IONIC BRANDS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(UNAUDITED, EXPRESSED IN UNITED STATES DOLLARS)

NOTICE TO READER

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

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

The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of these condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

July 14, 2021

IONIC BRANDS CORP.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited, Expressed in United States Dollars)

	Notes		March 31, 2021		December 31, 2020
ASSETS					
Current Assets					
Cash		$	5,006,995	$	288,383
Trade and other receivables	6		1,531,353		1,284,934
Prepaid expenses and deposits	7		671,424		111,699
Inventory	8		730,767		140,542
Due from related parties	14		1,454,688		644,688
			9,395,227		2,470,246
Non-Current Assets					
Property and equipment	9		966,119		782,086
Patents, brands and goodwill	5, 11		20,588,080		2,102,251
Right-of-Use assets	10		798,995		752,382
TOTAL ASSETS		$	31,748,421	$	6,106,965
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current Liabilities					
Accounts payable and accrued liabilities	12	$	3,512,034	$	3,992,197
Loans payable	13		1,751,287		2,815,025
Current portion of lease liability	10		525,646		381,600
Current portion of vehicle loans	16		27,853		30,094
			5,816,820		7,218,916
Non-Current Liabilities					
Convertible debentures	15		13,259,352		13,994,255
Lease liability	10		140,119		193,905
Vehicle loans	17		80,596		87,249
TOTAL LIABILITIES		$	19,296,887	$	21,494,325
SHAREHOLDERS' DEFICIENCY					
Share capital	16		56,648,805		41,883,795
Preferred shares	5,16		17,608,118		-
Reserves	16		7,952,693		6,662,439
Other comprehensive income			(161,364)		(142,430)
Accumulated deficit			(69,596,718)		(63,791,164)
TOTAL SHAREHOLDERS' DEFICIENCY			12,451,534		(15,387,360)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$	31,748,421	$	6,106,965

Nature and continuance of operations	1
Commitments and contingencies	17
Subsequent events	21

Approved and authorized for issue by the Board of Directors on July 14, 2021.

”John Gorst”	”Christian Vara”
Director	Director

The accompanying notes are integral to these financial statements.

IONIC BRANDS CORP.
CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Unaudited, Expressed in United States Dollars)

	Notes		March 31, 2021		March 31, 2020
REVENUE					
Product sales	14	$	1,963,662	$	549,193
Brokerage sales	14		818,082		-
Equipment rental income	14		230,251		230,251
Royalty and service income	14		1,186,683		1,512,663
			4,198,678		2,292,107
COST OF GOODS SOLD			(3,473,026)		(1,985,294)
GROSS PROFIT			725,652		306,813
OPERATING EXPENSES					
Accretion	15		343,951		289,560
Advertising and promotion			1,500		3,811
Bad debts/(recovery)	14		338,000		-
Depreciation and amortization	9,10,11		490,774		204,817
Financing fees			-		14,748
Interest and finance charges	13,15		529,679		100,979
Marketing and investor relations			131,325		10,992
Office and administration			140,461		189,676
Professional fees			838,875		218,404
Rent expense	14		6,760		13,275
Research and development			9,000		39,535
Salaries and wages	14		440,023		419,717
Share-based payments	16		3,811,104		21,982
Transfer agent and regulatory fees			37,151		24,951
Travel			18,294		29,812
			7,136,897		1,582,259
OTHER ITEMS					
Gain (loss) from forgiveness of debts			602,360		57,201
Gain on settlement of debts	16		-		125,743
Gain (loss) from revaluation of warrants			-		419,260
Foreign exchange gain (loss)			3,331		(39,716)
			605,691		562,488
NET LOSS			(5,805,554)		(712,958)
OTHER COMPREHENSIVE LOSS					
Unrealized foreign exchange gain (loss) on translation of foreign operations			(18,934)		(115,894)
COMPREHENSIVE LOSS		$	(5,824,488)	$	(828,852)
LOSS PER SHARE – BASIC AND DILUTED	16	$	(0.08)	$	(0.03)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – BASIC AND DILUTED	16		70,129,193		27,389,025

The accompanying notes are integral to these financial statements.

IONIC BRANDS CORP.
CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Unaudited, Expressed in United States Dollars)

	Common Shares						
	Number of Shares	Amount	Preferred Shares	Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance at December 31, 2020	194,171,151	$ 41,883,795	$ -	$ 6,662,439	$ (142,430)	$ (63,791,164)	$ (15,387,360)
Adjustment for share consolidation (note 16):	(161,809,293)	-	-	-	-	-	-
Shares issued for:							
Private placement of units, net	77,695,502	11,016,935	-	1,022,624	-	-	11,016,935
Settlement of debt	1,199,326	214,000	-	-	-	-	214,000
Services rendered	14,392,817	2,268,157	-	-	-	-	2,268,157
Conversion of convertible debentures	7,400,504	1,265,918	-	(258,268)	-	-	1,007,650
Acquisition of Cowlitz Assets	-	-	17,608,118	525,898			19,156,638
Currency translation adjustments	-	-	-	-	(18,934)	-	(18,934)
Net loss for the period	-	-	-	-	-	(5,805,554)	(5,805,554)
Balance at March 31, 2021	133,050,007	$ 56,648,805	$ 17,608,118	$ 7,952,693	$ (161,364)	$ (69,596,718)	$ 12,451,534

	Common Shares					
	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance at December 31, 2019	161,749,791	$ 40,909,598	$ 7,415,636	$ (332,866)	$ (57,110,422)	$ (9,118,054)
Adjustment for share consolidation (note 16)	(134,791,492)					
Shares issued for:						
Settlement of debt	594,100	44,177	-	-	-	44,177
Conversion of convertible debentures	658,611	144,491	(21,890)	-	-	122,602
Issuance of stock options	-	-	20,838	-	-	20,838
Extinguishment of convertible debentures	-	-	(3,980,700)	-	-	(3,980,700)
Reissuance of convertible debentures	-	-	2,287,606	-	-	2,287,606
Cancellation of convertible debentures warrants	-	-	(427,732)	-	-	(427,732)
Reissuance of convertible debenture warrants	-	-	21,901	-	-	21,901
Currency translation adjustments	-	-	-	(115,894)	-	(115,894)
Net loss for the period	-	-	-	-	(712,958)	(712,958)
Balance at March 31, 2020	28,211,010	$ 41,098,266	$ 5,315,660	$ (448,760)	$ (57,823,380)	$ (11,858,214)

The accompanying notes are integral to these financial statements.

IONIC BRANDS CORP.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Unaudited, Expressed in United States Dollars)

		March 31, 2021		March 31, 2020
Cash Flows Provided By (Used In) Operating Activities				
Net loss for the period before tax	$	(5,805,554)	$	(712,958)
Adjustments for items not affecting cash:				
Accretion		343,951		289,560
Bad debt/(recovery)		338,000		-
Depreciation and amortization		490,774		204,817
Interest and finance charges		386,316		46,085
(Gain) Loss on forgiveness of debts		-		(57,201)
(Gain) Loss on revaluation of warrants		-		(419,260)
(Gain) Loss on settlement of debts		(602,360)		(125,743)
Share-based payments		-		21,982
Shares issued for services rendered		3,811,104		-
		(1,037,769)		(752,718)
Changes in non-cash working capital:				
Trade and other receivables		(583,845)		365,590
Accounts payables and accrued liabilities		(451,864)		86,559
Prepaid expenses and deposits		(559,628)		21,635
Inventory		15,966		(25,777)
Due from related parties		(810,000)		(292,740)
		(3,427,140)		(597,451)
Cash Flows Used in Investing Activities				
Purchase of property and equipment		(54,795)		-
Cash consideration for acquisition of assets from Cowlitz County Cannabis Cultivation Inc.		(1,381,434)		-
		(1,436,229)		-
Cash Flows From Financing Activities				
Proceeds from private placement, net		11,016,935		-
Redemption of convertible debentures		(198,807)		-
Principal elements of lease payments		(102,940)		(45,178)
Repayment of loans payable		(1,125,471)		-
Repayment of vehicle loans		(8,894)		(6,456)
		9,580,823		(51,634)
Effect of exchange rate changes on cash		1,158		(4,324)
Changes in cash during the period		4,718,612		(649,085)
Cash, beginning of period		288,383		704,897
Cash, end of period	$	5,006,995	$	51,488

1. NATURE, DESCRIPTION OF BUSINESS AND CONTINUANCE OF OPERATIONS

Ionic Brands Corp. ("Ionic" or the "Company") was incorporated on October 9, 2012 in the province of Ontario. On July 3, 2013, the Company received its Certificate and Continuation and is now a company governed under the British Columbia Corporation Act. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "IONC". The registered and records office of the Company is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia. The head office of the Company is located at 1142 Broadway, Suite 310, Tacoma, Washington, USA.

Description of Business

The Company's primary business is the provision of services and products ancillary to the cannabis production and processing industry in the States of Washington and Oregon. The Company is currently not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis, but it has entered into irrevocable purchase option agreements to acquire such businesses when the state of Washington legislation changes to permit cannabis operating licenses to be owned by non-residents. The Company intends to exercise its irrevocable purchase option agreements once the residency restriction is lifted, which will result in the Company providing direct services to the Cannabis industry.

The Company, through its operating subsidiaries, delivers comprehensive solutions to licensed cannabis processors and producers which includes the following:

- processing and transportation equipment leasing;
- operating and marketing support;
- licensing of intellectual property; and
- sourcing of devices, packaging and labeling.

The Company expects to generate returns from any or all of the following revenue sources: (i) administrative services such as accounting and human resources, operating support, consulting, intellectual property licensing and advisory fees from service contracts with certain license holders; (ii) the selling of ancillary products to cannabis entities; and (ii) leasing facilities and equipment to certain licensed cannabis entities.

The Company's extraction, formulations, and post extraction processes are proprietary and held as closely guarded trade secrets. The specific plant-based terpene profiles are never provided to any licensed partner whether they are a direct licensed processer or co-packing partner. These processes are contractually licensed to producers and co-packagers. The Company has quality control managers in place at each partner processor or co-packager location to guarantee the highest quality standards in the industry to support our brand promises and standards. In addition, the Company procures and supplies branded packaging and devise including vape pens, both refillable and disposable, cartridges, applicators, jars and brand, packaging and labeling for the licensee. The Company's management believes the products are well received in the marketplace and will capture a significant portion of the vape pen and concentrate oil business. The Company's brands, IONIC™, Dabulous™ and Zoots™ and processes were developed for the oil-infused products category in the cannabis industry, which is the fastest growing sector of the industry.

Going Concern

These condensed consolidated interim financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company incurred a net loss of $5,805,554 and has an accumulated deficit of $69,596,718.

At March 31, 2021, the Company has positive working capital of $3,578,406 and may require further financing to operate and further develop its business. The Company's ability to realize its assets and discharge its liabilities is dependent upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These condensed consolidated interim financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

COVID-19

On March 11, 2020 the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods, including the possible impact on future financing opportunities.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

These consolidated financial statements were authorized for issue by the Board of Directors on July 14, 2021.

Basis of Preparation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in United States dollars. The functional currency of the Company is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the United States entities is in United States dollar. The functional currency of the Canadian entities is in Canadian dollar.

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

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- Exchange differences on monetary items received from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Basis of Consolidation
These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned and controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The following subsidiaries have been consolidated from all dates presented within these financial statements:

Subsidiary	Ownership	Location
Blacklist Finco Inc. (“Blacklist Finco”)	100%	Canada
Blacklist Holdings OR Inc. (“Blacklist Oregon”)	100%	USA
Blacklist Brands CA Inc. (“Blacklist California”)	100%	USA
Natural Extractions, Inc. (“NE”)	100%	USA
Vegas Valley Capital Corp. (“VVC”)	100%	USA

The Company has consolidated the results of Cowlitz County Cannabis Cultivation Inc. (“Cowlitz”) from March 5, 2021, which represents the date control of operations transferred to the Company.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

Significant Estimates and Assumptions
The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Company bases its estimates and assumptions on current and various other factors that it believes to be reasonable under the circumstances. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Significant judgment
Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company applied the same accounting policies in these condensed consolidated interim financial statements as those applied in the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2020. In connection with the acquisition of Cowlitz County Cannabis Cultivation Inc., the Company implemented a new accounting policy for Goodwill, as follows:

Goodwill
Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the CGU or CGUs to which it relates.

(Expressed in United States Dollars)

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. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use.

Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

In preparing these condensed consolidated interim financial statements, the significant judgements we made in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended December 31, 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual audited consolidated financial statements as at and for the year ended December 31, 2020

4. FUTURE CHANGES IN ACCOUNTING POLICIES

The following new amendment to standards and interpretations under IFRS, are not yet effective for the three months ended March 31, 2021, and have not been applied in preparing these consolidated statements:

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Company will assess the financial impact of the amendments and expects to apply the amendments at the effective date.

5. Acquisition of Cowlitz County Cannabis Cultivation Inc.

On March 5, 2021, the Company entered into an agreement for the the Company entered into an agreement for the acquisition of the cannabis assets relating to Washington-based Cowlitz County Cannabis Cultivation Inc. ("Cowlitz") held by Lobe Sciences Ltd.'s subsidiary vendor.

The acquisition constitutes a business combination as the acquired assets meet the definition of a business, as defined in IFRS 3, Business Combinations. The allocation of the fair value of the consideration transferred is summarized as follows:

Cash	$	1,381,434
Series E Preferred Shares		17,608,118
Warrants		525,898
Promissory Note		50,000
Fair value of consideration	**$**	**19,565,450**
Assets acquired:		
Inventory	$	606,192
Property and equipment		203,345
Brands		3,611,048
Goodwill		15,144,862
Right-of-use asset facility lease		193,200
Total assets acquired		**19,758,650**

(Expressed in United States Dollars)

Liabilities assumed:		
Facility lease liability		(193,200)
Total liabilities assumed		(193,200)
Fair value of purchase consideration	$	**19,565,449**

Certain fair values have been estimated at the acquisition date, pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods, not to exceed one year from the acquisition date.

The fair value of total consideration for the transaction was $19,565,449 and is comprised of the following: $1,381,435 cash; issuance of 100,406,701 Series E non-voting preferred shares ("Preferred Share"), 4,000,000 warrants of the company, and a $50,000 secured promissory note.

The amount of income attributable to the acquisition, from the date of acquisition to March 31, 2021 is product revenue of $1,458,773. The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company.

6. TRADE AND OTHER RECEIVABLES

		March 31, 2021		December 31, 2020
Trade receivables	$	4,664,238	$	4,165,258
GST and other receivables		131,402		45,963
Provision for doubtful accounts		(3,264,287)		(2,926,287)
	$	1,531,353	$	1,284,934

During the three-month period ended March 31, 2021, the Company recorded a provision for doubtful accounts of $338,000 (December 31, 2020 - $1,293,026).

Prior to the COVID-19 outbreak, the Company applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2020 or December 31, 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect the current forward-looking information on economic factors affecting the ability of customers to settle receivables.

Since the COVID-19 outbreak, the Company applies a direct customer analysis approach to measure expected credit losses as the Company determines how COVID-19 impacts its customers. The Company assesses the collectability of receivables of each customer on an individual basis using quantitative and qualitative information available to management. The historical loss rates are adjusted to reflect the current and forward-looking information on economic factors affecting the ability of the customers to make regular monthly payments on the receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include business closure and/or the failure to make monthly contractual payments.

7. PREPAID EXPENSES AND DEPOSITS

		March 31, 2021		December 31, 2020
Prepaid expenses	$	502,352	$	49,508
Deposits		169,072		62,191
	$	671,424	$	111,699

(Expressed in United States Dollars)

8. INVENTORY

		March 31, 2021		December 31, 2020
Raw materials	$	35,968	$	10,958
Work in progress		148,632		6,527
Finished goods		546,167		123,057
	$	730,767	$	140,542

During the three-month period ended March 31, 2021, total cost of inventory sold was $2,298,309 (March 31, 2020 - $1,985,294.

9. PROPERTY AND EQUIPMENT

	Motor Vehicles ($)	Computer Equipment ($)	Furniture and Fixtures ($)	Leasehold Improvements ($)	Lab Equipment ($)	Total ($)
Cost:						
Balance at December 31, 2019	194,118	168,855	130,829	150,900	515,285	1,159,987
Additions	37,278	175,978	-	-	200,000	413,256
Disposal	-	(11,590)	(12,451)	(150,900)	(28,813)	(203,754)
Balance at December 31, 2020	231,396	333,243	118,378	-	686,472	1,369,489
Additions	-	-	-	-	258,140	258,140
Balance at March 31, 2021	231,396	333,243	118,378	-	944,612	1,627,629
Amortization:						
Balance at December 31, 2019	66,201	60,960	23,781	137,090	237,516	525,548
Charge for the year	40,323	63,372	16,911	7,584	119,776	247,966
Eliminated on disposal	-	(12,167)	(2,521)	(144,674)	(26,750)	(186,113)
Balance at December 31, 2020	106,524	112,165	38,171	-	330,542	587,403
Charge for the period	10,477	25,545	4,228	-	33,858	71,107
Balance at March 31, 2021	117,001	137,710	42,339	-	364,400	661,509
Net Book Value:						
Balance at December 31, 2020	124,872	221,078	80,207	-	355,930	782,086
Balance at March 31, 2021	114,395	195,533	75,979	-	580,212	966,119

(Expressed in United States Dollars)

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

In connection with the Cowlitz acquisition, the existing facility lease was assigned to the Company. The following table details the change in the Company's right-of-use assets for the three-month period ended March 31, 2021:

		ROU Asset Building		ROU Asset Equipment		Total
Cost:						
Balance at December 31, 2019	$	397,116	$	791,644	$	1,188,760
Modification		-		212,978		212,978
Balance at December 31, 2020		397,116		1,004,622		1,401,738
Addition		193,200		-		193,200
Balance at March 31, 2021	$	590,316	$	1,004,622	$	1,594,938
Accumulated amortization:						
Balance at December 31, 2019	$	(124,779)	$	(105,553)	$	(230,332)
Depreciation		(124,780)		(294,244)		(419,024)
Balance at December 31, 2020		(249,559)		(399,797)		(649,356)
Depreciation		(43,270)		(103,317)		(146,587)
Balance at March 31, 2021	$	292,829	$	503,114	$	795,943
Net book value:						
Balance at December 31, 2020	$	147,557	$	604,824	$	752,382
Balance at March 31, 2021	$	297,487	$	501,508	$	798,995

Lease Liabilities

The lease liabilities are calculated using an incremental borrowing rate of 10% per annum.

	($)
Balance at December 31, 2019	720,233
Modification	212,978
Interest expense	91,700
Lease payments	(449,406)
Balance at December 31, 2020	575,505
Addition	193,200
Interest expense	16,764
Lease payments	(119,704)
Balance at March 31, 2021	665,765
Current portion	525,646
Non-current portion	140,119

At March 31, 2021, the Company is committed to minimum lease payments as follows

		March 31, 2021
Not later than one year	$	566,095
Later than one year and not later than five years		141,991
Total minimum lease payments		708,086
Less: amounts representing finance costs		42,321
Present value of minimum lease payments	$	665,765

(Expressed in United States Dollars)

11. PATENTS, BRANDS AND GOODWILL

	Patents ($)	Natural Extraction Brands ($)	Cowlitz Brands (note 5)	Goodwill (note 5)	Total ($)
Cost:					
Balance at December 31, 2019	845,432	890,000		-	1,735,432
Additions	-	1,202,000	-	-	1,202,000
Balance at December 31, 2020	845,432	2,092,000	-	-	2,937,432
Additions	-	-	3,611,048	15,144,862	18,755,910
	845,432	2,092,000	3,611,048	15,144,862	21,693,342
Amortization:					
Balance at December 31, 2019	32,381	222,703	-	-	255,084
Charge for the year	50,510	529,587	-	-	580,097
Balance at December 31, 2020	82,891	752,290	-	-	835,181
Charge for the period	12,392	171,946	85,743	-	270,081
Balance at March 31, 2021	95,283	924,236	85,743	-	1,105,262
Net Book Value:					
Balance at December 31, 2020	762,541	1,339,710	-	-	2,102,251
Balance at March 31, 2021	750,149	1,167,764	3,525,305	15,144,862	20,588,080

During the three months ended March 31, 2021, the Company recognized brands of $3,611,048 and goodwill of $15,144,862 pursuant to the acquisition of Cowlitz.

The Company determined that there were no indicators of impairment that exist for goodwill as at March 31, 2021.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2021		December 31, 2020
Trade payables	$	1,191,614	$	1,958,137
Accrued expenses		2,320,420		2,034,060
	$	3,512,034	$	3,992,197

Accounts payables and accrued liabilities comprised primarily of trade payables incurred in the normal course of business.

13. LOANS PAYABLE

On April 1, 2019, Blacklist assumed loans from the acquisition of Natural Extractions, Inc. ("NE"). At December 31, 2020, the loans were past due and in default of the original terms, resulting in an interest rate of 12%. During the three-month period ended March 31, 2021, the Company made a payment of $68,965 on account of accrued interest and renegotiated the terms to reduce the interest rate to 7% and extend the due date to July 31, 2022. The balance of the loan at March 31, 2021 is $231,126 (December 31, 2020 - $373,022).

In November 2019, the Company entered into a Memorandum of Understanding ("MOU") with a device manufacturer. The device manufacturer advanced the Company $500,000 to purchase their products and the loan plus a fee of $75,000 was initially to be repaid no later than November 20, 2020. The device manufacturer has failed to deliver their products and accordingly, the repayment of the loan has been deferred until the device manufacturer fulfils their obligation. As at December 31, 2020, the outstanding balance was $500,000 (December 31, 2019 - $500,000).

In November 2019, the Company entered into a promissory note of $400,000. The loan carries an interest rate of 12% per annum and due on November 22, 2020. The due date for the promissory note has been extended to May 22, 2021. The promissory note is also secured by all or substantially all of the Company's assets. As at March 31, 2020, the balance outstanding is $433,433 (December 31, 2020 - $433,433).

On April 10, 2020, the Company received loan proceeds in the amount of $239,300 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable, based on eligibility requirements that are currently under revision by the US Small Business Administration ("SBA"). During the three-month period ended March 31, 2021, the Company accrued interest of $6,458 and the balance at March 31, 2021 is $177,970 (December 31, 2020 - 171,512).

In June 2020, the Company assumed a note payable with a term of 34 months in the amount of $195,000 from the acquisition of Dabulous brand and equipment from WW Agriculture Inc. The note bears interest at 12% per annum. During the three month period ended March 31, 2021, the Company made payments totalling $15,648 and the balance of the loan at March 31, 2021 is $144,917 (December 31, 2020 - $160,565).

During the year ended December 31, 2020, the Company borrowed 3 loans totaling $625,000 from an unrelated party with a fee of $18,750. The loans are to be repaid over 32 weeks with payments determined based on net sales of the Company. Collectively, the loans have effective annual interest rates between 72.2% and 91.3%. During the three-month period ended March 31, 2021, the Company made a lump sum payment of $250,000 and additional payments totalling $95,817 against the outstanding balance, resulting in a balance of $138,840 at March 31, 2021 (December 31, 2020 - $484,657).

In July 2020, the Company borrowed $200,000. The bridge loan bears interest at 10% per annum and was due in March 2021. As at December 31, 2020 the Company accrued interest of $11,573 and the balance outstanding was $211,573. During the three-month period ended March 31, 2021, the holder of the bridge loan converted the balance outstanding into 1,072,242 units, with each unit consisting of one common share and one share purchase warrant of the Company.

On December 8, 2020, the Company borrowed $150,000. The bridge loan was non-interest bearing and the loan balance plus a fee of $10,000 must be repaid on January 23, 2021. During the three-month period ended March 31, 2021, this bridge loan was fully repaid with proceeds from the Company's March 2, 2021 private placement.

(Expressed in United States Dollars)

On December 31, 2020, the Company borrowed 4 loans totalling $255,906 (CAD $325,000) from unrelated parties. The loan bears interest of 12% per annum and was payable on January 31, 2021. In connection with the 4 loans, 25,000 share purchase warrants were issued. This bridge loan was fully repaid with proceeds from the Company's March 2, 2021 private placement and accordingly the balance was $nil at March 31, 2021.

Continuity schedule of loans payable at March 31, 2021 and December 31, 2020 is as follows:

		March 31, 2021		December 31, 2020
Balance, beginning	$	2,815,025	$	1,484,236
Issued (note 5)		50,000		1,664,562
Interest expense		8,526		165,249
Repayment of loans payable		(1,122,264)		(216,396)
Government grant		-		(67,787)
Debt forgiveness		-		(214,839)
Balance, ending	$	1,751,287	$	2,815,025

14. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three month periods ended March 31, 2021 and 2020 are as follows:

		March 31, 2021		March 31, 2020
Salaries and wages	$	139,030	$	132,002
Professional fees		57,000		10,500
Rent		-		-
	$	196,030	$	142,502

Accounts Payable and Accrued Liabilities
As at March 31, 2021, the following amounts in accounts payable were due to related parties:

- $38,975 (December 31, 2020 - $56,975) owing to an officer for services rendered
- $5,000 (December 31, 2020 - $20,000) owing to a director for services rendered;
- $142,225 (December 31, 2020 - $174,225) owing to officers for deferred compensation.

Accounts Receivable
As at March 31, 2021 $1,015,963 (December 31, 2020 - $2,128,976) in accounts receivable were due from a company jointly owned by the Company's CEO and former CFO. The ability of this company to repay the full amount owing is uncertain, and accordingly, the Company has recorded a provision for doubtful accounts in the amount of $338,000, (December 31, 2020 - $1,272,591) resulting in a net accounts receivable from a related party of $677,963 (December 31, 2020 - $856,385).

Due from Related Parties
On May 31, 2019, the Company loaned an officer $25,000. The loan carries an annual interest rate of 3% and is due and payable upon the officer's authorization to sell his shares in the Company.

During the year ended December 31, 2020, the Company loaned $619,688 to a company owned by the Company's CEO. The loan carries interest at 3% per annum and is due on or before January 1, 2023. As at March 31, 2020, the balance outstanding was $1,429,688.

During the year ended December 31, 2019, the Company loaned $2,485,283 to a company owned by the Company's CEO. The loan carries interest at 3% per annum and is due on or before January 1, 2022. As at

December 31, 2019, the balance outstanding was $316,564 as the loan was impaired due to the uncertainty of the companies' ability to repay the entire balance. During the year ended December 31, 2020, the loan in the amount of $316,564 was fully repaid.

Transactions with Related Parties

During the three-month period ended March 31, 2021, the Company had product and service sales to a company jointly owned by the Company's CEO and former CFO of $2,597,714 (March 31, 2020 - $1,975,132).

During the three-month period ended March 31, 2021, the Company recognized equipment rental income of $230,521 earned from a company controlled by the Company's CEO and former CFO (March 31, 2020 - $230,251).

On January 1, 2017, Blacklist entered into an agreement with a company jointly controlled by the Company's CEO and former CFO (the "Licensee"). Under the agreement, Blacklist granted the Licensee a non-exclusive, non-transferable, non-assignable license to reproduce, distribute, publicly display and publicly use the IONIC trademark. At granted commencement, the Licensee was to pay licensing fees of 5% of its gross revenue for 3 years. On January 1, 2018, the license fee was increased to 10% of gross revenue. Of the total royalty and service income recognized during the three-month period ended March 31, 2021, $172,881 was earned from a related party (March 31, 2020 - $192,605).

During the three-month period ended March 31, 2021, the Company earned $90,675 in procurement fees from a company jointly controlled by the Company's CEO and former CFO (March 31, 2020 - $124,496).

During the three-month period ended March 31, 2021, the Company incurred total expenses of $14,792 on behalf of an entity controlled by the Company's President. (March 31, 2020 - $15,503). The ability of this company to repay the amount owing is uncertain and therefore has been fully impaired at March 31, 2021 and 2020.

15. CONVERTIBLE DEBENTURES

On July 6, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for $577,459 (CAD$735,000). The Convertible Debenture bore interest at 0% per annum, provided, however, that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided if the Transaction was duly terminated pursuant to its terms, then October 18, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 21,000,000 common shares at CAD$0.035 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be $10,257,104 and was recorded as equity of the Company.

On October 2, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for $942,790 (CAD$1,200,000). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then October 18, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 4,800,000 common shares at CAD$0.25 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be $1,574,918 and was recorded as equity of the Company.

On October 10, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for $982,073 (CAD$1,250,000). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on November 26, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then November 26, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 3,125,000 common shares at CAD$0.40 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be $675,791 and was recorded as equity of the Company.

On November 26, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for $1,350,869 (CAD$1,719,408). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum form the date that is the three-month anniversary at the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on November 26, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then November 26, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 3,438,816 common shares at CAD$0.50 per share. Prior to debentures being converted, the conversion feature of the debentures was revalued to be $487,222 and was recorded as equity of the Company.

On May 16, 2019, the Company issued 19,759 convertible debenture units ("May Debenture Units") for gross proceeds of $14,702,731 (CAD$19,759,000).

Each Debenture Unit consists of:

- CAD$1,000 principal amount of 8.0% unsecured debentures convertible into common share of the Company at a conversion price of CAD$0.75 per share and matures on May 16, 2022;
- 1,333 common share purchase warrants of the Company, each warrant entitles the holder to purchase s common share at an exercise price of CAD$0.90 until May 16, 2022, subject to acceleration in certain circumstances.

The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. The conversion feature value has been determined to be $3,810,273 (CAD$5,366,060). The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost, using a discount rate of 20%.

In connection with the Debenture offering, the Company issued an aggregate of 1,059 compensation warrants ("Compensation Warrants"). The Company also issued 62 finders warrants ("Finders Warrants"). Each Compensation Warrant and Finders Warrant entitles the holder to purchase one Debenture Unit of the Company at an exercise price of CAD$1,000 until May 16, 2022. In addition, the Company paid $1,049,666 for associated legal fees, financing fees, commissions and finders fees from the proceeds of the convertible debentures. The Company also incurred transaction costs of $184,984 (CAD$245,434).

In February 2020, the Company amended the terms of the Debenture Units:

- Increase interest rate from 8% to 10%
- Decrease the conversion price from CAD$0.90 to CAD$0.75 per share
- Decrease the exercise price of the warrants from CAD$0.90 to $0.075 per share.

Due to the amendment to the terms of the Debenture Units, the Company is deemed to have extinguished the existing debentures and reissued new debentures with the new terms. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost, using a discount rate of 20%. The Company valued the liability portion of the convertible debt to $12,449,857 (CAD $16,463,691). The value of the conversion feature is determined using the Black-Scholes Option Pricing Model with the assumptions of

(Expressed in United States Dollars)

122.99% volatility rate, discount rate of 1.45, expected life of 2.23 years and no dividends. The conversion feature of the new debentures is valued at $2,822,971 (CAD$3,733,097). As a result of the amendment, the Company has recorded a loss on extinguishment of debt of $547,984 (CAD$ $735,094).

On December 31, 2020, the Company entered into a convertible debenture agreement (individually, the "Convertible Debenture") for $196,356 (CAD$250,000). The Convertible Debenture bore interest at 12% per annum and was payable on January 31, 2021. During the three-month period ended March 31, 2021, the holder exchanged the amount of principal plus accrued interest due at the date of conversion to the Company's common shares at a conversion price equal to the average of the open and close market price on the date of the conversion. The full amount of $196,356 (CAD$250,000) was recorded as a current liability at December 31, 2020.

		March 31, 2021		December 31, 2020
Balance, beginning of period	$	13,994,255	$	11,973,871
Issue of convertible debentures, net		-		196,355
Extinguishment of convertible debentures		-		(12,373,211)
Reissuance of convertible debentures		-		12,449,857
Conversion to common shares		(1,247,393)		(775,885)
Accretion and interest		721,768		2,552,584
Repayment of convertible debt		(197,348)		(31,570)
Gain on conversions		(16,696)		-
Foreign exchange		4,766		2,254
Balance, end of period	$	13,259,352	$	13,994,255

The fair value is calculated based on the November 26, 2018 arm's length financing which the shares would be converted at fair value at $0.50 per share. Blacklist was a private company at the end of December 31, 2018, thus the November 2018 financing would be the most appropriate representation of Blacklist's shares' fair value. During the year ended December 31, 2019, the convertible option was valued using the share price of the Company.

16. SHARE CAPITAL

Authorized Share Capital of the Company

The Company's authorized share capital consists of:

- An unlimited number of voting common shares, with no par value;
- An unlimited number of series A non-voting preferred shares;
- An unlimited number of series B non-voting preferred shares;
- An unlimited number of series C non-voting preferred shares; and
- An unlimited number of series E non-voting preferred shares.

The series A and B preferred shares may be converted into common shares at the option of the Company. The series C preferred shares may be converted into common shares at the option of the holders. Each series of preferred shares are convertible into such number of common shares equal to the quotient of the paid-up capital of the preferred shares divided by the market price of the common shares on the date of conversion. Each series of preferred shares are subject to cumulative dividends at the rate of 5% per annum, which is payable in common shares of the Company based upon the prevailing market price of the common shares.

In connection with the Cowlitz acquisition (note 5), 100,406,701 series E preferred shares ("Preferred Shares") were issued as consideration. The Preferred Shares are exchangeable into one common share on a one-for-one basis (subject to adjustment, and provided that the holder's share ownership of the Company remains below 10% at the time of conversion) and carries an annual dividend equal to 13% for a period of two years from the date of issuance, with the Preferred Shares automatically converting to Common Shares four years from the issuance date. Under the terms of the Cowlitz Agreement, the Company will not issue any additional Preferred Shares without obtaining written consent from the seller.

(Expressed in United States Dollars)

Share Consolidation

On February 8, 2021, the Company consolidated its common shares ("share consolidation") at a ratio of one post-consolidated common share for every six pre-consolidated common shares. As a result of the share consolidation, the weighted average number of shares outstanding, basic and diluted, at March 31, 2020 would reduce from 164,334,154 common shares to 27,389,025 common shares outstanding and loss per share, basic and diluted would increase from $0.00 loss per share to $0.03 loss per share for the three-month period ended March 31, 2020.

Issued Share Capital During the Period

On March 2, 2021, the Company issued 77,695,502 units at a price of CAD $0.19 per unit for total gross proceeds of CAD $14,762,145. Each unit consist of one common share of the Company and one share purchase warrant, exercisable at CAD $0.30 per share for five years from the issuance date. The Company paid finders' fees of CAD $1,094,912 and issued finders fees of 7,285,014 finder's warrants exercisable at CAD $0.19 per share for a period of two years from the issuance date. Net proceeds from the issuance was $11,016,935.

During the three-month period ended March 31, 2021, the Company issued the following:

- 1,199,326 common shares for the settlement of debt with a fair value of $214,000;
- 14,392,817 common shares for payment of consulting services in connection with the Company's private placement and Cowlitz acquisition. The fair value of the shares issued was $2,268,157 and the fair value of the services provided was $2,870,517 and accordingly, the Company has recognized a fain from forgiveness of debt during the statement of loss in the amount of $602,360; and
- 7,400,504 common shares were issued for convertible debt conversions with a fair value of $1,265,918.

Stock Options

The Company has a stock option plan under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees, and other service providers. The stock options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of 10 years. The plan allows for the issuance up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

Stock options issued, outstanding and exercisable at March 31, 2021 and December 31, 2020, adjusted for the impact of the Share Consolidation, are as follows

Number Outstanding	Number Exercisable		Exercise Price (CAD)	Expiry Date
950,000	950,000	$	4.08	April 12, 2024
419,666	419,666	$	1.20	August 16, 2024
1,369,666	1,369,666			

The weighted average exercise price of the stock options issued, outstanding and exercisable at March 31, 2021 is $3.20 (December 31, 2020 - $3.20). The options have a grant date fair value of $1,913,825 and the Company recorded share-based compensation of $32,059 during the year ended December 31, 2020 (December 31, 2019 - $1,881,766). All option grants were valued using the Black-Scholes Option Pricing Model with the following assumptions:

	2019
Volatility	79%
Risk-free interest rate	1.21% - 1.59%
Expected life of options	5 years

(Expressed in United States Dollars)

Dividend yield	0.00%

Warrants

Details regarding warrants issued and outstanding, adjusted for the impact of the Share Consolidation, are summarized as follows:

		Weighted average exercise price (CAD)	Number of shares issued or issuable on exercise
Warrants outstanding, beginning	$	-	-
Warrants issued		3.84	9,162,382
Warrants exercised		1.20	(1,310,400)
Balance at December 31, 2019	$	4.26	7,851,982
Warrants expired		2.76	(576,730)
Warrants issued		0.30	25,000
Balance at December 31, 2020	$	0.21	7,300,252
Warrants issued		0.29	88,980,516
Balance at March 31, 2021	$	0.47	96,280,768

The expiry dates of warrants are as follows:

Grant Date	Expiry Date		Weighted average exercise price (CAD)	Number of warrants issued
March 22, 2019	June 30, 2021		0.30	1,833,333
May 16, 2019	May 16, 2022		2.70	4,638,840
July 1, 2019	July 1, 2022		7.98	803,079
December 31, 2020	December 31, 2023		0.30	25,000
March 2, 2021	March 2, 2023		0.19	77,695,502
March 2, 2021	March 2, 2026		0.19	7,285,014
March 4, 2021	March 4, 2026		0.30	4,000,000
		$		96,280,768

The 7,285,014 finders warrants issued in connection with the private placement had a fair value of $1,022,6241 which was determined using the Black-Scholes Option Pricing Model with the following assumptions:

	2021
Volatility	106%
Risk-free interest rate	0.16%
Expected life of options	2 years
Dividend yield	0.00%

The weighted average life remaining of the warrants at March 31, 2021 is 2.19 years.

At March 31, 2021, of the 96,280,768 warrants issued and outstanding, 1,833,333 performance warrants are not exercisable.

17. COMMITMENTS AND CONTINGENCIES

Commitments

Vehicle Loans

(Expressed in United States Dollars)

The company obtained financing for motor vehicles acquired. The loans are secured by the vehicles financed. The loans have terms ranging from 60 – 72 months and bear interest at 5.60% - 13.49%.

		March 31, 2021		December 31, 2020
Balance, beginning of period	$	117,343	$	107,745
Issued		-		36,078
Interest expense		2,524		5,714
Repayments		(11,418)		(32,194)
Retirement		-		-
Balance, end of period		108,449		117,343
Current		27,853		30,094
Long-term	$	80,596	$	87,249

A schedule for the Company's future minimum principal payments over the term of the loans is as follows:

Year		
2021		21,201
2022		28,788
2023		26,580
2024		18,492
2025		13,388
Total	$	108,449

<u>Contingencies</u>

The Company is involved in litigation and disputes arising in the normal course of operations with regards to monies owed for services. Management is of the opinion that any potential litigation will not have a material adverse impact on the Company's financial position or results of operations. On March 1, 2021, ongoing litigation was resolved, resulting in the Company making a cash payment of $75,000 and the issuance of 372,566 Common Shares at a deemed price of $0.20 per share.

18. REVENUE

The Company generates revenue from the transfer of goods and services over time and at a point-in-time from the revenue streams below. Net revenue from sale of goods is reflected net of returns, if any.

For the three months ended March 31, 2021	Point-in-Time ($)	Over-Time ($)	Total ($)
Management services and royalty fees	-	1,186,683	1,186,683
Sale of products	1,963,662	-	1,963,662
Brokerage revenue	818,082	-	818,082
Rental income	-	230,251	230,251
	2,781,744	1,416,934	4,198,677

For the three months ended March 31, 2020	Point-in-Time ($)	Over-Time ($)	Total ($)
Management services fees and royalty fees	-	1,512,663	1,512,663
Sale of products	529,091	-	529,091
Rental income	-	230,251	230,251
	529,091	1,742,914	2,272,005

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(Expressed in United States Dollars)

Credit Risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and accounts receivable. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its accounts receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable. Accounts receivable are shown net of any provision made for impairment of the receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Accounts Receivable
Accounts receivable primarily consist of trade receivables and sales tax receivable. The Company provides credit to very limited customer base in the normal course of business and has established credit evaluation via an active direct consultation with its customers to mitigate credit risk. Accounts receivable are shown net of any provision made for impairment of receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Expected credit loss ("ECL") analysis is performed at each reporting date using an objective approach to measure expected credit losses since the COVID-19 outbreak. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The Company's aging of trade receivables was as follows:

	March 31, 2021 ($)	December 31, 2020 ($)
0 – 30 days	924,994	611,139
31 – 60 days	298,343	284,395
61 - 90 days	144,550	269,300
91 + days	163,466	120,100
	1,531,353	1,284,934

For the three months ended March 31, 2021 and 2020, the following revenue was recorded from customers that comprise 10% or more of revenue:

Percentage of revenue from major customers	2021	2020
Customer A (related party)	62%	96%

Liquidity Risk
Liquidity risk arises from the Company's general and capital financing needs. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities, when feasible.

(Expressed in United States Dollars)

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2021:

	On demand ($)	Less than 1 year ($)	1 to 2 years ($)	2 to 3 years ($)	Total ($)
Trade payables	3,512,035	-	-	-	3,512,035
Lease liabilities	-	525,646	140,119	-	665,765
Vehicle loans	-	27,853	55,199	27,397	108,449
Loans payable and accrued interest	-	1,225,876	458,357	67,053	1,751,286
Convertible debt	-	-	13,767,778	-	13,767,778
Total liabilities	3,512,035	1,779,375	14,419,453	94,450	19,805,313

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's exposure to currency risk is limited as the majority of its sales and expenditures are denominated in the same currency as its functional currency.

Interest Rate Risk

Interest rate risk if the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company managed its interest rate risk by having a fixed rate for its convertible debentures. Based on borrowings that accrue interest as at March 31, 2021 and December 31, 2020, a 1% change in interest rate would not have a significant impact on net loss.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not hold equity investments in other entities and therefore is not exposed to a significant risk.

Fair Value

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The Company did not have any marketable securities at March 31, 2021.

The Company determined that the carrying values of its short-term financial assets and liabilities approximate the corresponding fair values because of the relatively short periods to maturity of these instruments and the low credit risk.

The carrying value of the Company's convertible debentures approximates fair value as the liability component was discounted using an estimated market rate (note 15).

There were no transfers between the levels of the fair value hierarchy during the period.

CAPITAL MANAGEMENT

The Capital manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2020.

20. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASHFLOWS

Interest paid during the three-month period ended March 31, 2021 was $244,813 (March 31, 2020 - $100,979).

21. SUBSEQUENT EVENTS

- On April 16, 2021, the Company issued 6,775,000 stock options with an exercise price of CAD $0.195 expiring on April 16, 2026. The stock options have a vesting period as follows: 50% vested immediately, 25% after three months the issuance date, and the balance after nine months from issuance date.

  In addition, the Company issued 2,000,000 warrants exercisable at CAD $0.195 per share. 50% of the warrants vest immediately, 25% will vest three months after the date of issuance, and the balance will vest nine months after the date of issuance.

  The Company also issued two consultants 1,000,000 warrants each, exercisable at CAD $0.175 per share for a period of five years from the date of issuance.

- On April 30, 2021, the Company converted $15,093,840 convertible debentures into 59,829,261 Series D Voting Preferred Shares at CAD $0.30 per share.

- On June 16, 2021, the Company acquired the cannabis assets of Oregon Processing Solutions ("OPS"). The transaction is valued at approximately US$1,500,000, of which US$50,000 was paid in cash upon execution of documents and US$450,000 at closing and approval of license transfer. The balance of US$1,000,000 is to be paid according to a thirty-month payment schedule at an annual interest rate of 4%.