CITY VIEW GREEN HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
City View Green Holdings Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of City View Green Holdings Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated 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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $5,612,287 during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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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 Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 30, 2021

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City View Green Holdings Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**$ 152,577**	$ 6,026
Amounts receivable (note 7)	**275,629**	243,529
Prepaid rent and deposit	**186,711**	123,176
Promissory notes receivable (note 8)	**497,901**	372,272
Total current assets	**1,112,818**	745,003
Non-current assets		
Plant and equipment (note 9)	**629,167**	248,579
Right-of-use assets (note 10)	**2,825,626**	3,495,358
Intangible assets and goodwill (notes 6 and 11)	**1,886,818**	-
Investments in associate (note 12)	**1,232,872**	1,100,000
Total assets	**$ 7,687,301**	$ 5,588,940
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	**$ 1,061,116**	$ 723,749
Promissory notes payable (note 15)	**-**	552,500
Loans payable (note 14)	**427,822**	-
Current portion of lease liabilities (note 16)	**137,413**	193,599
Total current liabilities	**1,626,351**	1,469,848
Non-current liabilities		
Loans payable (note 14)	**40,000**	-
Lease liabilities (note 16)	**2,957,987**	3,480,761
Total liabilities	**4,624,338**	4,950,609
Equity		
Share capital (note 17)	**28,500,186**	25,987,484
Shares to be issued (note 6)	**1,384,053**	-
Contributed surplus (note 18)	**7,794,193**	3,654,029
Deficit	**(34,615,469)**	(29,003,182)
Total equity	**3,062,963**	638,331
Total equity and liabilities	**$ 7,687,301**	$ 5,588,940

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)
Subsequent events (note 25)

Approved on behalf of the Board:

(Signed) "Rob Fia" Director (Signed) "Tim Peterson" Director

City View Green Holdings Inc.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Expenses		
Consulting (notes 17 and 20)	**$ 761,412**	$ 988,494
Professional fees	**180,074**	197,323
Rent	**237,744**	533,609
General and administration	**115,745**	201,353
Debt issue costs (notes 14 and 19)	**158,202**	475,153
Share-based compensation (notes 18 and 20)	**3,481,735**	1,996,256
Travel	**-**	28,226
Depreciation (notes 9 and 10)	**433,249**	266,147
Advertising and promotion	**115,603**	119,270
Interest on loans and promissory notes payable (note 15)	**95,405**	52,500
Interest on lease liabilities (note 16)	**421,339**	363,688
	6,000,508	5,222,019
Net loss before interest and undernoted items	**(6,000,508)**	(5,222,019)
Interest income	**31,629**	21,511
Gain on lease modification (note 16)	**223,720**	126,933
Forgiveness of debt (note 16)	**-**	(123,674)
Gain on debt settlement (note 17)	**-**	163,614
Share of gain (loss) in associate (note 12)	**132,872**	(469,940)
Impairment loss from investment in associate (note 12)	**-**	(4,149,140)
Listing expense (note 5)	**-**	(14,905,141)
Net loss and comprehensive loss for the year	**$ (5,612,287)**	$ (24,557,856)
Basic and diluted net comprehensive loss per share (note 21)	**$ (0.03)**	$ (0.14)
Weighted average number of common shares outstanding - basic and diluted	**214,609,930**	171,965,138

The accompanying notes to the consolidated financial statements are an integral part of these statements.

City View Green Holdings Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating activities		
Net loss for the year	**$ (5,612,287)**	$(24,557,856)
Adjustments for:		
Depreciation	**433,249**	266,147
Share-based compensation	**3,481,735**	1,996,256
Accrued interest	**38,776**	30,989
Interest expense on lease liabilities	**421,339**	363,688
Debt issue cost	**158,202**	475,153
Gain on lease modification	**(223,720)**	(126,933)
Forgiveness of debt	**-**	123,674
Gain on debt settlement with common shares	**-**	(163,614)
Share of gain (loss) in associate	**(132,872)**	469,940
Impairment loss from investment in associate	**-**	4,149,140
Listing expense	**-**	14,905,141
Fair value of warrants issued for consulting services	**-**	236,600
Changes in non-cash working capital items:		
Subscription receivable	**-**	78,000
Amounts receivable	**(32,100)**	(110,784)
Prepaid rent and deposit	**(115,701)**	(154,355)
Accounts payable and accrued liabilities	**685,909**	564,531
Net cash used in operating activities	**(897,470)**	(1,454,283)
Investing activities		
Purchase of plant and equipment	**(438,688)**	(234,561)
Repayment of lease liabilities	**(445,636)**	(352,499)
Cash acquired in RTO	**-**	120,469
Cash acquired in asset purchase transaction	**439,238**	-
Asset purchase transaction costs	**(14,310)**	-
Net cash used in investing activities	**(459,396)**	(466,591)
Financing activities		
Proceeds from issuance of units, net of share issue costs	**1,420,000**	1,584,450
Proceeds from stock options exercised	**60,000**	48,987
Proceeds from warrants exercised	**62,500**	-
Repayment of promissory note	**(606,771)**	(100,000)
Promissory notes advanced	**(94,000)**	(350,000)
Proceeds from loans payable	**451,688**	-
Proceeds from promissory note payable	**-**	600,000
Shares to be issued	**210,000**	-
Net cash provided by financing activities	**1,503,417**	1,783,437
Net change in cash and cash equivalents	**146,551**	(137,437)
Cash and cash equivalents, beginning of year	**6,026**	143,463
Cash and cash equivalents, end of year	**$ 152,577**	$ 6,026

The accompanying notes to the consolidated financial statements are an integral part of these statements.

City View Green Holdings Inc.

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital					
	Number of shares	**Amount**	**Shares to be issued**	**Contributed surplus**	**Deficit**	**Total**
Balance, December 31, 2018	**115,293,340**	**$ 4,531,663**	**$ -**	**$ 285,955**	**$ (4,366,864)**	**$ 450,754**
Impact of adoption of IFRS 16	-	-	-	-	(78,462)	(78,462)
Adjusted balance, December 31, 2018	**115,293,340**	**$ 4,531,663**	**$ -**	**$ 285,955**	**$ (4,445,326)**	**$ 372,292**
Units issued for cash	9,734,672	1,392,200	-	208,000	-	1,600,200
Share issuance cost	-	(15,750)	-	-	-	(15,750)
Common shares issued for debt settlement	4,171,238	491,405	-	-	-	491,405
Issued on exercise of stock options	783,787	415,069	-	(366,082)	-	48,987
Common shares issued for investment	29,968,427	5,619,080	-	-	-	5,619,080
Purchase of shares and stock options on RTO transaction	26,446,473	13,553,817	-	1,170,000	-	14,723,817
Fair value of warrants issued	-	-	-	359,900	-	359,900
Share-based payments	-	-	-	1,996,256	-	1,996,256
Net loss for the year	-	-	-	-	(24,557,856)	(24,557,856)
Balance, December 31, 2019	**186,397,937**	**$ 25,987,484**	**$ -**	**$ 3,654,029**	**$ (29,003,182)**	**$ 638,331**
Units issued for cash	28,550,000	1,427,500	-	-	-	1,427,500
Share issuance cost	-	(7,500)	-	-	-	(7,500)
Fair value of warrants	-	(641,000)	-	641,000	-	-
Common shares issued for debt settlement	6,970,849	348,542	-	-	-	348,542
Common shares issued for asset acquisition	23,481,056	1,174,053	-	-	-	1,174,053
Units issued for financing costs	411,688	44,036	-	62,000	-	106,036
Issued on exercise of stock options	400,000	97,609	-	(37,609)	-	60,000
Issued on exercise of warrants	1,250,000	69,462	-	(6,962)	-	62,500
Shares to be issued	-	-	210,000	-	-	210,000
Shares to be issued pursuant to asset purchase transaction	-	-	1,174,053	-	-	1,174,053
Share-based payments	-	-	-	3,481,735	-	3,481,735
Net loss for the year	-	-	-	-	(5,612,287)	(5,612,287)
Balance, December 31, 2020	**247,461,530**	**$ 28,500,186**	**$ 1,384,053**	**$ 7,794,193**	**$ (34,615,469)**	**$ 3,062,963**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Nature of operations and going concern

City View Green Holdings Inc. ("City View" or the "Company") was incorporated pursuant to the Canada Business Corporations Act on February 5, 2008. The Company continued into British Columbia from the jurisdiction of Canada, under the BCBCA, on February 18, 2011. On February 27, 2019, the Company completed a reverse take-over business combination with 2590672 Ontario Inc. ("2590672 Ontario") wherein the Company acquired 100% of the issued and outstanding common shares of 2590672 Ontario and began trading on the Canadian Securities Exchange ("Exchange") under the symbol "CVGR".

These consolidated financial statements reflect the continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, 2590672 Ontario.

The consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. As at December 31, 2020, the Company is still in the development stage, has accumulated losses of $34,615,469 since its inception and expects to incur further losses in the development of its business. These conditions raise material uncertainties which cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company is continuing its best efforts to achieve the above plans, there is no assurance that any such activity will generate funds for operations. The consolidated financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

On April 30, 2021, the Company received the cannabis processing license from Health Canada. The processing license allows the Company to produce cannabis edibles and related products and will allow the Company to conduct development activities, including the formulation of proprietary cannabis infused edibles.

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

2. Significant accounting policies

Basis of presentation

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 30, 2021, the date the Board of Directors approved the statements.

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. They have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value through profit and loss (FVTPL).

2. Significant accounting policies (continued)

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include cash on deposit at banking institutions and deposit in transit. The Company did not have any cash equivalents as at December 31, 2020.

Plant and equipment

Upon initial acquisition, plant and equipment is valued at cost, being the purchase price and the directly attributable costs of acquisition required to bring the assets to the location and in the condition necessary for these assets to be capable of operating in the manner intended by management.

In subsequent periods, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Each component or part of plant and equipment with a cost that is significant in relation to the total cost of the item will be depreciated separately, unless there is no difference in depreciation on the respective components.

Leasehold improvements are amortized on the remaining term of the lease to which they relate.

At each financial position reporting date, the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the pre-tax time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss.

2. Significant accounting policies (continued)

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

The Company elected to not recognize right of use assets and lease liabilities that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

Intangible assets

Intangible assets, including testing/formation technology, standard operating procedures and contracts that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization is calculated to write of the intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized in profit or loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate. Amortization commences when the asset is ready for use.

2. Significant accounting policies (continued)

Goodwill

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the groups of assets (each a "Cash-Generating Unit" or a "CGU") to which goodwill has been allocated must be valued using present value techniques. The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves significant estimates and assumptions. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Investments in associates

Investments in associates are those entities over which the Company has or is deemed to have significant influence, but not control over, the financial and operating policies. The Company also provides loans to these entities. Investment in associate are carried in the consolidated statement of financial position using the equity method. The equity method is the basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the investor's pro-rata share of post-acquisition earnings and other comprehensive income of the investee. Funding advances to the investee increase the carrying value of the investment and profit distributions from the investment, if any, reduce the carrying value of the investment. Refer to note 12 for details of investments where the Company exerts significant influence.

Research and development costs

Research costs are expensed when incurred. Development costs are capitalized as intangible assets when the conditions related to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled. Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

As at December 31, 2020, no such costs have been deferred in the accounts of the Company.

Share-based compensation

The Company accounts for all equity-settled stock-based payments using a fair value based method incorporating the Black-Scholes option pricing model. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and is either recorded at the date of grant, in the case of options that vest immediately, or over the vesting period in the case of options that vest over a period of time. In the latter case, the Company estimates forfeitures at the time of grant and the amount recognized as an expense from time to time is adjusted to reflect any changes in the Company's estimate of the shares that will eventually vest and the effect of any non-market vesting conditions.

Share-based payment arrangements with non-employees in which the Company receives goods or services as consideration are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of equity instruments granted.

2. Significant accounting policies (continued)

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive loss (“FVTOCI”); and
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive loss (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial instruments classified and measured as follows:

Cash and cash equivalents	FVTPL
Amounts receivable	Amortized cost
Promissory note receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory note payable	Amortized cost

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2. Significant accounting policies (continued)

Loss per share

Basic and diluted net loss per share are calculated using the weighted average number of outstanding shares. The calculation of diluted loss per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options) on the theoretical number of shares using the treasury method. The Company had no dilutive instruments during the year ended December 31, 2020 and 2019.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets and liabilities are determined on a non-discounted basis, using the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

3. Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Impairment of plant and right-of-use assets - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto.

Share-based compensation – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

Warrants – management is required to make a number of estimates when measuring the value of warrants including the forfeiture rate and expected life of the instruments.

Plant and right-of-use assets - management is required to estimate the useful lives and residual value of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss.

Intangible assets – The Company applies judgment to assess whether there are any indications that its intangible assets may be impaired. This assessment requires an assessment of external, internal and other indicators at the end of each reporting period.

Recoverability of promissory notes receivable – Management's assessment of whether indicator of write off the receivable are present requires judgment based on facts and circumstances at reporting period ends.

Critical judgments in applying accounting policies

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

Going concern – the assessment of the Company’s ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

Impairment assessment of investment in associate – Management's assessment as to whether there is any objective evidence that its net investment in the associate is impaired. Management must determine whether there has been a loss event that has an impact of the estimated future cash flows from the net investment that can be reliably estimated. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity.

(Expressed in Canadian Dollars)

4. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and financial markets in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, or adjusting spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital structure to consist of share capital, contributed surplus, and deficit, which at December 31, 2020 totaled $3,062,963 (December 31, 2019 - $638,331). The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company is not subject to any capital requirements imposed by a lending institution.

5. Reverse take-over

On February 27, 2019, the Company entered into a Share Exchange Agreement (“SEA”) with 2590672 Ontario under which a reverse acquisition transaction (the "Transaction") was completed. Under the terms of the SEA, the Company acquired all of the issued and outstanding common shares of 2590672 Ontario. Upon closing, former 2590672 Ontario’s shareholders held approximately 85% of the outstanding shares of the Company. In substance, the Transaction involves former 2590672 Ontario’s shareholders obtaining control of the Company; accordingly, the Transaction is considered to be a reverse acquisition transaction under which 2590672 Ontario is identified as the accounting acquirer.

Former Icon Exploration Inc. did not meet the definition of a business under IFRS 3 Business Combinations (“IFRS 3”) prior to the Transaction, the future consolidated financial statements of the combined entity will represent the continuation of 2590672 Ontario. The Transaction is therefore accounted for in accordance with IFRS 2 Share-based Payment (“IFRS 2”) whereby 2590672 Ontario is deemed to have issued shares in exchange for the net assets of Former Icon Exploration Inc. at the fair value of the consideration received by 2590672 Ontario.

As a result of this asset acquisition, a listing expense of $14,905,141 has been recorded. This reflects the difference between the estimated fair value of consideration given is as follows:

Fair value of net assets acquired		
Cash and cash equivalents	$	120,469
Amounts receivable		17,484
Accounts payable and accrued liabilities		(319,277)
Listing expense		14,905,141
	$	14,723,817

Consideration given		
Common shares	$	13,553,817
Stock options		1,170,000
	$	14,723,817

(Expressed in Canadian Dollars)

6. Asset acquisition

On April 30, 2020, the Company closed an asset purchase transaction (the "Asset Purchase Transaction") with Infusion Works Inc. ("Infusion Works"). The Asset Purchase Transaction involved the acquisition of certain know-how, intellectual property and machinery related to food manufacturing, including baked goods, chocolates and other confectionary products containing various cannabinoids.

Pursuant to the Asset Purchase Transaction, the Company acquired equipment for the production of cannabis-infused food products including certain intellectual property related to the production thereof. In addition, Infusion paid a deposit of $439,238 (the "Deposit") to the Company to be used towards the purchase of certain new food manufacturing equipment and shall assign to City View the economic benefit of all existing contracts and future contracts or the contracts themselves at the time the Company receives the Licence (as defined hereinbelow).

In consideration, the Company will issue to Infusion an aggregate of 46,462,114 common shares in the capital of the Company ("Consideration Shares") issuable in three tranches, subject to an adjustment (the "Adjustment"). The first tranche was issued on April 30, 2020 and consisted of 9,292,422 shares. The second tranche was issued on October 26, 2020 upon receipt by the Company of the Deposit and consisted of 13,938,634 shares. The third and final tranche (the "Third Tranche") shall be issued upon the receipt by the Company of a Health Canada licence under the Cannabis Act (the "Licence") and shall consist of 23,231,057 shares. Pursuant to the Adjustment, at the time of Third Tranche, the Company will issue to Infusion such number of shares equal to 19.99% of the amount by which the issued and outstanding number of shares on the date of issuance of the third tranche shares exceeds 257,276,785. Moreover, the Company and Infusion have entered into a profit sharing agreement pursuant to which the Company shall pay to Infusion 10% of its EBIT for a period of 3 years commencing on the date of receipt of the Licence, payable in shares at a price equal to the 15 day volume weighted average price of the shares on the CSE prior to the applicable period.

In connection with the Transaction, the Company and Infusion have each paid a finder a finder fee of 500,000 shares, for a total of 1,000,000 shares issuable in two equal tranches. The first tranche of the finders shares was paid on April 30, 2020 and the second tranche of finder shares shall be paid at the time of the Third Tranche.

The purchase price allocation of the assets acquired is as follows:

Cash	$	439,238
Equipment		36,360
Intangible assets and goodwill		
Testing/formation technology		864,310
Standard operating procedures		61,750
Contracts		560,758
Goodwill		400,000
	$	2,362,416

Consideration given

First tranche - 9,292,422 common shares (issued)	$	464,621
Finder fees (first tranche) - 250,000 common shares (issued)		12,500
Second tranche - 13,938,634 common shares (issued)		696,932
Third tranche - 23,231,057 common shares		1,161,553
Finder fees (second tranche) - 250,000 common shares		12,500
Transaction costs		14,310
	$	2,362,416

(Expressed in Canadian Dollars)

7. Amounts receivable

	As at December 31, 2020	As at December 31, 2019
Sales tax receivable - Canada (i)	**$ 221,014**	$ 243,529
Amounts receivable	**54,615**	-
	$ 275,629	$ 243,529

(i) Sales tax receivable is not past due.

8. Promissory notes receivable

(i) On March 5, 2019, the Company entered into a loan agreement in the amount of $200,000 with 11103016 Canada Inc. ("11103016 Canada"). The loan is secured by 11103016 Canada's inventory and equipment, and bears interest rate of Prime Bank Rate plus 5% per annum, calculated monthly not in advance. The loan is repayable on or before March 5, 2020. The Company loaned an additional $100,000 to 11103016 Canada in August 2019. On March 5, 2020, the Company extended the repayment date of the loan to December 31, 2020. In April 2021, the repayment date was extended to December 31, 2021.

As at December 31, 2020, the Company was owed $341,983 (December 31, 2019 - $314,762) including accrued interest.

(ii) In April 2019, the Company entered into a loan agreement with Budd Hutt, whereby the Company can advance up to $400,000 per year to Budd Hutt by way of a single loan or multiple loans. On April 12, 2019, the Company advanced $50,000. The loan bears interest rate of 8% per annum, calculated monthly not in advance. The loan is repayable on or before April 12, 2020. The Company loaned an additional $94,000 during the year ended December 31, 2020. In April 2021, the Company extended the repayment date of the loan to December 31, 2021.

As at December 31, 2020, the Company was owed $155,918 (December 31, 2019 - $57,510) including accrued interest.

(Expressed in Canadian Dollars)

9. Plant and equipment

Cost	Leasehold improvements	Equipment (i)	Total
Balance, December 31, 2018	$ 72,320	$ -	$ 72,320
Additions	234,561	-	234,561
Balance, December 31, 2019	306,881	-	306,881
Additions (note 6)	341,672	133,376	475,048
Balance, December 31, 2020	$ 648,553	$ 133,376	$ 781,929

Accumulated depreciation	Leasehold improvements	Equipment (i)	Total
Balance, December 31, 2018	$ 8,439	$ -	$ 8,439
Depreciation for the year	49,863	-	49,863
Balance, December 31, 2019	$ 58,302	$ -	$ 58,302
Depreciation for the year	94,460	-	94,460
Balance, December 31, 2020	$ 152,762	$ -	$ 152,762

Carrying value	Leasehold improvements	Equipment (i)	Total
Balance, December 31, 2019	$ 248,579	$ -	$ 248,579
Balance, December 31, 2020	$ 495,791	$ 133,376	$ 629,167

(i) As at December 31, 2020, the equipment is not in use and no amortization has been recognized during the year ended December 31, 2020.

(Expressed in Canadian Dollars)

10. Right-of-use assets

Cost	Brantford facility
Balance, December 31, 2018	$ -
Additions - IFRS 16	2,103,944
Termination of lease (note 16(i))	(2,103,944)
Additions	3,647,330
Balance, December 31, 2019	$ 3,647,330
Modification of lease (note 16(ii))	(330,943)
Balance, December 31, 2020	$ 3,316,387

Accumulated depreciation	Brantford facility
Balance, December 31, 2019	$ 151,972
Depreciation for the year	338,789
Balance, December 31, 2020	$ 490,761

Carrying value	Brantford facility
Balance, December 31, 2019	$ 3,495,358
Balance, December 31, 2020	$ 2,825,626

(Expressed in Canadian Dollars)

11. Intangible assets and goodwill

Cost	**Testing/ formation technology (i)**	**Standard operating procedures (i)**	**Contracts (i)**	**Goodwill**	**Total**
Balance, December 31, 2018 and December 31, 2019	$ -	$ -	$ -	$ -	$ -
Additions (note 6)	864,310	61,750	560,758	400,000	1,886,818
Balance, December 31, 2020	$ 864,310	$ 61,750	$ 560,758	$ 400,000	$ 1,886,818

Accumulated depreciation	**Testing/ formation technology (i)**	**Standard operating procedures (i)**	**Contracts (i)**	**Goodwill**	**Total**
Balance, December 31, 2018, December 31, 2019 and December 31, 2020	$ -	$ -	$ -	$ -	$ -

Carrying value	**Testing/ formation technology (i)**	**Standard operating procedures (i)**	**Contracts (i)**	**Goodwill**	**Total**
Balance, December 31, 2019	$ -	$ -	$ -	$ -	$ -
Balance, December 31, 2020	$ 864,310	$ 61,750	$ 560,758	$ 400,000	$ 1,886,818

(i) As at December 31, 2020, the intangible assets are not in use and no amortization has been recognized during the year ended December 31, 2020.

(Expressed in Canadian Dollars)

12. Investment in associate

On November 5, 2018, the Company entered into an agreement with Budd Hutt whereby the Company and Budd Hutt will conduct a mutual share exchange consisting of the Company owning 19.9% of Budd Hutt, and Budd Hutt owning 19.9% of the Company. In connection with this transaction, the Company issued 29,968,427 shares valued at $0.19 per share. The transaction closed on January 31, 2019.

On September 30, 2019, the Company acquired an additional 500,000 common shares of Budd Hutt with a deemed value of $0.20 per share to settle $100,000 of balance owed (see note 8). As a result, the Company owns 27.5% of Budd Hutt.

The Company has accounted for the transactions below as an investment in Budd Hutt, with an initial aggregate acquisition cost carrying value in the amount of $5,719,080 (December 31, 2019 - $5,719,080), and will follow equity accounting, with a provision for write-downs, if required, in the future. Management determined that the Company has significant influence over these investments. The Company continues to review the accounting treatment for this investment and will make any adjustment in the future as required under IFRS.

	As at December 31, 2020	As at December 31, 2019
Acquisition costs	**$ 5,719,080**	$ 5,719,080
Share of loss in associate	**(337,068)**	(469,940)
Impairment loss from investment in associate	**(4,149,140)**	(4,149,140)
	$ 1,232,872	$ 1,100,000

The following is a summary of the financial information of Budd Hutt on a 100% basis as at the specified date and for the period then ended, as disclosed in the table below, which is the most recent publicly available information for Budd Hutt. The information is pursuant to Budd Hutt's management prepared (unaudited) financial statements as at and for the year ended December 31, 2020.

	As at December 31, 2020	As at December 31, 2019
Cash	**$ -**	$ 16
Total current assets	**165,808**	165,824
Total non-current assets	**3,182,816**	4,496,081
Loans payable to the the Company	**(155,918)**	(57,510)
Total current liabilities	**(3,498,344)**	(2,558,145)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net income (loss)	**$ 483,171**	$ (4,255,440)
Proportionate share of net income (loss)	**$ 132,872**	$ (469,940)

(Expressed in Canadian Dollars)

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to general operating activities.

	As at December 31, 2020	As at December 31, 2019
Accounts payable	**$ 917,805**	$ 681,991
Accrued liabilities	**143,311**	41,758
Total accounts payable and accrued liabilities	**$ 1,061,116**	$ 723,749

14. Loans payable

(i) On July 7, 2020, the Company entered into a revolving line of credit agreement (the "LOC Agreement") with a third party lender ("Lender"), whereby the Company can obtain $1,500,000 of revolving line of credit financing facility to be used exclusively for the purchase of the Company's business related equipment, deposits for construction work and tenant's improvement on the Company's Brantford facility, or for security, rental payments, taxes and insurance related thereto. The funds advanced under the LOC will bear interest at a rate of 10% per annum, and the LOC Agreement will terminate on April 7, 2021. The Company is currently negotiating an extension to the maturity date to December 31, 2021.

In consideration for lending the funds advanced, the Company is to issue to the Lender one unit of the Company for each full $1 advanced. Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant shall entitle the Lender to purchase one common share of the Company at the greater of $0.15 and a 25% premium to the market price of the Company's common shares at the time of issuance and expire in 2 years.

As at December 31, 2020, the Company owed $427,822 (December 31, 2019 - $nil) including accrued interest.

In consideration, during the year ended December 31, 2020, the Company issued:

- On July 20, 2020, 250,000 units valued at $48,250, which consisted of 250,000 common shares valued at $26,250 and 250,000 warrants valued at $22,000 as estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 0.27%; dividend yield - 0%; expected stock volatility - 208% and an expected life of 2 years; and

- On September 16, 2020, 161,688 units valued at $32,786, which consisted of 161,688 common shares valued at $17,786 and 161,688 warrants valued at $15,000 as estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 0.26%; dividend yield - 0%; expected stock volatility - 204% and an expected life of 2 year.

For the year ended December 31, 2020, $81,036 (year ended December 31, 2019 - $nil) was expensed to debt issue cost.

(ii) In April 2020, the Company received $40,000 under the Canada Emergency Business Account (CEBA) program. 25% of the loan is forgivable if repaid by December 31, 2022. The loan accrues no interest until December 31, 2022, and thereafter converts to a 3-year term loan with a 5% annual interest rate. Any portion of the loan is repayable without penalty at any time prior to December 31, 2025

(Expressed in Canadian Dollars)

15. Promissory note payable

On May 31, 2019, the Company issued a promissory note of $450,000 to Rydan Financial Inc. ("Rydan"). The note bears interest rate of 20% per annum and due on May 31, 2020. The Company also issued to Rydan 3,000,000 warrants exercisable at $0.15 and expiring on June 30, 2020. The promissory note was secured by a general security agreement covering all of the company's present and future assets.

In June 2020, the Company repaid $250,000 plus interest of $90,000, and agreed to repay the balance of the loan of $200,000 in full on or before December 1, 2020. Interest at 10% per annum, calculated and corresponded monthly, shall accrue on the balance. The Company also issued to Rydan 1,000,000 warrants exercisable at $0.15 and expiring on January 30, 2021 (see note 19).

In December 2020, the Company fully repaid the balance of the loan, which included the balance of the loan of $200,000 and accrued interest $14,404.

16. Lease liabilities

	Brantford facility
Balance, December 31, 2018	$ -
Additions - IFRS 16	2,182,406
Termination of lease (i)	(2,166,565)
Additions (i)	3,647,330
Interest expense	363,688
Lease payments	(352,499)
Balance, December 31, 2019	$ 3,674,360
Modification of lease (ii)	(554,663)
Interest expense	421,339
Lease payments	(445,636)
	3,095,400
Less: current portion	(137,413)
Balance, December 31, 2020	$ 2,957,987

(i) On February 8, 2018, the Company entered into a lease agreement with 1985588 Ontario Inc. with respect to its Brantford, Ontario facility, expiring on January 31, 2023. The lease was terminated on July 30, 2019 on the property transfer to 2705279 Ontario Inc. As a result, the Company recorded a gain on lease termination of $126,933.

Upon termination of the lease, the Company forgave the debt outstanding owing by 1985588 Ontario Inc. As a result, the Company recorded a loss on forgiveness of debt of $123,674.

A new lease was entered between the new landlord, 2705279 Ontario Inc., for a term of 10 years commencing July 30, 2019 and ending July 31, 2029 .

The Company has 2 renewal options of 5 years each and a right of first refusal in the event the landlord receive any bona fide offer for the property.

(ii) During the year ended December 31, 2020, the Company negotiated with its landlord who has agreed to reduce the monthly rent payable at the Brantford facility to $25,000 from April to September 2020 and $44,318 from October 2020 to October 2024. As a result, the Company has recognized a gain on lease modification of $223,720.

(Expressed in Canadian Dollars)

17. Share capital

(a) Authorized share capital

Unlimited number of common shares, with no par value.

(b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2018	115,293,340	$ 4,531,663
Common shares and units issued for cash (i)(iii)(iv)	9,734,672	1,600,200
Share issuance cost (i)(iii)	-	(15,750)
Fair value of warrants (iii)	-	(208,000)
Issued on exercise of stock options	783,787	415,069
Common shares issued pursuant to mutual share exchange (note 12)	29,968,427	5,619,080
Purchase of shares on RTO transaction (note 5)	26,446,473	13,553,817
Common shares issued for debt settlement (ii)(v)	4,171,238	491,405
Balance, December 31, 2019	186,397,937	$ 25,987,484
Common shares issued for asset acquisition (note 6)	23,481,056	1,174,053
Units issued for cash (vi)(viii)	28,550,000	1,427,500
Share issuance cost (iii)	-	(7,500)
Fair value of warrants (iii)	-	(641,000)
Common shares issued for debt settlement (vii)	6,970,849	348,542
Issued on exercise of stock options	400,000	97,609
Issued on exercise of warrants	1,250,000	69,462
Units issued for financing costs (note 14)	411,688	44,036
Balance, December 31, 2020	247,461,530	$ 28,500,186

(i) In January 2019, the Company closed a private placement wherein the Company issued 5,333,336 common shares at $0.1875 per share for gross proceeds of $1,000,000 with share issuance costs of $10,000.

(ii) On July 30, 2019, the Company issued 3,671,238 common shares to certain creditors of the Company to settle an aggregate debt of $580,019. The common shares issued had a deemed price of $0.125 based on the fair value. As a result, the Company recorded a loss on debt settlement of $125,114.

(iii) On November 15, 2019, the Company closed a non-brokered private placement, where the Company issued 2,001,333 units at $0.15 per unit for gross proceeds of $300,200. Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company at $0.30 per share and expires in 3 years. In connection with the private placement, the Company paid a total of $5,750 as finders' fees.

The 2,001,333 warrants issued were assigned a value of $97,000 using the Black-Scholes valuation model using the following assumptions: weighted average share price of $0.065, risk-free rate of return of 1.54%, expected volatility of 174% based on historical trends, dividend yield of 0%, and expected life of 3 years.

17. Share capital (continued)

(b) Common shares issued (continued)

(iv) On December 13, 2019, the Company closed a non-brokered private placement, where the Company issued 2,400,000 units at $0.125 per unit for gross proceeds of $300,000. Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company at $0.20 per share and expires in 3 years.

The 2,400,000 warrants issued were assigned a value of $111,000 using the Black-Scholes valuation model using the following assumptions: weighted average share price of $0.06, risk-free rate of return of 1.64%, expected volatility of 173% based on historical trends, dividend yield of 0%, and expected life of 3 years.

(v) On December 16, 2019, the Company issued 500,000 common shares to a creditor of the Company to settle an aggregate debt of $75,000. The common shares issued had a deemed price of $0.073 based on the fair value. As a result, the Company recorded a loss on debt settlement of $38,500.

(vi) During April - June 2020, the Company completed non-brokered private placement in 3 tranches, pursuant to which it issued an aggregate of 24,350,000 units in the capital of the Company at a price of $0.05 per unit for aggregate gross proceeds of $1,217,500. Each unit is composed of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase one share at a price of $0.05 per warrant for a period of 3 years from the date of issuance, subject to an acceleration provision whereby, after one year from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company incurred share issuance cost of $7,500.

The 24,350,000 warrants issued were assigned a value of $584,000 using the Black-Scholes valuation model using the following assumptions: weighted average share price of $0.026, risk-free rate of return of 0.28%, expected volatility of 220% based on historical trends, dividend yield of 0%, and expected life of 3 years.

(vii) On June 17, 2020, the Company issued 6,970,849 common shares to certain creditors of the Company to settle an aggregate debt of $348,542. The common shares issued had a deemed price of $0.05 based on the fair value.

(viii) On December 24, 2020, the Company completed the first tranche of its non-brokered private placement, pursuant to which it issued an aggregate of 4,200,000 units in the capital of the Company at a price of $0.05 per unit for aggregate gross proceeds of $210,000. Each unit is composed of one common share of the Company and one half share purchase warrant. Each warrant shall entitle the holder to purchase one share at a price of $0.10 per warrant for a period of 2 years from the date of issuance, subject to an acceleration provision whereby, after four months and one day from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company did not incur any share issuance costs.

The 2,100,000 warrants issued were assigned a value of $57,000 using the Black-Scholes valuation model using the following assumptions: weighted average share price of $0.03, risk-free rate of return of 0.22%, expected volatility of 201% based on historical trends, dividend yield of 0%, and expected life of 2 years.

(Expressed in Canadian Dollars)

18. Stock options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 15% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

Company records a charge to the statement of loss and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

	Number of stock options	Weighted average exercise price
Balance, December 31, 2018	2,793,333	$ 1.02
Terminated on RTO (i)	(2,793,333)	1.02
Issued on RTO (i)	11,173,332	0.51
Acquired on RTO	2,430,187	0.27
Granted (ii)(iii)(iv)	7,100,000	0.15
Cancelled	(800,000)	0.63
Exercised	(783,787)	0.06
Balance, December 31, 2019	19,119,732	0.36
Granted (v)(vi)	14,520,000	0.10
Cancelled	(3,450,000)	0.45
Exercised	(400,000)	0.05
Balance, December 31, 2020	29,789,732	$ 0.23

(i) On closing of the RTO transaction, the Company granted 11,173,332 stock options in exchange for the 2,793,999 stock options outstanding in 2590672 Ontario Inc. on an exchange ratio of 4:1 at exercise prices ranging from \$0.25 to \$0.75 per share for a period of 5 years from the date of issuance. The fair value of the 11,173,332 stock options granted is estimated at \$5,597,274 using the Black-Scholes model for option pricing. The assumptions underlying the fair value of the stock options were as follows: risk free interest rate - 1.82%; dividend yield - 0%; expected stock volatility - 201% and an option life - 5 years. For the year ended December 31, 2020, \$1,518,811 (year ended December 31, 2019 - \$1,554,798) was expensed to share-based compensation.

(ii) On June 3, 2019, the Company granted incentive stock options to its directors, employees and consultants to purchase up to an aggregate of 2,700,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.15 per share. The fair value of the 2,700,000 stock options granted is estimated at \$268,650 using the Black-Scholes model for option pricing. The assumptions underlying the fair value of the share purchase options were as follows: risk free interest rate - 1.50%; dividend yield - 0%; expected stock volatility - 154% and an option life - 5 years. For the year ended December 31, 2020, \$nil (year ended December 31, 2019 - \$268,650) was expensed to share-based compensation.

(Expressed in Canadian Dollars)

18. Stock options (continued)

(iii) On July 24, 2019, the Company granted 300,000 stock options to a consultant of the Company exercisable at $0.18 per common share. The options vest immediately and expire in 5 years. The grant date fair value of $36,480 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.125, expected dividend yield of 0%, expected volatility of 202%, risk-free rate of return of 1.36% and an expected maturity of 5 years. For the year ended December 31, 2020, $nil (year ended December 31, 2019 - $36,480) was expensed to share-based compensation.

(iv) On October 4, 2019, the Company granted 4,100,000 stock options to the directors, officers, and consultants of the Company with an exercise price of $0.15. The options vest 1/2 each on 6 and 12 months from the grant date and expire in 5 years. The grant date fair value of $378,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.095, expected dividend yield of 0%, expected volatility of 200%, risk-free rate of return of 1.25% and an expected maturity of 5 years. For the year ended December 31, 2020, $218,623 (year ended December 31, 2019 - $136,328) was expensed to share-based compensation.

(v) On September 14, 2020, the Company granted 14,320,000 stock options to its directors, employees and consultants of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 5 years. The grant date fair value of $1,414,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.10, expected dividend yield of 0%, expected volatility of 223%, risk-free rate of return of 0.36% and an expected maturity of 5 years. For the year ended December 31, 2020, $1,414,000 (year ended December 31, 2019 - $nil) was expensed to share-based compensation.

(vi) On October 7, 2020, the Company granted 200,000 stock options to a consultant of the Company exercisable at $0.10 per common share. The options vest immediately and expire in 5 years. The grant date fair value of $17,000 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.09, expected dividend yield of 0%, expected volatility of 212%, risk-free rate of return of 0.38% and an expected maturity of 5 years. For the year ended December 31, 2020, $17,000 (year ended December 31, 2019 - $nil) was expensed to share-based compensation.

The following table reflects the actual stock options issued and outstanding as of December 31, 2020:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
January 9, 2023	0.375	2.02	1,646,400	1,646,400
February 28, 2024	0.75	3.16	600,000	600,000
February 28, 2024	0.25	3.16	4,560,000	4,560,000
February 28, 2024	0.75	3.16	3,013,332	3,013,332
June 3, 2024	0.15	3.42	1,850,000	1,850,000
July 24, 2024	0.18	3.56	300,000	300,000
October 4, 2024	0.15	3.76	3,300,000	3,300,000
September 14, 2025	0.10	4.71	14,320,000	14,320,000
October 7, 2025	0.10	4.77	200,000	200,000
	0.23	3.94	29,789,732	29,789,732

(Expressed in Canadian Dollars)

19. Warrants

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	-	$ -
Issued (i)(ii)(iii)(iv)	15,101,333	0.18
Balance, December 31, 2019	15,101,333	$ 0.18
Issued (i)(v)(vi)(vii)(viii)	29,036,688	0.06
Expired	(3,000,000)	0.15
Exercised	(1,250,000)	0.05
Balance, December 31, 2020	39,888,021	$ 0.10

(i) During the year ended December 31, 2020, the Company issued an aggregate of 26,450,000 warrants (year ended December 31, 2019 - 4,401,333 warrants) as a part of its non-brokered private placements. See note 17.

(ii) In connection with the loan of $450,000 from Rydan Financial Inc as referred to in note 15, the Company issued 3,000,000 warrants to the Lender. Each warrant is exercisable into one common share at a price of $0.15 per share and expired on June 30, 2020. The fair value of $123,300 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.25%; dividend yield - 0%; expected stock volatility - 116% and an expected life of 13 months. The warrants expired unexercised.

(iii) In connection with the new lease signed on July 30, 2019, the Company issued 1,000,000 warrants to the Lender. Each warrant is exercisable into one common share at a price of $0.18 per share and expires in 5 years. The fair value of $121,600 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 1.46%; dividend yield - 0%; expected stock volatility - 202% and an expected life of 5 years.

(iv) On December 13, 2019, the Company issued 6,700,000 warrants to a consultant of the Company. Each warrant is exercisable into one common share at a price of $0.15 per share and expires on September 30, 2020. The fair value of $115,000 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 1.67%; dividend yield - 0%; expected stock volatility - 152% and an expected life of 292 days.

During the year ended December 31, 2020, the Company extended the expiry date of the 6,700,000 warrants from September 30, 2020 to September 30, 2021. As a result, during the year ended December 31, 2020, the Company recognized a share-based compensation of $284,300, as estimated using the Black-Scholes model for option pricing with the assumptions: risk free interest rate - 0.27%; dividend yield - 0%; expected stock volatility - 245% and an expected life - 1 years.

(v) In connection with the extension of the Rydan loan as referred to in note 15, the Company issued 1,000,000 warrants to the Lender. Each warrant is exercisable into one common share at a price of $0.15 per share and expires on January 30, 2021. The fair value of $25,000 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing options under the following assumptions: risk free interest rate - 0.32%; dividend yield - 0%; expected stock volatility - 250% and an expected life of 8 months.

(Expressed in Canadian Dollars)

19. Warrants (continued)

(vi) On November 3, 2020, the Company issued 550,000 warrants to a consultant of the Company. Each warrant is exercisable into one common share at a price of $0.10 per share and expires in 3 years. The fair value of $29,000 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 0.29%; dividend yield - 0%; expected stock volatility - 196% and an expected life of 3 years.

(vii) During the year ended December 31, 2020, the Company issued an aggregate of 411,688 warrants as a part of its LOC Agreement. See note 14(i).

(viii) During the year ended December 31, 2020, as a part of its warrant incentive program, the Company issued an aggregate of 625,000 warrants exercisable at $0.20 per share and expiring in 2 years. The fair value of $23,000 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 0.23-0.25%; dividend yield - 0%; expected stock volatility - 201% and an expected life of 2 years.

The following table reflects the warrants issued and outstanding as of December 31, 2020:

Expiry date	Exercise price ($)	Warrants outstanding
January 30, 2021	0.15	1,000,000
September 30, 2021	0.15	6,700,000
July 20, 2022	0.15	250,000
September 17, 2022	0.15	161,688
November 15, 2022	0.30	2,001,333
November 30, 2022	0.20	500,000
December 13, 2022	0.20	2,400,000
December 23, 2022	0.20	125,000
December 24, 2022	0.10	2,100,000
April 30, 2023	0.05	10,600,000
May 22, 2023	0.05	6,000,000
June 17, 2023	0.05	6,500,000
November 3, 2023	0.10	550,000
July 30, 2024	0.18	1,000,000
	0.10	39,888,021

(Expressed in Canadian Dollars)

20. Related party balances and transactions

Related parties include key management being the Company's executive officers, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The following related party transactions were conducted in the normal course of operations and were made on an arm's length basis:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Consulting	**$ 245,940**	$ 445,442
Professional fees	**50,545**	-
Share-based compensation	**1,297,061**	528,984
	$ 1,593,546	$ 974,426

As at December 31, 2020, $79,237 (December 31, 2019 - $75,208) included in accounts payable and accrued liabilities was payable to key management personnel.

21. Loss per share

For the year ended December 31, 2020, basic and diluted loss per share has been calculated based on the loss attributable to common shares of $5,612,287 (year ended December 31, 2019 - $24,557,856) and weighted average number of common shares outstanding of 214,609,930 (year ended December 31, 2019 - 171,965,138). Diluted loss per share did not include the effect of stock options as they are anti-dilutive.

22. Income taxes

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes due to the following:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Loss before income taxes	**$ (5,612,287)**	$ (24,557,856)
Combined statutory income tax rate	**26.5%**	26.5%
Expected income tax recovery	**(1,487,256)**	$ (6,507,832)
Non-deductible expenses	**922,660**	4,528,194
Permanent differences and other	**(155,131)**	(67,198)
Tax losses acquired on acquisition	**-**	(2,706,230)
Share issuance cost booked directly to equity	**(1,988)**	(4,174)
Deferred tax assets not recognized	**721,715**	4,757,240
	$ -	$ -

(Expressed in Canadian Dollars)

22. Income taxes (continued)

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying values of assets and liabilities. The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

	As at December 31, 2020	As at December 31, 2019
Associate investment	**$ 1,188,845**	$ 1,224,056
Non-current assets	**131,398**	47,436
Share issuance cost and other	**18,593**	27,421
Non-capital losses carried forward	**5,235,953**	4,554,172
Deferred tax assets	**6,574,789**	5,853,085
Less: deferred tax assets not recognized	**(6,574,789)**	(5,853,085)
Net deferred tax assets	**$ -**	$ -

The Company has approximately $19,753,283 of non-capital losses available, which expire between 2034 and 2040 and may be applied against future taxable income for income tax purposes.

The potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

23. Financial risk management

The Company's financial risk exposures and the impact on the Company's financial instruments are as follows:

(a) Credit risk

The Company's credit risk is primarily attributable to cash and accounts receivable. The Company has no significant concentration of credit risk arising from financial instruments.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company has a working capital deficiency of $513,533 (December 31, 2019 - working capital deficiency of $724,845). The Company had a cash balance of $152,577 (December 31, 2019 - $6,026) to settle current financial liabilities of $1,626,351 (December 31, 2019 - $1,469,848). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except short term loans.

23. Financial risk management (continued)

(c) 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 equity prices.

Interest rate risk

The Company's primary interest rate risk consists of interest rate fluctuations, which may affect the Company's interest-bearing debts and lease obligations. The Company does not currently use derivative instruments to limit interest rate risks. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured from the prior year.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign currency risk with respect to the expenditures incurred by its US subsidiaries.

(d) Fair Value

The carrying amount of each accounts payable and accrued liabilities and short-term loans approximates their fair value because of the short-term maturities of these items.

24. Contingencies

The Company's former CEO filed a claim with the Ontario Ministry of Labour for unpaid salaries. The claim totals $120,000. The Company has recognized a provision for this amount, which was paid subsequent to December 31, 2020.

25. Subsequent events

In January 2021, the Company completed the second and final tranche of its non-brokered private placement, pursuant to which it issued an aggregate of 11,400,000 units for aggregate gross proceeds of $570,000. No commissions or finder's fees were paid in connection with the second tranche. Each unit is composed of one common share of the Company and one half share purchase warrant. Each warrant shall entitle the holder to purchase one share at a price of $0.05 per warrant for a period of 2 years from the date of issuance, subject to an acceleration provision whereby, after four months and one day from their date of issuance, if the closing price of the shares on the CSE is equal to or exceeds $0.15 for a period of 10 consecutive trading days, then the Company may, at its option, accelerate the expiry date of the warrants to the date which is 30 days following the date upon which notice of the accelerated expiry date is provided by the Company to the holders of the warrants. The Company did not incur any share issuance costs.

In February 2021, the Company granted 600,000 stock options to consultants of the Company exercisable at $0.12 per common share. The options vested immediately and expire in 3 years.

In April 2021, the Company announced that it is undertaking a non-brokered private placement of up to 25,000,000 units at $0.08 per unit for proceeds of up to $2,000,000. On April 9, 2021, the Company closed the first tranche of the private placement and issued 3,892,500 for total gross proceeds of $311,400. Each unit consists of one common share of the Company and one half warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at a price of $0.15 per share for a period of 2 years from the closing date, subject to acceleration from and after the date that is fourth months and one day after the closing date, if the closing price of the Company's common shares on the CSE is equal to or exceeds $0.20 for 10 consecutive trading days, at which time the Company may accelerate the expiry date of the warrants to the date that is 30 following the date on which the Company issues notice to all the warrant holders of the new expiry date.

On April 30, 2021, the Company received the cannabis processing license from Health Canada. The processing license allows the Company to produce cannabis edibles and related products and will allow the Company to conduct development activities, including the formulation of proprietary cannabis infused edibles.