CORE ONE LABS INC.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)

DECEMBER 31, 2020

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Core One Labs Inc.

Opinion

We have audited the consolidated financial statements of Core One Labs Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes events and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

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

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

June 25, 2021

CORE ONE LABS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
ASSETS		
Current		
Cash	$ 528,364	$ 116,850
Amounts receivables – Note 8	2,971,716	403,496
Advances receivables – Note 9	23,974	33,860
Prepaid expenses and deposit – Note 7	93,391	546,478
Biological assets – Note 11	-	167,881
Inventory – Note 10	-	2,191,088
Investments – Note 6	1,369,842	295,000
	4,987,287	3,754,653
Property, plant and equipment – Note 4	447,420	14,048,482
Intangible asset – Note 5	4,089,000	-
Total Assets	$ 9,523,707	$ 17,803,135
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 12	$ 3,283,098	$ 5,623,597
Due to related parties – Note 17	228,246	1,015,964
Advances payable – Note 17	191,973	317,180
Note payable – Note 13	-	206,249
Lease liability – Note 15	-	665,853
Unearned revenue – Note 14	-	671,495
Deposit on sale of assets	-	188,525
	3,703,317	8,688,863
Convertible debentures – Note 16	427,756	-
Non-current lease liability – Note 15	-	3,495,731
Total Liabilities	4,131,073	12,184,594
SHAREHOLDERS' EQUITY		
Share capital – Note 18	97,183,706	51,372,447
Commitment to issue shares – Note 6	1,000,000	-
Contributed surplus	13,795,711	7,448,493
Accumulated other comprehensive income (loss)	(78,438)	298,522
Accumulated deficit	(106,508,345)	(51,889,363)
Attributable to parent	5,392,634	7,230,099
Non-controlling interest – Note 24	-	(1,611,558)
Total Shareholders' Equity	5,392,634	5,618,541
Total Liabilities and Shareholders' Equity	$ 9,523,707	$ 17,803,135

Going Concern of Operations – Note 1
Commitments and Contingency – Notes 6 and 23
Subsequent events – Note 29

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Joel Shacker" Director — *"Geoff Balderson"* Director

Joel Shacker — Geoff Balderson

CORE ONE LABS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
As at December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019 (Restated – Note 28)
Expenses		
Advertising and promotion	$ 1,031,248	$ 1,311,917
Amortization	-	3,315,075
Depreciation	-	1,348
Consulting – Note 17	2,177,199	968,143
Foreign exchange loss	37,753	89,920
General and administrative – Note 19	1,125,325	1,521,265
Impairment of advances receivables – Note 9	-	(410,889)
Impairment on equipment – Note 4	269,025	-
Interest expense and accretion	16,472	103,307
Research and development – Note 17	97,913	134,117
Gain on settlement of debt – Notes 13 and 17	(322,253)	-
Loss on acquisitions – Note 5	36,562,975	1,992,607
Loss on investments – Note 6	4,259,289	(1,089,360)
Net unrealized gain on investment – Note 6	(440,433)	-
Other income – Note 14	(614,947)	-
Provision for loss – Note 23	537,000	-
Share-based payments – Notes 17 and 18	2,167,543	2,776,906
	46,904,109	10,714,356
Net loss from continuing operations	(46,904,109)	(10,714,356)
Net loss from discontinued operations – Note 28	(7,895,166)	(10,938,087)
Net loss for the year	(54,799,275)	(21,652,443)
Net loss attributed to:		
Shareholders of the Company	$ (54,618,982)	$ (21,463,191)
Non-controlling interest – Note 24	(180,293)	(189,252)
	$ (54,799,275)	$ (21,652,443)
Other comprehensive income (loss) attributed to:		
Shareholders of the Company	$ (376,960)	$ (605,381)
Non-controlling interest – Note 24	(3,554)	74,598
	$ (380,514)	$ (530,783)
Total Comprehensive loss attributed to		
Shareholders of the Company	$ (54,995,942)	$ (22,068,572)
Non-controlling interest	(183,847)	(114,654)
	$ (55,179,789)	$ (22,183,226)
Total Comprehensive loss attributed to		
Continuing operations	$ (47,686,069)	$ (11,319,737)
Discontinued operations	(7,493,720)	(10,863,489)
Total Comprehensive loss	$ (55,179,789)	$ (22,183,226)
Basic and diluted loss per share – Continuing operations	$ (1.10)	$ (0.95)
Discontinued operations	$ (0.18)	$ (0.97)
All operations	$ (1.28)	$ (1.92)
Weighted average number of shares outstanding – basic and diluted	42,552,078	11,262,556

CORE ONE LABS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Share capital		Commitment		Accumulated Other		Non-	
	Issued Shares	Amount	to issue Shares	Contributed Surplus	Comprehensive Income	Accumulated Deficit	Controlling Interest	Total
Balance, December 31, 2018	9,978,422	$ 42,797,498	$ -	$ 4,502,317	$ 903,903	$ (30,426,172)	$ (1,495,623)	$ 16,281,923
Private placement	1,618,680	6,422,050	-	139,669	-	-	-	6,561,719
Exercise of stock options	25,000	262,899	-	(112,899)	-	-	-	150,000
Shares issued for assets	1,750,000	1,890,000	-	-	-	-	-	1,890,000
Discount on marketable securities acquired from related party	-	-	-	142,500	-	-	-	142,500
Share-based payments	-	-	-	2,776,906	-	-	-	2,776,906
Repurchase of non-controlling interest in equity	-	-	-	-	-	-	(1,281)	(1,281)
Foreign exchange translation	-	-	-	-	(605,381)	-	74,598	(530,783)
Net loss for the year	-	-	-	-	-	(21,463,191)	(189,252)	(21,652,443)
Balance, December 31, 2019	13,372,102	51,372,447	-	7,448,493	298,522	(51,889,363)	(1,611,558)	5,618,541
Shares issued on acquisition of investment	2,666,667	724,408	-	-	-	-	-	724,408
Shares issued on acquisition of Rejuva	25,760,000	20,608,000	-	-	-	-	-	20,608,000
Shares issued on investment on Shahcor	5,666,667	3,761,289	-	-	-	-	-	3,761,289
Private placement	21,052,632	4,000,000	-	-	-	-	-	4,000,000
Share issue costs	-	(170,988)	-	139,041	-	-	-	(31,947)
Shares issued for debt settlement	2,449,470	808,325	-	-	-	-	-	808,325
Convertible debt	-	-	-	74,125	-	-	-	74,125
Share-based payments	-	-	-	2,167,543	-	-	-	2,167,543
Adjustment due to share consolidation	(31)	-	-	-	-	-	-	-
Shares issued on acquisition of Vocan	23,735,000	16,080,225	-	-	-	-	-	16,080,225
Warrants issued on acquisition of Vocan	-	-	-	2,584,009	-	-	-	2,584,009
Contingent shares	-	-	-	1,382,500	-	-	-	1,382,500
Shares to be issued on Shahcor	-	-	1,000,000	-	-	-	-	1,000,000
Foreign exchange translation	-	-	-	-	(376,960)	-	(3,554)	(380,514)
Net loss for the year	-	-	-	-	-	(54,618,982)	(180,293)	(54,799,275)
Disposition (Note 28)	-	-	-	-	-	-	1,795,405	1,795,405
Balance, December 31, 2020	94,702,507	$ 97,183,706	$ 1,000,000	$13,795,711	$ (78,438)	$ (106,508,345)	$ -	$ 5,392,634

CORE ONE LABS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
		(Restated – Note 28)
Operating Activities		
Net loss for the year from continuing operations	$ (46,904,109)	$ (10,714,356)
Charges to net loss not affecting cash:		
Amortization	-	3,315,075
Consulting fees	1,000,000	-
Depreciation	-	1,348
Foreign exchange	(876,281)	538,223
Impairment (recovery) of advances receivable	-	(410,889)
Impairment of PP&E	269,025	-
Impairment on investments	36,562,975	1,992,607
Interest expenses	58,231	100,490
Gain on settlement of debt	(322,253)	-
Loss (gain) on investment	4,259,289	(1,089,360)
Other income	(614,947)	-
Provision for loss	537,000	-
Unrealized gain on investment	(440,433)	-
Share-based payments	2,167,543	2,776,906
Changes in non-cash working capital balances related to operations:		
Accounts receivable	(33,321)	46,480
Prepaid expenses and deposit	(22,429)	330,607
Accounts payable and accrued liabilities	1,574,818	778,360
Amounts due to related parties	460,281	270,338
Unearned revenue	-	(9,890)
Cash (used in) operating activities – continuing operations	(2,324,611)	(2,074,061)
Financing Activities		
Advances payable	14,965	242,425
Repayment of loans (net of loans received)	-	(700,000)
Interest paid on loans	-	(112,690)
Proceeds from loans	450,000	196,485
Proceeds from issuance of common shares	3,968,053	6,711,719
Cash provided by financing activities – continuing operations	4,433,018	6,337,939
Investing Activities		
Cash acquired	93,111	-
Marketable securities	(408,000)	-
Advances to affiliates	-	(196,074)
Sale of marketable securities	-	1,630,487
Cash provided by (used in) investing activities – continuing operations	(314,889)	1,434,413
Cash flows from continuing operation	1,793,516	5,698,291
Cash flows from discontinued operations – Note 28	(1,382,002)	(6,044,220)
Effect of unrealized foreign exchange gain (loss) on cash	-	10,486
Change in cash during the year	411,514	(335,443)
Cash, beginning of the year	116,850	452,295
Cash, end of the year	$ 528,364	$ 116,852

Supplemental disclosure – See Note 27

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Core One Labs Inc. (formerly Lifestyle Delivery Systems Inc.) (the "Company" or "Core One") was incorporated on September 14, 2010, pursuant to the provision of the Business Corporations Act (British Columbia). On September 6, 2019, the Company changed its name from Lifestyle Delivery Systems Inc. to Core One Labs Inc. The name change was done to more accurately reflect the Company's operational expertise, as well as the Company's overall product and service offerings. In conjunction with changing its name, the Company consolidated its issued and outstanding common shares on the basis of six (6) pre-consolidation shares for every one (1) post-consolidation share (the "September 2019 Consolidation"). On July 7, 2020, the Company further consolidated its issued and outstanding common shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share (the "July 2020 Consolidation"). All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio and are presented in these financial statements on a post-consolidation basis.

Core One was a technology company that licensed its technology to a state-of-the-art production and packaging facility located in Southern California (Note 28). The Company will now focus on bringing psychedelic medicines to market through novel delivery systems and psychedelic assisted psychotherapy and intends to further develop and apply the technology to psychedelic compounds, such as psilocybin. The Company's head office is located at Suite 3123 – 595 Burrard Street, Three Bentall Centre P.O. Box 49139; Vancouver, BC, V7X 1J1, Canada. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "COOL," on the OTCQX under the trading symbol "CLABF," and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT".

As of the date of these consolidated financial statements, the Company's structure is represented by Core One Labs Inc., parent company incorporated pursuant to the provision of the Business Corporations Act (British Columbia), and the following subsidiaries:

Name	Jurisdiction of Incorporation	Interest 2020	Interest 2019	Function
Canna Delivery Systems Inc.	Nevada	100%	100%	Holding company
LDS Agrotech Inc.	Nevada	-	75%	Consulting services – cultivation
LDS Scientific Inc.	Nevada	-	75%	Consulting services - extraction and manufacturing
Rêveur Holdings Inc. (formerly Adelanto Agricultural Advisors Inc.)	California	-	100%	Holding company
LDS Development Corporation	California	-	100%	Real estate holdings; equipment
Lifestyle Capital Corporation	California	100%	100%	Financing
Omni Distribution Inc.	California	100%	100%	No current operating activities
Optimus Prime Design Corp.	British Columbia	100%	100%	Holding company
CSPA Group, Inc.	California	-	100%	Manufacturing and transportation
Core Isogenics Inc.	California	-	100%	Nursery and cultivation
Agrotech LLC.	California	-	50%	Cultivation
Rainy Daze Cannabis Corp.	British Columbia	100%	100%	Microcultivation
Rejuva Alternative Medicine Research Centre Inc.	British Columbia	100%	100%	Medical clinic
Vocan Biotechnologies Inc.	British Columbia	100%	-	Research and development

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation in the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At December 31, 2020, the Company has not yet achieved profitable operations and has an accumulated deficit of $106,508,345 (2019- $51,889,363) and for the year ended December 31, 2020 incurred a loss of $54,618,982 (2019 - $21,652,443), and expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These consolidated financial statements were authorized for issue on June 25, 2021, by the Directors of the Company.

Statement of Compliance
These consolidated financial statements have been prepared in accordance with accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements include the accounts of the Company and its subsidiaries, as listed in Note 1. All intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

Basis of Measurement and Use of Estimates
These consolidated financial statements have been prepared on an accrual basis and are based on historical costs basis except for certain financial instruments and contingencies which are valued at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented. Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, the Company's functional and presentation currency. The Company's USA-based subsidiaries' functional currency is the US dollar.

Foreign currency translation
Transactions and balances:
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on the settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as qualifying cash flow or net investment hedge.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Foreign currency translation (continued)

Translations:

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of the Company's USA-based subsidiaries, whose functional currency is the United States dollar, are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of USA-based subsidiaries are recognized in other comprehensive income (loss). These differences will be recognized in the profit or loss if and when the USA-based subsidiaries are ever disposed of.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is a significant risk of material adjustments to assets and liabilities in future accounting periods include the useful lives of technology, fair value measurements for financial instruments, recoverability and measurement of deferred tax assets, share-based payments, and contingent liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's accounting policies in these financial statements were:

- Evaluating whether or not costs incurred by the Company meet the criteria for capitalization as intangible assets.

- The Company assesses the carrying values of its tangible and intangible assets annually, or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumptions and judgments regarding market conditions, costs of production and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates and future cash flows. A material change in assumptions may significantly impact the potential impairment of these assets.

- Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. The Company completed the following acquisitions of Rainy Daze Cannabis Corp. ("Rainy Daze") in November 2019, Rejuva Alternative Medicine Research Center Inc. ("Rejuva") in July 10, 2020 and Vocan Biotechnologies Inc. ("Vocan") in December 31, 2020 (Note 5) and concluded that the acquired entities did not qualify as a business combination under IFRS 3, "Business Combinations", as significant processes were not acquired. Accordingly, the acquisition has been accounted for as an asset acquisition.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

Significant judgments (continued)

- Under IFRS 16, the Company assesses whether a contract contains a lease and, if so, recognizes a lease liability by discounting the future lease payments over the non-cancelable term of the lease, using the Company's estimated incremental borrowing rate. Differences in the estimated incremental borrowing rate could result in materially different lease liabilities and right-of-use assets. The non-cancellable term of the lease depends on the terms of the lease agreement and management's plans for the leased asset in question. The management must evaluate whether or not the Company shall exercise renewal options, the result of which could extend the non-cancellable term of the lease. Extending the lease term can have a material impact on the recorded value of lease liabilities and right-of-use assets.

- The Company measures biological assets consisting of cannabis biomass at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The transfer of the fair value of biological assets to inventory may increase or decrease the deemed cost of ending inventory. In calculating the fair value of biological assets, management is required to make a number of estimates including wastage, expected yields, selling price and costs to sell at the point of harvest, and percentage of costs incurred for each stage of plant growth (Note 11).

- In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value. The valuation of crude oil, extracts, and other products also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1), functional currency determinations and the classification of its financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the financial statements.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)
i) Classification (continued)
The following table shows the classification of the Company's financial assets and liabilities under IFRS 9:

Financial assets/liabilities	Classification
Cash and cash equivalents	FVTPL
Amounts and advances receivable	Amortized cost
Investments	FVTPL
Accounts payables and accrued liabilities	Amortized cost
Amounts due to related parties	Amortized cost
Advances payable	Amortized cost
Note payable	Amortized cost
Convertible debenture	Amortized cost

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

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

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

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

iii) Impairment of financial assets at amortized cost and expected credit losses

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

Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. Losses are recognized in the statement of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

Financing costs
The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are recognized in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue consists of consulting fees associated with set up of cannabis operations and sales of cannabis products, such as CannaStrips™, live resins, distillate oils and flower. The Company recognizes revenue as the Company satisfies the performance obligations with its customers as it delivers the goods to a customer. Transaction prices are determined based on the agreed upon prices with customers for the Company's goods and services at the time contracts are entered into. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money and expenses any incremental costs of obtaining contracts with customers as incurred.

The Company recognizes its revenue as follows:

- Revenue from sales of products is recognized when the transfer of ownership to the customer has occurred and customer has accepted the product.
- Consulting revenue is recognized when services have been provided, the income is determinable, and collectability is reasonably assured. The Company's contract terms do not include a provision for significant post-service delivery obligations.

Deposits received from customers prior to entry into a definitive agreement, or prior to the delivery of goods and services, and where a performance obligation exists, are recorded as unearned revenue.

Inventory

Inventories, which comprise raw materials and supplies, work-in-progress and finished products, are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average cost method and include the cost of purchase, the cost of conversion (labour and overhead) and other costs required to bring the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale. The cost of work-in-process and finished product inventories includes the cost of materials, the cost of direct labour, and a systematic allocation of manufacturing overheads based on a normal range of capacity for the production facility.

Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent direct and indirect post-harvest costs are capitalized to inventories as incurred, including labor related costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, and production related depreciation.

Production costs relating to inventory sold represent all costs of inventories recognized as expense in the years, except deemed costs of inventory that arise from the fair value measurement of biological assets transferred to finished harvest inventory. Fair value adjustments on inventory sold represents the deemed costs of inventory sold that arises from the fair value measurement of biological assets, exclusive of any capitalized costs.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of write-down previously recorded is reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Biological assets
The Company's biological assets consist of cannabis plants and are valued using the income approach. Production costs are capitalized to biological assets and include all direct and indirect costs relating to biological transformation. While the Company's biological assets are within scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 Inventories. They include direct cost of seeds and growing materials, and indirect costs such as utilities, supplies and equipment rentals used in the growing and harvesting process. Direct labor costs include harvesting, planting, and propagation. Indirect labor relates to quality control processes. All production costs are capitalized as they are incurred and subsequently recorded within cost of goods sold on the consolidated statements of comprehensive loss in the period that the related product is sold.

The Company measures biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of biomass inventories after harvest. Net unrealized gains or losses arising from the changes in fair value less cost to sell during the year are included in the results of operations for the related year.

Share-based payments
The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Loss per share
Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

Property and equipment
Property and equipment are stated at historical cost less accumulated amortization and accumulated impairment losses. Cost includes costs paid to acquire assets from third parties as well as costs incurred in internally constructed assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss. Amortization is calculated as follows:

- Production equipment is amortized using declining balance depreciation method ("DB") at a rate of 20%;
- Transportation vehicles are amortized using DB at a rate of 30%;
- Leasehold improvements and facility upgrade costs are amortized using a straight-line method ("SL") over the asset's useful life or a lease period plus one renewal period; and
- Land, having an unlimited useful life, is not depreciated.

No amortization is recorded where an asset is in development and not yet ready for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangible assets is recognized on a straight-line basis over their estimated useful lives.

In-process research & development ("IPR&D") acquired is capitalized as intangibles not yet brought into use and accordingly not amortized, rather the intangible is tested for impairment on an annual basis or more frequently if there are indications that IPR&D may be impaired. When IPR&D is completed, the asset will be assigned a useful life and amortized, or when abandoned, written off as an impairment. Indefinite life intangible assets, including IPR&D, are measured at cost less accumulated impairment losses.

Research and development

Research costs are expensed when incurred. Internally-generated technology costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. After initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses.

These costs are amortized on a straight-line basis over the estimated useful lives of 5 years. The Company did not have any development costs that met the capitalization criteria for the years ended December 31, 2020 and 2019.

Income taxes

<u>Current income tax:</u>
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred tax:</u>
Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets, against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent accounting pronouncements

The following new standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022.

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

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

(Expressed in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Membership and CUP	Property	Plant	Equipment	ROU	Total
Cost						
Balance at December 31, 2018	$ 3,587,915	$ 2,057,974	$ 6,431,946	$ 5,630,624	$ 2,364,559	$ 20,073,018
Additions	-	-	673,768	961,478	2,447,457	4,082,703
Impairment	-	(338,566)	(347,032)	-	(2,069,729)	(2,755,327)
Foreign exchange	-	(91,489)	(307,001)	(269,118)	(133,571)	(801,179)
Balance at December 31, 2019	3,587,915	1,627,919	6,451,681	6,322,984	2,608,716	20,599,215
Additions	-	-	40,742	47,420	-	88,162
Disposal	-	-	(87,675)	(63,681)	-	(151,356)
Foreign exchange	-	(32,087)	(129,367)	116,768	(128,952)	(173,638)
Disposition (Note 28)	-	(1,595,832)	(6,275,381)	(5,438,021)	(2,479,764)	(15,788,998)
Balance at December 31, 2020	**$ 3,587,915**	**$ -**	**$ -**	**$ 985,470**	**$ -**	**$ 4,573,385**
Accumulated Amortization and impairment						
Balance at December 31, 2018	$ -	$ -	$ 172,432	$ 337,672	$ -	$ 510,104
Amortization	3,580,455	-	-	-	-	3,580,455
Depreciation	-	-	850,666	972,635	682,479	2,505,780
Foreign exchange	7,460	-	(18,015)	(20,598)	(14,453)	(45,606)
Balance at December 31, 2019	3,587,915	-	1,005,083	1,289,709	668,026	6,550,733
Depreciation	-	-	1,059,310	963,404	230,020	2,252,734
Impairment	-	-	-	269,025	-	269,205
Foreign exchange	-	-	(81,848)	147,003	(16,329)	48,826
Disposition (Note 28)	-	-	(1,982,545)	(2,131,091)	(881,717)	(4,995,353)
Balance at December 31, 2020	**$ 3,587,915**	**$ -**	**$ -**	**$ 538,050**	**$ -**	**$ 4,125,965**
Net Book Value						
At December 31, 2019	$ -	1,627,919	$ 5,446,598	$ 5,033,275	$ 1,940,690	$ 14,048,482
At December 31, 2020	**$ -**	**$ -**	**$ -**	**$ 447,420**	**$ -**	**$ 447,420**

(Expressed in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of property, plant and equipment

Management assesses at the end of each reporting period whether there is any indication from external and internal sources of information, that an asset may be impaired. Impairment of property, plant, and equipment for the year ended December 31, 2020:

	2020	2019
Impairment charges:		
Land – Rancho Road Property	$ -	$ 338,566
Architectural design	-	285,283
Leasehold improvement – Costa Mesa office	-	61,749
ROU asset	-	2,069,729
Total impairment charges	$ **-**	**$ 2,755,327**

Land

During the year ended December 31, 2019, the Company assessed the carrying value of its land that has not been placed into service and recognized an impairment of $338,566. Management determined the recoverable amount using FVLCD. For the purposes of the FVLCD calculation, management used an independent appraisal of the land at the valuation date. The Company determined that the recoverable amount associated with the land was $737,718.

Architectural design

During the year ended December 31, 2019, the Company assessed that its architectural designs for development of its lands had no value and recognized impairment of $285,283.

Leasehold improvement

During the year ended December 31, 2019, the Company cancelled an office lease, and leasehold improvements related to this office lease of $61,749 were impaired.

Right-of-use asset

As at December 31, 2019, the Company determined that the lease agreement between a landlord and the Company for the Company's use of an additional warehouse facility in Adelanto, California, terminating on March 31, 2024, is an onerous contract, under the definition of IAS 37. As at December 31, 2019, the Company has no immediate plans to use this building. Management recognized an impairment loss of $2,069,729 for the impairment of the ROU asset related to this onerous contract, and recorded the provision for unavoidable costs as lease liability in the statement of financial position.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Membership and license

In 2018, the new State of California Cannabis regulations eliminated restrictions on issuing cannabis-related licenses to nonprofit mutual benefit corporations only. As of the date the new regulations became effective, any corporation formed in the State of California, provided it remains in good standing, can apply and receive licenses to operate a cannabis business. Therefore the Company, chose to convert one of its wholly-owned subsidiaries, CSPA Group Inc., from a nonprofit mutual benefit corporation to a business corporation by filing Amended and Restated Articles of Incorporation with the Secretary of State of California, whereby the Membership was converted to regular shares of the corporation, and the shares were assigned a value of $100, which is eliminated on consolidation.

As at December 31, 2019, due to these regulatory changes in the State of California associated with certain requirements for the companies operating within the cannabis industry, Management determined that the useful life of the Membership in CSPA Group Inc. (the “Membership”), as an intangible asset, was no longer indefinite. The annual cost of renewal, the rigor of the renewal process combined with other changes in the industry associated with competition and regulatory requirements, made the cost of renewal insignificant versus when the Membership was first purchased, where the number of permits were limited and where the ability to obtain permits was more challenging.

As the useful life of the Membership was reassessed as definite, Management determined the carrying amount should be amortized over the new useful life, being the license renewal period.

In line with its decision to amortize the Membership, the Company assessed the useful life of an initial conditional use permit (“CUP”), which the Company acquired in its fiscal 2017. It was determined that the useful life of the CUP was equivalent to its renewal period, and as at December 31, 2019, the CUP was fully amortized and the Company recognized an amortization charge of $3,580,455 relating to the Membership and CUP.

The Membership and CUP related to the discontinued operation.

5. ASSET ACQUISITIONS

Acquisition of Rainy Daze

On November 14, 2019, the Company completed the acquisition of Rainy Daze by purchasing all the issued and outstanding shares of Rainy Daze in exchange for $100,000 cash and by issuing 1,750,000 common shares of the Company (the “Acquisition”).

Rainy Daze holds a long-term lease for a bay in a micro-cultivation facility that is currently under construction with a lease term of 5 years, commencing on the day immediately following Rainy Daze receiving an occupancy permit from the Capital Regional District. As at December 31, 2019, this lease has not commenced. Rainy Daze intends to apply for a micro-cultivation license with Health Canada at a time when the building has received required approvals. Rainy Daze entered into a management agreement to complete the licensing and manage the facility operations. Rainy Daze also entered into a Cannabis Processing Agreement with a processor on October 15, 2019, whereby the processor, will become the exclusive processor and distributor of all cannabis products produced by Rainy Daze.

As at the date of the Acquisition, the Company determined that Rainy Daze did not constitute a business as defined under IFRS 3, Business Combinations, and the Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

(Expressed in Canadian Dollars)

5. ASSET ACQUISITION (CONTINUED)

The details of the consideration paid, and the assets and liabilities of Rainy Daze is as follows:

		Total
Consideration paid:		
Fair value of shares issued (1,750,000 at $1.08 per share)	$	1,890,000
Cash consideration due on closing		100,000
		1,990,000
Less: Value of net liabilities acquired:		
Cash		28
Deposit on sublease		40,000
Good and services tax receivable		2,109
Accounts payable and accrued liabilities		(2,704)
Due to related parties		(42,040)
Net liabilities acquired		(2,607)
Loss on acquisition of assets	$	1,992,607

Acquisition of Rejuva

On July 10, 2020, the Company completed an acquisition (the "Rejuva Acquisition") of all of the outstanding share capital of Rejuva. In consideration for all of the outstanding share capital of Rejuva, the Company issued 23,000,000 common shares to the existing shareholders of Rejuva. In addition, the Company issued 2,300,000 common shares as a finders' fee, and 460,000 common shares as an administrative fee to parties that assisted in the acquisition.

At the date of acquisition, The Company determined that Rejuva did not constitute a business as defined under IFRS 3, Business Combinations, and the Rejuva Acquisition was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

		Total
Consideration paid:		
Fair value of shares issued (23,000,000 common shares at a value of $0.80 per share)	$	18,400,000
Finders fees (2,300,000 common shares at a value of $0.80 per share)		1,840,000
460,000 common shares issued as Administration fee at a value of $0.80 per share		368,000
	$	20,608,000
Net assets acquired		
Cash	$	94,749
Amounts payable and accrued liabilities		(35,754)
		58,995
Loss on acquisition	$	20,549,005

5. ASSET ACQUISITION (CONTINUED)

Acquisition of Vocan

On December 31, 2020, the Company acquired all of the outstanding shares of Vocan Biotechnologies Inc. ("Vocan"). In consideration for all of the outstanding share capital of Vocan, the Company issued 23,500,000 common shares ("Consideration Shares") and 4,000,000 share purchase warrants to the existing shareholders of Vocan. Each share purchase warrant will be exercisable to acquire an additional common share of the Company at a price of $0.30 per share for a period of two years. In addition, the Company issued 235,000 common shares as an administrative fee to parties that assisted in the acquisition.

In addition to the Consideration Shares and the share purchase warrants, the existing shareholders of Vocan are entitled to receive a bonus of up to 5,000,000 common shares of Core One (the "Bonus Shares"). The Bonus Shares will be issuable in two tranches, of which 2,500,000 will be issuable upon the successful synthesis of psilocybin, and a further 2,500,000 will be issuable upon the filing of a patent for such synthesis method in at least one jurisdiction.

The Consideration Shares are subject to a voluntary pooling agreement from which:

(a) ten (10%) percent will be released upon completion of the Transaction;
(b) a further fifteen (15%) percent will be released on April 31, 2021;
(c) a further fifteen (15%) percent will be released on June 30, 2021; and
(d) a further ten (10%) percent of the Consideration Shares will be released on July 31, 2021, and then a further ten (10%) percent on each successive monthly anniversary thereafter, such that all Consideration Shares shall be released from the resale restrictions on December 31, 2021.

At the date of acquisition, The Company determined that Vocan did not constitute a business as defined under IFRS 3, Business Combinations, and the Vocan Acquisition was accounted for as an asset acquisition; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The Consideration Shares issued to the shareholders of Vocan are subject to voluntary pooling agreement, and are subject to restrictions on sale timing. The Consideration Shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

The Bonus Shares are considered performance based and are contingent on the achievement of certain milestones. As the acquisition date, there was uncertainty on the achievement of the required milestones related to the Bonus Shares, and as a result, the Company utilized a probability weighted expected returns model to determine the fair value of the Bonus Shares, whereby the Company estimated a 50% probability of achievement of the milestones as at the acquisition date. The probability assumptions takes into consideration management's best estimates of progress towards the milestones, remaining steps to completion, and risk and uncertainty related to the milestones.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

(Expressed in Canadian Dollars)

5. ASSET ACQUISITION (CONTINUED)

***Acquisition of Vocan* (Continued)**

		Total
Consideration paid:		
Fair value of 23,500,000 Consideration Shares issued	$	15,871,075
4,000,000 share purchase warrants		2,584,009
5,000,000 Bonus Shares		1,382,500
235,000 common shares issued as administration fee at a value of $0.89 per share		209,150
	$	20,046,734
Net assets acquired		
Amounts receivable	$	16,941
Prepaid expenses		917
Equipment		47,420
Intangible asset		4,089,000
Bank indebtedness		(1,638)
Amounts payable and accrued liabilities		(119,876)
		4,032,764
Loss on acquisition	$	16,013,970

The intangible asset represents a patentable method of producing psilocybin, the active ingredient in psychotropic mushrooms.

6. INVESTMENTS

Cannabis Growth Opportunity Corporation

On March 16, 2020, the Company acquired 3,149,606 common shares of Plant-Based Investment Corp. (formerly Cannabis Growth Opportunity Corporation) ("CGOC") in exchange for issuing CGOC 2,666,667 common shares of the Company. At the time of the transaction, the fair market value of CGOC shares was $0.23 per share and the fair market value of the Company's shares was $0.42 per share. On acquisition, the Company recognized marketable securities of $724,408 for the CGOC shares. The fair market value of the CGOC shares as at December 31, 2020 was $1,259,842, and was classified as current in the statement of financial position resulting in a gain of $535,434. The CGOC shares cannot be sold without prior written consent of CGOC, until September 16, 2021, according to share exchange agreements between the Company and CGOC. Subsequent to December 31, 2020, the Company and CGOC reached an agreement to rescind the share exchange transaction and on April 19, 2021, 2,666,667 shares were returned to treasury for cancellation.

6. INVESTMENTS (CONTINUED)

TransCanna

At December 31, 2019, the Company's marketable securities consisted of 250,000 common shares of TransCanna (the "TCAN Shares"), valued at $295,000.

During the year ended December 31, 2019, the Company sold 1,102,254 TCAN Shares received as part of the TCAN Agreement, dated for reference November 15, 2017, for a total net proceeds of $1,630,487. The Company recorded a net realized gain of $1,079,360 on the sale of TCAN Shares.

On August 8, 2019, the Company acquired an additional 250,000 TCAN Shares from Mr. Eckenweiler, the Company's former CEO and director, who agreed to sell the TCAN Shares at a 50% discount to market price in exchange for $142,500 non-interest-bearing note payable. The shares were acquired as security required under the USD$150,000 advance the Company received from TransCanna.

On May 4, 2020, the Company entered into a Settlement Agreement with TransCanna, a former related part by virtue of having directors in common. Pursuant to the Settlement Agreement, the Company agreed to return to treasury 250,000 common shares of TransCanna it held as at that date (the "TCAN Shares") to TransCanna in exchange for release of the Company from its obligations under TCAN Agreement to deliver Track and Trace software (Note 9), as well as to repay US$150,000 the Company owed to TransCanna under the loan agreement the Company signed on July 4, 2019.

As at the date of the Settlement Agreement, the Company wrote off marketable securities of $200,000 based on the market price of TCAN Shares of $0.80 per share at the Settlement date. During the year ended December 31, 2020, the revaluation of the equity investment in TCAN Shares resulted in a $95,000 (2019 - $10,000 gain) loss. The loss resulted from a decrease of the market price of TCAN shares from $1.18 per share at December 31, 2019, to $0.80 per share at the Settlement date.

Shahcor

On July 10, 2020, the Company completed an acquisition (the "Shahcor Acquisition") of one-quarter of the non-voting participating share capital of Shahcor.

The Company paid cash of $400,000 and issued 5,555,556 common shares to the existing shareholders of Shahcor in exchange for 25% of the non-voting participating share capital of Shahcor.

The existing shareholders of Shahcor will also be eligible to receive a one-time bonus payment of $1,000,000 (the "Bonus Payment") in the event Shahcor achieves monthly recurring revenue of at least $30,000 in the three months following completion of the Shahcor Acquisition. At the election of the Company, the Bonus Payment will be payable in cash, or common shares of the Company, based upon the volume-weighted average closing price of the common shares of the Company on the Canadian Securities Exchange in the ten trading days prior to the issuance of the shares. Shahcor met the requirements for the bonus payment accordingly, as at December 31, 2020, the Bonus Payment was recorded as commitment to issue shares and expensed to consulting fees. On April 30, 2021, the Company issued 1,012,592 common shares.

In connection with completion of the Shahcor Acquisition, the Company issued 111,111 common shares, and paid $8,000 as an administrative fee to parties that assisted in the acquisition.

(Expressed in Canadian Dollars)

6. INVESTMENTS (CONTINUED)

Shahcor **– (continued)**

The investment has been accounted for at fair value. The Company did not gain significant influence or control over Shahcor, and the shares purchases are non-voting shares.

The following table summarizes the recognition of investment asset at the date of acquisition.

		Total
Consideration paid:		
Fair value of shares issued (5,555,556 common shares at a value of $0.80 per share)	$	3,672,400
Cash consideration due on closing		400,000
Adminstrative fee		8,000
111,111 common shares issued as Administration fee at a value of $0.80 per share		88,889
	$	4,169,289
Impairment on investment		(4,059,289)
	$	110,000

As at the date of acquisition, the Company assessed for impairment and have recorded an impairment of $4,059,289 and has determined at December 31, 2020, there was no adjustment required based on the market and business conditions of Shahcor.

7. PREPAID AND OTHER CURRENT ASSETS

Prepaids and other current assets as at December 31, 2020 and 2019, consisted of the following:

		2020		**2019**
Insurance	$	-	$	5,780
Prepaid service fees		53,391		234,821
Security deposits		40,000		244,920
Prepaid regulatory fees		-		60,957
Total prepaids and other current assets	**$**	**93,391**	**$**	**546,478**

Included in prepaid and other current assets at December 31, 2019, was $361,845 from discontinued operations.

During the year ended December 31, 2019, the Company paid $244,920 which was recorded as security deposits for retainers with natural gas suppliers.

(Expressed in Canadian Dollars)

8. AMOUNTS RECEIVABLE

Amounts receivable as at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Trade accounts receivable	$ -	$ 542,788
Due from Optimus (Note 28)	2,909,091	-
GST receivable	62,625	12,364
Allowance for doubtful accounts	-	(154,937)
Foreign exchange	-	3,281
Total amounts receivable	**$ 2,971,716**	**$ 403,496**

Included in the amounts receivable at December 31, 2019 was $391,132 from discontinued operations.

The Company recorded a bad debt expense of $Nil (2019 – $154,937) for expected credit losses.

9. ADVANCES RECEIVABLE

At December 31, 2020, the Company had a total of $23,974 in advances receivable from affiliated entities (2019 - $33,860). The advances are due on demand and do not accumulate interest.

During the year ended December 31, 2019, the Company used EPG's power generator in its cultivation operations resulting in $540,768 in advances being recovered. On May 31, 2020, the Company and EPG Energy Corporation, a British Columbia company ("EPG") finalized a promissory note for US$735,825 that bears interest at 8% per annum and is secured with the shares of EPG with a maturity date of December 31, 2026. The total balance outstanding including accrued interest is US$906,617. The amount continues to be impaired until such time that EPG completes additional financing and is able to repay the cost of the power generator. As at December 31, 2020, there have been no change to the status of EPG and the amounts remain impaired.

10. INVENTORY

At December 31, 2020, the Company did not have any inventory as they were included in discontinued operations located in Adelanto.

At December 31, 2020, the Company's inventory was valued at $Nil (2019 - $2,191,088) and consisted of $Nil (2019 - $88,785) in raw materials held for manufacturing, $Nil (2019 – $Nil) in work-in-progress and $Nil (2019 - $2,102,303) in finished products ready for sale.

During the year ended December 31, 2020, the Company expensed $2,895,263 (2019 - $6,122,182) of inventory to cost of goods sold.

As at December 31, 2020, the Company wrote down its inventory of cannabis-related products to the net realizable value, which resulted in an impairment of $1,612,106 (2019 - $2,157,732).

11. BIOLOGICAL ASSETS

At December 31, 2020, the Company did not have any biological assets as they were included in the discontinued operations located in Adelanto.

(Expressed in Canadian Dollars)

11. BIOLOGICAL ASSETS (CONTINUED)

The continuity of biological assets for the years ended December 31, 2020 and 2019:

		December 31, 2020		December 31, 2019
Biological assets, beginning of year	$	167,881	$	-
Production of biological assets		3,583,087		2,430,575
Unrealized changes in fair value less costs to sell of biological assets		(987,360)		679,267
Transfers to inventory upon harvest		(2,240,315)		(2,927,576)
Foreign exchange		(135,466)		(14,385)
Disposition (Note 28)		(387,827)		-
Biological assets, end of year	**$**	**-**	**$**	**167,881**

The Company's biological assets consist of cannabis plants. Biological assets are valued in accordance with IAS 41, *Agriculture*, based on a market approach where fair value at the point of harvest is estimated based on selling prices less costs to sell at harvest. Since there is no actively traded commodity market for cannabis plants in California, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3). This is determined using a model which estimates the expected harvest yield in kilograms for plants currently being cultivated, and then adjusts the amount by the expected selling costs per kilogram ("Kg").

For in-process biological assets, the Company estimates the expected harvest yield in pounds ("lbs") and then adjusts the amount at point of harvest based on their stage of growth and by the expected selling costs per lbs.

The following significant unobservable inputs were used by management as model:

- Estimated selling price per lbs – with limited sales history, the Company's management evaluates available industry data and expects to closely approximate the expected selling price.

- Stage of growth – the Company applies a weighted average number of days out of the 16-week growing cycle that biological assets have reached as of the measurement date based on historical evidence. The Company assigns fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.

- Plant yield – represents the expected number of ounces of finished cannabis flower and content of cannabidiol as a percentage of weight to be obtained from each harvested cannabis plant based on historical evidence.

Other unobservable inputs include: Estimated post-harvest costs, costs to complete and wastage. All inputs noted above are classified as level three on the fair value hierarchy.

The following table quantifies each significant unobservable input and provides the impact of a 20% increase or decrease that each input would have on the fair value of biological assets:

	Indoor Cultivation	Impact of 20% change – December 31, 2020
Estimated yield per plant	1.66 oz	$106,791
Average selling price, mature plant	$1,722/lb (US$1,284lb)	$106,791
Growth stage	51%	$106,791

	Indoor Cultivation	Impact of 20% change – December 31, 2019
Estimated yield per plant	3.42 oz	$32,973
Average selling price, mature plant	$130/lb (USD$100/lb)	$32,973
Growth stage	46%	$32,973

(Expressed in Canadian Dollars)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2020		2019
Accounts payable	$	2,078,098	$	4,060,344
Accrued liabilities		668,000		531,110
Contingent liability		537,000		-
Wages payable		-		32,122
Crop-share agreement		-		1,000,021
Total accounts payable and accrued liabilities	**$**	**3,283,098**	**$**	**5,623,597**

Included in accounts payable and accrued liabilities at December 31, 2019 was $4,563,469 from discontinued operations. During the year ended December 31, 2019, the Company's 50%-owned subsidiary, Agrotech LLC, entered into two crop-share farm lease agreements for outdoor cultivation of cannabis (the "Farm Agreements") which expired on December 31, 2019. According to the Farm Agreements, the farm owners are entitled to receive 50% of net income generated from the sale of the biological assets. At December 31, 2019, the Company recorded $1,000,021 due to the farm owners under the crop-share agreement for their share of expected net income. The Company determined the liability based on an expected selling price of USD$400/lb (2019 – USD$500/lb) of biomass. At December 31, 2020, a 10% change in expected selling price would result in a $86,424 (2019 – $160,891) change to the liability. At December 31, 2020, the liability was part of the disposal in Note 28.

13. NOTES AND ADVANCES PAYABLE

On December 13, 2018, the Company entered into a loan agreement (the "Loan Agreement") for $700,000 (the "Loan"). Outstanding principal under the Loan accrued interest at a rate of 3% per month, compounded monthly and was payable on maturity on June 13, 2019. The Company had a right to prepay the Loan at any time, subject to the payment of $70,000 in minimum interest.

During the year ended December 31, 2019, the Company recorded $91,682 in interest expense associated with the Loan and repaid the loan in full. At the time of the payment, the interest accrued on the principal of the Loan was calculated to be $112,690, which resulted in a total payment of $812,690.

On July 30, 2019, the Company issued a secured promissory note to TransCanna Holdings Inc. for USD$150,000 advance by TransCanna to the Company on July 5, 2019 (the "TCAN Loan"). Outstanding principal under the TCAN Loan accrued interest at a rate of 1% per month, compounded monthly and was payable on October 30, 2019. The loan was secured by 1,100,000 TCAN Shares. The Company was in default of the TCAN Loan at December 31, 2019 that had a balance of $206,249.

During the year ended December 31, 2020, the Company recorded $6,350 (2019 – $8,800) in interest expense associated with the TCAN Loan and was released from its obligation to repay the TCAN Loan as part of the settlement agreement that was effected on May 5, 2020, between the Company and TransCanna Holdings Inc and recorded a gain on settlement of $200,000.

During the year ended December 31, 2020, the Company had received $191,973 (2019 – $308,771) in advances required for working capital. The advances are due on demand and bear no interest.

(Expressed in Canadian Dollars)

14. UNEARNED REVENUE

		2020		2019
Prepayments received from customers (discontinued operations)	$	-	$	57,033
Payment for Track and Trace software		-		614,462
Total unearned revenue	$	-	$	671,495

During the year ended December 31, 2017, the Company entered into an Intellectual Property License and Royalty Agreement (the "TCAN Agreement") with TransCanna Holdings Inc. ("TransCanna"), a company related by virtue of former common management and common directors, for its Track and Trace software, which the Company was commissioned to develop. At December 31, 2019, the Track and Trace software development was not completed, furthermore it was suspended due to changes in regulatory requirements imposed by the state of California. During the year ended December 31, 2020, the Company was released from its obligation to deliver the Track and Trace software pursuant to the Settlement Agreement between the Company and TransCanna and recognized other income of $614,947 in the consolidated statement of comprehensive loss.

15. LEASE LIABILITY

The Company leases certain assets under lease agreements. The lease liability consists of leases for the manufacturing facility terminating on March 31, 2021, and the warehouse facility terminating on March 31, 2024, and various short-term and operating leases for office space and equipment. The leases are calculated using an incremental borrowing rate of 12% per annum.

At December 31, 2020 and 2019, the Company's lease liability related to leases is as follows:

		2020		2019
Lease liability - beginning	$	4,161,584	$	2,364,559
Additions		-		2,447,457
Interest expense		476,169		472,103
Lease payments		(1,126,860)		(955,368)
Foreign exchange		(48,898)		(167,167)
Disposition (Note 28)		(3,461,995)		-
Lease liability - ending	$	-	$	4,161,584
Current portion	$	-	$	665,853
Long-term portion	$	-	$	3,495,731

During the year ended December 31, 2020, the Company received $Nil (2019 - $132,690) in rental income relating to an agreement between the Company and TCM Distribution Inc., a subsidiary of TransCanna, for sublease of its premises that is recorded as a recovery of rent expense, included as part of general and administrative expenses in the statement of comprehensive loss. The Company classified this sublease as an operating lease, as it does not transfer substantially all of the risks and rewards incidental to the rights to use the underlying asset. The Company recorded an impairment of $NIL (2019 - $128,880) for rent not received from TCM Distribution Inc.

(Expressed in Canadian Dollars)

16. CONVERTIBLE DEBENTURE

On March 16, 2020, the Company entered into an agreement with CGOC for convertible debt facility (the “Debt Facility”). As consideration for the Debt Facility, the Company issued to CGOC a convertible debenture in the principal amount of up to $1,500,000 (the "CGOC Debenture") and 750,000 share purchase warrants (the "CGOC Warrants"). The aggregate principal amount available under the Debenture may be advanced by CGOC to the Company in three equal installments of $500,000 each. As at December 31, 2020, the Company had received a total advance of $450,000. Since the Company did not receive the full amount of the $500,000 the CGOC Warrants never vested, therefore no value was assigned.

The Debenture matures on December 31, 2022 (the "Maturity Date"), with interest accruing at a rate of 12% per annum. The amounts advanced under the Debenture will be unsecured until CGOC has advanced the full $1,500,000 to the Company, upon which time the amounts owed under the Debenture will be secured by a general security agreement covering all of the Company's personal property. The outstanding principal amount under the Debenture, together with any accrued and unpaid interest thereon may be converted into common shares of the Company at a conversion price of $0.80 per share.

Since the CGOC Debenture is conditional upon the Company meeting certain requirements, only the first $450,000 tranche was recorded on the Company’s statement of financial position. At the time of recognition, the CGOC Debenture was separated into its liability and equity components by first valuing the liability component. The fair value of the liability component of the first tranche of the CGOC Debenture at the time of issue was determined to be $375,875, and calculated based on the discounted cash flows for the CGOC Debentures assuming an 20% discount rate, historical rate of interest the Company was able to secure prior debt facilities from non-related parties. The fair value of the equity component (conversion feature) was calculated to be $74,125 and was determined at the time of issue as the difference between the face value of the CGOC Debenture and the fair value of the liability component.

During the year ended December 31, 2020, the Company recorded accretion expense of $16,472 (2019 - $Nil).

On April 12, 2021, CGOC converted its principal and interest into 631,479 common shares of the Company.

17. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company’s Board of Directors and corporate officers.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		December 31, 2020	December 31, 2019
Management consulting services	a)	$ 433,340	$ 575,143
Consulting services for research and development	b)	$ 53,872	$ 144,898
Management salaries	c)	$ 426,597	$ 620,358
Share-based compensation	d)	$ 904,322	$ 1,893,416
		$ 1,818,131	$ 3,233,815

17. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Management consulting services consist of the following:

$170,973 (2019 – $397,090) in consulting fees paid or accrued to Mr. Eckenweiler, the former CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services for a term expiring on February 28, 2021, and automatically renewable for successive one-year periods thereafter. In case the Company decides to terminate the consulting agreement with Mr. Eckenweiler without due cause, the Company agreed to pay Mr. Eckenweiler a lump sum amount equal to the product of monthly remuneration otherwise payable to Mr. Eckenweiler under the consulting agreement multiplied by 18 months regardless of the length of time remaining under the then current term. Mr. Eckenweiler resigned as CEO and director on July 3, 2020, effectively terminating his agreement with the Company.

$40,349 (2019 - $119,682) in consulting fees paid or accrued to Ms. Silina, the Company's former Chief Financial Officer (the "CFO") and former director. The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement which automatically renewed for an additional one-year term on May 1, 2019, as provided under the renewal provision included in the agreement. Ms. Silina resigned from the Company's board of directors on November 14, 2019 and as CFO effective April 30, 2020.

$NIL (2019 - $12,500) in consulting fees paid or accrued to Mr. Johannson, a former member of the board of directors of the Company. The Company agreed to pay Mr. Johannson $5,000 per month for his services pursuant to a consulting agreement. Mr. Johannson resigned as a director of the Company on March 15, 2019, effectively terminating his management consulting agreement with the Company.

$128,018 (2019 - $45,871) in consulting fees paid or accrued to Mr. McEnulty, director and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020. During the second quarter of its Fiscal 2019, the Company re-negotiated the consulting agreement with Mr. McEnulty due to a change in the scope of services provided by Mr. McEnulty. Pursuant to the amended agreement, Mr. McEnulty's consulting fees were set at US$6,000 per month and were retroactively adjusted from August 1, 2018.

$24,000 (2019 - $Nil) in consulting fees paid or accrued to Mr. Morris, director of the Company. The Company agreed to pay Mr. Morris $1,500 per month for his services pursuant to a consulting agreement.

$70,000 (2019 - $Nil) in consulting fees paid or accrued to Mr. Shacker, current CEO of the Company. The Company agreed to pay Mr. Shacker $10,000 per month for his services pursuant to a consulting agreement starting June 2020.

b) Consulting services for research and development consist of the following:

$53,872 (2019 – $79,413) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one-year periods thereafter.

$NIL (2019 - $65,485) in consulting and product development fees paid or accrued to Nanostrips Inc. a company controlled by Dr. Sanderson ("Nanostrips"). As the product development fees are associated with the manufacturing of CannaStrips™, these fees are included in cost of sales.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

c) Management salaries consist of the following:

$241,470 (2019 – $238,842) in management salaries paid or accrued to Mr. Fenwick, following his appointment as President and a member of the board of directors on February 4, 2019. Pursuant to the employment agreement Mr. Fenwick is entitled to a monthly salary of US$15,000 in addition to all regular payroll benefits the Company set up for its USA-based employees.

$185,127 (2019 – $183,112) in management salaries paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. As of August 1, 2018, Mr. Ferguson is being remunerated through the regular monthly payroll. Mr. Ferguson is entitled to a monthly salary of US$11,500 in addition to all regular payroll benefits the Company set up for its USA-based employees.

$NIL (2019 – $165,863) in management salaries paid to Mr. Hunt, former President and a 25% shareholder of LDS Scientific. As of August 1, 2018, Mr. Hunt was remunerated through the regular monthly payroll. Mr. Hunt was entitled to a monthly salary of US$12,500 in addition to all regular payroll benefits the Company set up for its USA-based employees. Mr. Hunt's employment was terminated in November 2019.

$NIL (2019 – $16,619) in management salaries paid to Ms. Elrod, former President and a 25% shareholder of LDS Scientific. The Company agreed to pay Ms. Elrod US$12,500 per month for her services. On January 31, 2019, the Company and Ms. Elrod entered into a settlement agreement and release (the "Settlement Agreement"). Pursuant to the Settlement Agreement the Company reacquired shares of Omni Distribution held by Ms. Elrod in exchange for forgiveness of $88,106 (US$70,400) of cash advances the Company extended to Ms. Elrod during the year ended December 31, 2018, and Ms. Elrod resigned from all the positions she held with the Company and its subsidiaries.

$NIL (2019 – $15,923) in management salaries paid to Ms. Christopherson, CEO of CSPA Group and the partner of Mr. Eckenweiler.

d) Share-based compensation consists of the following:

Pursuant to the terms of the consulting agreement, Mr. Shacker is entitled to receive certain milestone bonuses, which are to be accrued upon the occurrence of the milestones. The bonus payments are payable upon a change of control or the termination of his agreement. As at December 31, 2020, Mr. Shacker was entitled to 1,500,000 common shares based on these milestones. Management has estimated the fair value of these shares at $760,000.

On May 28, 2020, the Company granted 1,500,000 options to certain directors, officers and consultants of the Company of which 950,000 options were to directors and officers of the Company. The options are exercisable at $0.33 per share until May 1, 2022. The options vest quarterly in equal installments beginning on August 28, 2020 until May 28, 2021. The grant date fair value of these options was $269,905. During the year ended December 31, 2020, the Company had recognized $228,120 of share-based compensation for the vesting of these stock options of which $144,322 relates to certain directors and officers of the Company.

On February 6, 2019, the Company granted options to acquire up to 166,667 common shares to its President, Mr. Fenwick. The options vested over a two-year period in equal quarterly installments of 20,833 shares beginning on February 7, 2019, and could have been exercised at $5.58 per share expiring five years after each vesting date. On December 27, 2019, the Company cancelled the options. The Company recorded $779,738 as share-based compensation for the year ended December 31, 2019.

On February 6, 2019, the Company granted warrants to acquire up to 83,334 common shares to Mr. McEnulty. The warrants vested over a two-year period in equal quarterly installments of 10,417 shares beginning on February 7, 2019, and could have been exercised at $5.58 per share expiring five years after each vesting date. On December 27, 2019, the Company cancelled the warrants. The Company recorded $175,681 as a share-based compensation for the year ended December 31, 2019.

(Expressed in Canadian Dollars)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

d) Share-based compensation consists of the following: (continued)

On September 13, 2019, the Company granted options to purchase up to 641,500 common shares to its executive officers and directors. The options granted could have been exercised at a price of $2.50 per share and were expiring on September 1, 2021. On December 27, 2019, the Company cancelled these options. The Company recorded $937,998 as share-based compensation for the year ended December 31, 2019.

e) Other

In January 2020, the Company entered into an option agreement with Optimus, where the Company granted Optimus the exclusive right and option to purchase the Company's land parcel in Adelanto, California for $200,000. The option gave Optimus the right to purchase the property for $800,000 until August 6, 2021, or for $1,000,000 until January 6, 2023.The funds Optimus advanced for build out of the dispensary as per above were applied toward the deposit on the Option.

On May 1, 2020, the Company issued 1,310,303 common shares to settle outstanding debt of $432,400 with a former director and former officer of the Company.

Related party payables at December 31, 2020 and 2019 consisted of the following amounts payable to current and former directors and officers of the Company:

		2020		2019
Continuing operations				
Brad Eckenweiler	$	-	$	492,258
Yanika Silina		42,817		88,329
Dr. John Sanderson		89,124		38,964
Nanostrips Inc.		8,278		8,445
Arni Johannson		-		49,875
Frank McEnulty		-		101,306
Matt Ferguson		-		5,124
Pat Morris/Enermetal Ventures Inc.		25,200		-
Joel Shacker/1156724 BC Ltd.		62,827		-
	$	228,246	$	784,301
Discontinued operations				
Brad Eckenweiler	$	-	$	(154,726)
Casey Fenwick		-		294,884
Yanika Silina		-		147
Frank McEnulty		-		23,771
Jonathan Hunt		-		27,903
Matt Ferguson		-		39,685
	$	-	$	231,664
Total	$	228,246	$	1,015,965

(Expressed in Canadian Dollars)

18. CAPITAL AND RESERVES

A. Common Shares

Authorized: Unlimited number of common voting shares without nominal or par value.

On September 6, 2019, the Company effected a consolidation of its capital on the basis of six (6) existing common shares for one (1) new common share. On July 7, 2020, the Company further consolidated its share capital on the basis of two (2) existing common shares for one (1) new common share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio.

B. Issued Share Capital

As at December 31, 2020, the Company had 94,702,507 (2019 – 13,372,102) shares issued and outstanding.

During the year ended December 31, 2020, the Company had the following transactions that resulted in issuance of its common stock:

i. On March 16 2020, the Company issued 2,666,667 common shares to CGOC in exchange for 3,149,606 common shares of CGOC (the "Share-Swap"). At the time of transaction, the fair market value of CGOC's shares was $0.27 per share, and therefore the Company recorded $724,408 as share capital. The shares were issued as restricted, and therefore, until September 16, 2021, CGOC will not be able to trade the shares without prior written consent of the Company.

ii. In April 2020, the Company entered into agreements for the settlement of $808,325 in debt through the issuance of common shares of the Company (the "Debt Settlements"). Pursuant to the Debt Settlements, the Company issued a total of 2,449,470 common shares of the Company at a price of $0.33 per share to certain creditors of the Company, including certain directors and officers of the Company.

iii. In July 2020, the Company completed a non-brokered private placement of 21,052,621 units at a price of $0.19 per unit for gross proceeds of $4,000,000. Each unit consists of one common share of the Company, and one-half-of-one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share of the Company at a price of $0.70 per share until July 3, 2022. The warrants were ascribed a value of $nil under the residual value method.

In connection with the completion of the private placement, the Company paid finders' fees of $31,947. In addition the Company issued 434,891 warrants to certain parties who assisted in introducing subscribers to the , with a fair market value of $139,041, which was determined using Black-Scholes Option pricing model based on the following assumptions:

	July 3, 2020
Expected Life of the Broker Warrants	2 years
Risk-Free Interest Rate	0.26%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	75%

iv. On July 10, 2020, the Company issued 25,760,000 common shares with a value of $20,608,000 in relation of the acquisition of all the issued and outstanding shares of Rejuva.

v. On July 10, 2020, the Company issued 5,666,667 common shares with a value of $3,761,289 in relation of the acquisition of 25% of the non-voting participating share capital of Shahcor.

vi. On December 31, 2020, the Company issued 23,735,000 common shares at a value of $16,080,225 in relation of the acquisition of all the issued and outstanding shares of Vocan.

(Expressed in Canadian Dollars)

18. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital (continued)

During the year ended December 31, 2019, the Company had the following transactions that resulted in issuance of its common stock:

i. During the year ended December 31, 2019, the Company issued 25,000 shares for total proceeds of $150,000 to a former director on exercise of an option to acquire common shares of the Company granted under the Company's rolling stock option plan.

ii. On May 9, 2019, the Company closed a non-brokered private placement financing (the "Financing") by issuing a total of 1,618,680 units (the "Units") at $4.20 per Unit for total gross proceeds of $6,798,457. Each Unit sold in the Financing consisted of one common share of the Company (each a "Unit Share") and one common share purchase warrant (each a "Warrant") entitling the holder to purchase one additional common share (a "Warrant Share") at a price of $3.00 per Warrant Share for a period ending on May 9, 2020.

In connection with the Financing, the Company paid cash commissions of $233,076 and recognized $3,663 as share issuance costs. In addition, the Company issued 55,495 brokers' warrants with a fair market value of $139,669, which was determined using Black-Scholes Option pricing model based on the following assumptions:

	May 9, 2019
Expected Life of the Broker Warrants	1 year
Risk-Free Interest Rate	1.61%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	109%

The brokers' warrants were exercisable at $6.00 per share for a one-year period expiring on May 9, 2020. These warrants expired unexercised.

iii. On November 14, 2019, the Company issued 1,750,000 common shares at $1.08 per share in consideration of the acquisition of all the issued and outstanding shares of Rainy Daze.

C. Stock Purchase Options

The Company maintains a rolling stock option plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, with the exercise price of each option being equal to or above the market price of the common shares on the grant date. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

Stock Option Grants and Transactions during the year ended December 31, 2020

On May 28, 2020, the Company granted 1,500,000 options to certain directors, officers and consultants of the Company. The options are exercisable at $0.33 per share until May 1, 2022. The options vest quarterly in equal installments beginning on August 28, 2020 until May 28, 2021. The grant date fair value of these options was $269,905. During the year ended December 31, 2020, the Company has recognized $228,120 of share-based compensation for the vesting of these stock options. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions:

(Expressed in Canadian Dollars)

18. CAPITAL AND RESERVES (CONTINUED)

B. Issued Share Capital (continued)

Stock Option Grants and Transactions during the year ended December 31, 2020 (continued)

	May 28, 2020
Expected Life of the Options	1.93 years
Risk-Free Interest Rate	0.28%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	119%

On July 8, 2020, the Company granted 2,100,000 incentive stock options to certain consultants and employees of the Company. Each option vested immediately upon grant and will be exercisable to acquire one common share of the Company, at a price of $0.67 per share, until July 8, 2025. The grant date fair value of these options was $1,179,423. During the year ended December 31, 2020, the Company recognized $1,179,423 of share-based compensation for the vesting of these stock options. The value of the options at grant date was determined using the Black-Scholes Option pricing model using the following assumptions:

	July 8, 2020
Expected Life of the Options	5 years
Risk-Free Interest Rate	0.32%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	129%

Stock Option Grants and Transactions during the year ended December 31, 2019

On February 6, 2019, the Company granted options to acquire up to 250,000 common shares to its President and an employee and granted warrants to acquire up to 250,000 common shares to its consultants. These securities were issued outside of the Company's Plan. The options and warrants vested quarterly over a two-year period in equal installments beginning on February 7, 2019, and could have been exercised at a price of $5.58 per share expiring five years after each vesting date. The grant date fair value of these options was $1,169,607. These options were cancelled on December 27, 2019. During the year ended December 31, 2019, the Company recognized $1,169,607 as share-based compensation. The value of the options was determined using the Black-Scholes Option pricing model using the following assumptions:

	February 6, 2019
Expected Life of the Options	5 years
Risk-Free Interest Rate	1.83%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	163.67%

During the year ended December 31, 2019, the Company recognized $527,041 as share-based compensation being the fair value of 250,000 warrants granted to its consultants. The value of the warrants was determined using the Black-Scholes Option pricing model as at February 7, 2019, and was revalued at December 27, 2019, the date all outstanding options and warrants were cancelled, using the following assumptions:

	December 27, 2019	**February 7, 2019**
Expected Life of the Warrants	5 years	5 years
Risk-Free Interest Rate	1.62%	1.78%
Expected Dividend Yield	Nil	Nil
Expected Stock Price Volatility	157.14%	163.71%

(Expressed in Canadian Dollars)

18. CAPITAL AND RESERVES (CONTINUED)

C. Stock Purchase Options (continued)

Stock Option Grants and Transactions during the year ended December 31, 2019 (continued)

On September 13, 2019, the Company granted options to purchase up to 923,800 common shares to its executive officers, directors, and consultants. The options granted could have been exercised at a price of $2.50 per share and were expiring on September 1, 2021. Options to acquire up to 691,500 common shares vested immediately, and options to acquire up to 232,300 common shares issued to a consultant for investor relations services vested over a 12-month period beginning on December 13, 2019, at 58,075 shares per quarter. These options were cancelled on December 27, 2019. The Company recorded $1,011,106 as share-based compensation associated with the options to acquire up to 691,500 issued to executive officers, directors and consultants for non-investor relations services, and $69,152 for options to acquire up to 232,300 shares issued to a consultant for IR services. The above compensation was determined using the Black-Scholes Option pricing model using the following assumptions:

Non-IR Options	**September 13, 2019**
Expected Life of the Options	1.97 years
Risk-Free Interest Rate	1.64%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	114%

IR Options	**December 27, 2019**	**September 13, 2019**
Expected Life of the Options	1.72 years	1.97 years
Risk-Free Interest Rate	1.66%	1.64%
Expected Dividend Yield	Nil	Nil
Expected Stock Price Volatility	109.44%	114%

A continuity of options for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020		**December 31, 2019**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	-	n/a	996,940	$6.60
Granted	3,600,000	$0.53	1,423,800	$3.58
Expired	-	-	(733,538)	$6.54
Exercised	-	-	(25,000)	$6.00
Cancelled	-	-	(1,662,202)	$4.07
Options outstanding, ending	3,600,000	$0.53	-	n/a

The following stock options are outstanding at December 31, 2020:

Number of options	**Exercisable**	**Exercise price**	**Expiry date**
1,500,000	750,000	$0.33	May 1, 2022
2,100,000	2,100,000	$0.67	July 8, 2025
3,600,000	2,850,000		

Subsequent to December 31, 2020, 247,000 stock options were exercised for total proceeds of $156,990.

(Expressed in Canadian Dollars)

18. CAPITAL AND RESERVES (CONTINUED)

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the years ended December 31, 2020, and 2019:

	December 31, 2020		**December 31, 2019**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	1,674,175	$6.00	441,667	$9.00
Issued	15,276,324	$0.62	1,674,175	$6.00
Expired	(1,674,175)	$6.00	(441,667)	$9.00
Warrants outstanding, ending	15,276,324	$0.62	1,674,175	$6.00

The following share purchase warrants are outstanding at December 31, 2020:

Number of warrants	**Exercisable**	**Exercise price**	**Expiry date**
10,526,324	10,526,324	$0.70	July 3, 2022
750,000	-	$1.20	December 31, 2022
4,000,000	4,000,000	$0.30	December 31, 2022
15,276,324	14,526,324		

Subsequent to December 31, 2020, 6,649,513 share purchase warrants were exercised for total proceeds of $3,239,659.

19. GENERAL AND ADMINISTRATIVE EXPENSES

At December 31, 2020 and 2019 general and administrative expenses consisted of the following:

	December 31, 2020	**December 31, 2019**
Accounting fees	$ 267,586	$ 231,837
IT infrastructure	136,946	317,768
Legal fees	443,437	107,581
Meals and travel expenses	61,923	488,747
Office and general	103,626	301,394
Regulatory fees	111,807	73,938
Total general and administrative expenses	**$** 1,125,325	**$** 1,521,265

(Expressed in Canadian Dollars)

20. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company only recently started generating revenue and cash flows used in its operations are still negative; as such, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. 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 through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the

Company, is reasonable. There was no change to the Company's management of capital during the year ended December 31, 2020. The Company is not subject to any externally imposed capital requirements.

21. INCOME TAXES

A reconciliation of income taxes at statutory rate is as follows:

	Years ended December 31, 2020	2019 (Restated
Net loss before tax	$(46,904,109)	$ (10,714,356)
Statutory income tax rate	27%	27%
Expected income tax recovery	(12,664,110)	(2,892,000)
Non-deductible expenditures and non-taxable revenues	10,228,019	4,640,712
Foreign exchange	326,246	(26,001)
Share issuance costs	(64,000)	(64,000)
Permanent differences	(516,000)	1,318,000
Adjustment to prior year provision versus statutory tax returns	335,000	(1,166,000)
Change in unrecognized deductible temporary differences	2,354,845	(1,810,711)
Income tax recovery	$ -	$ -

The significant components of deferred tax assets that have not been included in the statements of financial position are as follows:

	Years ended December 31, 2020	2019 (Restated)
Deferred tax assets:		
Intangible assets	$ -	$ 327,000
Share issuance costs	86,729	134,000
Investment tax credit	3,054	3,000
Property and equipment	17,269	4,000
Non-capital losses available for future period (USA)	890,529	859,000
Non-capital losses available for future period (Canada)	6,297,464	3,613,000
	7,295,045	4,940,000
Unrecognized deferred tax assets	(7,295,045)	(4,940,000)
	$ -	$ -

(Expressed in Canadian Dollars)

21. INCOME TAXES (CONTINUED)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		Years ended December 31,				
		2020	**Expiry Date Range**		**2019 (Restated)**	**Expiry Date Range**
Temporary differences:						
Property and equipment	$	63,958	No expiry date	$	16,538	No expiry date
Investment tax credit	$	4,184	No expiry date	$	4,184	No expiry date
Intangible assets	$	-	N/a	$	1,169,849	2020 to 2033
Share issuance costs	$	321,219	2020 to 2023	$	496,943	2015 to 2019
Non-capital losses available for future period (USA)	$	3,184,974	2034 to 2040	$	3,064,310	2015 to 2034
Non-capital losses available for future period (Canada)	$	23,264,486	2030 to 2040	$	13,396,163	2030 to 2037

22. FINANCIAL INSTRUMENTS AND RISKS

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

Level 1 — quoted prices in active markets for identical assets and liabilities.
Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash and cash equivalents and marketable securities as measured at fair value in the statement of financial position, using level 1 inputs. Amounts and advances receivable, accounts payable and accrued liabilities, amounts due to related parties, advances payable, and unearned revenue approximate fair value due to the short-term nature of these instruments. The carrying values of financial liabilities where interest is charged based on a variable rate approximates fair value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. The carrying value of long-term debt and lease obligations where interest is charged at a fixed rate is not significantly different than fair value.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk, and foreign currency risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk:
Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2020 is the carrying amount of cash, marketable securities, amounts and advances receivable.

The risk for cash is mitigated by holding these instruments with highly rated financial institutions in Canada and USA. Some concentrations of credit risk with respect to amounts receivable exist due to the small number of customers. Amounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the management of the Company believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in amounts receivable.

22. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Risk management (continued)

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

i.Interest rate risk:
Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instruments to hedge potential fluctuations in interest rates. The exposure to interest rate risk for the Company is considered minimal.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

ii.Currency risk:
The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, and accounts payable and accrued liabilities that are denominated in US dollars.

	2020	2019
Cash denominated in USD	-	$ 116,470
Accounts receivable denominated in USD	-	391,132
Prepaids and other current assets denominated in USD	-	478,737
Accounts and wages payable and accrued liabilities denominated in USD	-	(4,569,278)
Notes and advances denominated in USD	-	(476,191)
Total	-	$ (4,059,130)
Effect of a 10% change in exchange rates	-	$ (405,913)

iii.Equity price risk:
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. At December 31, 2020, the Company held 3,149,606 restricted common shares of CGOC valued at $1,259,842 (2019 – $Nil). As at December 31, 2020, the Company's equity investment represented 25% of its current assets, therefore management determined that equity price risk was not material to the Company's operations.

Liquidity risk:
Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2020, the Company had cash of $528,364 to settle current financial liabilities of $3,703,317. In order to meet its current liabilities, the Company will need to raise/borrow funds from either loans or private placements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements, with an increased grow, manufacturing and distribution operations, the likelihood of the Company generating positive cash flows is probable, however, given the industry and the global economy, remain uncertain. Likewise, the Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, advances payable and convertible debt.

(Expressed in Canadian Dollars)

22. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Liquidity risk: (continued)
The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2020:

	Within 12 months	After 12 months
Accounts payables and accrued liabilities	$ 3,283,098	$ -
Amounts due to related parties	228,246	-
Advances payable	191,973	-
Convertible debt	-	450,000
Total	$ 3,703,317	$ 450,000

23. CONTINGENT LIABILITY

On February 4, 2021 Desert Sand Properties, LLC ("Desert Sand" or "Plaintiff") filed a claim in the Superior Court of California against its former wholly-owned subsidiaries LDS Development Corporation ("LDS") and CSPA Group, Inc. ("CSPA") and the Company collectively ("the Defendants"). The claim relates to landlord -tenant dispute, whereby the tenant LDS, failed to make certain rent and property tax payments under the terms of the lease agreement that was entered into on April 15, 2019. The Plaintiff further alleges that CSPA and the Company each of whom signed a guaranty of lease are responsible for LDS unpaid debts and obligations under the terms of the lease. The total amount of the claim is for approximately US$863,000. Due to its early infancy, the Company is currently reviewing this matter with the Company's legal counsel. The Company intends to respond to the Plaintiff to address the claims. The amount of the debt was recorded in accounts payable in LDS. As a result of the disposition of LDS and CSPA, at December 31, 2020, the Company being a guarantor of the lease agreement, along with CSPA may be liable for the full amount of the claim. Accordingly, the Company has determined that it is probable that it will have to make a payment to settle this obligation. The Company best estimate is $537,000 (US$422,000) which is included in accounts payable and accrued liabilities.

24. NON-CONTROLLING INTERESTS

At December 31, 2019, the Company owned a 75% interest in two of its subsidiaries, LDS Agrotech Inc., and LDS Scientific Inc. The remaining 25% equity interest of LDS Agrotech is held by Matthew Ferguson, its President; and the remaining 25% equity interest of LDS Scientific is held by Jonathan Hunt, its former President. On January 31, 2019, the Company reacquired the full ownership of Omni Distribution Inc. as part of the settlement agreement and release the Company negotiated with Ms. Elrod, the former President of LDS Scientific.

During the year ended December 31, 2019, the Company incorporated a new subsidiary, Agrotech, LLC ("Agrotech"), of which 50% of equity was transferred to an arms-length US Person. The Company determined that it has control over the operations of Agrotech, and therefore the financial statements of Agrotech are consolidated with the Company's financial statements, as required under IFRS 10.

At December 31, 2020, and 2019, the non-controlling interests consisted of the following:

	2020	2019
LDS Scientific (25%)	$ -	$ (1,838,406)
LDS Agrotech (25%)	-	(115,847)
Agrotech, LLC (50%)	-	342,699
	$ -	$ (1,611,554)

(Expressed in Canadian Dollars)

24. NON-CONTROLLING INTERESTS (CONTINUED)

The following are the summarized statements of financial position of LDS Scientific, LDS Agrotech, and Agrotech, as at December 31, 2020 and 2019:

As at December 31, 2020

	LDS Scientific	LDS Agrotech	Agrotech	Total
Assets	$ -	$ -	$ -	$ -
Liabilities	-	-	-	-
Total net assets	$ -	$ -	$ -	$ -
Total net assets allocated to NCI	**$ -**	**$ -**	**$ -**	**$ -**

As at December 31, 2019

	LDS Scientific	LDS Agrotech	Agrotech	Total
Assets	$ 15,099	$ -	$ 1,745,731	$ 1,761,350
Liabilities	(7,368,722)	(463,384)	(1,060,341)	(8,892,447)
Total net assets	$ (7,353,623)	$ (463,384)	$ 685,390	$ (7,131,097)
Total net assets allocated to NCI	**$ (1,838,406)**	**$ (115,847)**	**$ 342,695**	**$ (1,611,558)**

The following table summarizes comprehensive income (loss) incurred by the Company's subsidiaries that have non-controlling interests for the years ended December 31, 2020 and 2019:

For the year ended at December 31, 2020

	LDS Scientific	LDS Agrotech	Agrotech	Total
Gross profit	$ -	$ -	$ 100,258	$ 100,258
Operating (expenses) recovery	(921,795)	-	55	(921,740)
Net income (loss)	(921,795)	-	100,313	(821,482)
Other comprehensive income (loss)	58,931	6,066	-	64,997
Comprehensive income (loss)	$ (862,864)	$ 6,066	$ 100,313	$ (756,485)
Comprehensive income (loss) allocated to NCI	**$ (234,004)**	**$ -**	**$ 50,157**	**$ (183,847)**

For the year ended at December 31, 2019

	LDS Scientific	LDS Agrotech	Agrotech	Total
Gross profit	$ -	$ -	$ 718,577	$ 718,577
Operating expenses	(2,154,076)	(3,372)	(18,358)	(2,175,806)
Net income (loss)	(2,154,076)	(3,372)	700,219	(1,457,229)
Other comprehensive income (loss)	321,734	6,317	(14,830)	313,221
Comprehensive income (loss)	$ (1,832,342)	$ 2,945	$ 685,389	$ (1,144,008)
Comprehensive income (loss) allocated to NCI	**$ (458,085)**	**$ 736**	**$ 342,695**	**$ ($114,654)**

(Expressed in Canadian Dollars)

25. GEOGRAPHICAL INFORMATION

Geographical information relating to the Company's activities is as follows:

Revenue	**2020**	**2019**
Discontinued operations		
United States	$ 3,520,107	$ 5,041,651
	$ 3,520,107	$ 5,041,651

Long-Term Assets[(1)]	**2020**	**2019**
Continuing operations		
Canada	$ 4,536,420	$ -
Discontinued operations		
United States	-	14,048,482
	$ 4,536,420	$ 14,048,482

(1) Includes: Property, plant, and equipment

26. REVENUE

For the years ended December 31, 2020 and 2019 the following revenue was recorded from customers that comprise 10% or more of revenue:

	2020	**2019**
Customer A	$ 1,367,807	$ -
Customer B	$ 1,171,756	$ 629,182
Customer C	$ -	$ 1,335,962
Customer D	$ 358,696	$ -

27. SUPPLEMENTAL CASH FLOW DISCLOSURE

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows:

During the year ended December 31, 2020:

The Company completed a share exchange with CGOC whereby the Company received 3,149,606 common shares of CGOC in exchange for 2,666,667 common shares of the Company fair valued at $724,408.

The Company issued 25,760,000 common shares fair valued at $20,608,000 to acquire Rejuva.

The Company issued 5,666,667 common shares fair valued at $3,761,289 to acquire Shahcor.

The Company issued 23,735,000 common shares fair valued at $16,080,225 to acquire Vocan.

The Company issued 2,449,470 common shares to settle debt of $808,325.

During the year ended December 31, 2019:

The Company issued 1,750,000 common shares fair valued at $1,890,000 to acquire Rainy Daze.

(Expressed in Canadian Dollars)

28. DISCONTINUED OPERATIONS

On December 31, 2020, the Company sold its US operations located in Adelanto, California which consisted of the following subsidiaries: LDS Agrotech Inc; LDS Scientific Inc; Rêveur Holdings Inc; LDS Development Corporation; CSPA Group, Inc; Core Isogenics Inc and Agrotech LLC. ("Adelanto")

The US operations were sold for $3,000,000 plus the assumption of liabilities. In consideration the purchaser will complete a series of cash payments in installments of $500,000 on closing date (received subsequent to year end); $500,000 on or before May 1, 2021 ($300,000 received subsequent to year end); $1,000,000 on or before September 1, 2021 and the remaining $1,000,000 on or before January 1, 2022. As a result of the timing of the payments the Company discounted the cash to $2,909,091 using a discounting factor of 10%. In connection with the completion of the sale, the Company agreed to pay $405,000 in fees to third parties who assisted with facilitating the sale and have been recorded as finders fee in the consolidated statement of comprehensive loss.

The sale of the US operations meets the criteria of a discontinued operation under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The US operations were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statements of comprehensive loss has been restated to show the discontinued operation separately from continuing operations.

The following table provides additional information with respect to the loss on sale of discontinued operations:

		2020
Cost of disposal of discontinued operations		
Cash to be received	$	2,909,091
Assumption of liabilities		700,812
		3,609,903
Less net assets (liabilities) of discontinued operations		
Cash		306,489
Amounts receivable		602,053
Prepaid expenses		282,144
Inventory		1,337,834
Due from affiliate		9,937
Biological assets		387,827
Property, plant and equipment		10,793,645
Accounts payable and accrued liabilities		(3,970,987)
Due to related parties		(394,797)
Deposit on sale of assets		(185,370)
Lease liabilities		(3,461,995)
Unearned revenue		(56,736)
Non-controlling interest		1,795,405
		7,445,449
Add – Facilitation fees		405,000
Loss on disposal of Adelanto	$	4,240,546

(Expressed in Canadian Dollars)

28. DISCONTINUED OPERATIONS (CONTINUED)

The impact of the discontinued operations relating to the US operations on the balances reported in the consolidated financial statements is as follows:

Consolidated Statement of financial position		**2019**
Current assets	$	3,216,151
Property plant and equipment		14,048,482
	$	17,264,633
Liabilities		
Current liabilities	$	5,771,483
Long-term liabilities		3,495,731
	$	9,267,214

Consolidated Statements of comprehensive loss		**2020**		**2019**
Sales – Note 26	$	3,520,107	$	5,041,651
Cost of sales		2,895,263		6,294,362
		624,844		(1,252,711)
Unrealized gain (loss) on changes in fair value of biological assets		(987,360)		679,267
Realized fair value amounts included in inventory sold		(320,437)		(96,127)
Crop share		118,408		-
Gross margin		(564,545)		(669,571)
Expenses				
Bad debts (recovery)		(14,770)		154,937
Consulting fees		39,398		1,768
Amortization		230,020		406,169
Foreign exchange loss (gain)		(25)		155
Loss (gain) on sale of assets		86,159		(5,060)
General and administrative expenses		645,244		1,733,576
Impairment of PP&E and ROU assets		-		3,020,707
Impairment of inventory		1,612,106		2,157,732
Interest expense		428,553		472,103
Loss (gain) on settlement of debt		(105,917)		88,106
Research and development		-		989,898
Wages and benefits – Note 17		503,265		1,248,425
Reclassification of foreign exchange gain on disposal of Adelanto		(333,959)		-
Loss on disposal of Adelanto		4,240,546		-
		7,330,620		10,268,516
Net loss for the year		(7,895,165)	$	(10,938,087)
Net (loss) income attributed to:				
Shareholders of the Company	$	(7,714,872)	$	(10,748,835)
Non-controlling interests		(180,293)		(189,252)
	$	(7,895,165)	$	(10,938,087)

(Expressed in Canadian Dollars)

28. DISCONTINUED OPERATIONS (CONTINUED)

Consolidated Statements of cash flows	2020	2019
Cash flows used in operating activities		
Net loss from discontinued operations	$ (7,895,165)	$ (10,938,087)
Items not affecting cash		
Amortization	-	265,380
Bad debts	-	154,937
Depreciation	2,408,598	2,504,432
Foreign exchange	589	(66)
Impairment of PP&E and ROU	-	2,755,327
Impairment of inventory	1,612,106	2,157,733
Interest expense	476,169	472,103
Loss on settlement of debt	(105,917)	88,106
Loss on disposal of Adelanto	4,240,546	-
Gain on sale of assets	-	(5,060)
Realized gain on change in inventory	320,437	
Reclassification of foreign exchange gain on disposal of Adelanto	(333,959)	-
Unrealized gain on changes in fair value of biological assets	987,360	(679,267)
Changes in non-cash working capital items		
Amounts receivable	(230,358)	(546,083)
Prepaid expenses and deposit	76,461	(186,538)
Inventory	(418,752)	(411,373)
Biological assets	(1,222,591)	(1,415,634)
Accounts payable and accrued liabilities	(1,016,321)	1,795,792
Amounts due to related parties	176,694	302,632
Unearned revenue	872	(15,119)
	(923,231)	(3,700,785)
Cash flows from financing activities		
Advances received	-	66,346
Repayment of lease	(482,940)	(955,368)
	(482,940)	(889,022)
Cash flows from investing activities		
Advances receivable	24,169	(10,356)
Equipment	-	(961,478)
Production facility	-	(673,768)
Deposit on sale of assets	-	192,604
	24,169	(1,452,998)
Effect of foreign exchange on cash	-	(1,415)
Change in cash for the year	(1,382,002)	(6,044,220)

29. SUBSEQUENT EVENTS

Subsequent to December 31, 2020:

On January 15, 2021, the Company granted 6,720,000 stock options to directors, officers and consultants. The options are exercisable at $1.05 per share until January 15, 2024.

On January 20, 2021, pursuant to the terms of a debt settlement agreement, the Company issued 88,095 common shares to debt settle $74,000 in debt and on January 21, 2021, issued 500,000 common shares to settle debt of $535,000.

On March 11, 2021, the Company completed a share purchase agreement to acquire all of the outstanding share capital of Bluejay Mental Health Group Inc. ("Bluejay") and the shareholders of Bluejay. The Company issued (i) 9,150,000 common shares; and (ii) 6,000,000 share purchase warrants entitling the holders to acquire a further 6,000,000 common shares of the Company for $0.05 per share for a period of 24 months from closing. 1,650,000 common shares are subject to a voluntary pooling arrangement. In connection with the deal, the Company issued 200,000 common shares split evenly between two parties who assisted with facilitating the transaction.

On March 26, 2021, the Company completed the acquisition of all of the outstanding membership interest in Ketamine Infusion Centers of Texas LLC, a limited liability company organized and existing under the laws of the State of Texas. ("KICT"). In consideration for all of the membership interest of KICT, the Company issued 210,000 common shares of the Company. The Company issued 21,000 common shares as finders fee and 4,200 common shares as an administration fee. The consideration shares are subject to a voluntary pooling arrangement.

On April 30, 2021, the Company issued 202,004 common shares to debt settle $196,000 in debts.

On May 5, 2021, the Company completed the acquisition of all of the outstanding share capital of Akome Biotech Ltd. ("Akome") for consideration of 3,500,000 common shares to the existing shareholders of Akome. The consideration shares are subject to a voluntary pooling arrangement. In connection with the deal, the Company issued 370,000 common shares as finders fees.

On June, 1, 2021, a shareholder of the Company voluntarily returned 99,113 common shares to the Company in connection with the acquisition of Vocan.