

**EUROLIFE BRANDS INC.**  
**(formerly Cannvas MedTech Inc.)**



**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2019 and 2018**

**(Audited - Expressed in Canadian Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eurolife Brands Inc.

### Opinion

We have audited the consolidated financial statements of Eurolife Brands Inc. (formerly Cannvas Medtech Inc.) the "Company", which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 the information included in Management's Discussion and Analysis.

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

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

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

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

In preparing the 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC  
June 3, 2020

Eurolife Brands Inc.  
(formerly Cannvas MedTech Inc.)  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Note	December 31, 2019	December 31, 2018
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		303,026	217,505
Other receivable		27,600	20,758
Prepays		67,597	74,386
HST recoverable		503,201	271,745
		901,424	584,394
Equipment	4	25,628	73,381
Licenses	5	463,833	-
<b>TOTAL ASSETS</b>		<b>1,390,885</b>	<b>657,775</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	279,378	237,011
Deferred revenue		4,000	9,375
Other liabilities		9,948	
<b>TOTAL CURRENT LIABILITIES</b>		<b>293,326</b>	<b>246,386</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	12,033,390	6,505,299
Share subscriptions receivable	6, 7	(299,157)	(744,475)
Share-based payment reserve	6	2,017,580	321,376
Deficit		(12,654,254)	(5,670,811)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,097,559</b>	<b>411,389</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,390,885</b>	<b>657,775</b>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 11)

Eurolife Brands Inc.  
(formerly Cannvas MedTech Inc.)  
Consolidated Statements of Comprehensive Loss  
(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2019	Year Ended December 31, 2018
		\$	\$
<b>Service Revenue</b>		<b>86,850</b>	<b>130,920</b>
<b>Expenses</b>			
Accounting and legal		72,452	47,158
Advertising and marketing		607,616	620,291
Amortization	4,5	132,857	21,580
Impairment of licenses	5	379,500	-
Compliance and regulatory		99,411	28,675
Consulting	6,7	396,541	758,051
Hosting, licenses and subscriptions		111,651	59,009
Investor relations		429,542	74,075
Office and sundry		47,166	101,274
Platform development		658,590	527,216
Share-based compensation	6,7	3,461,129	2,435,109
Travel and business development	7	667,358	379,615
Financing costs	9	4,476	-
		<b>7,068,287</b>	<b>5,052,053</b>
<b>Loss before other items</b>		<b>(6,981,437)</b>	<b>(4,921,133)</b>
Loss on termination of lease	9	(2,006)	-
Gain on forgiveness of loan	7	-	129,662
Recovery of HST recoverable		-	53,716
<b>Comprehensive loss for the year</b>		<b>(6,983,443)</b>	<b>(4,737,755)</b>
<b>Net loss per share – basic and diluted</b>		<b>\$(0.03)</b>	<b>\$(0.03)</b>
<b>Weighted average number of common shares outstanding</b>		<b>260,040,957</b>	<b>157,627,444</b>

Eurolife Brands Inc.  
(formerly Cannvas MedTech Inc.)  
Consolidated Statement of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

		Share capital		Share-based payment reserve	Share subscriptions receivable	Deficit	Total
	Not e	Number of shares *	Amount				
			\$	\$	\$	\$	\$
<b>Balance at December 31, 2017</b>		133,826,800	2,113,869	2,627	-	(933,056)	1,183,440
Issuance of common shares	6	17,045,920	1,065,370	-	-	-	1,065,370
Issuance of common shares for debt	6	1,048,000	65,500	-	-	-	65,500
Issuance of common shares upon exercise of options	6	12,640,000	1,792,887	(648,687)	(744,475)	-	399,725
Issuance of common shares upon milestone achievement	6	17,000,000	1,461,250	-	-	-	1,461,250
Cancellation of common shares at spin out	6	(28,000,000)	(350,000)	-	-	-	(350,000)
Issuance of common shares at spin out	6	28,137,124	350,000	-	-	-	350,000
Share based compensation	6	-	-	973,859	-	-	973,859
Stock options expired	6	-	6,423	(6,423)	-	-	-
Net and comprehensive loss		-	-	-	-	(4,737,755)	(4,737,755)
<b>Balance at December 31, 2018</b>		<b>181,697,844</b>	<b>6,505,299</b>	<b>321,376</b>	<b>(744,475)</b>	<b>(5,670,811)</b>	<b>411,389</b>
Issuance of common shares for cash	6	42,050,000	2,102,500	-	(50,010)	-	2,052,490
Share issue costs		-	(24,173)	8,223	-	-	(15,950)
Issuance of common shares for debt and services	6	6,874,290	412,150	-	-	-	412,150
Issuance of common shares upon exercise of options	6	17,166,844	1,718,981	(640,925)	(198,272)	-	530,150
Issuance of common shares upon milestone achievement	6	27,535,400	1,583,609	-	-	-	1,583,609
Share based compensation	6	-	-	1,877,530	-	-	1,877,520
Cancellation of exercised options	6	(5,440,000)	(1,144,976)	451,376	693,600	-	-
Share exchange for licenses	6	88,000,000	880,000	-	-	-	880,000
Net and comprehensive loss		-	-	-	-	(6,983,443)	(6,983,443)
<b>Balance at December 31, 2019</b>		<b>357,884,378</b>	<b>12,033,390</b>	<b>2,017,580</b>	<b>(299,157)</b>	<b>(12,654,254)</b>	<b>1,097,559</b>

\* On August 16, 2019 the Company completed a 4:1 share split. All share numbers have been restated to reflect the split.

Eurolife Brands Inc.  
(formerly Cannvas MedTech Inc.)  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	<b>Year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss	(6,983,443)	(4,737,755)
Adjustments for:		-
Amortization	132,856	21,580
Financing costs	4,476	-
Impairment of licenses	379,500	-
Share based compensation	3,461,129	2,435,109
Loss on disposition of lease	2,006	-
Gain on forgiveness of loan payable	-	(129,662)
Write-off of receivable	-	(70,566)
Changes in non-cash working capital items:		
Account receivable	(6,842)	(18,364)
Prepays	6,789	(256)
HST recoverable	(231,456)	(201,179)
Accounts payable and accrued liabilities	804,151	508,083
Deferred lease recovery	-	(10,202)
Deferred revenue	(5,375)	(3,125)
<b>Net cash flows (used in) provided by operating activities</b>	<b>(2,436,209)</b>	<b>(2,206,337)</b>
<b>Investing activities</b>		
Purchase of equipment	(3,496)	(32,444)
<b>Net cash flows used in investing activities</b>	<b>(3,496)</b>	<b>(32,444)</b>
<b>Financing activities</b>		
Issuance of common shares, net of costs	2,086,550	1,065,370
Proceeds from option exercises	480,150	161,013
Lease payments	(51,423)	-
Subscriptions received	9,948	-
<b>Net cash flows provided by financing activities</b>	<b>2,525,226</b>	<b>1,226,383</b>
Change in cash	85,521	(1,012,398)
Cash, beginning	217,505	1,229,903
<b>Cash, ending</b>	<b>303,026</b>	<b>217,505</b>
<b>Non-cash transactions:</b>		
Licenses acquired for share exchange	880,000	-
Subscriptions receivable on exercise of stock options	(597,916)	(983,187)
Shares cancelled	693,600	-
Accounts payables net-off by subscriptions receivable	349,634	238,712
Value transferred from reserves on exercise of stock options	640,925	655,110
Shares issued for debt	163,860	65,500

## **1. NATURE AND GOING CONCERN**

Eurolife Brands Inc. (formerly Cannvas MedTech Inc.) (the “Company”) was incorporated pursuant to the Canada Business Corporations Act on November 24, 2014. On June 23, 2017, the Company continued from the federal jurisdiction to the jurisdiction of British Columbia. The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

On May 12, 2015, AgraFlora Organics International Inc. (“Agra”), a company listed on the Canadian Securities Exchange, acquired 100% of the Company's issued shares. At December 31, 2017, Agra owned 21% of the Company's issued shares. On January 16, 2018, Agra distributed its investment in the Company to its shareholders. The Company became a reporting issuer in British Columbia on July 3, 2018.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a net loss for the year ended December 31, 2019 of \$6,983,443 (2018 – \$4,737,755), and had a deficit of \$12,654,254 as at December 31, 2019. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 10. The Company relies upon the issuance of securities for financing of its operations. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

## **2. BASIS OF PREPARATION**

### **Statement of Compliance**

These consolidated financial statements for the year ended December 31, 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations of the International Reporting Interpretation Committee (IFRIC). As part of this preparation, management is required to make estimates and assumptions under IFRS. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent amounts and the reported amounts of revenues and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed within the notes.

These consolidated financial statements were reviewed by the Audit Committee and authorized for issuance by the Board of Directors as of June 3, 2020



## **2. BASIS OF PREPARATION (continued)**

### **Basis of consolidation**

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian wholly-owned subsidiary Cannvas Data Inc., 1313 Wear Ltd., Cannvas Creative Inc., Cannvas Cannabis Acquisitions Corp. and 1216165 BC Ltd.. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

### **Presentation and functional currency**

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's Canadian subsidiaries is also the Canadian dollar.

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

### **Significant accounting judgments and estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: impairment of non-financial asset and share-based compensation.

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

Significant judgement is required in the determination of whether the Company will continue as a going concern.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Financial instruments

##### Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities under IFRS 9:

Cash	FVTPL
Other receivable	amortized cost
Accounts payable and other liabilities	amortized cost

##### Measurement

##### *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

##### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in the statement of comprehensive income.

##### Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### Derecognition

##### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

##### *Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

#### Cash

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of property, plant and equipment are as follows:

<b>Class of property, plant and equipment</b>	<b>Amortization rate</b>
Computer equipment	33%
Furniture and fixtures	20%
Leasehold improvements	Term of lease
Right-of-use asset	Term of lease

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Impairment**

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

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in comprehensive loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in comprehensive loss for the year.

#### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares.

#### **Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

Revenue from services is recognized when the services are rendered, using the percentage of completion method based on the actual service provided as a proportion of the total services to be performed.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Share-based payment transactions**

The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

#### **Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Loss per share

The Company presents basic and diluted earnings (loss) per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

#### IFRS 16 Leases ("IFRS 16")

IFRS 16 (replacing IAS 17) applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The Company adopted IFRS 16 effective January 1, 2019. The standard was applied using the modified retrospective method, which does not require restatement of prior period financial information, as it recognizes the cumulative effect, if any, as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the consolidated financial statements are not restated and continue to be reported under IAS 17.

#### Future accounting pronouncements

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's financial statements.

### 4. EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvements	Right-of- use asset	Total
<b>Cost:</b>	\$	\$	\$	\$	\$
December 31, 2017	18,209	19,639	26,570	-	64,418
Additions	8,284	3,375	20,785	-	32,444
December 31, 2018	26,493	23,014	47,355	-	96,862
Additions	3,496	-	-	82,391	85,887
Disposition	-	-	-	(82,391)	(82,391)
<b>December 31, 2019</b>	<b>29,989</b>	<b>23,014</b>	<b>47,355</b>	<b>-</b>	<b>100,358</b>
<b>Amortization:</b>					
December 31, 2017	919	982	-	-	1,901
Charge for the year	7,818	3,979	9,783	-	21,580
December 31, 2018	8,737	4,961	9,783	-	23,481
Charge for the year	9,074	4,603	37,572	44,941	96,190
Disposition	-	-	-	(44,941)	(44,941)
<b>December 31, 2019</b>	<b>17,811</b>	<b>9,564</b>	<b>47,355</b>	<b>-</b>	<b>74,730</b>
<b>Net book value:</b>					
December 31, 2018	17,756	18,053	37,572	-	73,381
<b>December 31, 2019</b>	<b>12,178</b>	<b>13,450</b>	<b>-</b>	<b>-</b>	<b>25,628</b>

## 5. LICENSES

On July 29, 2019 the Company purchased 1216165 B.C. Ltd. ("TF" or "True Focus") for 20,000,000 common shares of the Company. TF is the beneficial owner of an exclusive license to develop and market products under the "True Focus" trade name, utilizing proprietary intellectual property in the jurisdictions of South America, Albania, Belarus, Bosnia, Kosovo, Moldova, Montenegro, Russia, Serbia, Turkey and Ukraine. TF also has an option on pursuing a joint-venture arrangement in which it will be permitted to utilize the True Focus proprietary intellectual property on a non-exclusive basis for the marketing of products in Mexico.

The fair market value for the license was determined to be \$800,000. The value is based upon market assessment of various factors relating to the True Focus brand in the marketplace. In addition, a finder's fee of 2,000,000 shares was granted which were valued at \$80,000.

In late 2019, the cannabis market in general declined significantly and the Company has impaired the value of True Focus by approximately 45%.

The license will be depreciated over a period of 10 years at a monthly amount of \$7,333.

Balance, December 31, 2018	\$ -
Additions	880,000
Amortization	(36,667)
Impairment expense	(379,500)
<b>Balance, December 31, 2019</b>	<b>\$ 463,833</b>

## 6. SHARE CAPITAL

### a) Common shares

#### Authorized:

Unlimited number of common shares without par value.

#### Issued:

As at December 31, 2019 the Company has 357,884,378 shares issued and outstanding (2018 – 181,697,844).

On August 16, 2019 the Company completed a 4:1 share split. All share numbers have been retroactively restated to reflect the split.

On January 11, 2018, the Company cancelled 28,000,000 common shares previously held by Agra with fair value of \$350,000.

On January 16, 2018, the Company and Agra completed their arrangement and the Company issued 28,137,124 common shares with fair value of \$350,000 to the shareholders of Agra.

On May 4, 2018, the Company issued 17,045,920 units pursuant to a private placement at a price of \$0.0625 per unit for gross proceeds of \$1,065,370. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at a price of \$0.125 per share for a period of 2 years.

## 6. SHARE CAPITAL (continued)

On May 4, 2018, the Company issued 808,000 common shares with a fair value of \$50,500 for settlement of \$50,500 of accounts payable.

On July 3, 2018, the Company issued 240,000 common shares with a fair value of \$15,000 for settlement of \$15,000 of accounts payable.

On July 3, 2018, the Company issued 7,200,000 common shares upon exercise of stock options at a price of \$0.0625 for proceeds of \$450,000.

On July 3, 2018, the Company issued 14,000,000 common shares with a fair value of \$1,225,000 to directors and officers for milestone achievements attained during the year.

On October 22, 2018, the Company issued 5,440,000 common shares upon exercised of stock options at a price of \$0.1275 for proceeds of \$694,200.

On November 19, 2018, the Company issued 3,000,000 common shares with a fair value of \$236,250 to directors and officers for milestone achievements attained during the year.

On January 18, 2019, the Company issued 6,000,000 common shares to directors and officers of the Company on exercise of stock options for proceeds of \$420,000.

On January 18, 2019, the Company issued 234,812 common shares with a fair value of \$17,611 for settlement of \$17,611 of accounts payable to consultants.

On January 21, 2019, the Company issued 4,000,000 common shares to directors and officers of the Company for milestone achievements attained during the period.

On January 24, 2019, the Company issued 1,950,000 common shares with a fair value of \$146,250 for settlement of \$146,250 of accounts payable to directors and consultants.

On March 26, 2019, the Company issued 152,000 common shares to a consultant of the Company with a fair value of \$10,070 as settlement for services rendered.

On March 27, 2019, the Company issued 3,000,000 common shares to a consultant of the Company on exercise of stock options for proceeds of \$187,500.

On June 11, 2019, the Company cancelled 5,440,000 common shares issued to directors and officers of the Company for exercised stock options that remained unpaid.

On June 26, 2019, the Company issued 11,935,400 common shares to directors and officers of the Company for milestone achievements attained during the period.

On July 9, 2019, the Company issued 3,024,388 common shares with a fair value of \$155,000 for settlement of \$155,000 of services rendered by consultants.

On July 16, 2019, the Company issued 20,030,000 common shares at a price of \$0.05 per share for gross proceeds of \$1,001,500 pursuant to a non-brokered private placement of units. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at \$0.075 per share. In addition, 150,000 finder's warrants were granted with a fair value of \$3,821 which was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 95%, risk free interest rates of 1.56%, expected life of 2 years and no dividend yield.



## 6. SHARE CAPITAL (continued)

On July 24, 2019, the Company issued 10,120,000 common shares at a price of \$0.05 per share for gross proceeds of \$506,000 pursuant to a non-brokered private placement of units. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at \$0.075 per share. In addition, 169,000 finder's warrants were granted with a fair value of \$4,402, which was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 95%, risk free interest rates of 1.43%, expected life of 2 years and no dividend yield.

On July 26, 2019, the Company issued 11,900,000 common shares at a price of \$0.05 per share for gross proceeds of \$595,000 pursuant to a non-brokered private placement of units. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at a price of \$0.075 per share for a period of 2 years.

On August 7, 2019, the Company issued 88,000,000 common shares with a fair value of \$880,000 as part of a share for share exchange to acquire licenses (Note 5).

On August 7, 2019, the Company issued 11,600,000 common shares to directors and officers of the Company for milestone achievements attained during the year.

On August 13, 2019, the Company issued 1,044,000 common shares to a consultant of the Company on exercise of stock options for proceeds of \$78,300.

On September 24, 2019, the Company issued 70,000 common shares to a consultant of the Company on exercise of stock options for proceeds of \$5,950.

On October 21, 2019, the Company issued 800,000 common shares to a consultant of the Company on exercise of stock options for proceeds of \$58,400.

On November 27, 2019, the Company issued 1,513,090 common shares for settlement of \$83,220 of services rendered by consultants.

On December 4, 2019, the Company issued 6,252,844 common shares to a consultant and a director of the Company on exercise of stock options for proceeds of \$327,906.

As at December 31, 2019, a total of \$299,157 (2018 - \$744,475) in proceeds from option exercises were outstanding, of which \$62,500 (2018 - \$62,500) was due from a third-party consultant and \$236,657 (2018 - \$681,975) was due from directors and officers.

### b) Share Purchase Warrants

The issuances of the share purchase warrants are summarized as follows:

	December 31, 2019		December 31, 2018	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Warrants outstanding, beginning of year	17,045,920	\$ 0.125	-	\$ -
Issued May 4, 2018	-	-	17,045,920	0.13
Issued July 16, 2019	20,180,000	0.075	-	-
Issued July 24, 2019	10,289,000	0.075	-	-
Issued July 26, 2019	11,900,000	0.075	-	-
Warrants outstanding, end of year	59,414,920	\$ 0.09	17,045,920	\$ 0.13

## 6. SHARE CAPITAL (continued)

As at December 31, 2019, the Company had outstanding warrants as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Remaining life (years)</b>	<b>Warrants outstanding</b>
May 4, 2020	\$ 0.125	0.34	17,045,920
July 16, 2021	\$ 0.075	1.54	20,180,000
July 24, 2021	\$ 0.075	1.57	10,289,000
July 26, 2021	\$ 0.075	1.57	11,900,000

### c) Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares.

A summary of the Company's stock option transactions is presented below:

	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning of year	<b>11,218,000</b>	<b>0.075</b>	448,000	0.013
Granted	<b>40,622,844</b>	<b>0.074</b>	23,960,000	0.083
Exercised	<b>(17,166,844)</b>	<b>0.063</b>	(12,640,000)	0.090
Expired	<b>(1,390,000)</b>	<b>0.077</b>	(550,000)	0.013
Cancelled	<b>(9,825,000)</b>	<b>0.100</b>	-	-
Options outstanding, end of year	<b>23,459,000</b>	<b>0.071</b>	11,218,000	0.075
Options exercisable, end of year	<b>20,791,000</b>	<b>0.070</b>	11,138,000	0.075

## 6. SHARE CAPITAL (continued)

The share options outstanding as at December 31, 2019 are as follows:

Grant date	Number of options outstanding *	Exercise price*	Expiry date
October 20, 2017	48,000	0.013	October 20, 2020
February 6, 2018	100,000	0.063	February 6, 2020 *
February 13, 2018	200,000	0.063	February 13, 2020 *
April 3, 2018	800,000	0.063	April 3, 2020 *
May 4, 2018	1,490,000	0.063	May 4, 2020 *
June 6, 2018	40,000	0.063	June 6, 2020
August 15, 2018	260,000	0.085	August 15, 2020
February 4, 2019	4,756,000	0.075	February 4, 2021
February 6, 2019	550,000	0.075	February 6, 2020 *
March 27, 2019	4,000,000	0.069	March 27, 2024 *
July 9, 2019	800,000	0.051	July 9, 2020
July 30, 2019	3,400,000	0.050	July 30, 2020
July 31, 2019	460,000	0.070	July 31, 2020
September 3, 2019	3,750,000	0.110	September 3, 2021 *
September 24, 2019	100,000	0.105	September 24, 2020
November 22, 2019	2,705,000	0.050	November 22, 2021
	23,459,000	0.07	

\* expired or were cancelled subsequent to year end.

The Company recognized \$1,877,530 (2018: \$973,859) in share based compensation and \$1,583,599 (2018: \$1,461,250) related to the issuance of common share compensation for milestone achievements for the year ended December 31, 2019.

The fair value of options was estimated using the Black-Scholes Option Pricing Model based on the date of grant and using the following assumptions:

Grant date	Risk-free interest rate	Expected stock price volatility	Expected life	Fair value Option price (post split)
February 6, 2018	1.75%	80%	2	0.063
February 13, 2018	1.75%	80%	2	0.063
April 3, 2018	1.79%	80%	2	0.063
May 4, 2018	1.87%	80%	2	0.063
June 6, 2018	1.93%	80%	2	0.063
July 8, 2018	1.89%	80%	2	0.063
August 15, 2018	2.06%	179%	2	0.085
October 15, 2018	2.40%	126%	5	0.128
November 6, 2018	2.33%	119%	1	0.093
December 18, 2018	1.91%	117%	1	0.069
January 14, 2019	1.89%	115%	5	0.070
February 4, 2019	1.83%	110%	2	0.075
February 6, 2019	1.80%	109%	1	0.075
March 14, 2019	1.66%	103%	1	0.073
March 27, 2019	1.44%	101%	5	0.069
July 9, 2019	1.53%	99%	1	0.051
July 30, 2019	1.58%	80%	1	0.050
July 31, 2019	1.16%	82%	1	0.070
September 3, 2019	1.34%	141%	2	0.110
September 24, 2019	1.53%	89%	1	0.105
November 18, 2019	1.57%	109%	2	0.014
November 22, 2019	1.61%	109%	2	0.013

All option grants have an expended dividend yield of 0% and a forfeiture rate of 0%.

## **6. SHARE CAPITAL (continued)**

On February 6, 2018, the Company granted 7,570,000 stock options to directors, officers and consultants of the Company, exercisable at \$0.0625 for a period of two years. All options vest immediately on the date of grant.

On February 13, 2018, the Company granted 3,200,000 stock options to consultants of the Company, exercisable at \$0.0625 for a period of two years. All options vest immediately on the date of grant.

On April 3, 2018, the Company granted 800,000 stock options to a consultant of the Company, exercisable at \$0.0625 for a period of two years. All options vest immediately on the date of grant.

On May 4, 2018, the Company granted 1,170,000 stock options to directors, officers and consultants of the Company, exercisable at \$0.0625 for a period of two years. All options vest immediately on the date of grant.

On May 4, 2018, the Company granted 320,000 stock options to a consultant of the Company, exercisable at \$0.0625 for a period of two years. The options vest equally over four quarters starting June 1, 2018 through March 1, 2019.

On June 6, 2018, the Company granted 40,000 stock options to a consultant of the Company, exercisable at \$0.0625 for a period of two years. All options vest immediately on the date of grant.

On July 8, 2018, the Company granted 1,000,000 stock options to a consultant of the Company, exercisable at \$0.0625 for a period of two years. All options vest immediately on the date of grant.

On August 15, 2018, the Company granted 1,300,000 stock options to consultants of the Company, exercisable at \$0.085 for a period of two years. All options vest immediately on the date of grant.

On October 15, 2018, the Company granted 5,440,000 stock options to directors and officers of the Company, exercisable at \$0.1275 for a period of five years. All options vest immediately on the date of grant.

On November 6, 2018, the Company granted 2,520,000 stock options to directors and consultants of the Company, exercisable at \$0.093 for a period of two years. All options vest immediately on the date of grant.

On December 18, 2018, the Company granted 600,000 stock options to consultants of the Company, exercisable at \$0.069 for a period of one year. All options vest immediately on the date of grant.

On January 14, 2019, the Company granted 6,000,000 stock options to directors and officers of the company, exercisable at \$0.07 for a period of five years. These options vest immediately on the date of grant.

On February 4, 2019, the Company granted 5,800,000 stock options to a consultant of the Company, exercisable at \$0.075 for a period of five years. 18% of the options vest on date of grant, with 12% of the options vesting ever quarter thereafter with the final quarter vesting the remaining 10%.

## **6. SHARE CAPITAL (continued)**

On February 6, 2019, the Company granted 550,000 stock options to consultants of the Company, exercisable at \$0.075 for a period of one year. 40% of the options vest on date of grant, with 20% of the options vesting every quarter thereafter.

On March 14, 2019, the Company granted 800,000 stock options to a consultant of the Company, exercisable at \$0.0725 for a period of one year.

On March 27, 2019, the Company granted 4,000,000 stock options to directors and officers of the company, exercisable at \$0.069 for a period of five years. These options vest immediately on the date of grant.

On July 9, 2019, a total of 800,000 options stock options were granted to purchase common shares, exercisable on or before July 9, 2020, at an exercise price of \$0.051 per share.

On July 30, 2019, a total of 6,600,000 options stock options were granted to purchase common shares, exercisable on or before July 30, 2020, at an exercise price of \$0.05 per share.

On July 31, 2019, a total of 460,000 options stock options were granted to purchase common shares, exercisable on or before July 31, 2020, at an exercise price of \$0.07 per share.

On September 3, 2019, a total of 9,755,000 options were granted to purchase common shares, exercisable on or before September 3, 2021, at an exercise price of \$0.11 per share. Of these 9,755,000 options granted, 3,750,000 options were cancelled on November 20, 2019 and 2,255,000 options were cancelled on November 26, 2019.

On September 24, 2019, a total of 100,000 options were granted to purchase common shares, exercisable on or before September 24, 2020, at an exercise price of \$0.105 per share. The options vest immediately on the date of grant.

On November 18, 2019, the Company granted 3,052,844 stock options to a consultant, exercisable at \$0.055 per share for a period of 2 years. The options vest immediately on the date of grant. These options were exercised in full on December 4, 2019.

On November 22, 2019, the Company granted 2,705,000 stock options to various consultants and a director of the Company exercisable at \$0.05 per share for a period of 2 years. The options vest immediately on the date of grant.

### **d) Share-based payment reserve**

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

## 7. RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with companies that are controlled by directors and related parties of the Company:

	Years ended	
	Dec 31, 2019	Dec 31 2018
Consulting and other fees	\$ 330,291	\$ 586,103
Travel and business development	87,345	79,091
Stock-based compensation	1,289,220	657,323
Milestone shares issued	1,583,599	1,461,250
	<u>\$ 3,290,455</u>	<u>\$ 2,783,767</u>

As at December 31, 2019, the CEO owed the Company \$9,864 and a director and a company related to him owed the Company \$247,753 for subscriptions receivable.

As at December 31, 2017, a balance of \$129,662 was due to Agra, which was unsecured, non-interest bearing, and had no fixed terms of repayment. During the year ended December 31, 2018, the full balance of the debt was forgiven by Agra. The Company recognized a gain on forgiveness of debt in the amount of \$129,662 during the year.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2019, the Company has total accounts payable of \$249,378 (2018 - \$56,515) and \$30,000 of accrued liabilities (2018 - \$180,496). Such costs relate mainly to payables for work fees and general operating expenses.

## 9. LEASE LIABILITY

On adoption of IFRS 16, the Company identified its office rental agreement as right-of-use asset, and recognized a corresponding lease liability, which was discounted at the Company's incremental borrowing rate of 8%.

The changes in the Company's lease liability for the year ended December 31, 2019 are as follows:

Recognition of office lease	\$ 82,391
Lease payments	(38,562)
Finance charges	(4,476)
Balance prior to termination	39,353
Write off of right-of-use asset, net of amortization of \$44,941	(37,451)
Deposit lost on termination	(3,908)
Loss on termination of lease	<u>\$ (2,006)</u>

## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Fair value of financial instruments

The carrying values of cash, receivables, trade payables, and other liabilities approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The Company's cash is measured using level 1 inputs.

### Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing and revenue generation. Cash on hand at December 31, 2019 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company may need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof. Liquidity risk is assessed as high.

#### Market risk

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

##### (a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

## **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

### **(b) Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. Foreign currency risk is assessed as low.

### **Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **11. SUBSEQUENT EVENTS**

On January 10, 2020, the Company issued 5,666,667 common shares to acquire intellectual property from 9385-4594 Quebec Inc.

On January 13, 2020, the Company entered into a drawdown equity facility agreement to obtain up to \$2,500,000 by issuing securities at a purchase price at a 10% discount to the current market price. One security unit includes one common share and one share purchase warrant. The warrant has an exercise price equal to a 50% premium to the purchase price and exercisable for 36 months following each closing date

On January 15, 2020, the Company issued 12,110,000 units at \$0.05 per unit raising gross proceeds of \$605,500. Each unit consisted of one common share of the Company and one transferable common share purchase warrant exercisable at \$0.075 per warrant for 2 years.

On January 24, 2020, the Company cancelled an aggregate of 1,930,756 common shares.

On January 28, 2020, the Company granted 6,850,000 stock options to certain directors, officers and consultants of the Company exercisable at \$0.05 per common share expiring 1-2 years from the date of grant.

On January 30, 2020, the Company granted 4,300,000 stock options to certain directors, officers and consultants of the Company exercisable at \$0.05 per common share expiring 2 years from the date of grant.

On March 9, 2020, the Company granted 2,000,000 stock options to certain consultants of the Company exercisable at \$0.05 per common share expiring 3 years from the date of grant.

On March 10, 2020, the Company issued 2,000,000 units of the Company at a price of \$0.05 per unit. Each unit consists of one common share and one transferable common share purchase warrant with an exercise price of \$0.075 per share, expiring 2 years from the date of grant.

On March 11, 2020, the Company issued 5,197,500 common shares to consultants of the Company to settle debt in the amount of \$259,875. The common shares were issued at a price of \$0.05 per common share.



## 11. SUBSEQUENT EVENTS (continued)

On Apr 1, 2020, the Company granted 100,000 options to a consultant of the Company, exercisable at \$0.05 for a period of one year. These options vest immediately on the date of grant.

On April 2, 2020 the Company announced its intention to reprice an aggregate of 59,295,920 common share purchase warrants (the "Warrants") to \$0.05 per common share until May 4, 2020. The reprice will extend to all outstanding warrants. It extends to outstanding Warrants with an exercise price between \$0.05 and \$0.125 and an expiry date between May 4, 2020 and January 15, 2022.

On April 14, 2020, the Company issued 1,588,000 common shares pursuant to a warrant exercise at a price of \$0.05 per share for aggregate proceeds of \$79,400.

On April 23, 2020 the Company entered into a Letter of Intent to acquire 100% of the issued and outstanding securities of CWE European Holdings Inc. ("CWE"), a Canadian Corporation, which owns and operates HANF Hemp Stores ("HANF") in Germany and Luxembourg. HANF is operating a seed-to-sale hemp CBD business in German-speaking countries in Europe, and will become a fully owned subsidiary by way of share exchange in consideration for the issuance of 100,000,000 common shares of the Company at a price of \$0.05 per share to the shareholders of CWE for a value of \$5,000,000. Upon completion of the transaction, CWE will become a wholly-owned subsidiary of the Company.

On April 28, 2020, the Company granted 750,000 options to a consultant of the Company, exercisable at \$0.05 for a period of two years. These options vest immediately on the date of grant.

Subsequent to December 31, 2019, a total of 2,550,000 options expired without exercise, and a further 8,440,000 were cancelled.

Subsequent to December 31, 2019, a total of 15,457,920 warrants with and exercise price of \$0.125 expired without exercise.

COVID-19: Since December 31, 2019 the outbreak of the novel strain of Coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self – imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.