# BLUEBERRIES MEDICAL CORP.

## (FORMERLY CDN MSOLAR CORP.)

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED
## DECEMBER 31, 2020 and 2019

**(EXPRESSED IN CANADIAN DOLLARS)**

## Management's Responsibility for Consolidated Financial Statements

The accompanying audited consolidated financial statements of Blueberries Medical Corp. (the "Company" or "Blueberries") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Management is responsible for the presentation of the consolidated financial statements and believes that they fairly represent the Company's financial position and the results of its operations in accordance with IFRS. Management has included amounts in the Company's consolidated financial statements based on estimates, judgments, and policies that it believes reasonable in the circumstances.

The consolidated financial statements were prepared by the management of the Company, reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance, at appropriate cost, that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately on the Company's books and records.

April 30, 2021

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|---|---|
| *"Facundo Garreton"* | *"Ian D. Atacan CPA, CMA"* |
| Chairman & Interim CEO | Chief Financial Officer |

## Independent Auditor's Report

To the Shareholders of Blueberries Medical Corp.:

**Opinion**

We have audited the consolidated financial statements of Blueberries Medical Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

**Material Uncertainty Related to Going Concern**

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has incurred a net loss during the year ended December 31, 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Other Information**

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

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

MNP LLP

Toronto, Ontario
April 30, 2021

Chartered Professional Accountants
Licensed Public Accountants

## BLUEBERRIES MEDICAL CORP.
### Consolidated Statements of Financial Position

| *(Expressed in Canadian Dollars)* | Note Reference | | As at December 31, 2020 | | 2019 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | | **$** | **306,507** | $ | 2,666,191 |
| Other receivables | | | **203,987** | | 184,165 |
| Prepaids | | | **12,140** | | 20,511 |
| | | | **522,634** | | 2,870,867 |
| Non-Current Assets | | | | | |
| Advances towards property plant & equipment | 8 | | **1,994,250** | | 2,272,690 |
| Property plant & equipment | 9 | | **2,736,986** | | 2,294,121 |
| Right-of-use asset | 10 | | **608,789** | | 823,444 |
| Intangible assets | 11 | | **841,335** | | 1,101,427 |
| Investment in joint operation | 12 | | **566,218** | | 423,898 |
| **Total Assets** | | **$** | **7,270,212** | $ | 9,786,447 |
| **LIABILITIES AND EQUITY** | | | | | |
| Current Liabilities | | | | | |
| Trade accounts payable & accrued liabilities | 21 | **$** | **999,050** | $ | 793,399 |
| Current portion of lease liability | 10 | | **208,558** | | 222,271 |
| Employee benefits | 21 | | **43,424** | | 76,703 |
| Derivative liability | 13 | | **845,866** | | - |
| | | | **2,096,898** | | 1,092,373 |
| Non-Current Liabilities | | | | | |
| Convertible debt | 13 | | **837,293** | | - |
| Long-term lease liability | 10 | | **446,242** | | 618,662 |
| **Total Liabilities** | | | **3,380,433** | | 1,711,035 |
| Equity | | | | | |
| Share capital | 14 | | **13,637,620** | | 13,487,620 |
| Warrants | 15 | | **4,614,288** | | 4,614,288 |
| Contributed surplus | 13,16 | | **2,486,402** | | 1,680,488 |
| Accumulated other comprehensive loss | | | **(584,895)** | | (383,455) |
| Deficit | | | **(16,263,636)** | | (11,323,529) |
| **Total equity** | | | **3,889,779** | | 8,075,412 |
| **Total liabilities and equity** | | **$** | **7,270,212** | $ | 9,786,447 |

| | |
|---|---|
| Going concern | 2 |
| Related party transactions | 21 |
| Commitments | 23 |
| Subsequent events | 25 |

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

On behalf of the Board

*"Facundo Garreton"* *"Catherine Lathwell"*

## BLUEBERRIES MEDICAL CORP.
### Consolidated Statements of Loss and Comprehensive Loss

| *(Expressed in Canadian Dollars)* | Note Reference | | Year ended December 31, 2020 | | 2019 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Product revenues | | **$** | **65,978** | $ | - |
| Cost of sales | | | **(3,579)** | | - |
| **Gross profit** | | **$** | **62,399** | $ | - |
| **Expenses** | | | | | |
| Pre-operating expenses | | **$** | **(988,577)** | $ | (1,042,256) |
| General and administrative expenses | 17 | | **(2,484,721)** | | (5,462,462) |
| Depreciation and amortization | 9,10,11 | | **(713,739)** | | (294,129) |
| Listing expense | 7 | | **-** | | (4,004,312) |
| Finance expense | 13 | | **(119,688)** | | - |
| Foreign exchange gain (loss) | | | **(41,064)** | | 12,887 |
| **Total expenses** | | | **(4,347,789)** | | (10,790,272) |
| **Other income (expense)** | | | | | |
| Changes in fair value of derivative liabilities | 13 | **$** | **(575,471)** | $ | - |
| Other income (expense) | | | **(79,246)** | | 2,396 |
| **Total other income (expense)** | | | **(654,717)** | | 2,396 |
| **Net loss before income tax** | | | **(4,940,107)** | | (10,787,876) |
| Current and deferred income tax | 18 | | **-** | | - |
| **Net loss** | | **$** | **(4,940,107)** | $ | (10,787,876) |
| **Other Comprehensive Loss** | | | | | |
| Foreign currency translation adjustment | | **$** | **(201,440)** | $ | (378,766) |
| | | | **(201,440)** | | (378,766) |
| **Comprehensive loss** | | **$** | **(5,141,547)** | $ | (11,166,642) |
| Net loss per share - basic and diluted | 19 | | **(0.040)** | | (0.099) |
| Weighted average number of shares | 19 | | **123,931,339** | | 108,918,229 |

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

**BLUEBERRIES MEDICAL CORP.**
**Consolidated Statements of Changes in Equity**

| *(Expressed in Canadian Dollars)* | Note Reference | **Common Shares** | **Share Capital** | **Warrants** | **Contributed Surplus** | **Accumulated Other Comprehensive Loss** | **Deficit** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2019** | | **123,701,831** | **$ 13,487,620** | **4,614,288** | **1,680,488** | **(383,455)** | **(11,323,529)** | **$ 8,075,412** |
| Shares issued - purchase of BBV Labs | 12,14 | 3,000,000 | $ 150,000 | | | | | 150,000 |
| Stock option expense | 16 | | | | 805,914 | | | 805,914 |
| Other comprehensive loss | | | | | | (201,440) | | (201,440) |
| Net loss | | | | | | | (4,940,107) | (4,940,107) |
| **Balance at December 31, 2020** | | **126,701,831** | **$ 13,637,620** | **4,614,288** | **2,486,402** | **(584,895)** | **(16,263,636)** | **$ 3,889,779** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2018 | | 64,000,000 | $ 1,664,738 | - | - | (4,689) | (535,653) | $ 1,124,396 |
| Shares issued pursuant to the Transaction | 14 | 7,392,772 | 3,548,531 | | | | | 3,548,531 |
| Shares issued - subscription receipts | 14 | 35,230,000 | 5,296,049 | | | | | 5,296,049 |
| Share issuance costs - subscription receipts | 14 | | (780,805) | | | | | (780,805) |
| Share based compensation | 14,16 | 1,100,000 | 770,000 | | 1,680,488 | | | 2,450,488 |
| Shares issued - private placement | 14 | 14,515,059 | 2,412,154 | | | | | 2,412,154 |
| Share issuance costs - private placement | 14 | | (257,460) | | | | | (257,460) |
| Warrants issued for subscriptions | 15 | | | 4,728,062 | | | | 4,728,062 |
| Warrant issuance costs | 15 | | | (643,711) | | | | (643,711) |
| Warrants issued as finder fee | 15 | | | 778,750 | | | | 778,750 |
| Warrants exercised | 14,15 | 1,464,000 | 834,413 | (248,813) | | | | 585,600 |
| Other comprehensive loss | | | | | | (378,766) | | (378,766) |
| Net loss | | | | | | | (10,787,876) | (10,787,876) |
| **Balance at December 31, 2019** | | **123,701,831** | **$ 13,487,620** | **4,614,288** | **1,680,488** | **(383,455)** | **(11,323,529)** | **$ 8,075,412** |

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

**BLUEBERRIES MEDICAL CORP.**
**Consolidated Statements of Cash Flows**

| *(Expressed in Canadian Dollars)* | Note Reference | Year ended December 31, 2020 | 2019 |
|---|---|---|---|
| **Cash generated from (used in)** | | | |
| **Operating activities** | | | |
| Net loss | | **$ (4,940,107)** | $ (10,787,876) |
| Adjustment for: | | | |
| Depreciation and amortization | 9,10,11 | **713,741** | 294,129 |
| Share based compensation | 16,17 | **805,914** | 2,450,488 |
| Interest on lease, related party debt & decommissioning provision | | **72,224** | 29,865 |
| Finance expense | 13 | **119,688** | - |
| Changes in fair value of derivative liabilities | 13 | **575,471** | - |
| Gain on debt forgiveness | 21 | **-** | (3,743) |
| Unrealized foreign exchange loss | | **79,458** | 4,517 |
| Listing expense | 7 | **-** | 3,992,713 |
| Change in non-cash working capital | 20 | **183,451** | (273,748) |
| Net cash used in operating activities | | **(2,390,160)** | (4,293,655) |
| **Investing activities** | | | |
| Purchase of property, plant, and equipment | 9 | **(832,176)** | (2,254,423) |
| Purchase of licences | | **(34,511)** | (10,422) |
| Advances towards property, plant, and equipment | 8 | **255,646** | (2,268,684) |
| Payment to joint venture | 12 | **-** | (34,258) |
| Cash acquired from RTO Transaction | 7 | **-** | 35 |
| Advances to joint venture | 12 | **-** | (389,640) |
| Net cash used in investing activities | | **(611,041)** | (4,957,392) |
| **Financing activities** | | | |
| Proceeds from new related party note | 21 | **-** | 21,508 |
| Issuance of convertible debt, net of costs | 13 | **988,000** | - |
| Payments of related party notes | 21 | **-** | (243,504) |
| Principal portion of lease payments | 10 | **(204,076)** | (24,907) |
| Issuance of shares, net of costs | 14 | **-** | 7,143,986 |
| Issuance of warrants, net of costs | 15 | **-** | 4,389,053 |
| Warrants exercised | 15 | **-** | 585,600 |
| Net cash generated from financing activities | | **783,924** | 11,871,736 |
| **Net cash from operating, investing and financing activities** | | **(2,217,277)** | 2,620,689 |
| Effects of exchange rate changes on cash | | **(142,407)** | (366,903) |
| Cash, beginning of year | | **2,666,191** | 412,405 |
| **Cash, end of year** | | **306,507** | 2,666,191 |
| Interest paid in cash | | 1,437 | 6,217 |
| Interest received in cash | | 5,101 | 8,818 |
| Taxes paid in cash | | - | 163 |

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

## 1. NATURE OF OPERATIONS

Blueberries Medical Corp. (the "Company", "Blueberries" or "BBM"), is a licensed producer of psychoactive and non-psychoactive cannabis by-products in Colombia.

Blueberries, which formerly operated under the name CDN MSolar Corp. ("CMS"), was incorporated in Canada on March 15, 2013 under the Business Corporations Act (British Columbia). On September 30, 2013, the Company completed an amalgamation with MN Ventures Ltd. ("MN"), a reporting issuer and continued under the name CDN MSolar Corp.

On February 5, 2019, Blueberries completed a transaction (the "Transaction") with Blueberries Cannabis Corp. (the "Private Company" or "BCC"), a private company registered under the Ontario Business Corporations Act. Simultaneously with the Transaction, CMS legally changed its name to Blueberries Medical Corp. Blueberries carries out its operations through the Private Company's wholly owned subsidiary, Blueberries S.A.S ("BBSAS").

References within these financial statements to the "Company" for periods, dates and/or transactions prior to the Transaction are in reference to the Private Company, as the corporate entity of interest pre-Transaction. Alternatively, references within these financial statements to the "Company" for periods, dates and/or transactions subsequent to the Transaction are in reference to Blueberries, as the corporate entity of interest post-Transaction. The comparative periods reflected in these financial statements are those of the Private Company, as the financials are a continuance of BCC.

The Company's corporate office and its principal place of business are 8500 West Georgia Street, Suite 2200, Vancouver, BC, V6C 3E8. On February 6, 2019, the common shares of the Company were listed on the Canadian Securities Exchange (the "CSE") under the symbol "CNSX: BBM". The common shares are also listed on the Frankfurt Stock Exchange ("FSE") under the symbol "10A" and on the OTCQB Market in the United States under the ticker symbol "BBRRF".

## 2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. Since incorporation, the Company has incurred a net loss with no significant revenue-generating operations, which were primarily financed from proceeds received through issuance of share capital. For the year ended December 31, 2020, the Company has incurred a net loss of $4,940,107 (2019 - $10,787,876).

Until the Company's assets start generating significant cash flow, it will continue to exhaust its remaining financial resources to fund existing operations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern as it will be contingent upon the Company's ability to successfully identify and procure necessary capital, which may be by way of strategic transactions to obtain financing and/or generate profitable operations that are beneficial to the Company and its shareholders.

Management believes that the going concern assumption is appropriate for these consolidated financial statements and that the Company will be able to meet its budgeted administrative costs during the upcoming year and beyond when considering the Company's current financial forecast. However, there is no certainty as to the timing and likelihood of realizing a strategic transaction that would provide additional financial resources beyond those currently retained by the Company. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

## 3. BASIS OF PRESENTATION

The annual consolidated financial statements of the Company have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS and include the operating results of Blueberries and its subsidiaries.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues, and expenses. See Note 6 for critical accounting estimates and judgments.

These consolidated financial statements as at and for the years ended December 31, 2020 and 2019 were approved by the Blueberries Board of Directors on April 30, 2021.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

### b) Basis of consolidation

These consolidated financial statements as at December 31, 2020 include the accounts of the Company and its subsidiaries. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition of control up to the effective date of disposition or loss of control. All intercompany transactions, balances, income, and expenses are eliminated upon consolidation.

The following table summarizes the Company's subsidiaries, their country of incorporation, and the Company's ownership interest.

| Subsidiaries | Country of incorporation | Ownership Interest |
|---|---|---|
| Blueberries Research Corporation ("BRC") | Canada | 100% |
| Blueberries SAS ("BBSAS") | Colombia | 100% |
| Centro De Desarrollo e Investigacion ("CDIBBSAS") | Colombia | 100% |
| BBV Labs Inc. ("BBV Labs.") | Panama | 100% |
| SATIN S.A.S. ("SATIN") | Argentina | 75% |

All intercompany balances and transactions are eliminated upon consolidation in preparing the consolidated financial statements.

### c) Functional and presentation currency

Amounts included in these consolidated financial statements are expressed in Canadian dollars ("C$") unless otherwise noted. C$ is used as presentation currency in view of the Company's Canadian based public market listing and head office location.

The Company's subsidiaries measure the items in their financial statements in their functional currencies (the currency of the primary economic environment they operate in). The functional currency of the Company is the Canadian dollar. The functional currency of the operating subsidiaries in Colombia is the Colombian Peso. The functional currency of Panama and Argentina subsidiaries is U.S. dollar.

Transaction in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of such transaction. At each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. Foreign exchange gains and losses are recognized in the statement of loss and comprehensive loss.

At the financial reporting date, the subsidiaries' assets and liabilities are translated at the reporting period exchange rate, while revenues, expenses and cash flows are translated at the average exchange rate for the period. Shareholders' equity is translated at the rate effective at the time of the transaction. The resulting translation adjustments are recognized in other comprehensive income (loss) ("OCI") and in accumulated OCI in shareholders' equity.

### d) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

### e) Property, plant & equipment ("PPE")

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial period end and adjusted if appropriate. PPE is depreciated through profit and loss over their estimated useful lives. Assets under construction are not subject to depreciation until they are available for use.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

PPE is depreciated over their estimated useful lives using the following methods and rates:

| | Method | Estimated useful life |
|---|---|---|
| Agricultural facilities | Straight-line | 3 - 5 years |
| Buildings and construction | Straight-line | 10 years |
| Equipment and vehicles | Straight-line | 3 - 5 years |
| Furniture and fixtures | Straight-line | 3 - 5 years |

### f) Intangible assets

Intangible assets are recognized if it is probable that future economic benefits attributable to the asset will flow to the Company and their cost can be reasonably measured.

Intangible assets that are acquired by the Company, which have definite useful lives, are measured at cost less accumulated amortization and impairment losses. These intangible assets are comprised of license costs and costs related to the retention of the licenses. Finite life intangible assets are amortized through profit or loss on a straight-line basis over their estimated useful lives, estimated to be 5 years from the beginning of operations.

For licenses and permits that are classified as intangible assets with an indefinite life, no amortization is recognized, however, impairment tests on such licenses are carried out on an annual basis. This would apply to licenses and permits that do not expire and, as such, there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company.

### g) Impairment of non-financial assets

The Company reviews and evaluates impairment of its non-financial assets whenever events or changes in circumstances occur that indicates that the carrying amount of the asset will not be recovered from its use or sale. For impairment testing purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit or "CGU"). An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the higher of its fair value and value in use. Fair value is the amount that can be obtained from the sale of an asset in an open market. The value in use corresponds to the present value of the estimated future cash flows expected to be obtained from the continuing use of the asset and from its sale at the end of its useful life. Impairment losses recognized in previous years are reversed if there is a change in the estimates used on the last time an impairment loss was recognized.

### h) Financial instruments

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired, and measures as follows:

***Financial assets***

- Cash and cash equivalents – classified as fair value through profit and loss ("FVTPL") and measured at fair value.
- Other receivables – classified at amortized costs and measured at amortized cost.

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

***Financial liabilities***

- Trade accounts payable and accrued liabilities - classified at amortized cost and measured at amortized cost.
- Employee benefits - classified at amortized cost and measured at amortized cost.
- Convertible debt - classified at amortized cost and measured at amortized cost.
- Derivative liability – classified as FVTPL and measured at fair value.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. 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. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial instruments are initially recognized at fair value. For financial assets and liabilities not classified as FVTPL, transaction costs directly attributable to the acquisition or issuance of the financial assets or financial liabilities are recognized with the asset or liability. Transaction costs of financial assets and liabilities carried at FVTPL are expensed in profit or loss.

***Impairment of financial assets***

The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset.

### i) Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements; they are only disclosed in a note to the financial statements. When the possibility of an outflow of resources to cover a contingent liability is remote, such disclosure is not required.

Contingent assets are not recognized in the consolidated financial statements, they are only disclosed in the notes to the financial statements when it is probable that an inflow of resources occurs.

Contingent liabilities are recognized when likely and amount can be estimated. Items previously treated as contingent liabilities will be recognized in the consolidated financial statements in the period in which a change of probabilities occurs, that is, when it is determined that it is probable that an outflow of resources will take place to cover such liabilities. The items treated as contingent assets will be recognized in the consolidated financial statements in the period in which it is determined that it is virtually certain that an inflow of resources will occur, respectively.

### j) Segment reporting

According to IFRS 8, operating segments are identified based on the ‘management approach’. This approach stipulates external segment reporting based on the Company’s internal organizational and management structure and on internal financial reporting to the chief operating decision maker. Management of the Company is responsible for measuring and steering the business success of the segments and is considered the chief operating decision maker within the meaning of IFRS 8. The Company operates in one segment being the operations of Cannabis cultivation facilities in Colombia.

### k) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

***Current tax***

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

***Deferred tax***

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Estimates***

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

### l) Share capital and warrants

Common shares and warrants are classified as equity instruments. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs.

### m) Share-based compensation

Share-based compensation expense is determined based on the estimated fair value of shares on the date of grant using the Black-Scholes option pricing model. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The expense is recognized over the vesting period, with a corresponding increase to contributed surplus. At the time the stock options are exercised, the issuance of common shares is recorded as an increase to share capital and a corresponding decrease to contributed surplus.

### n) Provisions

Provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made. The Company bases its accruals on developments, estimates of the outcomes of the matters and legal counsel experience in contesting, litigating, and settling matters. As the scope of the liabilities becomes better defined or more information is available, the Company may be required to change its estimates of future costs, which could have a material effect on its results of operations and financial condition or liquidity. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

### o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The Company's related party transactions are conducted on commercial terms and conditions in the normal course of business.

### p) Leases

As a result of the adoption of IFRS 16, the accounting policy applied starting from January 1, 2019 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

i. the contract involves the use of an identified asset;
ii. the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
iii. the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 5. NEW ACCOUNTING STANDARDS AND AMENDMENTS

Certain pronouncements have been issued by the IASB that are effective for annual periods beginning on or after January 1, 2020. The Company has assessed the amendments and determined that there is no material impact on the accounting and presentation of the consolidated financial statements.

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2020. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

### a) Useful lives of PPE and intangible assets

Depreciation and amortization of property, equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of professional 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 the assets.

### b) Impairment testing

At the date of each statement of financial position, the Company reviews the carrying amounts of its finite-life intangible assets carried at cost to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### c) Stock options and warrants

All equity-settled, share-based awards and warrants issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation and warrants, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate, estimated life, and estimated forfeitures at the initial grant date.

### d) COVID – 19

The global outbreak of a coronavirus ("COVID-19") has had a significant impact on the global economy including that of Canada and Colombia through restrictions put in place by the governments regarding travel, business operations and isolation orders to reduce the rate of spread of new infections. The Company's operations are subject to the risk of emerging infectious diseases such as COVID-19, which may not be adequately responded to locally, nationally, or internationally due to lack of preparedness to detect and respond to outbreaks or respond to significant pandemic threats.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Since the outbreak of COVID-19 in March 2020, the Company has focused its efforts to safeguard the health and well-being of its employees, consultants, and community members to ensure their safety during the global COVID-19 pandemic. The Company's offices in various countries continue to follow stringent COVID-19 workplace and response protocols and are abiding by local and national public health guidelines, which include personnel health screening, attendance monitoring, physical distancing measures, use of personal protective equipment, enhanced cleaning and disinfection procedures, and active case monitoring and reporting protocols.

At present, there do not appear to be any imminent COVID-19 related circumstances that are expected to disrupt the Company's operations. However, given the highly uncertain and evolving nature of this situation, the Company is not able to reliably estimate the likelihood, timing, duration, severity, and scope of this pandemic and the potential impact it could have on the Company's operating and financial results.

### e) Tax provisions

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

### f) Valuation of deferred income tax assets

The Company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Company considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefits will not be realized, the deferred income tax asset is not recognized.

### g) Lease liabilities and right-of-use assets

A lease liability and a corresponding right-of-use asset is recognized at the commencement date of a lease at the present value of the lease payments over the lease term. The Company uses the implicit rate within the lease, if readily available, or the incremental borrowing rate when the rate implicit is not known. The discount rate is based on judgements including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use asset, lease liability, and resulting interest expense and depreciation expense, may differ due to changes in the market conditions. The lease term is also subject to certain assumptions including, the Company's intent regarding extension and termination options of a lease.

### h) Biological assets and inventory

Biological assets are required to be recorded at fair value. As the Company as of December 31, 2020 had not started full commercialization of its operations to sell cannabis derivatives, the Company did not recognize any fair value for its biological assets as the future economic benefit of any cannabis grown prior to the full commercialization is uncertain.

## 7. REVERSE TAKEOVER TRANSACTION (the "Transaction")

On February 5, 2019, the Company completed the Transaction to acquire all of the issued and outstanding shares of BCC (64,000,000 shares) through a three-cornered amalgamation of BCC and a wholly owned subsidiary of the Company, with the former shareholders of BCC receiving one BBM share for each share of Private Company held. BCC also had 35,230,000 subscription receipts which enabled the holder thereof to receive one unit in the capital of the Company upon completion of the Transaction.

The Company (then being CMS) did not meet the definition of a "business" under IFRS guidelines, thus causing the Transaction to be treated as a share-based payment under IFRS 2 rather than a business combination, with CMS' main attribute being its public listing. Under this premise, as consideration for 100% of the outstanding shares of CMS, by way of reverse acquisition, the Private Company issued 7,392,772 shares on a one for one basis to the shareholders of CMS. These shares were assigned a fair value of $0.48 per share for total consideration of $3,548,531. The consideration has been allocated first to the fair value of the net assets acquired with any excess to non-cash cost of the Transaction as follows:

(Expressed in Canadian Dollars)

## 7. REVERSE TAKEOVER TRANSACTION (the "Transaction") (continued)

| | |
|---|---|
| **Consideration** (7,392,772 shares at a value of $0.48 per share) | **3,548,531** |
| | |
| **Net liabilities of CMS** | |
| Cash | 35 |
| Accounts receivable | 31,812 |
| Accounts payable and accrued liabilities | (450,269) |
| Amounts due to related parties | (25,760) |
| **Total net liabilities acquired at fair value** | **(444,182)** |
| Excess attributed to the cost of listing | 3,992,713 |
| | |
| **Transaction costs related to the acquisition** | |
| Legal and other professional fees | 11,599 |
| **Listing expense** | **4,004,312** |

## 8. ADVANCES TOWARDS PROPERTY, PLANT, AND EQUIPMENT

Advances towards property, plant and equipment include $1,994,250 (US$1,500,000) that was paid in February 2019 for 15 hectares of farmland in Cogua (Zipaquira), Colombia. The title on the land has not yet been transferred to the Company. The Company is currently working on the permitting and zoning of the property. The seller of this land is a legal entity whose minority beneficial owner is also a minority shareholder of the Company.

## 9. PROPERTY, PLANT, AND EQUIPMENT

| | Land | Agricultural Facilities | Buildings & Construction | Equipment & Vehicles | Furniture & Fixtures | Total |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| Balance, December 31, 2018 | 2,373 | 76,824 | 64,413 | 16,372 | - | 159,982 |
| | | | | | | |
| Additions | - | 629,123 | 252,123 | 1,305,429 | 16,631 | 2,203,306 |
| Foreign currency translation | (139) | (17,241) | (9,994) | 18,830 | 94 | (8,450) |
| **Balance, December 31, 2019** | **2,234** | **688,706** | **306,542** | **1,340,631** | **16,725** | **2,354,838** |
| | | | | | | |
| Additions | - | 278,962 | 302,335 | 234,404 | 14,421 | 830,122 |
| Disposals | - | (11,522) | - | - | - | (11,522) |
| Foreign currency translation | (138) | (5,116) | (2,375) | (75,420) | (900) | (83,949) |
| **Balance, December 31, 2020** | **2,096** | **951,030** | **606,502** | **1,499,615** | **30,246** | **3,089,489** |
| | | | | | | |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| Balance, December 31, 2018 | - | (2,567) | (1,332) | (866) | - | (4,765) |
| | | | | | | |
| Depreciation | - | (23,096) | (16,758) | (17,589) | (1,952) | (59,395) |
| Foreign currency translation | - | 1,974 | 965 | 462 | 42 | 3,443 |
| **Balance, December 31, 2019** | **-** | **(23,689)** | **(17,125)** | **(17,993)** | **(1,910)** | **(60,717)** |
| | | | | | | |
| Depreciation | - | (61,355) | (45,315) | (145,306) | (7,598) | (259,574) |
| Disposals | | (11,522) | - | - | - | (11,522) |
| Foreign currency translation | - | (9,625) | (8,382) | (2,637) | (46) | (20,690) |
| **Balance, December 31, 2020** | **-** | **(106,191)** | **(70,822)** | **(165,936)** | **(9,554)** | **(352,503)** |
| | | | | | | |
| **NET BOOK VALUE** | | | | | | |
| Net Book Value, December 31, 2018 | 2,373 | 74,257 | 63,081 | 15,506 | - | 155,217 |
| **Net Book Value, December 31, 2019** | **2,234** | **665,017** | **289,417** | **1,322,638** | **14,815** | **2,294,121** |
| **Net Book Value, December 31, 2020** | **2,096** | **844,839** | **535,680** | **1,333,679** | **20,692** | **2,736,986** |

## 10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at January 1, 2019, the Company recognized a lease liability and a corresponding right-of-use asset relating to a leased vehicle and leased extraction facilities in Tocancipa and the rural property in the municipality of Guatavita, Colombia. See Note 23.

(Expressed in Canadian Dollars)

## 10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

| **Right-of-use asset** | |
|---|---|
| **Balance at January 1, 2019** | - |
| Additions [(1)] | 834,951 |
| Depreciation [(2)] | (28,381) |
| Foreign exchange adjustment | 16,874 |
| **Balance, December 31, 2019** | **823,444** |
| | |
| Depreciation | (160,130) |
| Foreign exchange adjustment | (54,525) |
| **Balance, December 31, 2020** | **608,789** |

[(1)] The right-of-use asset additions consist of the initial recognition of the lease liability at $925,990 and estimated dismantlement costs of $9,294, prior to any interest expense recognized.

[(2)] The right-of-use assets have been depreciated on a straight-line basis over the lease terms.

| **Long-term lease liability** | |
|---|---|
| **Balance at January 1, 2019** | - |
| Additions | 834,951 |
| Payments | (24,321) |
| Interest expense | 14,398 |
| Foreign exchange adjustment | 15,905 |
| Less - current portion | (222,271) |
| **Balance, December 31, 2019** | **618,662** |
| | |
| Payments | (204,076) |
| Interest expense | 80,069 |
| Foreign exchange adjustment | (62,126) |
| Less - current portion | (208,558) |
| **Balance, December 31, 2020** | **446,242** |

## 11. INTANGIBLE ASSETS

By December 31, 2020, Blueberries S.A.S. was granted licenses to produce, manufacture, market and export cannabis derivatives and products using extracts in Colombia by the Ministry of Health. The licenses obtained for cannabis operations are as follows:

- a license to use seed for planting as well as their export and use for medical and scientific purposes
- a low THC cultivation license (non-psychoactive, less than 1% THC content)
- a production license authorizing the domestic and international distribution of high and low THC Medicinal Cannabis extracts
- a high THC cultivation license (psychoactive, more than 1% THC content)

The fair value attributed to the licenses are straight-line amortized over their estimated useful life of 5 years.

Other finite life intangibles consist of assets such as software related licenses, which are amortized over their estimated useful lives of three years.

A continuity schedule for the balance of the intangible assets is as follows:

(Expressed in Canadian Dollars)

## 11. INTANGIBLE ASSETS (continued)

| Intangible Assets | Total |
|---|---|
| **Balance, December 31, 2018** | **1,298,240** |
| Additions | 10,427 |
| Amortization | (206,353) |
| Foreign currency translation | (887) |
| **Balance, December 31, 2019** | **1,101,427** |
| Additions | 34,511 |
| Amortization | (294,035) |
| Foreign currency translation | (568) |
| **Balance, December 31, 2020** | **841,335** |

## 12. INVESTMENT IN JOINT OPERATION

Blueberries' investment in Argentina (the "Argentina Project") is structured via its 100% ownership of BBV Labs Inc. ("BBV Labs"), a Panamanian company that owns the rights to a joint venture (the "Joint Venture") with an Argentinian state-owned company, Cannabis Avatara, S.E. ("Cannava"), via 75% owned Argentinian operating company, SATIN S.A.S. ("SATIN").

In 2019, Blueberries paid an exclusivity fee to BBV Labs of US$25,000 (C$34,258) as reimbursement of expenses incurred in negotiation of the Joint Venture with Cannava.

In 2019, in accordance with the terms of the Joint Venture, Blueberries made an advance of $381,960 (US$300,000) to Cannava.

On November 30, 2020 Blueberries completed the acquisition of BBV Labs, at a purchase price of C$150,000, and the payment of the purchase price satisfied by Blueberries issuing 3,000,000 common shares in the capital of the Company to the vendors, such common shares to be fair valued at C$0.05 per common share.

Blueberries' and Cannava's commitments under the Joint Venture are as follows:

- The first phase of the Joint Venture will be a Pilot Cultivation Program (the "Pilot Project").
- Blueberries will build a large-scale modern cultivation facility and processing center of excellence in Argentina.
- Cannava will contribute all licenses/permits and authorizations necessary to import seeds, cultivate, grow, and harvest cannabis, process cannabis, extract cannabis oil and other derivative products, export cannabis and derivative products, and import/export equipment and products.
- Cannava will grant access to utilize 3.2 million ft2 (74 acres or 30 hectares) of prime agricultural land for the cultivation and growth of cannabis in Jujuy Province, Argentina.
- Cannava will contribute all cooperation agreements with the National Institute of Agricultural Technology ("INTA"), Ministry of Security, Ministry of Public Health, National Council of Scientific and Technological Investigations ("CONICET") and other regulatory and technological Argentinian authorities as required.

The agreement with Cannava is considered to be a joint operation, however currently only minimal activities have taken place. As of December 31, 2020, the Pilot Project has not yet been implemented and is being developed.

## 13. CONVERTIBLE DEBT

On July 16, 2020 Blueberries closed a non-brokered private placement offering (the "Offering") of C$1,000,000 in principal amount of unsecured convertible debentures (the "Debentures"). The Debentures will mature 24 months from the date of closing (the "Maturity Date") and bear interest at a rate of 13% per annum, with an effective interest rate of 32.36%. The Debentures will be convertible at the option of the investors, in whole or in part, into common shares of the Company (the "Shares") at a conversion price of the lower of: (i) C$0.065 per Share or; (ii) the volume-weighted average price of the Shares on the Canadian Securities Exchange ("CSE") for the 15 consecutive trading day period ending on the conversion date subject to a minimum conversion price of C$0.05. As the conversion option does not meet the fixed for fixed criteria it has been recorded as a derivative liability.

Prior to the Maturity Date, the Company may prepay all or part of the outstanding principal amount of the Debenture and any accrued and unpaid interest thereon at any time and from time to time, provided that prior to such prepayment, the Company must provide the investors with at least five business days prior notice of such intention to make such prepayment at which time the investors may, but shall not be obligated to, convert any or all of the Debentures in accordance with the terms of the Debentures.

(Expressed in Canadian Dollars)

## 13. CONVERTIBLE DEBT (continued)

The fair value of the derivative liability was determined using a Monte-Carlo simulation with the following key assumptions at inception and December 31, 2020:

| | At inception | At year end |
|---|---|---|
| Measurement date | 13-Jul-2020 | 31-Dec-2020 |
| Principal | $1,000,000 | $1,000,000 |
| Issuance date | 13-Jul-2020 | 13-Jul-2020 |
| Maturity date | 13-Jul-2022 | 13-Jul-2022 |
| Remaining life (years) | 2.00 | 1.53 |
| Interest rate (per year) | 13% | 13% |
| Risk free rate (per year) | 0.28% | 0.22% |
| Stock price ($/share) | $0.05 | $0.10 |
| Conversion price | Lesser of $0.065 & 15-day VWAP, minimum of $0.05 | |

The Company initially recognized $717,605 as convertible debt liability, and $270,395 as derivative liability of the conversion feature. Below table shows the continuity of the convertible debt liability and derivative liability.

| **Fair Value of Derivative Liability** | |
|---|---|
| **Balance at December 31, 2019** | - |
| Fair value at inception - July 13, 2020 | 270,395 |
| Unrealized gain on changes in fair value | 575,471 |
| **Balance, December 31, 2020** | **845,866** |

| **Convertible Debt Liability** | |
|---|---|
| **Balance at December 31, 2019** | - |
| Amounts issued | 1,000,000 |
| Less: Convertible debt issuance cost | (12,000) |
| Total cash proceeds | 988,000 |
| Less: Fair value of derivative liability | (270,395) |
| Accrued interest | 60,667 |
| Accretion | 59,021 |
| **Balance, December 31, 2020** | **837,293** |

## 14. SHARE CAPITAL

As at December 31, 2020, the Company was authorized to issue unlimited common shares with no par value, with holders of common shares entitled to one vote per share and to dividends, if declared.

Outstanding common shares as of December 31, 2020 are as follows:

| | Number of Shares | Amount ($) |
|---|---|---|
| **Balance, December 31, 2018** | **64,000,000** | **1,664,738** |
| Shares issued pursuant to the Transaction | 7,392,772 | 3,548,531 |
| Fair value of units attributed to common shares (1) | 35,230,000 | 5,296,049 |
| Shares issued from exercise of warrants | 1,464,000 | 834,413 |
| Share based compensation | 1,100,000 | 770,000 |
| Private placement of common shares (2) | 14,515,059 | 2,412,154 |
| Share issue costs | - | (1,038,265) |
| **Balance, December 31, 2019** | **123,701,831** | **13,487,620** |
| Shares issued to purchase BBV Labs. (3) | 3,000,000 | 150,000 |
| **Balance, December 31, 2020** | **126,701,831** | **13,637,620** |

(1) Upon completion of the Transaction and approval of the CSE listing, the 35,230,000 subscription units issued at $0.25 per unit by the Company were allocated to common shares and warrants based on the assessed fair value using the Black-Scholes valuation model. As a result, 35,230,000 shares were issued to unit holders for a total gross value of $5,296,049. Commissions and finders' fees of $780,805 were allocated to the shares as issuance costs for a total net value of $4,515,244.

(Expressed in Canadian Dollars)

## 14. SHARE CAPITAL (continued)

(2) On August 30, 2019, and October 31, 2019, in two tranches, the Company closed a private placement of 14,515,059 units at a price of C$0.25 per unit. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one share at a price of C$0.35 until August 29, 2021 and October 30, 2021. In connection with the private placement, commissions, and finder's fees of C$257,460 were paid together with the issuance of 988,003 finder warrants. The units issued by the Company were allocated to common shares ($2,412,154) and warrants based on the assessed fair value using the Black-Scholes valuation model.

(3) On November 30, 2020, the Company purchased BBV Labs. in a non-cash transaction, whereby Blueberries issued 3,000,000 common shares at the fair value of $0.05 per share. No issuance costs were incurred relating to the transaction. See Note12.

## 15. WARRANTS

The following table reflects the continuity of warrants for the year ended December 31, 2020:

| | Number of purchase warrants | Number of finder warrants | Total number of warrants |
|---|---|---|---|
| **Balance, December 31, 2018** | - | - | - |
| Warrants issued - Transaction | 17,615,000 | 2,466,100 | 20,081,100 |
| Warrants issued - Private Placement August 2019 | 13,830,000 | 954,100 | 14,784,100 |
| Warrants issued - Private Placement October 2019 | 685,059 | 33,903 | 718,962 |
| Warrants exercised | (1,464,000) | - | (1,464,000) |
| **Balance, December 31, 2019** | **30,666,059** | **3,454,103** | **34,120,162** |
| **Balance, December 31, 2020** | **30,666,059** | **3,454,103** | **34,120,162** |

### Purchase Warrants

Prior to the February 5, 2019, the date of the Transaction, the Company issued 35,230,000 subscription receipts at a price of $0.25 for total proceeds of $8,807,500. Each subscription receipt entitled the holder thereof to receive one unit upon completion of the Transaction and approval of the CSE for the listing of BBM shares. Each unit consisted of one common share and one-half of one purchase warrant, for a total of 17,615,000 full purchase warrants. Each full purchase warrant entitled the holder thereof to acquire one common share of BBM at a price of $0.40 per share for a period of 24 months following the completion of the Transaction. A fair value of $3,511,451 before issuance costs ($2,993,752 net of issuances costs) was recognized initially for the purchase warrants on the financial statements of the Company.

On August 30, 2019, the Company closed a private placement of 13,830,000 units at a price of C$0.25 per unit for total gross proceeds of C$3,457,500. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one share at a price of C$0.35 until August 29, 2021. A fair value of $1,194,728 before issuance costs ($1,070,235 net of issuances costs) was recognized initially for the purchase warrants on the financial statements of the Company.

On October 31, 2019, the Company closed the second tranche of above private placement. 685,059 units were subscribed to for total gross proceeds of C$171,265. A fair value of $21,883 before issuance costs ($20,364 net of issuances costs) was recognized initially for the purchase warrants on the financial statements of the Company.

### Finder Warrants

Pursuant to the brokered private placement of subscription receipts, the Company issued 2,466,100 finder warrants of the Company and paid an aggregate finder's fee of $616,525 in cash. Each finder warrant enables the holder thereof to purchase one unit of Blueberries at a price of $0.25 for each finder warrant exercised. Each unit issued upon exercise of the finder warrant consists of one common share of BBM and one-half of one-unit warrant. Each full unit warrant will entitle the holder therefor to purchase one share at a price of $0.40 per share at any time for a period of 24 months following the completion of the Transaction. A fair value of $674,479 was initially recognized for the issuance of the finder warrants, which was also included as issuance costs on the associated private placement of subscription receipts and allocated proportionately to the resulting shares and purchase warrants upon completion of the Transaction.

(Expressed in Canadian Dollars)

## 15. WARRANTS (continued)

In connection with the August 2019 private placement, finder's fees of C$238,525 were paid together with the issuance of 954,100 finder warrants. Each finder warrant entitles the holder to acquire one unit for $0.25 until August 29, 2021. Each unit issued upon exercise of the finder warrant consists of one common share of BBM and one warrant. Each full unit warrant will entitle the holder therefor to purchase one share at a price of $0.35 per share until August 29, 2021. A fair value of $103,189 was initially recognized for the issuance of the finder warrants, which was also included as issuance costs on the associated private placement of subscription receipts and allocated proportionately to the resulting shares and purchase warrants.

For the second tranche of the private placement that was closed on October 31, 2019, finder's fees of C$8,475 were paid together with the issuance of 33,903 finder warrants. Each finder warrant entitles the holder to acquire one common share of BBM for $0.35 until October 30, 2021. A fair value of $1,082 was initially recognized for the issuance of the finder warrants, which was also included as issuance costs on the associated private placement of subscription receipts and allocated proportionately to the resulting shares and purchase warrants.

**Black-Scholes option pricing model assumptions for warrants**

The warrants were allocated a fair value using the Black-Scholes option pricing model with the following assumptions:

| | Expiring February 4, 2021 | | Expiring August 29, 2021 | | Expiring October 30, 2021 | |
|---|---|---|---|---|---|---|
| | Purchase | Finder | Purchase | Finder | Purchase | Finder |
| Risk-free interest rate | 1.82% | 1.82% | 1.40% | 1.40% | 1.55% | 1.55% |
| Exercise price | $0.40 | $0.25 | $0.35 | $0.25 | $0.35 | $0.35 |
| Estimated stock price | $0.48 | $0.48 | $0.24 | $0.24 | $0.14 | $0.14 |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% | 0% |
| Expected stock price volatility | 90.5% | 90.5% | 85.4% | 85.4% | 85.3% | 85.3% |
| Expected warrant life | 1 year | 1 year | 2 years | 2 years | 2 years | 2 years |
| Fair value of warrant granted | $0.20 | $0.27 | $0.09 | $0.11 | $0.03 | $0.03 |

## 16. CONTRIBUTED SURPLUS

In connection with the Transaction, Blueberries adopted the Stock and Incentive Plan (the "Plan") which was approved by the shareholders of CMS on December 6, 2018. The Board establishes vesting and other terms and conditions for options at the time that they are granted. The Plan provides that stock options may be granted up to a number equal to 10% of the Company's outstanding shares. The plan also indicates that the maximum number of shares which may be issued to any one insider and his or her associates under the plan, together with any other previously established or proposed share compensation arrangements, within a one-year period shall be 5% of the shares outstanding at the time of the grant.

As at December 31, 2020 a total of 11,905,000 options were issued and outstanding under this plan, of which, 6,505,000 have fully vested.

The following table reflects the continuity of stock options since December 31, 2018:

| | Stock options | Weighted average exercise price (C$) |
|---|---|---|
| **Balance, December 31, 2018** | - | - |
| Options issued on Transaction date(1) | 4,865,000 | 0.40 |
| **Balance, February 5, 2019** | **4,865,000** | **0.40** |
| Options issued(2 to 5) | 4,700,000 | 0.56 |
| **Balance, December 31, 2019** | **9,565,000** | **0.48** |
| Options forfeited(6) | (1,320,000) | 0.38 |
| Options issued(7) | 3,660,000 | 0.15 |
| **Balance, December 31, 2020** | **11,905,000** | **0.39** |

(1) At the date of the Transaction, 4,865,000 options were granted with an exercise price of $0.40 per option. These options are for a 5-year term, expiring in February 2024, with one-third vesting in February 2020, one-third vesting February 2021, and one-third vesting February 2022. The fair value of the options has been estimated at $0.30 at the grant date using the Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

## 16. CONTRIBUTED SURPLUS (continued)

(2) 500,000 options were granted in March 2019 with an exercise price of $0.55 per option. These options are for a 5-year term, expiring in March 2024, with one-third vesting in March 2020, one-third vesting March 2021, and one-third vesting March 2022. The fair value of the options has been estimated at $0.34 at the grant date using the Black-Scholes option pricing model.

(3) Another 3,100,000 options were granted in March 2019 with an exercise price of $0.55 per option. 3,000,000 of these options are for a 5-year term, expiring in March 2024, with one-third vesting immediately on the grant date, one-third vesting March 2020, and one-third vesting March 2021. The other 100,000 options are for a 5-year term, expiring in March 2024, with one-third vesting in March 2020, one-third vesting March 2021, and one-third vesting March 2022. The fair value of the options has been estimated at $0.38 at the grant date using the Black-Scholes option pricing model.

(4) 200,000 options were granted in April 2019 with an exercise price of $0.75 per option. These options are for a 5-year term, expiring in April 2024, with one-third vesting in April 2020, one-third vesting April 2021, and one-third vesting April 2022. The fair value of the options has been estimated at $0.49 at the grant date using the Black-Scholes option pricing model.

(5) An additional 900,000 options were granted in June 2019 with an exercise price of $0.55 per option. These options are for a 5-year term, expiring in June 2024, with one-third vesting in June 2020, one-third vesting June 2021, and one-third vesting June 2022. The fair value of the options has been estimated at $0.23 at the grant date using the Black-Scholes option pricing model.

(6) When an optionee resigns or a contractual relationship with an optionee ends, the Plan allows 90 days for vested options to be exercised. During 2020, 1,320,000 unvested options were forfeited resulting in a reversal of stock-based compensation of $186,446.

(7) During the year ended December 31, 2020, 3,660,000 options were granted. 1,000,000 options were granted on January 15, 2020, and 250,000 options were granted on March 19, 2020 all with an exercise price of $0.25 per option. 2,410,000 options were granted on March 27, 2020 with an exercise price of $0.10 per option. These options are for a 5-year term, 1,000,000 options expiring in January 2025 and 2,660,000 expiring in March 2025. Of the options 2,743,333 vested immediately, 416,667 will vest in March 2021 and March 2022 and 83,333 will vest in March 2023. Using the Black-Scholes option pricing model, the fair value of the 1,000,000 options granted in January has been estimated at $0.09, 250,000 options granted on March 19, 2020 has been estimated at $0.03 and 2,410,000 options granted on March 27, 2020 has been estimated at $0.04.

### Black-Scholes option pricing model assumptions for stock options

The stock options were allocated a fair value using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Risk-free interest rate | 0.59% - 1.82% |
| Estimated stock price | $0.06 - $0.71 |
| Forfeiture rate | 10% |
| Expected dividend yield | 0% |
| Expected stock price volatility | 85.93% - 92.00% |
| Expected option life | 3 years |

The following summarizes stock options issued and outstanding as at December 31, 2020:

| Exercise prices (C$) | Number of options outstanding | Weighted average term to expiry (years) | Number of options exercisable |
|---|---|---|---|
| 0.10 | 2,380,000 | 4.24 | 2,380,000 |
| 0.25 | 1,150,000 | 4.07 | 333,333 |
| 0.40 | 3,675,000 | 3.10 | 1,225,000 |
| 0.55 | 4,500,000 | 3.27 | 2,500,000 |
| 0.75 | 200,000 | 3.30 | 66,667 |
| **0.39** | **11,905,000** | **3.49** | **6,505,000** |

(Expressed in Canadian Dollars)

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

| | Year ended December 31, 2020 | 2019 |
|---|---|---|
| Share based compensation | 805,914 | 2,450,488 |
| Marketing and investor relations | 68,990 | 670,327 |
| Director and management fees | 464,701 | 494,847 |
| Legal | 149,552 | 389,350 |
| Consulting | 219,943 | 356,729 |
| Salary, wages, and benefits | 418,007 | 406,528 |
| Audit and accounting | 76,800 | 241,738 |
| General office | 109,381 | 191,430 |
| Travel | 10,340 | 106,765 |
| Filing and transfer agent fees | 55,409 | 69,487 |
| Insurance | 53,645 | 37,147 |
| Other | 52,039 | 47,626 |
| **Total general and administrative expenses** | **2,484,721** | **5,462,462** |

## 18. INCOME TAX

**Reconciliation of effective tax rate**

For 2020, the Company's statutory tax rate is 27% (2019 - 27%), composed of a 15% rate of Canadian Federal corporate tax and the 12% rate of British Colombia provincial tax. The reconciliation of the combined Canadian income tax to the effective tax rate is as follows:

| | 2020 | 2019 |
|---|---|---|
| Net Loss before recovery of income taxes | (4,940,107) | (10,787,876) |
| Expected income tax recovery | (1,333,827) | (3,060,996) |
| Difference in foreign tax rates | (105,251) | 30,929 |
| Share based compensation and non-deductible expenses | 400,433 | 1,806,565 |
| Changes in fair value of derivative liabilities | 155,377 | - |
| Share issuance cost booked in equity | 3,240 | (448,611) |
| Change in tax benefits not recognized | 941,834 | 1,672,113 |
| Others | (61,806) | - |
| Income tax (recovery) expense | - | - |

**Recognized deferred tax assets**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. The following table summarizes the components of deferred tax:

| | 2020 | 2019 |
|---|---|---|
| Deferred tax assets | | |
| Tax losses - Colombia | **-** | 8,421 |
| Lease liability | **194,812** | **-** |
| Deferred tax liabilities | | |
| Unrealized foreign exchange rate gain | **-** | (8,421) |
| Right-of-use asset | **(194,812)** | **-** |
| Net deferred tax Asset | **-** | **-** |

**Unrecognized deferred tax assets**

The following table summarizes deductible temporary differences for which no deferred tax asset has been recognized:

(Expressed in Canadian Dollars)

## 18. INCOME TAX (continued)

| | 2020 | 2019 |
|---|---|---|
| Tax losses - Colombia | 4,627,294 | 2,720,885 |
| Non-capital losses carried forward - Canada | 3,202,824 | 2,191,628 |
| Share issuance costs - 20(1)(e ) - Canada | 1,098,480 | 1,332,941 |
| PPE - Colombia | 412,839 | 38,093 |
| Lease liability | 46,010 | - |
| Unrealized foreign exchange rate losses | 2,825 | - |
| Total | 9,390,272 | 6,283,547 |

Share issue and financing costs will be fully amortized in 2024. The Company has available non-capital losses which may be carried forward to reduce taxable income in future years.

The Company's Canadian non-capital income tax losses expire as follows:

| | | |
|---|---|---|
| | 2037 | 370,958 |
| | 2038 | 13,683 |
| | 2039 | 1,676,297 |
| | 2040 | 1,141,886 |
| | | 3,202,824 |

The Company's Colombian non-capital income tax losses expire as follows:

| | | |
|---|---|---|
| | 2030 | 279,469 |
| | 2031 | 2,400,020 |
| | 2032 | 1,947,805 |
| | | 4,627,294 |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

## 19. BASIC AND DILUTED LOSS PER SHARE

For the years ended December 31, 2020 and 2019, there is no difference between the calculated basic and diluted loss per share. All purchase warrants, finder's warrants, and stock options have been excluded from the calculation as they have an anti-dilutive effect on loss per share.

## 20. SUPPLEMENTAL CASHFLOW INFORMATION

| | Year ended December 31, 2020 | 2019 |
|---|---|---|
| Prepaids | (899) | (11,295) |
| Other receivables | (24,253) | (184,640) |
| Inventory | 8,501 | (9,461) |
| Trade accounts payable and other accounts payable | 220,341 | 562,994 |
| Employee benefits | (27,919) | 12,567 |
| Related party debt | - | (225,456) |
| Joint venture down payment | 7,680 | - |
| Working capital adjustment for receivables | - | 31,812 |
| Working capital adjustment on payables | - | (450,269) |
| **Change in non-cash working capital** | **183,451** | **(273,748)** |
| | | |
| Relating to: | | |
| Operating activities | 183,451 | (273,748) |
| **Change in non-cash working capital** | **183,451** | **(273,748)** |

## 21. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2020, there were separate related party transactions as follows:

a) As part of the Transaction, the Company assumed the liabilities of CMS. $25,760 of these liabilities was an amount payable to a director and officer of CMS. The amount was unsecured, non-interest bearing and with no fixed terms of repayment. This Director resigned from his position on the date of the Transaction and $22,017 of this balance outstanding was paid in March 2019, with the remaining $3,743 being forgiven and recorded as a gain from debt forgiveness within other income on these consolidated financial statements.

b) As at December 31, 2018, the Company had two promissory notes outstanding with beneficial shareholders. The first note was originally due to be repaid November 30, 2018. However, for any balances not repaid by this date, interest would accrue at 0.43% monthly (5.16% per annum). As the balance was not paid off by November 30, 2018, interest was accrued up until March 7, 2019, at which time the entire principal note balance of $150,159 and accrued interest of $2,952 was paid. The second note bore an annual interest rate of 5.16%. On March 7, 2019, the Company paid off the entire outstanding principal balance of $76,827 and interest of $1,072. In January 2019, the Company obtained a third promissory note from a beneficial shareholder. The note was non-interest bearing and was paid off in its entirety on March 7, 2019 for a total amount of $22,549. As at December 31, 2020, no promissory note balances remain outstanding.

c) In 2019, the Company incurred professional legal expenses of $10,737 from a vendor who was also a key management personnel of the Company. $8,639 of this has been included as transaction costs as part of the listing expense. The remaining $2,098 was included in general and administrative expenses. The amount was paid within the first quarter of 2019.

d) Until June 2019, when a key management personnel resigned from his position, Blueberries paid a monthly advisory fee to a firm affiliated with that personnel. As per the advisory agreement, the Company paid a monthly fee of $10,000, recorded within general and administrative expenses. During 2019, Blueberries incurred total fees under this agreement of $60,000 in addition to amounts previously accrued of $40,000 for work performed as of December 31, 2018. The total aggregate amount of $100,000 was paid in full, with no remaining balance outstanding.

e) On February 13, 2019, Blueberries signed a letter of intent for a potential joint venture with Harmony and Life SAS (“Harmony”) to operate El Manantial Medical Centers. More than 80% of Harmony is owned by a Director of the Company and was therefore considered a related party. Blueberries accrued an amount of $9,412 due to Harmony for consulting services in relation to the letter of intent. To date the establishment of the joint venture is still pending.

f) During the year ended December 31, 2020 the Company paid key management personnel, including officers, directors, or their related entities, for management services. For 2020, compensation of key management personnel and directors for services provided was $1,238,509 (2019 - $2,405,153), including $660,725 of share-based compensation (2019 - $1,510,018). As at December 31, 2020, of the total compensation amounts, $70,614 was unpaid in accounts payable (2019 - $15,518). There was $nil in employee benefits liabilities at December 31, 2020 (2019 - $17,934).

g) Of the C$1,000,000 convertible debt that were issued on July 16, 2020, C$814,647 was issued to a company controlled by a director and officer of Blueberries. See Note 13.

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

**Fair value of financial instruments**

As of December 31, 2020, Blueberries financial instruments consist of cash and cash equivalents, other receivables, trade accounts payable and accrued liabilities, convertible debt, derivative liability, and employee benefits. The fair values of these financial instruments approximate their carrying values due to the short-term maturity of these instruments.

The Company characterizes its fair value measurements of financial instruments into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

A financial instrument is classified to the lowest level hierarchy for which a significant input has been used in measuring fair value.

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The Company measures cash and cash equivalents and derivative liability at fair value. Cash is classified as Level 1 input in the fair value hierarchy, while the derivative liability is considered as a Level 3 input.

**Risk management**

The Company has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient cash resources in order to finance operations, fund capital expenditures, and to repay debt and other liabilities of the Company as they come due, without incurring unacceptable losses or risking harm to the Company's reputation.

As at December 31, 2020, the Company's financial liabilities consist of trade accounts payable and accrued liabilities, employee benefits, convertible debt, and lease liability, which have contractual payment obligations within one year, other than convertible debt which is due in 2022. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its contractual obligations. Financial instruments subject to credit risk include cash and cash equivalents, and other receivables. All of the Company's cash and cash equivalents are held at reputable financial institutions. Other receivables consist mainly of harmonized sales tax and general sales tax receivables that the Company expects to receive from the Government of Canada. As such credit risk is deemed to be low.

Market risk

Market risk is the risk or uncertainty that changes in price, foreign exchange rates, and interest rates will affect the Company's net earnings and the value of financial instruments. Blueberries is exposed to two types of market risk, being foreign currency risk and interest rate risk as outlined below.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company's functional and reporting currency is the Canadian dollar. However, some of the Company's business transactions and commitments occur in currencies other than Canadian dollars. The Colombian subsidiaries incur expenditures in Colombian pesos, which is their functional currency. Therefore, the Company is exposed to the risk of fluctuations in foreign exchange rates between Colombian pesos and Canadian dollars. Blueberries does not anticipate a significant impact on its consolidated financial statements as a result of a 5% change in the exchange rate between the two currencies.

*Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in prevailing market interest rates. The Company is exposed to interest rate risk on cash and cash equivalents. The Company is also exposed to interest rate risk on promissory notes that may be issued from related or un-related parties. As at December 31, 2020, all promissory notes and related party debt was paid in full, as such, fluctuations of interest rates would not have had a significant impact on the consolidated financial statements.

**Capital risk management**

The Company's objectives when managing capital are to ensure the Company will have sufficient financial capacity, liquidity, and flexibility to fund the Company's operations, growth, and ongoing developmental activities. The Company is dependent upon funding these activities through a combination of available cash, debt, and equity, which it considers to be the components of its capital structure as outlined below. There were no changes to the Company's capital management during the year, except the issuance of the convertible debt. The Company is not exposed to any external capital requirements.

(Expressed in Canadian Dollars)

## 22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Derivative liability | 845,866 | - |
| Convertible debt | 837,293 | - |
| Shareholders' equity | 3,889,779 | 8,075,412 |

## 23. COMMITMENTS AND TRANSACTION AGREEMENTS

A summary of the Company's commitments as of December 31, 2020 are as follows:

| Commitment | 2021 | 2022 and thereafter | Total |
|---|---|---|---|
| Security service agreement | 11,389 | - | **11,389** |
| Consulting and administrative agreements | 4,454 | - | **4,454** |
| **Total** | **15,843** | **-** | **15,843** |

In addition to short-term commitments tabled above, the Company has lease liabilities. Details of the leases are as follows. See Note 10.

| | | Lease Payments | | | |
|---|---|---|---|---|---|
| **Leases** | **Lease Term** | **2021** | **2022** | **2023 and after** | **Total** |
| Cultivation area (Guatavita - El Recuerdo) | May 21, 2025 | - | 5,345 | - | 5,345 |
| Cultivation area (Guatavita) | November 4, 2025 | 1,920 | 1,992 | 6,258 | 10,170 |
| Vehicle | ɩovember 25, 2022 | 13,339 | 13,339 | - | 26,679 |
| Extraction facilty (Tocancipa) | October 6, 2024 | 193,299 | 193,299 | 226,009 | 612,607 |
| **Total** | | **208,558** | **213,976** | **232,266** | **654,800** |

## 24. GEOGRAPHICAL SEGMENT INFORMATION

The Company is engaged in the growth, cultivation, and development of medicinal cannabis and related products with operations in Colombia. Management has defined the operating segments of the Company based on geographical areas, identifying operations held in Colombia as a separate geographic segment. The Canada segment reflects balances and expenses related to all Company operations in Canada, which collectively represent the corporate operations of the Company.

The following tables show information regarding the Company's segments for the years ended December 31, 2020 and 2019.

| For the year ended December 31, 2020 | Colombia | Canada | Total |
|---|---|---|---|
| **Revenues** | $ 65,978 | $ - | $ 65,978 |
| **Cost of Sales** | (3,579) | - | (3,579) |
| **Expenses:** | | | |
| Pre-operating expenses | (988,577) | - | (988,577) |
| General and administrative expenses | (843,264) | (1,641,457) | (2,484,721) |
| Depreciation and amortization | (457,168) | (256,571) | (713,739) |
| Finance expense | - | (119,688) | (119,688) |
| Changes in fair value of derivative liabilities | - | (575,471) | (575,471) |
| Other income (expense) | (130,532) | 51,286 | (79,246) |
| Foreign exchange loss | (32,167) | (8,897) | (41,064) |
| **Net Loss** | **(2,389,309)** | **(2,550,798)** | **(4,940,107)** |
| **Assets - December 31, 2020** | **3,822,010** | **3,448,202** | **7,270,212** |
| **Liabilities - December 31, 2020** | **1,072,577** | **2,307,856** | **3,380,433** |

(Expressed in Canadian Dollars)

## 24. GEOGRAPHICAL SEGMENT INFORMATION (continued)

| For the year ended December 31, 2019 | Colombia | Canada | Total |
|---|---|---|---|
| **Expenses:** | | | |
| Pre-operating expenses | $ (1,042,256) | $ - | $ (1,042,256) |
| General and administrative expenses | (1,403,148) | (4,059,314) | (5,462,462) |
| Depreciation and amortization | (107,974) | (186,155) | (294,129) |
| Listing expense | - | (4,004,312) | (4,004,312) |
| Other income (expense) | (13,025) | 15,421 | 2,396 |
| Foreign exchange gain (loss) | 39,967 | (27,080) | 12,887 |
| **Net Loss** | **(2,526,436)** | **(8,261,440)** | **(10,787,876)** |
| **Assets - December 31, 2019** | **4,700,352** | **5,086,095** | **9,786,447** |
| **Liabilities - December 31, 2019** | **1,193,878** | **517,157** | **1,711,035** |

## 25. SUBSEQUENT EVENTS

1. On January 19, 2021, Blueberries completed a non-brokered private placement for aggregate gross proceeds of C$1,000,000 from the sale of common shares at a price of C$0.065 per share.

2. On January 19, 2021, Blueberries granted 250,000 common shares as well as 2,250,000 options to certain directors of the Company to purchase Blueberries' common shares. The options are exercisable at a price of $0.13 per share for a period of five years, subject to vesting.

3. On February 3, 2021, Blueberries granted 500,000 options to an employee of the Company to purchase Blueberries' common shares. The Options are exercisable at a price of $0.135 per share for a period of five years, subject to vesting.

4. On February 4, 2021, 18,617,100 warrants that were issued at the time of the Transaction expired. Of the warrants 16,151,000 were exercisable at $0.40 per warrant and 2,466,100 were exercisable at $0.25 per warrant.