Vext Science, Inc.

(formerly Vapen MJ Ventures Corporation)

Condensed Interim Consolidated Financial Statements

March 31, 2020 and 2019

(Expressed in U.S. Dollars)

(Unaudited)

Vext Science, Inc.

(formerly Vapen MJ Ventures Corporation)

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VEXT SCIENCE, INC
(formerly Vapen MJ Ventures Corporation)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in U.S. Dollars) (Unaudited)

	Notes		March 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash		$	5,414,859	$	7,292,261
Accounts receivable	4		16,567,843		15,548,015
Prepaid expenses, deposits, and other receivables	5		323,919		303,402
Notes receivable – current	6		302,284		1,130,587
Advances to joint ventures	8		250,000		440,830
Investment in sublease – current	14		128,820		122,027
			22,987,725		24,837,122
Non-current assets					
Notes receivable	6		2,020,182		2,020,182
Investment	7		350,000		350,000
Property, plant and equipment	11		9,183,904		8,526,628
Investment in sublease – non-current	14		542,866		576,887
Investment in Joint Ventures	9		779,914		-
Right-of-use asset	14		280,508		287,890
Due from related parties	16		2,181,785		2,181,785
Total Assets		$	38,326,884	$	38,780,494
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Payables and accrued liabilities	12, 16	$	996,718	$	1,068,635
Due to Legacy Ventures Hawaii, LLC	7		106,479		203,000
Notes payable – current portion	13, 16		920,516		920,414
Lease liability – current portion	14		139,796		132,654
Income tax payable			45,728		45,728
Total current liabilities			2,209,237		2,370,431
Long-term liabilities					
Notes payable – non-current portion	13, 16		339,189		98,894
Lease liability – non-current portion	14		821,605		858,504
Long term loan payable	15		5,323,476		5,280,467
Deferred tax liabilities			4,499,000		4,499,000
Total liabilities			13,192,507		13,107,296
Shareholders' equity					
Subordinated and multiple voting shares	17		9,597,465		9,597,465
Reserves	17		821,187		733,781
Accumulated other comprehensive income			395,531		50,738
Retained earnings			14,320,194		15,291,214
Total shareholders' equity			25,134,377		25,673,198
Total liabilities and shareholders' equity		$	38,326,884	$	38,780,494

Nature of operations and going concern (Note 1)
Subsequent events (Note 23)

Approved on June 1, 2020 on behalf of the Board of Directors:

"Jason T. Nguyen", Director *"Eric J. Offenberger"*, Director

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

VEXT SCIENCE, INC.
(formerly Vapen MJ Ventures Corporation)
Condensed Interim Consolidated Statements of Operations and Comprehensive Income
(Expressed in U.S. Dollars) (Unaudited)

	Notes	For the Three Months Ended March 31, 2020	March 31, 2019
REVENUES			
Management fees		$ 600,000	$ 1,200,000
Professional services		1,402,839	1,479,618
Product sales		2,005,085	3,228,888
Equipment leasing		20,752	351,422
Property leasing	14	67,422	240,000
		4,096,098	6,499,928
COST OF SALES			
Cost of goods sold		1,494,285	1,725,665
Salaries, wages, and contractors	16	1,160,271	1,403,570
Property and equipment leasing, utilities, and property taxes	14	23,636	20,914
Amortization	11	212,115	178,374
		(2,890,307)	(3,328,523)
Gross Profit		1,205,791	3,171,405
OPERATING EXPENSES			
Advertising and promotion		117,497	192,460
Amortization	11, 14	56,983	34,232
Bank charges and interest	14, 15	182,512	19,704
Consulting fees	16	280,591	24,208
Insurance		6,588	26,184
Office and general		796,655	64,597
Professional fees		264,166	172,462
Rent, property taxes, and utilities	14	27,069	21,776
Repairs and maintenance		19,952	81,760
Research and development		30,098	36,562
Share-based compensation	16	87,406	67,393
Salaries, wages, and commissions	16	330,590	120,671
Travel, training, and meals and entertainment		110,821	121,670
		(2,310,928)	(983,679)
Share of profit (loss) of Joint Ventures	9	(62,520)	-
Loss on asset disposal		(766)	-
Foreign exchange gain		126,347	-
Interest income		71,056	-
Net income (loss) before taxes		(971,020)	2,187,726
Income tax expense		-	(526,309)
Net income (loss) after taxes		$ (971,020)	$ 1,661,417
Unrealized gain on foreign exchange translation		344,794	5,124
Total comprehensive income (loss)		$ (626,226)	$ 1,666,541
Basic earnings (loss) per common shares		$ (0.01)	$ 0.02
Diluted earnings (loss) per common shares		$ (0.01)	$ 0.02
Weighted average number of common share outstanding - basic		84,363,326	75,054,661
Weighted average number of common share outstanding - diluted		84,363,326	75,054,661

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

VEXT SCIENCE, INC
(formerly Vapen MJ Ventures Corporation)
Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in U.S. Dollars)
(Unaudited)

	Share Capital												
	Number of subordinated voting shares	**Amount: subordinated voting shares**	**Number of multiple voting shares**	**Amount: multiple voting shares**	**Number of special warrants**	**Special warrants**	**Subscriptions receivable – special warrants**	**Subscriptions receivable – subordinated voting shares**	**Reserves: compensatory warrants**	**Reserves: stock options**	**Accumulated other comprehensive income**	**Retained earnings**	**Total shareholders' equity**
Balance at December 31, 2018	**11,525,961**	**$4,150,332**	**625,287**	**$ 19**	**1,000,000**	**$ -**	**$ 183,250**	**$ 50,000**	**$ 89,628**	**$ -**	**$ 4,091**	**$ 12,523,255**	**$ 17,000,575**
Payment of special warrants	-	-	-	-	-	183,250	(183,250)	-	-	-	-	-	-
Private placement	-	50,000	-	-	-	-	-	(50,000)	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-	-	-	-	67,393	-	-	67,393
Cumulative catch-up adjustment of recognition of right-of-use assets	-	-	-	-	-	-	-	-	-	-	-	(240,701)	(240,701)
Other comprehensive income for the Period	-	-	-	-	-	-	-	-	-	-	5,124	-	5,124
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	1,661,417	1,661,417
Balance at March 31, 2019	**11,525,961**	**$4,200,332**	**625,287**	**$ 19**	**1,000,000**	**$183,250**	**$ -**	**$ -**	**$ 89,628**	**$ 67,393**	**$ 9,215**	**$ 13,943,971**	**$ 18,493,808**
Balance at December 31, 2019	**21,834,626**	**$ 9,597,446**	**625,287**	**$ 19**	**-**	**$ -**	**$ -**	**$ -**	**$ 552,742**	**$ 181,039**	**$ 50,738**	**$ 15,291,214**	**$ 25,673,198**
Conversion of multiple voting shares to subordinated voting shares	488,500	-	(4,885)	-	-	-	-	-	-	-	-	-	-
Shares based compensation	-	-	-	-	-	-	-	-	60,850	26,556	-	-	87,406
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	344,793	-	344,793
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	(971,020)	(971,020)
Balance at March 31, 2020	**22,323,126**	**$ 9,597,446**	**620,402**	**$ 19**	**-**	**$ -**	**$ -**	**$ -**	**$ 613,592**	**$ 207,595**	**$ 395,531**	**$ 14,320,194**	**$ 25,134,377**

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

VEXT SCIENCE, INC
(formerly Vapen MJ Ventures Corporation)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars) (Unaudited)

	Three months ended March 31, 2020	Three months ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	$ (971,020)	$ 1,661,417
Items not affecting cash:		
Amortization	269,098	212,606
Accretion and interest on leases and debt	195,584	-
Finance income on subleases	(22,422)	-
Deferred tax liabilities	-	503,418
Share-based compensation	87,406	67,393
Foreign exchange	361,688	5,124
Loss on asset disposal	766	-
Share of loss of Joint Ventures	62,520	-
Non-cash working capital item changes:		
Accounts receivable	(1,019,828)	(2,557,986)
Inventory	-	(27,522)
Prepaid expenses, deposits and other receivables	229,483	(337,866)
Payables and accrued liabilities	40,526	125,350
Income tax payable	-	(504,853)
Lease liability	-	(23,298)
Net cash (used in) provided by operating activities	(1,016,219)	(876,218)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment	(96,521)	-
Investment in Joint Ventures	(651,604)	-
Acquisition of property, plant and equipment	(919,758)	(388,413)
Net cash used in investing activities	(1,667,883)	(388,413)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes receivable	828,303	-
(Repayment) issuance of notes payable	(9,603)	(214,796)
Lease payments made	(61,650)	-
Sublease payments received	49,650	-
Subscription received	-	233,250
Net cash provided by financing activities	806,700	18,454
Net change in cash during the period	(1,877,402)	(1,246,176)
Cash (bank indebtedness), beginning of the period	7,292,261	(174,241)
Cash, end of the period	$ 5,414,859	$ 288,238
Cash paid for		
Interest	$ 30,198	$ 28,438
Taxes	$ -	$ 527,744

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Vext Science, Inc. (formerly Vapen MJ Ventures Corporation) (the "Company") provides management, advisory, cultivation, and dispensary services to non-for-profit entities in the medical cannabis field. The head office and principal address of the Company is located at Suite 2250 – 1055 W. Hastings St., Vancouver, BC V6E 2E9 and the U.S. headquarters is at 4152 N. 39th Ave, Phoenix, Arizona 85019. On December 31, 2018, the Company changed its name from Fabula Exploration Inc. to Calyx Growth Corporation. On March 25, 2019, the Company changed its name from Calyx Growth Corporation to Vapen MJ Ventures Corporation. On November 12, 2019, the Company changed its name from Vapen MJ Ventures Corporation to Vext Science, Inc.

These unaudited condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon the Company's ability to continue to earn adequate revenues from operations, and to raise adequate financing. The Company intends to finance its future requirements through continued operations.

As at March 31, 2020, the Company had working capital of $20,778,488 and retained earnings of $14,320,194. There is uncertainty as the likely effects of the novel coronavirus ("COVID-19") outbreak which may, among other things, impact the Company's operations and ability to raise further financing. Management has assessed that this working capital is sufficient for the Company to continue as a going concern beyond one year.

These condensed consolidated interim financial statements do not reflect any adjustments, which could be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These interim financial statements follow the same accounting policies and methods of applications as the Company's most recent audited annual consolidated financial statements. These interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's December 31, 2019 audited annual consolidated financial statements.

b) Basis of Preparation

These interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, and are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The interim financial statements, unless otherwise specified, are presented in United States ("U.S.") dollars.

(Expressed in U.S. Dollars) (Unaudited)

2. BASIS OF PRESENTATION (*CONTINUED…*)

c) Basis of Consolidation

The interim financial statements include consolidated accounts of the Company and its subsidiaries, including its economic interest in joint ventures. Subsidiaries are those entities that the Company controls. The Company controls an entity when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Entities of the Company are listed below.

Name	Jurisdiction	Ownership
Vext Science, Inc.	BC, Canada	100%
New Gen Holdings, Inc.	Wyoming, USA	100%
Step 1 Consulting, LLC	Arizona, USA	100%
New Gen Admin Services, LLC	Arizona, USA	100%
New Gen Agricultural Services, LLC	Arizona, USA	100%
New Gen Real Estate Services, LLC	Arizona, USA	100%
Hydroponics Solutions, LLC	Arizona, USA	100%
X-Tane, LLC	Arizona, USA	100%
Pure Touch Botanicals, LLC	Arizona, USA	100%
Vapen, LLC	Arizona, USA	100%
Vapen CBD, LLC	Arizona, USA	100%
Joint Ventures:		
Vapen Kentucky, LLC	Kentucky, USA	50%
Vapen-Oklahoma, LLC	Oklahoma, USA	25%
Vapen Mass, LLC	Massachusetts, USA	50%

d) Reclassification

Certain prior year amounts have been reclassified to conform with current year's presentation.

e) Approval of the Condensed Consolidated Interim Financial Statements

These interim financial statements for the three months ended March 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors on June 1, 2020.

2. BASIS OF PRESENTATION (*CONTINUED…*)

e) Significant Accounting Judgements and Estimates

The preparation of the Company's condensed interim consolidated financial statements is in conformity with IFRS, which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported revenues and expenses during the reporting period.

Critical Judgements

The preparation of these interim financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as the determination of functional currency, and its classification of joint arrangements. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. Management has determined that the functional currency of the parent is the Canadian dollar, while the functional currency of the subsidiaries has been determined to be the U.S. dollar.

Joint Arrangements

As at March 31, 2020, the Company holds a 50% interest in two separate joint arrangements and a 25% interest in one joint arrangement. The Company has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for certain key strategic, operating, investing and financing policies. The Company's joint arrangements are structured as a limited liability corporation and provide the Company and its partners (parties to the agreements) with rights to the net assets of the limited liability corporations under the arrangements. Therefore, these arrangements are classified as joint ventures.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of these condensed consolidated interim financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting these condensed consolidated interim financial statements include:

Allowance for Doubtful Accounts

The Company estimates the amount of accounts receivable that may not be collectable and will allow for a write down of such amounts. Management uses historical information on the recoverability of accounts receivable and also looks at specific account balances in determining the allowance.

Inventory Obsolescence

The Company estimates the amount of inventory on hand that may not be recoverable and will allow for a write down of such amounts.

2. BASIS OF PRESENTATION (*CONTINUED…*)

e) Significant Accounting Judgements and Estimates (*continued…*)

Deferred Tax Assets & Liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful management of cannabis operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful Life of Property, Plant and Equipment

Property, plant and equipment are amortized over its estimated useful life. Estimated useful lives are determined based on current facts and past management experience and take into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Share-Based Payments

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

COVID-19

Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the global economy and the business of the Company or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information which may emerge about COVID-19 and additional actions which may be taken to contain it. Such developments could have a material adverse effect on the Company's business, financial condition, results of operations and cash flow, and exposure to credit risk. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

(Expressed in U.S. Dollars) (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements follow the same accounting policies and methods of application s as the most recent audited annual consolidated financial statements of the Company. These condensed interim consolidated financial statements do not contain all of the information required for full annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's December 31, 2019 annual consolidated financial statements.

Standards newly adopted or issued but not effective

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. ACCOUNTS RECEIVABLE

The Company's accounts receivable consist of the following:

		March 31, 2020		**December 31, 2019**
Accounts receivable (Notes 16, 20)	**$**	16,296,560	$	15,374,508
Unbilled professional services		256,040		155,984
GST input tax credits		15,243		17,523
	$	16,567,843	$	15,548,015

5. PREPAID EXPENSES, DEPOSITS AND OTHER RECEIVABLES

The Company's prepaid deposits and other receivables consist of the following:

		March 31, 2020		December 31, 2019
Vendor deposits	**$**	286,353	$	226,314
Prepaid expense		28,066		71,046
Advances Appalachian Pharm Processing, LLC [(1)]		5,392		5,392
Interest receivable		2,898		-
Employee advances		1,210		650
	$	323,919	$	303,402

(1) On March 30, 2020, the Company entered into a loan agreement with Appalachian Pharm Processing, LLC ("APP)", an Ohio limited liability company. The Company agreed to advance APP the aggregate principal sum of $500,000 in two equal installments of $250,000 each for the exclusive purpose of acquiring biomass for the manufacturing and production of cannabis products as well as associated expenses related to this.

(Expressed in U.S. Dollars) (Unaudited)

6. NOTE RECEIVABLE

As at March 31, 2020, the Company's notes receivables consist of the following:

	Current	Non-current	**Total**
Due from Herbal Wellness Centre Inc. ("HWC"), incurring interest at 10% per annum, on December 31, 2022 [1]	$ 93,434	$ 2,020,182	**$ 2,113,616**
Due from an arm's length party, accruing interest at 10% per annum, and due on demand	130,000	-	**130,000**
Due from Organica Patient Group, Inc. This amount is non-interest bearing, and due on demand (Note 23)	78,850	-	**78,850**
	$ 302,284	$ 2,020,182	**$ 2,322,466**

As at December 31, 2019, the Company's notes receivables consist of the following:

	Current	Non-current	**Total**
Due from Herbal Wellness Centre Inc. ("HWC"), incurring interest at 10% per annum, on December 31, 2022 [1]	$ 913,775	$ 2,020,182	**$ 2,933,957**
Due from an arm's length party, accruing interest at 10% per annum, and due on demand	137,962	-	**137,962**
Due from Organica Patient Group, Inc. This amount is non-interest bearing, and due on demand (Note 23)	78,850	-	**78,850**
	$ 1,130,587	$ 2,020,182	**$ 3,150,769**

[1] On December 31, 2019, the Company and HWC entered into a promissory note, whereby $2,933,957 was re-classified from accounts receivable into an interest-bearing note. The note bears an interest rate of 10% per annum, beginning on January 1, 2020, and is payable as follows: $913,775, as well as accrued interest due on or before December 31, 2020; $1,000,779 as well as accrued interest due on or before December 31, 2021; and $1,019,403, as well as accrued interest due on or before December 31, 2022.

7. INVESTMENT

On August 2, 2019, the Company entered into Restricted Unit Grant Agreement with Legacy Ventures Hawaii, LLC ("Legacy"), whereby the Company subscribed for 350,000 units of Legacy for $350,000. As at March 31, 2020, the Company had paid $243,521, with the remaining $106,479 still owing. Subsequent to the three months ended March 31, 2020, the Company paid $49,000 of the amount outstanding. As a result of this subscription, as at March 31, 2020, the Company had a 12.28% interest in Legacy.

In addition to the 350,000 units subscribed for above, the Company will be granted an additional 350,000 units for services to be provided by the Company to Legacy. 175,000 of these units will be issued in the fiscal year ending December 31, 2020, with the remaining 175,000 to be issued during the year ended December 31, 2021.

(Expressed in U.S. Dollars) (Unaudited)

8. ADVANCES TO JOINT VENTURES

At December 31, 2019 the Company held 50% membership interest in Vapen 501 Lab, LLC ("Vapen 501").

During the period ended March 31, 2020, the Company became 50% member to Vapen Kentucky, LLC ("Vapen KY"), and a 25% member to Vapen Oklahoma, LLC ("Vapen OK"). Refer to Note 9 for further details.

The Company advanced the following amounts to the above joint ventures:

	March 31, 2020	December 31, 2019
Vapen 501	$ 250,000	$ 250,000
Vapen KY	-	5,250
Vapen OK	-	185,580
	$ 250,000	$ 440,830

9. INVESTMENT IN JOINT VENTURES

Vapen Kentucky, LLC

On February 1, 2020, an operating agreement of Vapen Kentucky, LLC ("Vapen KY") was signed for the purpose of being engaged in commercial hemp processing, manufacturing, extraction, and distribution activities. The Company holds 50% membership ownership of Vapen KY with Emerald Pointe Hemp, LLC ("EPH") owning the other 50%. As at March 31, 2020, the Company loaned Vapen KY $463,898 for working capital. The working capital loan is interest free.

Vapen-Oklahoma, LLC

On February 12, 2020, the Company entered into a joint venture term sheet with Texoma Processing and Extraction, LLC ("TPE") regarding Vapen-Oklahoma, LLC ("Vapen OK"). The Company is a minority member of Vapen OK holding 25% membership ownership, whereas TPE is a majority member owning 75% membership ownership of Vapen-OK and both parties have equal voting rights. The terms of the initial joint venture will be five years, with automatic successive renewal terms of additional five-year periods each. As at March 31, 2020, the Company loaned Vapen OK $169,812 for working capital. The working capital loan is interest free.

Vapen Mass, LLC

At December 31, 2019 the Company held 50% membership interest in Vapen Mass, LLC, with the remaining held by Caregiver Patient Connection, LLC. As at March 31, 2020, Vapen Mass was inactive and no investments were made in the joint venture.

Vapen 501 Lab, LLC

At December 31, 2019 the Company held 50% membership interest in and Vapen 501 Lab, LLC ("Vapen 501"), with the remaining 50% held by Tree of Life Seeds, Inc. On March 26, 2020, the Vapen 501 joint venture was terminated.

(Expressed in U.S. Dollars) (Unaudited)

9. INVESTMENT IN JOINT VENTURES (*Continued…*)

As at March 30, 2020, the balance of Investment in Joint Ventures comprised of the followings:

	Vapen KY	Vapen OK	Total
Balance as at December 31, 2019	$ -	$ -	$ -
Contributions	463,898	378,536	842,434
Share of loss of the joint ventures during the period	(54,861)	(7,659)	(62,520)
Balance as at March 31, 2020	$ 3,578,750	$ 169,812	$ 779,914

Summarized financial information for equity accounted investees for the period ended March 31, 2020, is as follows:

	Vapen KY	Vapen OK
Ownership %	50%	25%
Current assets	$ 690,164	$ 641,937
Non-current assets	14,327	-
Total assets	704,491	641,937
Total liabilities	816,799	672,572
Net assets	(112,308)	(30,635)
Expenses	109,721	30,635
Net loss	109,721	30,635

10. LINE OF CREDIT

On January 1, 2020, the Company entered into a $5,000,000 line of credit secured promissory note (“Promissory Note”) with Herbal Wellness Center, Inc. (“HWC”) whereby HWC promises to pay the Company the principal and 10% interest per annum. As at March 31, 2020, no money had been drawn from this line of credit by HWC.

(Expressed in U.S. Dollars) (Unaudited)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Equipment and machinery	Leasehold improvements	Construction in progress	Automobile	Total
Cost							
Balance at December 31, 2018	$ 340,779	$ 1,211,196	$ 1,451,177	$ 2,300,453	$ -	$ 81,785	$ 5,385,390
Disposals	-	-	-	-	-	(4,750)	(4,750)
Additions	-	112,173	4,385,598	445,550	294,446	21,711	5,259,478
Balance at December 31, 2019	$ 340,779	$ 1,323,369	$ 5,836,775	$ 2,746,003	$ 294,446	$ 98,746	$ 10,640,118
Disposals	-	-	-	-	-	(13,150)	(13,150)
Additions	-	28,590	420,462	49,881	417,525	11,800	928,258
Balance at March 31, 2020	$ 340,779	$ 1,351,959	$ 6,257,237	$ 2,795,884	$ 711,971	$ 97,396	$ 11,555,226
Accumulated Amortization							
Balance at December 31, 2018	$ -	$ 124,619	$ 455,641	$ 708,371	$ -	$ 15,114	$ 1,303,745
Disposals	-	-	-	-	-	(1,583)	(1,583)
Amortization	-	82,835	314,581	394,906	-	19,006	811,328
Balance at December 31, 2019	$ -	$ 207,454	$ 770,222	$ 1,103,277	$ -	$ 32,537	$ 2,113,490
Disposals	-	-	-	-	-	(3,884)	(3,884)
Amortization	-	21,244	125,576	109,240	-	5,656	261,716
Balance at March 31, 2020	$ -	$ 228,698	$ 895,798	$ 1,212,517	$ -	$ 34,309	$ 2,371,322
Net Book Value							
December 31, 2019	$ 340,779	$ 1,115,915	$ 5,066,553	$ 1,642,726	$ 294,446	$ 66,209	$ 8,526,628
March 31, 2020	$ 340,779	$ 1,123,261	$ 5,361,439	$ 1,583,367	$ 711,971	$ 63,087	$ 9,183,904

Of the total amortization expense during the three months ended March 31, 2020 - $212,115 (March 31, 2019 - $157,570) was included in the cost of sales and $49,601 (March 31, 2019 - $27,693) was included in operating expense.

(Expressed in U.S. Dollars) (Unaudited)

12. PAYABLES AND ACCRUED LIABILITIES

The Company's payables and accrued liabilities consist of the following:

	March 31, 2020	December 31, 2019
Trade payables (Note 16)	$ 262,765	$ 322,089
Credit card payable	85,265	184,641
Interest payable	139,325	9,198
Sales tax payable	17,381	12,553
Payroll liabilities	210,256	8,920
Accrued liabilities (Note 16)	281,726	531,234
	$ 996,718	$ 1,068,635

13. NOTES PAYABLE

Current notes payable are made up of the following:

	March 31, 2020	December 31, 2019
Maturing on October 1, 2020 with an interest rate of 12% per annum	$ 182,250	$ 182,250
Maturing on January 5, 2021 with an interest rate of 15% per annum	175,000	175,000
Maturing on February 1, 2021 with an interest rate of 12% per annum	272,000	272,000
Maturing on March 1, 2021 with an interest rate of 12% per annum	280,000	280,000
Current portion of a loan, of which the total amount matures in December 2021 with an interest rate of 3.65% per annum	11,266	11,164
	$ 920,516	$ 920,414

Non-current notes payable are made up of the following:

	March 31, 2020	December 31, 2019
Maturing in December 2021 with an interest rate of 3.65% per annum	$ 8,723	$ 11,578
Maturing on March 31, 2023 with an interest rate of 13% per annum, from related parties (Note 16)	15,703	21,594
Maturing in 2026, with an interest rate of 13% per annum, from related parties (Note 16)	64,763	65,722
Due no later than February 27, 2022, non-interest bearing (Note 16)	250,000	-
	$ 339,189	$ 98,894

(Expressed in U.S. Dollars) (Unaudited)

14. LEASES

Leases on transition:

On January 1, 2019, the Company adopted IFRS 16, Leases. At this date, the Company had two building leases affected by the transition to IFRS 16, Leases. Of the two building leases held at January 1, 2019, one was being subleased by the Company. The second lease was subsequently subleased after transition, during the year ended December 31, 2019, and derecognized from the ROU assets.

The adjustments to record the cumulative effect of the initial application of the new accounting policy on January 1, 2019 are as follows:

a) Set up of Right of use asset ("ROU") and lease liability:

Right-of-use assets	$	970,458
Accumulated depreciation		(272,145)
Lease liability		(800,031)
Adjustment to retained earnings	$	(101,718)

b) Adjustment to recognize the cumulative effect of the derecognition of the ROU for the property that was being subleased as of January 1, 2019:

Net Investment in sub-lease	$	619,561
Right-of use asset derecognized		(766,881)
Accumulated depreciation derecognized		223,673
Adjustment to retained earnings	$	76,353

The fair value of the lease liability was estimated using level 2 inputs on the date of the lease agreements using the Company's incremental borrowing rate of 13% and a weighted average lease term of 8.31 years.

The two leases that were recognized as ROU assets on January 1, 2019 were subsequently subleased during the year and derecognized from the ROU assets.

During the period ended March 31, 2020, income of $49,650 from subleasing was included in property leasing.

Right-of-use assets as at March 31, 2020:

As at March 31, 2020, the Company has three lease agreements for its leased premises, consisting of office and warehouse space. Of these three leases, two have terms expiring April 30, 2024, while the third expires September 30, 2029. The two leases ending April 30, 2024 are being subleased by the Company as at March 31, 2020.

(Expressed in U.S. Dollars) (Unaudited)

14. LEASES (*CONTINUED…*)

		ROU
Cost		
As at December 31, 2019 and March 31, 2020	$	295,272
Accumulated Depreciation		
As at December 31, 2019	$	7,382
Amortization	$	7,382
As at March 31, 2020	$	14,764
Net book value		
December 31, 2019	$	287,890
March 31, 2020	$	280,508

<u>Right-of-use assets as at March 31, 2020:</u>

		Total ROU
Total ROU at January 1, 2019	$	970,458
Less accumulated amortization at January 1, 2019		(272,145)
Derecognition of subleased ROU at January 1, 2019		(766,881)
Derecognition of amortization of subleased ROU at January 1, 2019		223,673
Opening book value of ROU upon adoption of IFRS 16 on January 1, 2019		155,105
Additions		295,272
Amortization		(21,922)
Derecognition of ROU for the recognition of net investment in sublease		(140,565)
At December 31, 2019	$	287,890
Amortization		(7,382)
Balance at March 31, 2020		280,508

The total amortization expense during the three months ended March 31, 2020 was included in operating expense.

(Expressed in U.S. Dollars) (Unaudited)

14. LEASES (*CONTINUED…*)

Lease liability as at March 31, 2020:

The following table presents lease obligations for the Company as of March 31, 2020:

		Total lease liability
Opening balance as at January 1, 2019	$	800,031
Additions		295,272
Lease payments		(208,800)
Interest expense (included in cost of sales – property and equipment leasing)		98,353
Interest expense (included in bank charges and interest in operating expenses)		6,302
At December 31, 2019	$	991,158
Less: current portion	$	(139,796)
Long-term lease liability	$	858,504
Opening balance as at December 31, 2019		991,158
Lease payments		(61,650)
Interest expense (included in cost of sales – property and equipment leasing)		22,510
Interest expense (included in bank charges and interest in operating expenses)		9,383
At March 31, 2020		**961,401**
Less: current portion	**$**	**(139,796)**
Long-term lease liability	**$**	**821,605**

The following table discloses the undiscounted cash flow for lease obligations as of March 31, 2020:

Less than one year	$	256,698
One to five years		982,624
More than five years		217,687
Total undiscounted lease obligations	**$**	**1,457,009**

(Expressed in U.S. Dollars) (Unaudited)

14. LEASES (*CONTINUED…*)

The following table provides a summary of the lease expenses recognized in the statement of operations for the period ended March 31, 2020:

Interest expense (included in cost of sales – property and equipment leasing)	$	22,510
Interest expense (included in bank charges and interest in operating expenses)	$	9,383
Amortization (included in operating expenses)	$	7,382

Net investment in subleases as at March 31, 2020:

The Company has two sublease arrangements with its main customer for office and warehouse space. Both subleases expire on the same day the head lease expires, which is on April 30, 2024.

The following table presents sublease payments receivable for the Company for the three months ended March 31, 2020:

Opening balance as at January 31, 2019	$	619,561
Additions		178,694
Lease payments		(177,000)
Finance income (included in revenue from property leasing)		77,659
At December 31, 2019	$	698,914
Less: Current Portion	$	(122,027)
Long-term Lease Liability	$	576,887
Opening balance as at December 31, 2019	$	698,914
Lease payments received		(49,650)
Finance income (included in revenue from property leasing)		22,422
March 31, 2020	**$**	**671,686**
Short-term net investment in sub-lease	**$**	**128,820**
Long-term term net investment in sub-lease	**$**	**542,866**

The following table discloses the undiscounted cash flow for lease payments receivable as of March 31, 2020:

		March 31, 2020
Less than one year	$	208,698
One to five years		662,872
Total undiscounted sublease payments receivable	**$**	**871,570**

The following table discloses the profit and loss on the sublease:

		March 31, 2020
Finance income (included in revenue from property leasing)	$	22,422
Interest expense (included in cost of sales – property and equipment leasing)		(9,383)
Income on sublease	**$**	**13,039**

(Expressed in U.S. Dollars) (Unaudited)

15. LOAN PAYABLE

On December 31, 2019, the Company completed a financing comprising of secured non-convertible debentures (the "Loan") of $5,500,000. The Loan is secured by a security interest in all of the Company's assets. The Loan accrues interest at an annual rate of 10%, payable quarterly beginning July 1, 2020 and matures on December 31, 2021. The lenders also received warrants to purchase 980,210 subordinated voting shares of the Company at an exercise price of CAD$1.00 (the "Loan Warrants") as an incentive. The Loan Warrants can be exercised for two years after closing, subject to the Company's right to accelerate the expiry of the Loan Warrants if the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange is greater than CAD$3.35 for the any five 5 consecutive trading days.

The fair value of the Loan was determined to be $5,496,728 using an annual effective interest rate of 10%. The fair value of the Loan Warrants was determined to be $216,261 using the Black Scholes option pricing model and the following assumptions: Share Price: CAD$0.70; Exercise Price: CAD$1.00; Expected Life: 2 years; Annualized Volatility: 93.50%; Dividend yield: 0%; Discount Rate: 1.69%.

Gross proceeds received	$	5,500,000
Less: Transaction costs		(216,261)
Less: Loan discount		(3,272)
December 31, 2019	$	5,280,467
Accretion		26,134
Effect of change in exchange rate		16,875
March 31, 2020	$	5,323,476

16. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the condensed consolidated interim financial statements not disclosed elsewhere in these interim financial statements are summarized below and include transactions with the following individuals or entities:

<u>Key management personnel</u>

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Operating Officer, and President and Chief Financial Officer.

Remuneration attributed to key management personnel for the three months ended March 31, 2020 and 2019 is summarized as follows:

		March 31, 2020		March 31, 2019
Share-based compensation (Note 17)	$	**16,582**	$	25,809
Salaries and wages included in cost of sales		**219,445**		144,961
Salaries, wages and commissions included in operating expenses		**11,550**		7,629
Former officer and director settlement included in operating expenses		**500,000**		-
	$	**747,577**	$	178,399

(Expressed in U.S. Dollars) (Unaudited)

16. RELATED PARTY TRANSACTIONS (*CONTINUED…*)

Other related parties

Other related parties include close family members of the Company's Executive Chairman and the former CFO, President, and Director and a company that is controlled by a Director.

Remuneration attributed to other related parties for the three months ended March 31, 2020 and 2019 is summarized as follows:

		March 31, 2020		March 31, 2019
Salaries and wages included cost of sales	$	**42,019**	$	32,562
Salaries, wages and commissions included in operating expenses		**2,211**		1,714
Consulting fees included in operating expenses		**34,074**		-
	$	**78,304**	$	34,276

Balances with related parties:

Due from related parties:

		March 31, 2020		December 31, 2019
Non-interest bearing, due on December 31, 2021 from the Executive Chairman	**$**	**537,151**	$	537,151
Non-interest bearing, due on December 31, 2022 from the Executive Chairman		**316,251**		316,251
Non-interest bearing, due on December 31, 2023 from the Executive Chairman		**1,328,383**		1,328,383
	$	**2,181,785**	$	2,181,785

Due from other related parties:

		March 31, 2020		December 31, 2019
Non-interest bearing advances to Joint Ventures (Note 8)	**$**	**250,000**	$	440,830

16. RELATED PARTY TRANSACTIONS (*CONTINUED…*)

Due to related parties:

Amounts due to related parties as at March 31, 2020 and December 31, 2019 included the following:

- Included in payables and accrued liabilities as at March 31, 2020 is $338,049 (2019 - $338,198) owing to the Executive Chairman, companies controlled by him, and his close family members. Most of this amount is made up of accrued salary (Note 12).
- Included in payables and accrued liabilities as at March 31, 2020 is $11,900 (2019 - $nil) owing to a company controlled by a director and $114,583 (2019 – $nil) owing to the former CFO, President, Corporate Secretary, and Director of the Company (Note 12).
- Included in the long-term loans payable as at March 31, 2020 is $80,466 (2019 - $87,316) due to the Executive Chairman of the Company, his spouse, and a company controlled by him. These loans bear interest of 13% per annum, and are due between 2022 – 2026 (Note 13).
- Included in the long-term payables as at March 31, 2020 is $250,000 (2019 - $nil) due to the former CFO, President, Corporate Secretary, and Director of the Company. This obligation bears no interest and is due the earlier of any change of control of the Company, a debt or equity financing greater than $10 million of the Company on or after February 7, 2020, or no later than February 27, 2022 (Note 13).

17. SHARE CAPITAL

(a) Share Capital

The Company is authorized to issue the following shares:

- Unlimited subordinated voting common shares (“Subordinated Voting Shares” or “Common Shares”) without par value; and
- Unlimited super voting shares with multiple voting rights, each convertible into 100 Subordinated Voting Shares.

Period ended March 31, 2020:

- On March 18, 2020, 4,885 super voting shares were converted into 488,500 subordinated voting common shares.

Fiscal year ended December 31, 2019:

- The Company received $50,000 for Subordinated Voting Shares that were issued during the year ended December 31, 2018.

- The Company received $183,250 for special warrants from a private placement that closed on December 24, 2018. These special warrants were converted during the year, which resulted in the issuance of 1,000,000 Common shares and 500,000 warrants. The warrants were exercisable at CAD$0.25 with an expiry date of December 24, 2019, and were exercised during the year ended December 31, 2019.

(Expressed in U.S. Dollars) (Unaudited)

17. SHARE CAPITAL (*CONTINUED…*)

- On May 22, 2019, the Company closed a private placement of 6,148,665 Common Shares at a price of CAD$1.00 per share for a total of $4,585,134 (CAD$6,148,665). The Company paid $31,841 and issued 42,700 finder's warrants with an exercise price of CAD$1.30 per share of a period of one year as finder's fees. The finder's warrants were valued at $8,340 using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk free interest rate of 1.69%; dividend yield of 0%; expected volatility of 87.93% and expected life of one year.

- On October 8, 2019, the Company issued 150,000 Common Shares valued at CAD$0.84 per share, for a total value of $100,881 to settle debt valued at $204,973 with arm's length creditors, resulting in the Company recognizing a $104,092 gain on the statements of operations and comprehensive income.

- 3,000,000 warrants were exercised at CAD$0.25 each for a total of $568,030.

(b) Special warrants

- As of March 31, 2019, the Company has 1,000,000 special warrants outstanding. These warrants are convertible into 1,000,000 units, with each unit consisting of one (1) subordinated voting share and one-half of one (1/2) subordinated voting share purchase warrant. Each whole purchase warrant entitles the holder to purchase one (1) additional subordinated voting share from the Company at an exercise price of CAD$0.25 per subordinated voting share for a period of one (1) year from issuance.

- On April 25, 2019, the Company converted 1,000,000 Special Warrants into 1,000,000 Subordinated Voting Shares and 500,000 share purchase warrants at an exercise price of CAD$0.25 per Subordinated Voting Share, which were all exercised before the expiration on December 24, 2019.

(c) Share purchase warrants

The following table reflects the continuity of warrants for the period ended March 31, 2020 and December 31, 2019:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2018	**4,500,000**	
Issued	1,522,910	CAD $0.76
Expired	(2,000,000)	CAD $1.00
Exercised	(3,000,000)	CAD $0.25
Outstanding, December 31, 2019	**1,022,910**	**CAD $1.01**
Outstanding, March 31, 2020	**1,022,910**	**CAD $1.01**

As at March 31, 2020 the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Weighted Average Remaining Life (Years)	Expiry Date
42,700	CAD$1.30	0.01	May 22, 2020
980,210	CAD$1.00	1.68	December 31, 2021
1,022,910	**CAD $1.01**	**1.69**	

(Expressed in U.S. Dollars) (Unaudited)

17. SHARE CAPITAL (*CONTINUED…*)

(d) Stock options

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding Common Shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the Common Shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the three months ended March 31, 2020 is as follows:

	Number of options	**Weighted average exercise price**
Outstanding, December 31, 2019	1,043,000	CAD $1.00
Cancelled	(60,000)	CAD $1.00
Outstanding, March 31, 2020	**983,000**	**CAD $1.00**

As at March 31, 2020 the Company had the following stock options outstanding:

Number Outstanding	**Number Exercisable**	**Exercise Price**	**Weighted Average Life (years)**	**Expiry Date**
783,000	323,521	CAD$1.00	7.27	January 3, 2029
200,000	66,668	CAD$1.00	1.56	May 13, 2029
983,000	**390,189**	**CAD$1.00**	**8.83**	

(e) Special Advisory Warrants

On May 13, 2019, the Company granted 1,000,000 special advisory warrants (the "Advisory Warrants") to consultants of the Company. The Advisory Warrants are exercisable at CAD$1.00 and expire on December 31, 2024. The fair value of the special advisory warrants was calculated to be CAD$0.82 per warrant. The Company recorded a share-based compensation expense of $238,513 during the year ended December 31, 2019 for warrants vested. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the Advisory Warrants using the following assumptions: risk free interest rate of 1.54%; dividend yield of 0%; expected volatility of 111.51%; and expected life of 5.5 years.

(f) Escrow Securities

As at March 31, 2020, the Company had 1,379,151 Subordinated Voting Shares (2018 – nil), 468,965 super voting shares (2018 – nil), and 112,500 stock options (2018 - nil) held in escrow.

18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to support the growth and development of its operations and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of equity.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.

19. ECONOMIC DEPENDENCE

The Company had one main customer for the three months ended March 31, 2020 which accounted for 92% of the Company's revenues, and 95% of the Company's accounts receivable as at March 31, 2020. As the majority of the Company's income is derived from the sale of services and products, its ability to continue operations is dependent upon the relationship with and the sustainability of the customer. Any significant disruption in the customer's business could result in a material adverse effect on the operations of the Company. The loss of this significant customer will adversely impact the operations of the Company.

20. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, current notes receivable, advances to joint ventures, deposits and other receivables, payables, accrued liabilities, and amount due to Legacy Ventures Hawaii, LLC, approximate carrying value, due to their short-term nature. The carrying amounts of the long-term notes receivable and amount due from related parties approximate fair value. The fair values of the investment in sublease, right of use asset, and lease liability have been recorded as discussed in Note 14. The long-term loan payable is recorded at fair value as discussed in Note 15. The Company's cash and investment in Legacy are measured at fair value under the fair value hierarchy based on Level 1 quoted prices in active markets for identical assets or liabilities.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk, price risk, and currency risk.

<u>Credit risk</u>

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

The Company is subject to credit risk on its receivables. As at March 31, 2020, the Company was dependent on one major customer from its consulting business segment (Note 19). The majority ($15,667,852) of the Company's accounts receivable are from this customer.

20. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (*CONTINUED…*)

Credit risk (continued…)

The Company is of the opinion that it is not exposed to significant credit risk from this customer as at March 31, 2020 as it continues to collect accounts receivable routinely. The Company has no investments in asset-backed commercial paper.

The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be non-collectible. The allowance is based on the Company's knowledge of the financial condition of its customer, current business environment, customer and industry concentrations, and historical experience. To reduce credit risk, cash is only held at major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined in Note 18. As at March 31, 2020, the Company had cash, accounts receivable and short-term notes receivable of $22,284,986 to settle its current liabilities of $2,209,237. During the three months ended March 31, 2020, the maturity dates of $727,000 of current loans were extended for an additional year to help reduce liquidity risk. Management believes the Company has sufficient funds to support ongoing operating expenditures and meet its liabilities as they fall due.

Market risk

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

a) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company does not hold any financial instruments with variable interest rates, and as a result, is subject to insignificant interest rate risk.

b) Price risk

The Company is not exposed to significant price risk as it does not hold investments in publicly traded securities.

c) Currency risk

The Company's expenditures are predominantly in U.S. dollars, and any future equity raised is expected to be predominantly in U.S. dollars. As at March 31, 2020, the Company had CAD$(14,729) net financial assets denominated in Canadian currencies. A 10% change in the foreign exchange rate between the U.S. dollar and the Canadian dollar would result in a change on approximately $1,038 in other comprehensive income.

(Expressed in U.S. Dollars) (Unaudited)

21. SEGMENT INFORMATION

The Company operates in the United States, and had two major segments of operations in 2019, being its management and advisory services to non-for-profit entities in the medical marijuana field, and its sale of various types of low-pressure liquid gas.
Segment information over these two operating segments is as follows:

As at March 31, 2020:

	Services and products relating to the medical marijuana field	Liquid gas sales	Total
Assets	$ 38,327,717	$ -	$ 38,327,717
Liabilities	$ 10,946,051	$ 36,375	$ 10,982,426

For the three months ended March 31, 2020:

	Services and products relating to the medical marijuana field	Liquid gas sales	Total
Sales	$ 4,096,098	$ -	$ 4,096,098
Cost of Sales	2,867,798	-	2,867,798
Operating expenses	2,199,894	-	2,199,894
Income tax expense	-	-	-
Net income / (loss)	$ (971,594)	$ -	$ (971,594)

As at December 31, 2019:

	Services and products relating to the medical marijuana field	Liquid gas sales	Total
Assets	$ 38,780,494	$ -	$ 38,780,494
Liabilities	$ 13,070,921	$ 36,375	$ 13,107,296

(Expressed in U.S. Dollars) (Unaudited)

21. SEGMENT INFORMATION (*CONTINUED…*)

For the three months ended March 31, 2019:

	Services and products relating to the medical marijuana field	Liquid gas sales	Total
Sales	$ 6,459,284	$ 40,644	$ 6,499,928
Cost of Sales	(3,257,584)	(70,939)	(3,328,523)
Operating expenses	(978,524)	(5,155)	(983,679)
Income tax expense	(526,309)	-	(526,309)
Net income	$ 1,696,867	$ (35,450)	$ 1,661,417

22. SUBSEQUENT EVENTS

- On April 6, 2020, the Company acquired RDF Management, LLC and Firebrand, LLC, Arizona based companies, in order to provide exclusive services for the management, administration and operation of Organica Patient Group, Inc. ("Organica"), an Arizona not for profit corporation, which was issued and holds in good standing, a Medical Marijuana Dispensary Registration Certificate, by the Arizona Department of Health Services in the State of Arizona and certain intangible assets (collectively the "Transaction").

  In consideration for the Transaction, the Company issued:
  (i) 67,000 multiple voting shares;
  (ii) a promissory note of $5,500,000 for a period of 18 months. No interest will accrue on the promissory note during the 18-month period, and thereafter, interest will accrue at 10% per annum; and
  (iii) an undertaking to assist RDF Management, LLC in settling and resolving certain existing liabilities, allocating a total maximum of $3,500,000 in funds to settle such liabilities.

  As part of the closing of the Transaction, the Company entered into a $3,000,000 line of credit secured promissory note ("Promissory Note") with Organica whereby Organica promises to pay the Company the principal and 10% interest per annum. As at the date of the financial statements, no money had been drawn from this line of credit by Organica.

- On May 12, 2020, the Company granted 1,083,334 stock options at an exercise price of CAD$0.75 to directors, officer and consultants. The stock options are exercisable for a term of 10 years.

- On May 22, 2020, 42,700 warrants expired.

- On May 26, 2020, 2,931 multiple voting shares were converted to 293,100 subordinated voting shares.