Yooma Wellness Inc.

Form 51-102F4
Business Acquisition Report

Item 1. Identity of the Corporation

1.1 Name and Address of Company

Yooma Wellness Inc. ("**Yooma**" or the "**Company**")
135 Yorkville Avenue, Suite 900
Toronto, Ontario
M5R 0C7

1.2 Executive Officer

Jordan Greenberg
President
(416) 419-7046

Item 2. Details of Acquisition

2.1 Nature of Business Acquired:

The Company acquired all of the issued and outstanding shares of Socati Corp. ("**Socati**") on March 19, 2021. The acquisition was completed through a merger between Socati and Yooma Acquisition Inc., a wholly-owned subsidiary of the Company.

Operating primarily out of its 22,000 square-foot manufacturing facility in Montana, Socati's business focuses on the manufacture of cannabidiol, minor cannabinoids such as cannabigerol and cannabinol, and other functional ingredients. It also specializes in the sale of an extensive catalogue of wellness products made with these ingredients. Its intellectual property and proprietary technology in cannabinoid extraction and separation has positioned Socati as a leader in the U.S. market. It is one of the first scale producers of 'USDA Organic' certified cannabinoid ingredients with non-detectable levels of THC, the psychoactive component of hemp, which creates compelling brand value and an early-mover advantage as consumers begin to shift towards organic CBD products.

2.2 Date of Acquisition:

March 19, 2021.

2.3 Consideration:

In total, the consideration paid by the Company in connection with the acquisition amounted to US$25,000,000, which has been satisfied by the issuance of 23,320,894 common shares of the Company (the "**Consideration Shares**") at a price of CAD$1.34 per share based on a deemed exchange rate of $1.25CAD to $1.00USD.

With the exception of 928,512 Consideration Shares, the Consideration Shares are subject to (a) an 18-month lock-up period, with one-third of the shares releasing on the 6-, 12- and 18-month anniversaries of the closing date, and (b) a 12-month escrow indemnity holdback for 10% of the issued Consideration Shares, which allows them to be accessed to satisfy the indemnity obligations of the parties under the merger agreement.

No financing was completed in connection with the acquisition.

2.4 Effect on Financial Position:

The acquisition has been accounted for by the Company as a business combination, with the Company as the acquirer. Details about the financial position of Socati are set out in the financial statements and accompanying notes incorporated by reference under Item 3 of this Report. Details on the effect of the acquisition on the financial position of the Company are set out in Note 4 of the Condensed Interim Consolidated Financial Statements of the Company for the three-month period ended March 31, 2021 and March 31, 2020 which were filed on May 31, 2021 and are available on SEDAR at www.sedar.com.

The Company presently has no plans or proposals for material changes in the business affairs of Socati that may have a significant effect on the consolidated results of operations and financial position of the Company. The Company has announced certain plans or proposals for material changes in its own business affairs that, if implemented, may have such an effect, which are detailed in a news release dated May 31, 2021, a copy of which is available on SEDAR at www.sedar.com.

2.5 Prior Valuations

No valuations have been obtained by the Company or Socati in the 12 months preceding the completion of the acquisition that were required by securities legislation or a Canadian exchange or market to support the consideration paid for the acquisition. The Company relied on the exemptions in Section 5.5(a) of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transaction* ("**MI 61-101**") in respect of the formal valuation requirements of that instrument, on the basis that none of the related parties involved in the acquisition were considered "interested parties" (as such term is defined in MI 61-101) at the time the acquisition was agreed to.

2.6 Parties to Transaction:

The parties to the acquisition were the Company, Socati and Yooma Acquisition Inc., a wholly-owned subsidiary (and affiliate) of the Company.

The acquisition of Socati constituted a "related party transaction" as such term is defined by MI 61-101 on the basis that certain of the recipients of Consideration Shares under the acquisition were existing directors or officers of the Company. Lorne Abony is the Chairman of the Company and the Chairman of Socati, and was the direct or indirect owner of more than 10% of the shares of Socati. The Merger did not have a material impact on his ownership of the Company. Anthony Lacavera is a director and was the holder of 10% of the shares of the Company and was also the holder of more than 0.5% of the shares of Socati, as well as certain convertible instruments of Socati. The Merger decreased his ownership of the Company from 10% to approximately 7.6%. Two other directors of the Company, Jordan Greenberg and Antonio Costanzo, held minor interests in Socati that were not considered material and the Merger did not materially impact their ownership of the Company.

Notwithstanding any related party interests, the Merger Agreement treated all Socati shares or other Socati securities owned by related parties in the same manner as unrelated parties and the Company has not conferred any collateral benefits or entered into collateral agreements with any of the related parties or their affiliated entities in respect of the Merger.

2.7 Date of Report

This Report is dated June 2, 2021.

Item 3. Financial Statements

3.1 The following financial statements required by Part 8 of National Instrument 51-102 are attached to this Business Acquisition Report:

Schedule A – Annual Consolidated Financial Statements of Socati (Audited) for the year ended December 31, 2020, together with the notes thereto.

Schedule A

Annual Financial Statements
Socati Corp.

DASZKALBOLTON
accountants & advisors

Socati Corp.

Consolidated Financial Statements

December 31, 2020

Table of Contents

DASZKALBOLTON
accountants & advisors

Independent Auditors' Report

To the Shareholders of Socati Corp.
Austin, Texas

Opinion

We have audited the consolidated financial statements of Socati Corp. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at December 31, 2020 and the consolidated statements of net and comprehensive loss, stockholders' equity, and cash flows for the year 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 consolidated financial position of the Group at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Daszkal Bolton LLP | 561.367.1040 | dbllp.com
2401 NW Boca Raton Boulevard | Boca Raton | Florida 33431-6632
490 Sawgrass Corporate Parkway, Suite 200 | Sunrise | Florida 33325-6252
4455 Military Trail, Suite 201 | Jupiter | Florida 33458-4828

Continued from previous page

Key Audit Matters, continued

Nonfinancial assets impairment	
Area of focus **Refer also to note 8 and 9**	**How our audit addressed it**
Nonfinancial assets (other than inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. During the year, the Entity recorded impairment charges of $13,229,000 related to the Montana and Technologies Cash Generating Units ("CGU") which were fully allocated to reduce the carrying value of goodwill and $3,165,000 related to the intangibles. The process to calculate the recoverable amount of each cash generating unit and intangibles requires use of valuation methods which use assumptions of key variables including estimated cash flows. We identified the evaluation of the impairment of non-financial assets of the CGU and intangibles as a key audit matter. This matter represented a high risk of material misstatement given the magnitude of the asset values and the high degree of estimation uncertainty in assessing the Group's significant assumptions including estimated cash flow. Significant auditor judgment was required to evaluate the Group's significant assumptions due to the sensitivity of the recoverable amount.	Our audit procedures included: — Obtaining an understanding of management's process related to goodwill and intangible recoverable value assessment; — Assessing the appropriateness of the accounting treatment applied to the impairment; Procedures over valuation of recoverable values used in the impairment assessment included: — Evaluation of the methodology adopted by management for the valuation; — Testing the mathematical accuracy of the model used for the valuation; and — Assessment of the key valuation assumptions; and — Validation of key inputs and data used in the valuation model.

Continued from previous page

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 IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Continued from previous page

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Scott Walters.

Daszkal Bolton LLP

490 Sawgrass Corporate Pkwy, Suite 200
Fort Lauderdale, Florida 33325
June 1, 2021

Socati Corp.
Consolidated Statement of Financial Position
December 31, 2020

ASSETS

	Note		
Current assets:			
Cash and cash equivalents	3 (a)	$	341,454
Accounts receivable	3 (b)		218,381
Inventory	4		383,282
Other assets	6		1,032,810
Prepaid expenses			77,636
Total current assets			2,053,563
Property, plant and equipment, net	7		5,507,747
Other assets:			
Intangible assets, net	9		1,000,000
Deposits	10		285,949
Right-of-use assets	11		1,428,445
Total other assets			2,714,394
Total assets		$	10,275,704

LIABILITIES AND STOCKHOLDERS' EQUITY

	Note		
Current liabilities:			
Accounts payable		$	1,418,958
Accrued expenses			3,715,810
Lease liabilities			413,510
Total current liabilities			5,548,278
Long-term liabilities:			
Lease liabilities			1,045,602
Common stock payable	13		11,000,000
Total long-term liabilities			12,045,602
Total liabilities			17,593,880
Commitments and contingencies (note 19)			
Stockholders' equity:			
Common stock, $.001 par value, 100,000,000 shares authorized, 47,054,544 shares issued and outstanding	14		47,055
Additional paid-in capital			52,002,835
Non-controlling interests			(745,624)
Accumulated deficit			(58,622,442)
Stockholders' equity			(7,318,176)
Total liabilities and deficiency in stockholders' equity		$	10,275,704

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

Socati Corp.
Consolidated Statement of Net and Comprehensive Loss
For the Year Ended December 31, 2020

	Note		
Net revenue	15	$	3,558,215
Inventory production costs expensed to cost of sales			5,586,300
Gross profit before fair value adjustments			(2,028,085)
Fair value adjustment on growth of biological assets	5		(856,635)
Gross profit			(2,884,720)
Operating expenses:			
Facility expenses			3,106,532
General and administrative			1,204,338
Bad debt expense			37,770
IT expenses			146,729
Personnel costs			5,370,011
Professional fees			1,736,569
Sales and marketing			329,426
Research and development			131,298
Share-based compensation expense			913,264
Depreciation and amortization			1,086,624
Impairment of goodwill			13,228,775
Impairment of intangibles			3,165,000
Total operating expenses			30,456,336
Operating loss			(33,341,056)
Other income (expenses):			
Grant income	12		1,415,577
Interest income			5,291
Realized loss, net			(8,773)
Loss on disposal of assets, net			(2,870,297)
State income tax			(150)
Total other income (expenses)			(1,458,352)
Net loss and comprehensive loss		$	(34,799,408)
Net loss and comprehensive loss attributable to:			
Socati Corp.		$	(34,477,357)
Non-controlling interests		$	(322,051)
Net loss per share, basic and diluted		$	(0.73)
Weighted average shares outstanding, basic and diluted			47,054,544

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

Socati Corp.
Consolidated Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2020

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2019	47,054,544	$ 47,055	$ 51,089,571	$ (24,145,085)	$ (423,573)	$ 26,567,968
Share-based compensation expense	-	-	913,264	-	-	913,264
Net loss	-	-	-	(34,477,357)	(322,051)	(34,799,408)
Balance, December 31, 2020	47,054,544	$ 47,055	$ 52,002,835	$ (58,622,442)	$ (745,624)	$ (7,318,176)

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

Socati Corp.
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities:		
Net loss and comprehensive loss for the year	$	(34,799,408)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization		1,086,624
Loss on disposal of assets, net		2,870,297
Impairment of goodwill		13,228,775
Impairment of intangibles		3,165,000
Share-based compensation		913,264
Fair value adjustment on growth of biological assets		865,675
Decrease (increase) in assets:		
Prepaid expenses		362,887
Inventory		3,494,651
Accounts receivable		(134,708)
Other assets		123,748
Deposits		(34,749)
Increase (decrease) in liabilities:		
Accounts payable		(301,432)
Accrued expenses		2,687,449
Lease liabilities		(96,732)
Net cash used in operating activities		(6,568,659)
Cash flows from investing activities:		
Purchases of property, plant and equipment		(466,622)
Proceeds from sale of assets		3,750,000
Net cash provided by investing activities		3,283,378
Cash flows from financing activities		-
Net cash outflow		(3,285,281)
Cash and cash equivalents, beginning of year		3,626,735
Cash and cash equivalents, end of year	$	341,454
Supplemental disclosure of cash flow information:		
Cash received for interest	$	-
Cash paid for taxes	$	-
Supplemental disclosure of non-cash investing activities		
Note receivable received for sale of assets	$	1,000,000

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

Note 1 – Description of Business

Socati Corp. (the "Company" or "Socati") is a privately held corporation, registered in the State of Delaware on August 28, 2018, with its corporate headquarters located in Austin, Texas. The principal activities of the Company are the cultivation of hemp seeds and then production, distribution and sale of broad spectrum CBD products as ingredients for commercial manufacturing or as white-label products for distribution as direct to consumer products. In December of 2018, the 2018 Farm Bill was signed into law, which removed hemp, defined as cannabis (*Cannabis sativa L.*) and derivatives of cannabis with extremely low concentrations of the psychoactive compound delta-9-tetrahydrocannabinol ("THC") (no more than 0.3 percent THC on a dry weight basis), from the definition of marijuana in the Controlled Substances Act ("CSA"). All Company operations are in the United States of America. Subsequent to year-end, the Company has exited the business of the cultivation of hemp seeds (note 19(b)).

Socati organized Socati Agriscience, LLC ("Agriscience") in September 2018, which is located in Woodburn, Oregon. Socati owns 92.5% of this entity.

Socati acquired assets and organized Socati Technologies – Oregon, LLC ("Technologies") in October 2018, which is located in Woodburn, Oregon. Socati owns 100% of this entity.

Socati acquired assets and created Socati Montana, LLC ("Montana") in April 2019, which is located in Missoula, Montana. Socati owns 100% of this entity.

References in these consolidated financial statements to "Socati", or "Company", refer to Socati, Agriscience, Technologies, and Montana.

Note 2 – Basis of Presentation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise noted.

(i) Consolidation - These consolidated financial statements are comprised of the financial results of the Company and its subsidiaries, which are the entities over which Socati has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee.

Note 3 – Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash consists of bank account balances and cash on hand at various institutions. The balances at these financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Company had $0 at December 31, 2020, above FDIC limits.

Note 3 – Significant Accounting Policies, continued

(b) Accounts Receivable and Allowance for Credit Losses

Accounts receivable are customer obligations and are recorded at the invoiced amount. The Company evaluates its accounts receivable balances and establishes an allowance for credit losses based on management's consideration of trends in the actual and forecasted credit quality of their clients, including delinquency and payment history; type of client, and general economic and industry conditions, including the potential impacts of the coronavirus disease 2019 ("COVID-19") pandemic that may affect clients' ability to pay. Accounts are written off as uncollectible on a case-by-case basis. There is no allowance for credit losses at December 31, 2020.

(c) Inventory

Inventory is stated at the lower of cost or net realizable value. Finished goods and work-in-process consist of the following costs: raw materials, materials and supplies, waste removal, direct and indirect labor and the applicable share of manufacturing overhead. Net realizable value is estimated based on the amount at which inventory is expected to be sold, taking into account estimated costs necessary to make the sale. Inventory is determined on an actual cost basis that captures the above stated costs.

Inventory is comprised of CBD product which is carried at raw materials cost as it is manufactured into CBD oil and related products. The additional materials needed to produce these products are not material to the cost of the raw materials and are expensed accordingly. The first-in-first-out ("FIFO") method of tracking costs is used during manufacturing process from raw materials to work-in-process inventory to finished goods.

(d) Biological Assets

Biological assets held by the Company during biological transformation of hemp seeds into hemp plants until harvest are carried at fair value less estimated cost to sell ("FVLCTS") as applicable under IFRS 41 Agriculture.

IFRS 41 sets out the accounting for agricultural activity – the transformation of biological assets into agricultural produce. Biological assets are measured on initial recognition and at subsequent reporting dates at FVLCTS, unless fair value cannot be reliably measured. Harvested produce is a marketable commodity, there is no measurement reliability exception for produce.

The gain on initial recognition of biological assets at FVLCTS, and changes in FVLCTS of biological assets during a period, are included in profit or loss. A gain on initial recognition of agricultural produce at FVLCTS are included in profit or loss for the period in which it arises. All costs related to biological assets that are measured at fair value are recognized as expenses when incurred, other than cost to purchase biological assets.

The Company operates a subsidiary conducting hemp seed cultivation that grows new varietal plants from various biological materials to create new varietals. These new hemp seed varietals are then grown to produce seed offered for commercial sales. The seed is bred for desirable hemp plant characteristics like low amounts of THC and high amounts of various CBD cannabinoids. The seeds are grown in Company leased greenhouses and by contract growers in desirable locations for more wide scale production. Harvest occurs after plants have dried and when seeds are removed from the plants.

Note 3 – Significant Accounting Policies, continued

(d) Biological Assets, continued

All research and development activities to develop hemp seeds are expensed at cost in operating expenditures. However, once materials are purchased for raising commercial crops those assets are capitalized as raw materials until the crops are planted. Once commercial crops are planted the raw materials are transferred to accounts for biological assets. As expenditures are made, that qualify for capitalization under the accounting policy, they are capitalized to the biological asset account. This continues until the seeds are harvested. Once harvested seeds are considered to be inventory and converted from biological assets. Seeds continue to become biologically mature between 50 and 90 days, depending on the plant verity, and are tested afterwards. Seeds are then classified internally for seed grade. Expenses related to the transformation of biological assets are discussed in the internal accounting policy and treated as described below.

After harvest, biological assets are adjusted to any fair value measurements necessary to adjust the FVLCTS before converting the FVLCTS value into the inventory costs. Any adjustments to inventory for impairment or improvement of assets due to testing or the condition of the asset itself will be adjustments to both inventory and the realized gain/loss on FVLCTS accounts, respectively.

(e) Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the estimated service lives of the assets, which are as follows:

Buildings	20 - 40 years
Machinery and equipment	3 - 7 years
Leasehold improvements	3 - 40 years
Computer equipment	3 - 7 years
Office equipment	3 - 7 years

An asset's residual value, useful life and depreciation method are reviewed annually and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in net income (loss).

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point. Assets classified as construction in progress are recorded at the cost paid within the fiscal period of recording less any retainage for project completion. Corresponding liabilities for any contractual obligations are recorded separately.

Note 3 – Significant Accounting Policies, continued

(f) Goodwill
Goodwill represents the excess of the price paid for the acquisition of an entity or business combination over the fair value of the net identifiable tangible and intangible assets and liabilities acquired.

Goodwill is measured at historical cost and is evaluated for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. Goodwill is recorded into the Socati subsidiary that records goodwill for purposes of impairment testing as the simplest reporting for the entity that receives such benefits. Impairment is determined for goodwill by assessing if the carrying value of the Socati subsidiary, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use in the subsidiary. Impairment losses recognized in respect of the subsidiaries are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the subsidiary recording the goodwill. Any goodwill impairment is recorded as a charge to income in the reporting year in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

(g) Intangible Assets
Finite-lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis over the following terms:

Patents	15 years

The estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

(h) Impairment of Long-Lived Assets
Long-lived assets, including property, plant and equipment and intangible assets are tested for impairment when there are indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Intangible assets with an indefinite useful life are tested for impairment at least annually in the fourth quarter and whenever there is an indication that the asset may be impaired.

(i) Leased Assets
IFRS 16, *Leases*, was issued by the IASB in January 2016, and brings most leases onto the consolidated statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease or an entity's incremental borrowing rate if the implicit rate cannot be readily determined. Lessees are permitted to make an election for leases with a term of 12 months or less, or where the underlying asset is of low value and not recognize lease assets and lease liabilities. The expense associated with these leases can be recognized on a straight-line basis over the lease term or on another systematic basis.

Note 3 – Significant Accounting Policies, continued

(j) Research and Development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in net income (loss) as incurred. Research costs expensed may also be considered deferred income tax assets to recognize the benefit in future years for researching new production methods as permitted by U.S. tax regulations.

(k) Income Taxes

The Company provides deferred income taxes for temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. Deferred income taxes are computed using enacted tax rates that are expected to be in effect when the temporary differences reverse. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or the entire deferred tax asset will not be realized. The Company classifies interest and penalties, if any, related to income tax as income tax expense. The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated.
At December 31, 2020, the Company has no liabilities for uncertain tax positions.

(l) Equity-Based Compensation

The Company measures equity compensation based on the fair value of the equity based option at the grant date and recognizes compensation expense, as the options are earned generally over the vesting period. The equity-based option is measured using an appropriate pricing model that includes relevant factors based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net income (loss) such that the cumulative expense reflects the revised estimate. For equity-based compensation granted to non-employees, the compensation expense is measured at the value of the goods and services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instruments granted. The fair value of equity-based compensation to non-employees is periodically re-examined until counterparty performance is complete, and any change therein is recognized over the reporting year and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as equity capital and the related equity-based compensation is transferred from equity-based reserve to equity capital.

(m) Critical judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) *Control, Joint Control or Level of Influence*

When determining the appropriate basis of accounting for the Company's interests in affiliates, the Company makes judgments about the degree of influence that it exerts directly or through an arrangement over the investees' relevant activities.

Note 3 – Significant Accounting Policies, continued

(n) Revenue

IFRS 15, *Revenue from Contracts with Customers*, specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company began fulfilling performing performance obligations and generating revenues in 2019, and therefore, the application of IFRS 15 was only taken into account prospectively. The Company's accounting policy for revenue recognition follows a five-step model under IFRS 15 to determine the amount and timing of revenue to be recognized. The Company's accounting policy for revenue recognition follows a five-step model, under IFRS 15, to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of hemp seeds and CBD oil and ingredients to customers is recognized when the Company transfers control of the good to the customer. In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation was made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return. The pattern and timing of revenue recognition under the new standard is consistent with prior year practice.

The Company does not have buy-and-hold agreements in place with any of its customers. CBD product warranties are based on the delivery of products to customers that meet the certificate of analysis on the product sold as compared to the sample provided or contractual content that a customer received prior to purchase, if a sample was provided. Sales are final upon acceptance of the products. Refunds, returns and exchanges are subject to proof of customers receiving products that do not meet the certificate of analysis for content or upon Company's discretion for any return, refund or exchange. Seed sales are sold as advertised for germination rates and feminization and other biological traits as described in the sales agreement. Warranty matters are evaluated on a contractual basis, and a warranty reserve is established on customer historical warranty claims which have been minimal for since inception of the Company.

(o) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through the statement of profit or loss ("FVTPL"), are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Note 3 – Significant Accounting Policies, continued

(o) Financial Instruments, continued

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. The Company has made the following classifications:

Financial assets/liabilities	IFRS Classification
Cash and cash equivalents	FVTPL
Accounts receivable, net	Amortized cost
Inventory	FVTPL
Biological assets	FVTPL
Intangible assets, net	Amortized cost
Accounts payable	Other financial liabilities
Accrued expenses	Other financial liabilities
Lease liability	Other financial liabilities
Common stock payable	FVTPL

(i) FVTPL Financial Assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the consolidated statements of net and comprehensive loss. Transaction costs are expensed as incurred.

(ii) Amortized Cost Financial Assets

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is initially measured at fair value, including transaction costs and subsequently at amortized cost.

(iii) Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statements of net and comprehensive loss. With the exception of fair value through other comprehensive income ("FVOCI") equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through the consolidated statements of loss and comprehensive loss.

Note 3 – Significant Accounting Policies, continued

(o) Financial Instruments, continued

(iv) Financial Liabilities and Other Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. Financial liabilities at FVTPL are stated at fair value, with changes being recognized through the consolidated statements of loss and comprehensive loss. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(p) Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(i) Biological Assets and Inventory

In calculating the value of the biological assets and inventory using the fair value standards of IFRS 13 and IFRS 41, management is required to make a number of measurements and estimates for hemp seeds. There are a number of estimates needed in projecting both fair value and the cost to sell at various stages of growing crops, at harvest, and after harvest, such as estimating seed yields, germination rates, plant quality, and potency, for example. In calculating final seed inventory FVLCTS, management renders a fair value less the cost to sell using subject matter experts employed by the Company, and hires consultants to improve results. The manufacturing process for cannabinoids and other organic products derived from hemp or hemp products requires estimation of manufacturing yields that could be significantly different than actual manufacturing yields. The Company makes use of commercially available means to judge manufacturing results to yield quality products at efficient costs.

(ii) Impairment of Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. Goodwill resulting from business combinations is allocated to each group of cash-generating units ("CGU") expected to benefit from the combination. To test impairment, the Company must determine the recoverable value of net assets of each group of CGU, making assumptions about expected future net operating income as well as discount and terminal capitalization rates. These assumptions are based on the Company's past experience, as well as on external sources of information. The recoverable value is the higher of the fair value less costs to sell and the value in use. Should the carrying amount of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

Note 3 – Significant Accounting Policies, continued

(n) Critical Accounting Estimates, continued

(iii) Estimated Useful Lives and Depreciation and Amortization of Property, Plant and Equipment and Intangible Assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(iv) Equity-Based Compensation

In calculating the equity-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. To calculate the equity-based compensation expense related to key employee performance milestones associated with the terms of an acquisition, the Company must estimate the number of shares that will be earned and when they will be exercised based on estimated discounted probabilities.

(v) Fair Value Measurements

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where market observable data is not available, the Company engages third party qualified valuers to perform the valuation.

Note 4 – Inventory

Inventory was comprised of CBD and hemp related products in the following stage of production at December 31, 2020:

Work-in-process	$	383,282

Note 5 – Biological Assets

The Company has determined that the fair value of the biological assets is $nil at December 31, 2020. A fair value adjustment of $856,635 has been recorded in the consolidated statement of operations.

Note 6 – Other Assets

The Company's other assets consists of the following at December 31, 2020:

Note receivable (Note 9)	$	1,000,000
Advance payments to vendors		32,810
	$	1,032,810

The Note receivable of $1,000,000 was subsequently collected by the Company.

Note 7 – Property, Plant and Equipment

During the year, management terminated a project at his Montana facility. Pursuant to the termination, the construction in progress balance of $3,411,034 was written off.

The table below summarizes the property, plant, and equipment:

Building	$	1,704,310
Land		300,000
Machinery and equipment		3,895,912
Leasehold improvement		520,136
Computer equipment		31,175
Office equipment		25,317
Transportation equipment		29,200
		6,506,050
Accumulated depreciation		(998,303)
Property, plant, and equipment, net	$	5,507,747

Note 8 – Goodwill

The Company performed the annual impairment test in the fourth quarter of fiscal 2020. Management estimated the recoverable amount of the cash-generating units to which goodwill has been allocated based on the fair value less costs to sell. An impairment loss of $13,228,775 has been recognized and fully allocated to reduce the carrying value of goodwill.

Note 9 – Intangible Assets

The table below summarizes the intangible assets:

Patents	$	1,735,000
Accumulated amortization		(735,000)
Intangible assets, net	$	1,000,000

a) Sale of IP and Equipment to Cleen Technology, Inc.

During May 2020, the Company entered into an Asset Purchase Arrangement with Cleen Tech Technology, Inc. ("CTTI"), in which Socati Technologies, Socati Montana and Socati Corp. sold property and equipment with a book value of $578,882 and intangible assets with a book value of $3,488,333 for total consideration of $4,750,000 comprised of (i) $3,750,000 cash, and (ii) $1,000,000 note receivable (note 6) which resulted in a gain of $682,785.

b) Impairment

The Company performed an impairment test in the fourth quarter of fiscal 2020. Management estimated the recoverable amount of definite life intangible assets based on their fair values less costs to sell and determined that the amounts were impaired. An impairment loss of $3,165,000 has been recognized.

Note 10 – Deposits

The table below summarizes deposits at December 31, 2020:

Office lease deposits	$	252,949
Other		33,000
	$	285,949

Note 11 – Right-of-Use Assets

The Company's leased assets consists of the following at December 31, 2020:

Missoula, Montana office lease	$	65,273
Austin, Texas office lease		1,363,172
	$	1,428,445

Note 12 – Payroll Protection Plan Loan

On May 13, 2020, the Company entered into a loan with Celtic Bank as the lender ("Lender") in an aggregate principal amount of $1,415,577 (the "Loan") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Loan is evidenced by a promissory note (the "PPP Note") dated May 12, 2020 and matures on May 12, 2022. The PPP Note bears interest at a rate of 1.000% per annum, with the first six months of payments deferred. Principal and interest are payable monthly commencing on December 13, 2020 to the extent not forgiven and may be prepaid by the Company at any time prior to maturity with no prepayment penalties. In order to be entitled to forgiveness, funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent utilities, and interest on other debt obligations under the terms and conditions outlined by the PPP. The Company used the entire Loan amount for qualifying expenses. The Company had not yet received notification of forgiveness at the date these financial statements were available to be issued. However, the Company has elected to account for the PPP Note as a government grant in substance by applying the guidance in IAS 20 by analogy as it believes it is probable that it will meet both (a) the eligibility criteria for a PPP loan, and (b) the loan forgiveness criteria for all or substantially all of the PPP loan. As a result, the Company has recognized the loans forgiveness as grant income for the full amount of the Loans.

Note 13 – Common Stock Payable

The Company acquired the assets of Blue Marble Energy Corporation and Hidden Lake LLC in 2019 and pledged a payment in the future of a fixed value of equity dependent on a future valuation of a transaction. The equity value to be paid in the future is presented at the contractual obligation value without adjustment for other factors. The amount was $ 11,000,000 at December 31, 2020, and has been subsequently settled following the proposed merger (note 20).

Note 14 – Share Capital – Socati Corp.

(a) ***Equity***

(i) ***Authorized***

The Company's Certificate of Incorporation was filed on August 28, 2018, which authorized 50,000,000 shares, and was subsequently amended on December 26, 2018 to increase authorized shares to 100,000,000.

(ii) ***Issued and Outstanding***

On August 30, 2018, the Company issued 8,350,000 common shares from authorized stock to initial investors in exchange for proceeds of $8,350. On October 3, 2018, the Company issued 8,500,000 of common shares from authorized stock to individuals, formerly with a company whose assets were acquired, for proceeds of $6,800,000. On October 31, 2018, the Company issued 11,500,000 of common shares from authorized stock to investors for proceeds of $9,200,000. On December 31, 2018, the Company issued 18,704,544 common shares from authorized stock to initial investors in exchange for proceeds of $32,920,001.

(b) ***2018 Equity Incentive Plan***

On December 6, 2018, shareholders approved the 2018 Socati Equity Plan ("Equity Incentive Plan") pursuant to which the Company is able to issue equity-based, long-term incentives. All directors, officers, employees and independent contractors of the Company are eligible to receive awards of (a) Incentive Stock Options ("ISO"), (b) Nonqualified Stock Options ("NSO"), (c) Restricted Stock Units ("Restricted Stock Units"), and (d) Stock Appreciation Rights ("Stock Appreciation Rights"), all of which can be given as performance awards or other stock based awards (collectively, the "Awards"), under the Equity Incentive Plan.

Under the Equity Incentive Plan, the aggregate number of common shares that may be issued annually is 5,000,000, and the maximum number of common shares which may be issued to an individual in any one fiscal year shall not exceed 1,000,000.

Under the Equity Incentive Plan, the maximum number of shares issuable from treasury pursuant to Awards shall not exceed 15% of the total outstanding common shares from time to time less the number of shares issuable pursuant to all other security-based compensation arrangements of the Company. The maximum number of common shares reserved for Awards is 5,000,000 at December 6, 2018. At December 31, 2020, the only equity compensation Awards issued have been ISO and NSO option grants under the 2018 Equity Incentive Plan.

The 2018 Equity Incentive Plan is administered by the Board of Directors of the Company who establish exercise prices, at not less than the market price at the date of grant and expiry dates. Options under the Plan generally remain exercisable in increments with 1/3 being exercisable on each of the first anniversary, and 2/3 being exercisable monthly from the date of grant, with an expiry dates set at ten (10) years from issuance. The Board of Directors has the discretion to amend general vesting provisions and the term of any award, subject to limits contained in the Equity Incentive Plan.

The Company had a balance of 4,605,000 options at December 31, 2020, with a weighted average exercise price of $0.84 at December 31, 2020. No options were granted during the year ended December 31, 2020.

Note 14 – Share Capital – Socati Corp., continued

(b) 2018 Equity Incentive Plan, continued

In determining the amount of equity-based compensation expenses recognized during the vesting period related to the options issued during the previous years, the Company used the Black-Scholes option pricing model to establish the fair value of options granted on their measurement date by applying the following assumptions:

Risk-free interest rate	1.4 to 1.88%
Expected life of options (years)	5
Expected annualized volatility	100%
Expected forfeiture rate	0%
Expected dividend yield	nil
Black-Scholes value of each option	$1.33 to $1.38

Volatility was estimated by using the historical volatility of the Company and other companies that the Company considered comparable, that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on U.S. Department of the Treasury Daily Treasury Yield Curve Rates, 7 year bonds with a remaining term equal to the expected life of the options.

(c) Plan termination

The 2018 Equity Incentive Plan was subsequently terminated following the proposed merger (note 20).

(d) Earnings (Loss) Per Share

The earnings per share calculations are in accordance with IAS 33. The Company had no instruments, including contingently issuable shares that could potentially dilute basic earnings per share, as they were anti-dilutive.

Note 15 – Revenue

Revenues are disaggregated as follows at December 31, 2020:

Seed	$	34,000
CBD		3,524,215
	$	3,558,215

Note 16 – Income Taxes

Components of income tax expense is as follows for the year ended December 31, 2020:

Current income tax expense (refund) - federal	$	-
Current income tax expense (refund) - state		310
Total current income tax expense (refund)		310
Deferred income tax expense (benefit) - federal		-
Deferred income tax expense (benefit) - state		-
Total deferred income tax expense (benefit)		-
Total provision for income taxes	$	310.00

The tax effects of temporary differences which give rise to the significant portions of deferred tax assets or liabilities are as follows at December 31, 2020:

Deferred tax assets:		
Amortization	$	3,651,913
Accrued payroll expenses		39,871
Loss on asset disposals		(9,206)
Net operating loss carryforward		10,447,369
Total deferred tax assets		14,129,947
Deferred tax liability:		
Depreciation		(398,428)
Net deferred tax liability		(398,428)
Less: valuation allowance		(13,731,519)
Total net deferred tax assets	$	-

The Company will have approximately $43 million of operating loss carry-forwards at December 31, 2020. Net deferred tax assets are mainly comprised of temporary differences between financial statement carrying amount and tax basis of assets and liabilities.

IFRS requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2020, a full valuation allowance was required.

In addition, the Company performed a comprehensive review of its uncertain tax positions and determined that no adjustments were necessary relating to unrecognized tax benefits at December 31, 2020. The Company's federal and state income tax returns are subject to examination by taxing authorities for three (3) years after the returns are filed, and the Company's federal and state income tax returns for 2019 and 2020 remain open to examination.

Note 16 – Income Taxes, continued

The reconciliation of the income tax benefit is computed at the U.S. federal statutory rate as follows at December 31, 2020:

Federal statutory income tax	21.00%
Consolidation adjustments	0.00%
Federal & state minimum taxes	0.00%
Permanent differences	0.25%
Change in tax credits	0.00%
Change in tax rate	-1.83%
Change in valuation allowance	-22.17%
State income taxes, net of federal benefit	3.20%
Prior year adjustments	0.13%
Total	0.58%

Note 17 – Related Parties

(a) Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members individually of the Company's executive management team and Board of Directors, who control approximately 2% of the outstanding shares of the Company. Compensation provided to key management is as follows at December 31, 2020:

Equity-based compensation	$	578,289
Other compensation		500,000
	$	1,078,289

(b) Related Party Transactions

The Company has entered into business agreements with other entities that have common ownership or influence with the related party to the Company. These agreements are in the normal course of operations and will be measured at the exchange amounts agreed to by the parties, which are at market rates.

The Company completed a commercial contract with Sand Spirits, LLC, an entity jointly owned by employees of the Company, to provide materials and supplies for production manufacturing. The expenses paid to Sand Spirit, LLC during 2020 totaled $28,375 for research and development, and raw materials.

Note 17 – Related Parties, continued

(c) Related Party Relationships with Subsidiaries

The parent company, Socati Corp. LLC, has wholly-owned subsidiaries and one (1) majority owned subsidiary in a limited liability corporation. All companies are registered in the U.S. and in the various states of location and operation. Socati Corp. is a Delaware corporation operating in Texas as a foreign corporation. Socati Agriscience cultivates hemp seeds for commercial sales. Socati Montana refines CBD-based products and ingredients to sell on a wholesale basis as ingredients. Socati Technologies-Oregon conducts research and development. Socati Talent is the employment organization that staffs the other subsidiaries with employees on a leased basis. Both Socati Technologies and Asbury are non-operating entities scheduled to be closed as soon as all proper closing procedures are complete but not before.

Entity (abbr)	Business Type	Business Address	State of Incorporateion	% Ownership	Parent of Sub of
Socati Corp. (SC)	Corp	612 Brazos Street Austin, TX 78701	DE	100	Parent
Socati Talent, LLC (ST)	LLC	612 Brazos Street Austin, TX 78701	TX	100	SC
5840 EXPY MGR LLC (MGR)	LLC	5840 Expressway Missoula, Montana, 59808	MT	100	SC
5840 EXPY BLDG LLC (BLDG)	LLC	5840 Expressway Missoula, Montana, 59808	MT	100	STO
Socati Technologies – Oregon, LLC (STO)	LLC	32918 S Orchard Ln Woodburn, OR 97071	MT	100	MGR
Socati Agriscience, LLC (SA)	LLC	32918 S Orchard Ln Woodburn, OR 97071	OR	92.5	SC
Asbury, LLC (AS)	LLC	RA: PO Box 2710 Casper, WY 82602	WY	100	SC
Socati Technologies - Washington (STW)	LLC	612 Brazos St. Austin, TX 78701	WA	100	SC

Note 18 – Financial Instruments and Fair Value Disclosures

The Company's activities expose it to a variety of financial risks, including market risk (i.e., foreign currency risk and interest rate risk), credit risk and liquidity risk

(a) Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. The Company faces market risk from the impact of changes in foreign currency exchange rates, changes in interest rates, and changes in market prices due to other factors including changes in equity prices. Financial instruments held by the Company that are subject to market risk include cash and cash equivalents and marketable securities, investments in other financial assets, and variable-rate debt.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

Note 18 – Financial Instruments and Faire Value Disclosures, continued

(b) Credit Risk, continued

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

The Company had sales to three (3) customers which comprised 66% of revenues, and 60% of accounts receivable at December 31, 2020. The Company also had purchases from one (1) vendor which comprised 11% of purchases at December 31, 2020.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. Liquidity risk is mitigated by the Company's cash and cash equivalents and marketable securities balances.

(d) Fair Value

Fair Value of financial instrument assets and liabilities that are not measured at fair value but fair value disclosures are required.

Level 1 quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data;

Level 3 inputs for assets and liabilities not based upon observable market data.

The carrying values of cash and cash equivalents, marketable securities, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity at December 31, 2020.

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Cash and cash equivalents	$ 341,454	$ -	$ -	$ 341,454
Inventory	-	-	383,282	383,282
Financial liabilities at FVTPL				
Common stock payable	-	-	11,000,000	11,000,000
Outstanding, end of the year	$ 341,454	$ -	$ 11,383,282	$ 11,724,736

Note 19 – Commitments and Contingencies

(a) Lease Commitments

The Company leases various office premises, facilities and warehouses, which expire between 2021 to 2024. These lease agreements generally provide for market-rate renewal options and may provide for escalations in minimum rentals over the lease terms. Total rent expenses under the lease is recognized ratably over the term of the lease. Rent expense amounted to $2,852,086 for the year ended December 31, 2020.

Note 19 – Commitments and Contingencies

(a) Lease Commitments, continued

Future commitments related to the Company's lease at December 31, 2020 are as follows:

2021	$	480,153
2022		424,552
2023		437,290
2024		259,471
	$	1,601,466

(b) Capital Lease Termination

The lease agreement for hemp seed cultivation in Oregon between the Company and an entity, not a related party that owns 7.5% of Socati Agriscience, was terminated in February 2021 following a settlement agreement signed between the parties for a total consideration of $1,915,022. The total amount of consideration was accrued by the Company at December 31, 2020. Pursuant to IAS 10 – *Events after the Reporting Period*, the underlying right-of-use asset and lease liability balances of $3,213,791 and $3,366,284 were derecognized at December 31, 2020 as the lease termination was considered an "Adjusting event".

Note 20 – Subsequent Events

Based upon its evaluation through June 1, 2021, management has determined that no material subsequent events have occurred that would require adjustment to or disclosure in the consolidated financial statements, except as follows:

Private Placement Financing

Subsequent to year end, the Company completed a non-brokered private placement of common shares (the "Financing"). The Financing closed in March, 2021 prior to closing of the transaction with Yooma (see below). A total of 28,023,717 shares of the Company were issued at an implied price per share of $0.1583 for total gross proceeds of $4,437,061. The proceeds of the Financing were used to settle outstanding liabilities of the Company, and to satisfy the minimum cash requirement of $1,000,000 at closing for the Yooma transaction.

Merger with Yooma

On March 22, 2021, the Company was acquired through a merger (the "Merger") with Yooma Acquisition Inc., a wholly-owned subsidiary of Yooma Wellness Inc. ("Yooma"), under a merger agreement between the three parties dated March 19, 2021 (the "Merger Agreement"). On completion of the Merger, the Company became a wholly-owned subsidiary of Yooma and shareholders of the Company, as well as certain creditors and other parties having convertible or contingent rights to receive shares of the Company, have exchanged their securities of the Company for a right to receive common shares of Yooma, subject to delivery of certain documentation required under the Merger Agreement. All significant obligations were settled as precondition to closing.

Note 20 – Subsequent Events, continued

Merger with Yooma, continued

In total, the consideration paid by Yooma in connection with the Merger amounted to $25,000,000, which has been satisfied by the issuance of 23,320,894 common shares of Yooma (the "Consideration Shares") at a price of CAD$1.34 per share based on a deemed exchange rate of $1.25 CAD to $1.00 USD. With the exception of 928,512 Consideration Shares, the Consideration Shares are subject to (a) an 18-month lock-up period, with one third of the shares releasing on the 6-, 12- and 18-month anniversaries of the closing date, and (b) a 12-month escrow indemnity holdback for 10% of the issued Consideration Shares, which allows them to be accessed to satisfy the indemnity obligations of the parties under the Merger Agreement.