying amount as at December 31, 2020	1,250,430
Carrying amount as at June 30, 2021	-

Lease liabilities

The following is the continuity of lease liabilities as at and for the six months ended June 30, 2021:

	$
Balance, January 1, 2020	126,509
Addition	1,312,742
Lease payments	(231,000)
Interest expense on lease liabilities	109,699
Balance, December 31, 2020	1,317,950
Adjustment	(1,152,702)
Lease payments	(221,115)
Interest expense on lease liabilities	55,867
Balance, June 30, 2021	-

(Expressed in Canadian Dollars)

12. RIGHT OF USE ASSETS (continued)

On adoption of IFRS 16, the Company recognized lease liabilities on office premises which had previously been classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates applied to the lease liabilities. The weighted average incremental borrowing rate applied to the lease liabilities was 15% per annum. The weighted average lease term remaining as at June 30, 2021 is nil.

On July 1, 2017, the Company entered into a lease agreement with a related party for office premises located in Richmond, BC. On December 31, 2018, the agreement was amended, and the Company agreed to pay annual rent of $42,000 until the lease expires on June 30, 2021.

On February 20, 2020, the Company entered into a lease agreement for office premises located in Richmond, BC. The Company agreed to pay annual rent of $190,627 from July 1, 2020 to June 30, 2021, $200,660 from July 1, 2021 to June 30, 2023, $210,693 from July 1, 2023 until the lease expires on June 30, 2025. On June 15, 2021, the Company entered into a Surrender of Lease Agreement with the landlord to terminate the lease. During the six months ended June 30, 2021, an adjustment to right of use assets and lease liabilities is made due to Company entering into the Surrender of Lease Agreement.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Trade payables	2,032,651	2,197,442
Accrued liabilities	340,608	188,257
Due to associates	-	261,124
Total	2,373,259	2,646,823

14. LOANS

As of June 30, 2021 and December 31, 2020, the Company had the following loans and borrowings:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Bank loan **(a)**	40,000	40,000
Short-term loans **(b)**	3,141,594	3,141,594
Debentures **(c)**	2,384,203	917,659
Total loans and borrowings	5,565,797	4,099,253
Current portion of long-term loans	5,565,797	4,099,253
Total non-current portion of liabilities and loans	-	-

a) Canada Emergency Business Account ("CEBA") loan

The Company, through its subsidiary 1139, applied for the CEBA loan from the Government of Canada. The loan is interest free until December 31, 2022. If the Company has repaid at least $30,000 of the loan amount on or prior to December 31, 2022, the remaining balance of the loan amount can be forgiven. The loan can be extended to December 31, 2025. Interest of 5% per annum will be charged during the extended term starting from January 1, 2023.

b) Short term loans

On January 24, 2020, the Company's subsidiary 1139, entered into a mortgage loan agreement (the "Loan") to borrow up to two loans in the amount of $1,600,000 and US$1,250,000. The Loan is interest bearing at 9.75% per annum, calculated monthly. The Company shall repay US$1,250,000 on or before January 31, 2021. This loan has been extended during the six months ended June 30, 2021. The due date for this loan is January 31, 2022 after renewal with the same interest rate of 9.75% per annum. Interest and loan of

(Expressed in Canadian Dollars)

14. LOANS (continued)

b) Short term loans (continued)

$1,600,000 shall be repaid in full on the due date of July 31, 2021 (the "Due Date"). During the six months ended June 30, 2021, the Company has extended this $1,600,000 loan to July 31, 2022.

The Loan is secured by:

1. A mortgage and assignment of rents over the Property located at 13460 Rippington Road, Pitt Meadows BC and legally described as Parcel Identifier: 004-622-294 South Half Lot 23 Section 13 Block 6 North Range 1 East New Westminster District Plan 19021 (the "Property");
2. A General Security Agreement;
3. An Assignment of Insurance;
4. A General Assignment of Material Contracts and Project Documents; and
5. An Environmental Agreement and Indemnity.

If the Loan and any accrued and unpaid interest are not repaid on the Due Date, the Loan and the unpaid interest will bear interest at 18% per annum calculated daily.

c) Debentures

In 2020, the Company entered into eight short-term debentures to borrow a total of $905,000 at an interest rate of 10% per annum. The debentures are unsecured and due on July 31, 2021 and December 31, 2021. Certain debentures contain the option to convert the outstanding balance into common shares of the Company at a 20% discount off the closing market price of the Company's shares at the maturity date, subject to approval by the Company's Board and the CSE.

During the six months ended June 30, 2021, the Company entered into additional short-term debentures to borrow a total of $1,390,000 at an interest rate of 10% per annum. The debentures are unsecured and due on December 31, 2021.

For the six months ended June 30, 2021, interest expense in the amount of $76,544 (2020 - $nil) was recorded.

The debenture balance as at June 30, 2021 includes principal balance in the amount of $2,295,000 (December 31, 2020 - $905,000) and accrued interest of $89,203 (December 31, 2020 - $12,659)

15. RELATED PARTY BALANCES AND TRANSACTIONS

The Company has identified its directors and senior officers as its key personnel. No post-employment benefits, other long-term benefits or termination benefits were made during the six months ended June 30, 2021 and 2020. Short-term key management and director compensation consists of the following:

	Six Months Ended June 30, 2021	Six Months Ended June 30,2020
	$	$
Share-based payments	17,193	40,898
Salaries	78,000	198,873
Management fees	92,203	152,000
Director fees	42,250	46,750
Consulting fees	18,000	30,000
	247,646	468,521

Related party balances and transactions

a) During the six months ended June 30, 2021, the Company incurred $21,000 (2020 - $21,000) in rental expenses to a former director of the Company.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL

Common Shares Issued and Outstanding

At June 30, 2021, there were 203,612,218 issued and fully paid common shares (December 31, 2020 - 203,612,218).

For the six months ended June 30, 2021

There were no shares issued during the six months ended June 30, 2021.

For the six months ended June 30, 2020

At June 30, 2020, there were 176,612,260 issued and fully paid common shares (December 31, 2019 - 171,545,594)

On March 6, 2020, the Company closed its non-brokered private placement financing (the "Private Placement") of 3,400,000 units (each, a "Unit") at a price of $0.50 per Unit for total gross proceeds of $1,700,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant ("Warrant"). Each Warrant can be exercisable into one share at a price of $1.20 for a period of 24 months from

the closing date of the Private Placement. The fair value of the warrants was $442,000 based on the residual value method.

During the six months ended June 30, 2020, there were 1,666,666 shares issued on exercise of stock options for total proceeds of $333,333.

Escrow Shares

As at June 30, 2021 and December 31, 2020, the Company has nil of its common shares held in escrow.

Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Security Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant.

The status of the stock options is summarized as follows:

	Number of Options	Exercise Price
Outstanding, December 31, 2019	8,506,666	
Exercised on February 29, 2020	(1,100,000)	$0.20
Exercised on March 27, 2020	(566,666)	$0.20
Stock options forfeited	(1,580,000)	$0.54
Granted on May 7, 2020	200,000	$0.35
Granted on June 1, 2020	500,000	$0.28
Outstanding, December 31, 2020	5,960,000	
Stock options forfeited	(4,750,000)	$0.32
Granted on March 5, 2021	500,000	$0.095
Outstanding, June 30, 2021	1,710,000	

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

The following table summarizes stock options outstanding and exercisable as at June 30, 2021:

	Outstanding			Exercisable		
Grant Date	Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price	Expired Date
		$			$	
7-Nov-17	600,000	$0.20	1.35	600,000	0.20	6-Nov-22
9-Aug-18	660,000	$0.60	2.11	660,000	0.60	8-Aug-23
19-Oct-18	200,000	$0.48	2.30	200,000	0.48	18-Oct-23
5-Mar-21	250,000	$0.095	4.68	83,333	0.095	4-Mar-26
	1,710,000	$0.37	2.24	1,543,333	0.40	

The following table summarizes the stock options outstanding and exercisable as at December 31, 2020:

Outstanding			Exercisable	
Number of options	Weighted average exercise	Weighted average remaining contractual life in years	Number of options	Weighted average exercise price
	$			$
2,100,000	$0.20	1.85	2,100,000	0.20
1,110,000	$0.60	2.60	1,110,000	0.60
950,000	$0.48	2.80	950,000	0.48
600,000	$0.45	3.06	400,000	0.45
500,000	$0.43	3.67	333,333	0.43
200,000	$0.35	4.35	66,667	0.35
500,000	$0.28	4.42	166,667	0.28
5,960,000	$0.34	3.25	5,126,667	0.38

On November 7, 2017, the Company granted an aggregate of 8,700,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of $0.20 and an expiry date of November 6, 2022. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on November 6, 2019. During the six months ended June 30, 2021, the Company recognized share-based payments of $nil (2020 - $nil) related to these stock options.

On August 9, 2018, the Company granted an aggregate of 2,580,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of $0.60 and an expiry date of August 8, 2023. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on August 9, 2020. During the six months ended June 30, 2021, the Company recognized share-based payments of $nil (2020- $6,082) related to these stock options.

On October 19, 2018, the Company granted an aggregate of 950,000 stock options to directors and officers of the Company. These stock options have an exercise price of $0.48 and an expiry date of October 18, 2023. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on October 18, 2020. During the six months ended June 30, 2021, the Company recognized share-based payments of $nil (2020 - $9,732) related to these stock options.

On January 24, 2019, the Company granted 600,000 stock options to a director and 450,000 stock options to an employee of the Company. These stock options have an exercise price of $0.45 and an expiry date of January 23, 2024. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

are fully vested on January 23, 2021. During the six months ended June 30, 2021, the Company recognized share-based payments of $nil (2020 - $10,717) related to these stock options.

On September 3, 2019, the Company granted 500,000 stock options to a consultant of the Company. These stock options have an exercise price of $0.43 and an expiry date of September 2, 2024. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on September 2, 2021. During the six months ended June 30, 2021, the Company recognized share-based (recovery) of $(43,445) (2020 - $20,178) related to these stock options.

On May 7, 2020, the Company granted 200,000 stock options to an officer of the Company. These stock options have an exercise price of $0.35 and an expiry date of May 6, 2025. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on May 6, 2022. These options are forfeited as of March 31, 2021. During the six months ended June 30, 2021, the Company recognized share-based payments of $nil (2020 - $nil) related to these stock options.

On June 1, 2020, the Company granted 500,000 stock options to an employee and a consultant of the Company. These stock options have an exercise price of $0.28 and an expiry date of May 31, 2025. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on May 31, 2022. During the six months ended June 30, 2021, the Company recognized share-based (recovery) of $(34,445) (2020 - $nil) related to these stock options.

On March 5, 2021, the Company granted 500,000 stock options to an employee and a consultant of the Company. These stock options have an exercise price of $0.28 and an expiry date of March 4, 2026. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on March 4, 2023. During the six months ended June 30, 2021, the Company recognized share-based expenses of $16,483 (2020 - $nil) related to these stock options.

The weighted average fair value at grant date of the stock options granted during the year ended December 31, 2020 was $0.25 (2019 - $0.38) per option. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	2021	2020
Expected volatility	125%	125%
Risk-free interest rate	0.38%	0.38%
Dividend yield	-	-
Expected life of options	5.0 years	5.0 years
Stock price on grant date	$0.08	$0.30
Forfeiture rate	-	-

Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2019	30,916,667	$1.02
Warrants issued	3,400,000	$1.20
Warrants expired	(2,666,667)	$1.20
Balance at December 31, 2020	31,650,000	$1.04
Warrants expired	(28,250,000)	$1.00
Balance at June 30, 2021	3,400,000	$1.20

The weighted average remaining contractual life of warrants outstanding as at June 30, 2021 is 0.68 years (December 31, 2020 – 1.18 years).

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

Pursuant to the private placement closed on September 5, 2018, the Company issued 2,666,667 common share purchase warrants at fair value of $506,667. Each warrant is exercisable into one common share of the Company at an exercise price of $1.20 per common share for a period of two years, expired on September 9, 2020.

Pursuant to the private placement closed on June 6, 2019, the Company issued 28,250,000 common share purchase warrants at fair value of $nil. Each warrant is exercisable into one common share of the Company at an exercise price of $1.00 per common share for a period of two years, expired on June 5, 2021.

Pursuant to the private placement closed on March 6, 2020, the Company issued 3,400,000 common share purchase warrants at fair value of $442,000. Each warrant is exercisable into one common share of the Company at an exercise price of $1.20 per common share for a period of two years, expiring on March 5, 2022.

17. NON-CONTROLLING INTEREST

The following table presents the summarized financial information about the Company's subsidiaries that have non-controlling interests. The information represents amounts before intercompany eliminations.

As of June 30, 2021	**Canada Bond**	**1139000 BC Ltd**	**Total**
Ownership Interest	**65%**	**51%**	
	$	$	$
			-
Current assets	25,696	245,466	245,466
Non-current assets	-	8,530,054	8,530,054
Current liabilities		4,870,857	4,870,857
Non-current liabiliites	35,000	5,390,238	5,425,238
Revenue for the period ended	-	230,478	230,478
Net loss for the period ended	-	(3,910,611)	(3,910,611)
Non-controlling interest	-	(1,916,200)	(1,916,200)

The net change in the non-controlling interests is as follows:

	Canada Bond	**1139000 BC Ltd**	Total
	$	$	$
As of January 1, 2020	-	-	-
Acquisition and ownership change	-	4,717,000	4,717,000
Net loss attibuted to non-controlling interest	(3,256)	(4,226,191)	(4,229,447)
As of December 31, 2020	(3,256)	490,809	487,553
Net loss attibuted to non-controlling interest	-	(1,916,200)	(1,916,200)
As of June 30, 2021	(3,256)	(1,425,391)	(1,428,647)

18. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash, restricted cash, accounts receivable, other receivable, due from associate, loans receivable, and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

18. FINANCIAL INSTRUMENTS (continued)

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Financial assets at fair value through profit or loss (i)	146,606	284,871
Financial assets at amortized cost (ii)	187,434	257,599
Financial liabilities at amortized cost (iii)	8,196,016	7,875,769

(i) Cash and restricted cash
(ii) Accounts receivable and other receivables
(iii) Accounts payable, debentures, due to associates, loans and lease liabilities

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market date

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and restricted cash				
June 30, 2021	146,606	-	-	146,606
December 31, 2020	284,871	-	-	284,871

Interest Rate and Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Management evaluates credit risk on an ongoing basis. The primary sources of credit risk for the Company arise from its financial assets consisting of cash, restricted cash and amounts receivables. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risks the Company only holds its cash with chartered Canadian financial institutions. As at June 30, 2021 and December 31, 2020, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars and all current operational activities occur within Canada. In management's opinion there is no significant foreign exchange risk to the Company.

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's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its other receivables in a timely manner and by maintaining sufficient cash on hand through equity financing. As described in note 1, the Company's ability to continue as a going concern is dependent on its ability to raise additional financing and generate positive cash flow from profitable operations. Factors exist that indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and, thus, manage its liquidity risk.

The following are the contractual maturities of the Company's financial liabilities:

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS (continued)

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years and over
	$	$	$	$	$
30-Jun-21					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	2,032,651	2,032,651	2,032,651	-	-
Debentures	2,384,203	2,384,203	2,384,203	-	-
Loans	3,141,594	3,141,594	3,141,594	-	-
	7,598,448	7,598,448	7,598,448	-	-
31-Dec-20					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	2,458,566	2,458,566	2,458,566	-	-
Debentures	917,659	917,659	917,659	-	-
Loans	3,141,594	3,141,594	3,141,594	-	-
Lease liabilities	1,317,950	224,822	224,822	270,193	822,935
	7,875,769	6,782,641	6,782,641	270,193	822,935

19. CAPITAL DISCLOSURES

The Company’s definition of capital include share capital, warrants reserve, stock options reserve, net of deficit.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders through expansion corresponding to the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, reduce debt or increase its debt. The Company is not subject to any externally imposed capital requirements.

20. GENERAL AND ADMINISTRATIVE EXPENSES

The Company’s operating expenses are presented on the consolidated statements of comprehensive loss based on the functions of the expenses to the following classifications: inventory production costs, sales and marketing and general and administration.

During the six months ended June 30, 2021 and 2020, the Company incurred the following general and administrative expenses:

	2021	2020
	$	$
Consulting fees	60,719	273,633
Director fees	42,250	46,750
Insurance	36,271	108,480
Interest on lease liabilities	55,867	8,559
Interest on short-term debenture	76,544	-
Management fees	92,203	152,000
Mortgage interest	185,637	-
Office and general	293,070	236,09
Professional fees	71,695	101,679
Salaries and benefits	688,168	523,619
Travel and entertainment	19,663	53,695
Utilities	78,514	8,924
	1,700,601	1,513,398

21. SUBSEQUENT EVENT

Subsequent to the period end, the Company temporarily laid off three Peachland employees while the Company continues to have discussions with a group of current shareholders regarding securing long-term financing.

The result of this layoff is that Peachland will temporarily cease all cultivation and harvesting activities and seek to generate revenue by processing and selling cannabis purchased from other licensed cannabis producers. Restarting cultivation and harvesting activities in Peachland will be contingent, in part, on the Company obtaining the necessary financing to be able to fund the Peachland operations.