LUFF ENTERPRISES LTD.

(formerly Ascent Industries Corp.)

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

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April 21, 2021
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Luff Enterprises Ltd.

Opinion

We have audited the consolidated financial statements of Luff Enterprises Ltd. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations, changes in equity and cash flow for the periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $6,438,047 during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit of $66,251,957. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the 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.

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

(continues)

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 Justin Rousseau.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Professional Accountants

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTIRES CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 1,932,363	$ 3,993,021
Trade and other receivables *(Note 6)*	679,318	746,877
Prepaid expenses *(Note 7)*	60,729	72,030
Investments *(Note 9)*	408,204	376,502
Inventory *(Note 8)*	143,330	-
Note receivable *(Note 12)*	727,925	-
Total Current Assets	3,951,869	5,188,430
Long-term assets		
Property held for sale *(Note 10 & 11)*	5,342,463	-
Property, plant & equipment, net *(Note 10)*	2,020,379	7,368,860
Intangible assets *(Note 11)*	23,344	1,056,087
Goodwill *(Note 14)*	6,396	-
Accrued loan fees *(Note 15)*	66,477	-
Right of use asset, net *(Note 10)*	138,868	52,020
	$ 11,549,796	$ 13,665,397
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable, payroll and accrued liabilities	$ 460,736	$ 413,888
Current portion of right of use lease *(Note 13)*	141,758	-
Short-term note payable (*Note 15)*	2,000,000	-
Total Current Liabilities	2,602,494	413,888
Long-term liabilities		
Right of use lease *(Note 13)*	74,156	49,479
Loans payable *(Note 16)*	427,339	-
Total Liabilties	3,103,989	463,367
Shareholders' equity		
Share capital *(Note 17)*	72,046,643	70,513,445
Contributed surplus	1,734,012	1,572,639
Share based reserve *(Note 19)*	1,270,895	1,241,312
Accumulated other comprehensive income	(353,786)	(311,456)
Deficit	(66,251,957)	(59,813,910)
Total Shareholders' Equity	8,445,807	13,202,030
	$ 11,549,796	$ 13,665,397

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTIRES CORP.)
CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in Canadian Dollars)

Years Ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Sales	$ 20,080	$ 744,040
Cost of sales	3,547	1,748,968
Gross margin (loss)	16,533	(1,004,928)
Expenses:		
General and administration	2,841,531	8,592,913
Selling and marketing	204,156	374,733
Pre-production costs	84,245	-
Share based compensation	29,583	-
Depreciation & amortization	954,615	1,002,244
	4,114,130	9,969,890
Loss from operations	(4,097,597)	(10,974,818)
Other (income) expenses		
Interest and other	37,790	3,102,129
Share issuance cost	167,811	-
Gain on sale (*Note 3)*	-	(2,915,810)
Unrealized gain on investments	(31,702)	-
Loss on disposal (*Note 4)*	-	5,952,843
CCAA Settlement (*Note 5)*	1,716,216	5,280,251
Impairment loss (*Note 11)*	323,610	-
GST recoverable adjustment (*Note 6)*	111,670	-
Accretion expense (*Note 16)*	11,915	-
	2,337,310	11,419,413
Loss Before Income Taxes and Comprehensive Income	(6,434,907)	(22,394,231)
Income tax expense (*Note 23)*	3,140	2,154
Net Loss	(6,438,047)	(22,396,385)
Comprehensive Income		
Currency translation adjustment	(42,330)	(114,149)
Comprehensive Loss	$ (6,480,377)	$ (22,510,534)
Basic and diluted loss per share	$ (0.02)	$ (0.07)
Weighted average number of common shares outstanding, diluted	361,659,263	320,151,457

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONSOLDIATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
Years Ended December 31, 2020 and 2019

	Common Shares		Common shares to be issued $	Share-based reserve	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Shareholders' Equity
	Number	$	$	$	$	$	$	$
As at December 31, 2018	320,151,457	70,214,848	548,597	1,241,312	1,572,639	(197,307)	(37,667,525)	35,712,564
Shares issued *Note 20*	-	298,597	(298,597)	-	-	-	-	-
Shares written off *Note 20*	-	-	(250,000)	-	-	-	250,000	-
Currency translation adjustment	-	-	-	-	-	(114,149)	-	(114,149)
Net loss for the period	-	-	-	-	-	-	(22,396,385)	(22,396,385)
As at December 31, 2019	320,151,457	70,513,445	-	1,241,312	1,572,639	(311,456)	(59,813,910)	13,202,030
Shares issued for services *Note 17*	7,200,000	180,000	-	-	-	-	-	180,000
Shares issued for debt *Note 17*	35,572,372	889,309	-	-	-	-	-	889,309
Shares issued in private placement *Note 17*	27,159,203	434,875	-	-	-	-	-	434,875
Warrants issued *Note 18*	-	10,999	-	-	161,373	-	-	172,372
Convertible debenture *Note 16*	-	22,576	-	-	-	-	-	22,576
Share issuance costs	-	(4,561)	-	-	-		-	(4,561)
Share based compensation	-	-	-	29,583	-		-	29,583
Currency translation adjustment	-	-	-	-	-	(42,330)	-	(42,330)
Net loss for the period	-	-	-	-	-	-	(6,438,047)	(6,438,047)
Balance, December 31, 2020	390,083,032	$ 72,046,643	$ -	$ 1,270,895	$ 1,734,012	$ (353,786)	$ (66,251,957)	$ 8,445,807

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTIRES CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in Canadian Dollars)
Years Ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used for):		
Operating activities:		
Net Loss for the period	$ (6,438,047)	$ (22,396,385)
Items not affecting cash:		
Depreciation & amortization	954,615	1,002,244
Accretion expense	11,915	-
Gain on sale of assets	-	(2,915,810)
Share based compensation	29,583	-
Warrants issued	172,372	-
Shares issued for services	180,000	-
Debenture	438,000	-
CCAA Settlement	889,309	5,280,251
Gain on derivative liabilities	-	(1,976,063)
Unrealized gain on investments	(31,702)	-
Loss on disposal	-	5,952,843
Bad debt expense	111,670	-
Impairment loss	323,610	-
Changes in non-cash working capital balances:		
Trade and other receivables	(44,111)	39,603
Prepaid expenses	10,557	1,177,582
Inventory	(148,771)	2,019,434
Accured loan fees	(66,824)	-
Current portion of leases payable	-	(14,561)
Accounts payable, payroll and accrued liabilities	208,861	(2,998,123)
Contingent consideration	-	(500,000)
Cash used by operating activities	(3,398,963)	(15,328,985)
Investing activities:		
Purchase of intangible assets	(25,676)	-
Purchase property, plant and equipment	(86,505)	-
Proceeds on disposal of property, plant and equipment	-	18,173,217
Commission paid on asset sale	-	(978,840)
Proceeds of disposal of (Investment in) deposits for properties	-	7,595,000
Cash paid for acquisition	(20,445)	-
Note receivable, related party	(727,925)	-
Cash provided (used) by investing activities	(860,551)	24,789,377
Financing activities:		
Units & shares issued	434,875	-
Change in right of use asset	(73,627)	(195,110)
Repayment of short-term debt		(1,731,003)
Repayment of loan payable	-	(3,895,745)
Proceeds on short-term debt	2,000,000	-
Cash provided (used) by financing activities	2,361,248	(5,821,858)
Increase (Decrease) in cash and cash equivalents	(1,898,266)	3,638,534
Effect of exchange rate changes on cash	(162,392)	(984,540)
Cash and cash equivalents, beginning of period	3,993,021	1,339,027
Cash and cash equivalents, end of period	$ 1,932,363	$ 3,993,021

Note 1 – Nature of Operations and Going Concern

The Company was incorporated under the Business Corporations Act (British Columbia) on May 30, 2013 under the name Ascent Industries Corp. ("Ascent"). On May 15, 2020 the Company changed its name to Luff Enterprises Ltd. ("Luff" "the Company"). The Company's head office and principal address is located at Suite 800 – 543 Granville Street, Vancouver, BC V6C 1X8.

The Company's primary activities relate to the production of cannabinoid consumer packaged goods using THC free product. The Company holds licenses for cannabis processing, production, research, product and brand development, and distribution that could be used in the future.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. In year ended December 31, 2020 the Company has generated $20,080 in revenues from operations and incurred a net loss of $6,438,047 (revenues of $744,040 and a net loss of $22,396,385 for the year ended December 31, 2019). As of December 31, 2020, the Company had an accumulated deficit of $66,251,957 (accumulated deficit of $59,813,910 at December 31, 2019).

In the year ended December 31, 2019, the Company defaulted on certain debts and failed to secure proper licensing in Canada to produce and sell cannabis and cannabis related products. These events substantially restricted access to continue operations and, as a result, the Company filed for protection under the Companies' Creditors Arrangement Act (the "CCAA"). Effective May 26, 2020 the Company was discharged from this process, having settled with all claimants.

The Company through its subsidiaries owns the assets related to hemp cultivation, production, distribution, research and product development business outside of Canada in Oregon and Nevada. On March 14, 2019 the Company, together with its subsidiaries Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., and Agrima Scientific Corp. (collectively, the "Vendors") sold substantially all of the assets comprising the Canadian business of the Vendors for cash and the assumption of debts related to the sold assets including a greenhouse located in Pitt Meadows, British Columbia.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 2 – Summary of Significant Accounting Policies

a) Statement of compliance and basis of presentation

The accompanying consolidated financial statements have been presented in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board on a going concern basis. These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 21, 2021.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., Agrima Scientific Corp., Azeha Holdings Ltd., Agrima Botanicals ApS (Denmark), West Fork Holdings Inc., West Fork Holdings NV Inc., Sweet Cannabis Inc., Luff Enterprises LLC., Sweet Cannabis NV Inc., and Luff Enterprises NV Inc. All significant inter- company balances and transactions have been eliminated on consolidation.

In an effort to simply its corporate structure, in November 2020 the Company dissolved the following entities that had not been active for the past 12 months: AIC Health Winnipeg, AICH Health Winnipeg Wellness, AIC Health Services Corp, Nalanda Health (Thunder Bay), Nalanda Health (Toronto), Sweet Cannabis CA Inc., West Fork Holdings CA, Inc., and Luff Enterprises CA, Inc.

Note 2 – Summary of Significant Accounting Policies, continued

c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for assets classified as held for sale and available-for-sale and derivatives, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

d) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company's US subsidiaries is the US Dollar, and the functional currency of the Company's Danish subsidiary is the Danish Krone.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statements as a comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

e) Cash and cash equivalents

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash.

f) Inventory

Inventories of ingredients, purchased cannabinoids, finished goods and packaging materials are initially measured at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at cost.

The Company reviewed inventory for obsolete, redundant and slow-moving goods and any such inventories were written down to net realizable value.

g) Property, plant and equipment and Right of Use asset

Property, plant, and equipment are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Note 2 – Summary of Significant Accounting Policies, continued

g) Property, plant and equipment and Right of Use asset, continued

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in consolidated statement of operations as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

For the periods ending December 31, 2020 and 2019, depreciation is calculated on a straight-line basis over the estimated useful life of the assets on a pooled basis, as is consistent with industry practice. Management estimates those useful lives to be:

- Computer and business equipment - 3 years
- Agriculture, laboratory and production equipment - 4 to 5 years
- Furniture, fixtures and tools - 4 to 5 years
- Leasehold improvements - 10 years
- Groundworks - 10 years
- Buildings - 40 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Company capitalizes borrowing costs on capital invested in projects under construction. Upon commencement of commercial operations, capitalized borrowing costs, as a portion of the total cost of the asset, are depreciated over the estimated useful life of the related asset.

Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

Property, plant and equipment acquired during the year but not available for use are not amortized until they are available for use.

Following the adoption of IFRS 16, the Company recorded a right-of-use asset, to be amortized on a straight-line basis over the 48-month term of the lease ending June 30, 2022.

Note 2 – Summary of Significant Accounting Policies, continued

h) Intangible assets and Goodwill

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test.

For the periods ending December 31, 2020 and 2019, amortization was calculated on a straight-line basis over the estimated useful life of the assets on a pooled basis, as is consistent with industry practice. Management estimated those useful lives to be:

- Licenses - 40 years
- Software - 10 years

i) Right of Use lease

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

- The contract involves the use of an identified asset and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - The Company has the right to operate the asset: or
    - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

Note 2 – Summary of Significant Accounting Policies, continued

j) Right of Use lease, continued

This policy is applied to contracts entered into, or changed, after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Right of use leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

A leased asset is amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term.

The Company has elected to recognize the lease payments associated with short term leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.

k) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment.

Note 2 – Summary of Significant Accounting Policies, continued

l) Share capital

Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Share capital issued for nonmonetary consideration is recorded at an amount based on fair market value of the shares on the date of issue.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. When shares and warrants are issued at the same time, the proceeds are allocated first to common shares issued, according to their fair value and the residual value being allocated to warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

m) Share-based payments

The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry.

The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are transferred to deficit in the year of forfeiture or expiry.

n) Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available for sale and changes in the fair value of the effective portion of cash flow hedging instruments.

o) Loss per share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the year. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti- dilutive.

Note 2 – Summary of Significant Accounting Policies, continued

p) Revenue recognition

The Company generates revenue primarily from the sale of cannabidiol (CBD) and CBD related products. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligation(s) in the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligation(s) in the contract
5. Recognizing revenue when or as the Company satisfies the performance obligation(s)

Revenue from the sale of CBD is generally recognized when control over the goods has been transferred to the customer. Payment for wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company's credit policy upon the transfer of goods to the customer. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

q) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete the development to use or sell the asset.

r) Income taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current income taxes

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Note 2 – Summary of Significant Accounting Policies, continued

r) Income taxes, continued

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

s) Statement of cash flow

The Company is using the indirect method in its presentation of the Statement of Cash Flow.

t) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified at amortized cost, at fair value through other comprehensive income (FVOCI) or fair value profit or loss (FVTPL). The determinant of the classification of the financial asset is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

The Company’s financial assets include cash and cash equivalents, trade and other receivables, notes receivable, and investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets unless it is measured at amortized cost or at fair value through other comprehensive income. The company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Company may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

The Company has designated investments at fair value through profit or loss.

Note 2 – Summary of Significant Accounting Policies, continued

t) Financial instruments, continued

Amortized cost

Financial assets are measured at amortized cost if the two following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has designated cash and cash equivalents, notes receivable, and trade and other receivables at amortized cost.

Fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income is permitted by IFRS 9 if the two following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has not designated any financial assets at fair value through other comprehensive income upon initial recognition.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Note 2 – Summary of Significant Accounting Policies, continued

t) Financial instruments, continued

Impairment of financial assets

The Company has to recognize a loss allowance for expected credit losses on all financial assets and certain off-balance sheet loan commitments and guarantees. The expected credit loss model requires a loss allowance to be claimed on the financial asset regardless of whether an actual loss event has occurred. This differs from the IAS 39 standards which specified that an allowance is recorded on performing loans to capture losses only when there was objective evidence that a financial asset or a group of financial assets is impaired.

The expected credit loss model presents three stages of credit loss allowances that must be assessed on all financial assets acquired by the Company. At the reporting date, if the credit risk of a financial asset has not significantly changed from initial recognition an allowance for that financial instrument at an amount equal to a 12-month expected credit losses is recognized (Stage 1). Once the financial assets credit risk significantly increases from initial recognition, a lifetime expected credit loss will be recognized (Stage 2). At Stage 2 the interest revenue from the asset will continue to be calculated on the carrying value of the asset before impairments. If the credit quality of the financial asset deteriorates, the lifetime expected loss will continue to be recognized however the interest revenue will now be calculated on the net amortized carrying value after deducting the loss allowance (Stage 3).

The assessment of significant increases in credit loss is completed at the reporting date and considers historical events, current market conditions and supportable information about future economic conditions that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If in a subsequent year the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include accounts payable, payroll and accrued liabilities, short-term notes payable, loans payable, and right of use leases.

Note 2 – Summary of Significant Accounting Policies, continued

t) Financial instruments, continued

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as measured at fair market value if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities at fair value are recognized in the statement of comprehensive income.

The Company has not designated any financial liabilities as fair value through profit or loss.

Amortized cost
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance costs in the statement of comprehensive income.

The Company's financial liabilities include accounts payable, payroll and accrued liabilities, short-term notes payable, loans payable, and right of use leases.

Derecognition

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

Note 2 – Summary of Significant Accounting Policies, continued

u) Significant accounting judgements, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below.

Significant judgments

a. Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably convertible debt and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. The assumptions regarding the derivative liabilities are disclosed in Note 25.

b. Estimated useful lives and depreciation of property, plant and equipment, intangible assets and impairment of assets

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

Significant estimates

(a) Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Note 2 – Summary of Significant Accounting Policies, continued

u) Significant accounting judgements, estimates and assumptions

(b) Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(c) Revenue from contracts with customers

The Company has determined that goods and services rendered are capable of being distinct and it recognizes revenue when the customer receives and continuously uses the benefits of the goods and services provided. The transaction price is based on specific contract rates and does not contain variable consideration or significant financing components.

(d) Share based payments and warrants

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

(e) Leased assets

The application of IFRS 16 Leases requires assumptions and estimates in order to determine the value of the right of use asset and lease liabilities. Judgement must be applied when determining the implicit and incremental rates of borrowing, as applicable. Judgement must also be applied as to whether renewal options are reasonably certain of being exercised and whether periods covered by an option to terminate are reasonably certain of not being exercised.

(f) Investments in associates

Management has applied significant judgement in the determination of whether or not the Company exerts significant influence with respect to its investments, which then allows the Company to account for investments under the cost accounting method. Further, management has applied significant judgement and made use of management estimates and assumptions in determining and quantifying any impairment losses that may need to be recorded against its investments in associates.

Note 2 – Summary of Significant Accounting Policies, continued

v) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

w) Measurement uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Note 2 – Summary of Significant Accounting Policies, continued

x) Foreign currency transactions

The Company's functional currency is the Canadian dollar. Transactions undertaken in foreign currencies are translated into Canadian dollars at the daily exchange rates prevailing when the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates and non-monetary items are translated at historical exchange rates. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of comprehensive loss.

The assets and liabilities of foreign operations are translated into Canadian dollars suing period-end exchange rates. Income, expenses and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations into Canadian dollars are recognized in other comprehensive loss and accumulated in equity.

y) Government grants

The Company received certain government assistance in the form of Canada Emergency Wage Subsidy and U.S. Paycheck Protection Program in connection with the COVID-19 pandemic. These subsidies are recognized in profit and loss on a systematic basis, over the periods in which the entity recognizes as expenses the related costs, for which the subsidies are intended to compensate.

z) Segmented information

Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct and the operating results are regularly reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation decisions and assessing its performance. Reportable segments are Operating segments whose revenues or profit/loss or total assets exceed ten percent of more of those of the combined entity.

Key measures used by the CODM to assess performance and make resource allocation decisions include revenues, gross profit and net (loss) income. The Company's operating results are divided into one reportable segment plus corporate (other). The reportable segment is Hemp Products. The Company primarily operates in the Hemp segment. The Company also reports segments based on location. The Company has two operating locations reported as segments: Canada and the United States.

(Expressed in Canadian Dollars)

Note 3 – Sale of Canadian Operating Assets

Effective April 8, 2019 and pursuant to an order issued by the Supreme Court of British Columbia on March 25, 2019, the Company sold the Pitt Meadows facility, the Maple Ridge facility and a lease contract to BZAM Management Inc. and subsequently commenced the winding up of its Canadian operations.

The consideration was allocated as follows:

Sale of Assets		
Gross Consideration	$	**19,152,056**
Less Commission		**(978,840)**
Inventory		**(541,877)**
Prepaids		**(103,221)**
Deposits and Construction in Progress		**(14,432,232)**
Property, Plant and Equipment		**(10,674,398)**
Assumption of Long-term Debt		**8,518,259**
Assumption of Derivative Debt		**1,976,063**
	$	**2,915,810**

Note 4 – Loss on Write-down of Assets

The Company recorded a loss on the write-down of its assets in Canada and Denmark which were deemed to have no value, in the total amount of $5,952,843 at December 31, 2019. See Note 11: Intangible Assets.

Note 5 – CCAA Settlement

On March 1, 2019, by order of the Supreme Court of British Columbia, Ascent Industries Corp. along with the wholly owned subsidiaries, Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., Agrima Scientific Corp., and West Fork Holdings NV Inc. (the "Petitioners") were granted protection under CCAA from its creditors under Vancouver Registry No. S-192188. Ernst & Young Inc. was appointed as Monitor of the Petitioners.

The allowable claims were segregated into two classes:

(i) the unaffected claims: claims below $11,100 and paid in full;

(ii) the affected claims: claims affected by the compromise - 51% of the original allowed amount paid.

In addition to the cash settlement of $9,361,913 paid in final settlement, Company issued the affected claimants the 35,572,372 common shares with an aggregate value of $889,309 to eligible affected shareholders on March 03, 2020.

The Company recorded a loss on its settlement with CCAA in the amount of $5,280,251 at December 31, 2019. CCAA settlement expenses were $1,716,216 for the year ended December 31, 2020.

On March 6, 2020, the Company announced that it had implemented its first amended and restated consolidated plan of compromise, arrangement and organization (the "Plan") under the Companies' Creditors Arrangement Act ("CCAA"). Distributions under the Plan, as well as the issuance of common shares of Ascent that were to be issued pursuant to the terms of the Plan, have been completed. The stay of proceedings expired on March 6, 2020 and the Company's CCAA proceedings concluded upon expiry of the stay.

(Expressed in Canadian Dollars)

Note 6 – Trade and Other Receivables

		December 31 2020		December 31 2019
Trade receivables	**$**	**15,279**	$	-
GST recoverable		**664,039**		746,877
	$	**679,318**	$	746,877

During the year ended December 31, 2020 approximately $112,000 of GST recoverable was written off as a result of the reassessment of the GST recoverable amount. In the year ended December 31, 2019 no bad debt expense was recognized.

Note 7 – Prepaid Expenses

		December 31 2020		December 31 2019
Prepaid vendors	**$**	**6,488**	$	14,295
Prepaid rent		**-**		57,735
Deposits		**54,241**		-
	$	**60,729**	$	72,030

Note 8 – Inventory

		December 31 2020		December 31 2019
Packaging	**$**	**48,971**	$	-
Ingredients and cannabinoids		**31,956**		-
Finished goods		**62,403**		-
	$	**143,330**	$	-

Inventory expense was $3,547, and there were no write downs of inventory for the years ending December 31, 2020 ($nil for the year ended December 31, 2019).

Note 9 – Investments

During the year ended May 31, 2018, the Company invested in Enhanced Pet Sciences Corp., a privately held, startup company that is developing consumer packaged goods incorporating cannabinoid extracts. The Company does not have significant influence or control over the investee. The investee is privately held and there is no quoted market price for its common shares.

Through its amalgamation with Paget Minerals Corp in August 2018, the Company acquired a 1.5% royalty in the Buck claim within the Capoose block of the Blackwater Gold-Silver Project (the Project). There is uncertainty as to the collectability of the royalty as the Buck Claim was not part of the feasibility study completed recently by the Project owner. The investment is held at fair value, and management believes that $nil is the fair value at December 31, 2020 and 2019.

(Expressed in Canadian Dollars)

Note 9 – Investments, continued

During the period ended December 31, 2018, the Company acquired an investment in Sebastiani Ventures Corp, a publicly traded company previously held by Paget Minerals Corp. The Company does not have significant influence or control over the investee.

Also, through its amalgamation with Paget Minerals, the Company acquired the right to future payments, made primarily in shares, from Evrim Resources (Evrim), of third party and/or joint venture projects related to the Ball Creek Project. Evrim entered into a joint venture project with Golden Ridge Resources, Ltd., in 2019. The Company has received 144,102 shares in Golden Ridge Resources Ltd., pursuant to the agreement. These shares are still held and are valued at fair market value. The right to additional payments was acquired by Origen Royalties in 2020 for $20,000.

	December 31 2020	December 31 2019
Enhanced Pet Sciences Corp.	$ **360,000**	$ 360,000
Golden Ridge Resources Ltd.	**31,702**	-
Sebastiani Ventures Corp.	**16,502**	16,502
	$ **408,204**	$ 376,502

Note 10 – Property, Plant and Equipment and Right of Use Asset

Cost	December 31 2019	Additions	Adjustments/ Transfers	Disposals	**December 31 2020**
Land	$ 667,177	$ -	$ (1,018)	$ -	**$ 666,159**
Buildings	4,308,175	-	(6,573)	-	**4,301,602**
Computer equipment	71,211	3,157	(109)	-	**74,259**
Software	7,157	-	(11)	-	**7,146**
Mobile equipment	33,000	-	(50)	-	**32,950**
Furniture and fixtures	52,733	-	(80)	-	**52,653**
Security equipment	185,642	-	(283)	-	**185,359**
Tools and equipment	1,114,513	-	(1,114,513)	-	**-**
Lab equipment	223,818	83,348	1,112,471	-	**1,419,637**
Leasehold improvements	2,359,348	-	(3,600)	-	**2,355,748**
Right of use assets	244,589	277,737	(244,589)	-	**277,737**
	$ 9,267,363	$ 364,242	$ (258,355)	$ -	**$ 9,373,250**

(Expressed in Canadian Dollars)

Note 10 – Property, Plant and Equipment and Right of Use Asset, continued

Accumulated Amortization	December 31 2019	Additions	Adjustments/ Transfers	Disposals	**December 31 2020**
Buildings	$ (224,384)	$ (107,540)	$ -	$ -	**$ (331,924)**
Computer equipment	(44,850)	(24,621)	68	-	**(69,403)**
Software	(3,877)	(2,382)	6	-	**(6,253)**
Mobile equipment	(17,875)	(8,924)	27	-	**(26,772)**
Furniture and fixtures	(20,191)	(10,531)	32	-	**(30,690)**
Security equipment	(111,119)	(58,808)	170	-	**(169,757)**
Tools and equipment	(570,426)	-	570,426	-	**-**
Lab equipment	(118,149)	(339,183)	(569,375)	-	**(1,026,707)**
Leasehold improvements	(543,044)	(235,574)	827	-	**(777,791)**
Right of use assets	(192,569)	(138,869)	192,569	-	**(138,869)**
	$ (1,846,484)	$ (926,432)	$ 194,750	$ -	**$ (2,578,166)**

Cost	December 31 2018	Additions	Adjustments/ Transfers	Disposals	**December 31 2019**
Construction in progress	$ 6,361,671	$ -	$ -	$ (6,361,671)	**$ -**
Land	1,321,159	-	-	(653,982)	**667,177**
Buildings	9,416,042	-	-	(5,107,867)	**4,308,175**
Computer equipment	504,840	-	-	(433,629)	**71,211**
Wireless network	87,003	-	-	(87,003)	**-**
Software	42,317	-	-	(9,317)	**33,000**
Mobile equipment	77,815	-	-	(42,019)	**35,796**
Furniture and fixtures	345,705	-	-	(292,972)	**52,733**
Security equipment	609,038	-	-	(452,035)	**157,003**
Tools and equipment	2,122,614	-	-	(790,806)	**1,331,808**
Lab equipment	2,896,968	-	-	(2,890,445)	**6,523**
New groundwork	133,182	-	-	(133,182)	**-**
Leasehold improvements	3,835,024	-	-	(1,475,676)	**2,359,348**
Right of use assets	-	244,589	-	-	**244,589**
	$ 27,753,378	$ 244,589	$ -	$ (18,730,604)	**$ 9,267,363**

(Expressed in Canadian Dollars)

Note 10 – Property, Plant and Equipment and Right of Use Asset, continued

Accumulated Amortization	December 31 2018	Additions	Adjustments/ Transfers	Disposals	**December 31 2019**
Buildings	$ (922,308)	$ (137,910)	$ -	$ 835,834	**$ (224,384)**
Computer equipment	(192,991)	(30,394)	-	178,535	**(44,850)**
Wireless network	(87,003)	-	-	87,003	**-**
Software	(23,440)	(11,444)	-	17,009	**(17,875)**
Mobile equipment	(39,364)	(11,459)	-	39,290	**(11,533)**
Furniture and fixtures	(177,339)	(13,505)	-	170,653	**(20,191)**
Security equipment	(190,316)	(67,012)	-	153,865	**(103,463)**
Tools and equipment	(489,541)	(233,760)	-	38,124	**(685,177)**
Lab equipment	(1,415,486)	(2,088)	-	1,414,176	**(3,398)**
New groundwork	(68,225)	-	-	68,225	**-**
Leasehold improvements	(398,687)	(302,103)	-	157,746	**(543,044)**
Right of use assets	-	(192,569)	-	-	**(192,569)**
	$ (4,004,700)	$ (1,002,244)	$ -	$ 3,160,460	**$ (1,846,484)**

Net Book Value	**December 31 2020**	December 31 2019
Land	**$ 666,159**	$ 667,177
Buildings	**3,969,678**	4,083,791
Computer equipment	**4,856**	26,361
Software	**893**	15,125
Mobile equipment	**6,178**	24,263
Furniture and fixtures	**21,963**	32,542
Security equipment	**15,602**	53,540
Tools and equipment	**-**	646,631
Lab equipment	**392,930**	3,126
Leasehold improvements	**1,577,957**	1,816,304
Right of use assets	**138,868**	52,020
	$ 6,795,084	$ 7,420,880

Approximately $4.6 million of the assets above, included in land and buildings, located in the United States are currently shown as held for sale on the consolidated statement of financial position. The assets consist of a warehouse building and land in Las Vegas, NV, and are reported with our Hemp Operations operating segment. We expect that a sale will close sometime in 2021.

(Expressed in Canadian Dollars)

Note 11 – Intangible Assets

		December 31 2020		December 31 2019
Licenses	$	**1,131,475**	$	1,105,799
Accumulated amortization		**(77,895)**		(49,712)
	$	**1,053,580**	$	1,056,087

Amortization expense of $28,183 was recorded in the year ended December 31, 2020 and included with depreciation and amortization in the consolidated statement of operations, and $nil in the year ended December 31, 2019.

Approximately $1 million of the licenses are shown as held for sale on the consolidated statement of financial position and reported in the Hemp Operations operating segment. Based on a preliminary offer for these licenses, and what management believes is the net realizable value for these licenses, they have been impaired by $323,610 to a value of $706,626. A sale is expected to close on these licenses sometime in 2021.

Note 12 – Loan Receivable

On January 28, 2020 the Company entered into a secured loan agreement with Enhanced Pet Sciences Corp (the Borrower) for US$500,000 (CAD$727,925). The loan bears interest at 8% per annum and is due on December 31, 2020. The principals of the borrower have provided guarantees and have provided collateral security. As the loan was not paid in full by December 31, 2020, subsequent to year end the Company entered into a revised loan agreement with the Borrower to extend the maturity of the loan to December 31, 2021. The outstanding interest of US$36,995 (CAD$49,629) was rolled into the principal balance of the loan making the outstanding loan balance US$536,995 (CAD$777,554). The revised agreement also allows for the Company to convert the loan into shares of the Borrower at a value of $.20 per common share with 10 days written notice at any time up to the repayment date. The Borrower is also to issue 100,000 common shares of the Borrower to the Company within 10 days of execution of the extended loan agreement. The interest and security collateral terms remained the same.

Note 13 – Obligations Under Right-of-Use Lease

		December 31 2020		December 31 2019
Lease liability bearing interest at 5.70% per annum, paid in full in 2020	$	**-**	$	49,479
Lease liability bearing interest at 4.25% per annum, payable in monthly payments of $12,680 due in June 2022		**215,914**		
Amounts payable within one year		**(141,758)**		-
	$	**74,156**	$	49,479

(Expressed in Canadian Dollars)

Note 13 – Obligations Under Right-of-Use Lease, continued

Future payments are as follows:		
2021	$	150,935
2022		77,308
Total Minimum Lease Payments		228,243
Less: Amount representing interest		(12,329)
Present value of minimum lease payments		215,914
Less: Current portion		(141,758)
	$	74,156

Note 14 – Acquisition

On October 23, 2020, the Company purchased Wholesome Holdings, Inc. for a purchase price of $6,396, recorded as goodwill on the consolidated statement of financial position at December 31, 2020. The purchase provided the Company with access to already established CBD merchant service accounts, bank accounts and a fulfillment account with a third-party logistics provider. The acquisition was a strategic decision inline with the Company's business plan to launch ecommerce marketplaces to access the national CBD market in the United States. Management determined that this acquisition did not meet the requirements of being recorded as a business combination and therefore it was recorded as an asset acquisition.

Note 15 – Short Term Note Payable

A wholly owned subsidiary of the Company had a mortgage on its property in Maple Ridge, BC. The mortgage was discharged in the course of the asset sale in 2019 (Note 3).

On December 18, 2020, the Company closed a $2,000,000 short term financing, made of $500,000 from Safeco Developments Ltd and $1,500,000 from Interdiam Investments Corp. The loan matures on September 18, 2021 and is payable in interest only payments with the principal payable in full at maturity. Interest accrues at 12% per annum. Interest expense recognized in the consolidated statement of operations is $9,836 for the year ended December 31, 2020 (none at December 31, 2019). 12,000,000 warrants were issued to the lenders at a conversion price of $0.025 expiring in 24 months. The Company also accrued approximately $66,000 of loan fees to be amortized over the life of the loan.

Note 16 – Convertible Debenture and Long-Term Liabilities

Effective May 29, 2017 and as amended July 26, 2018, a wholly owned subsidiary of the Company had an 8.0% interest only mortgage on its Las Vegas, NV property. The aggregate amount of the mortgage is $4,000,000 and was due in 2019. The mortgage was discharged during the course of the asset sale in 2019 (Note 3).

On May 28, 2020, the Company issued a three-year unsecured convertible debenture having a principal amount of $438,000 (the "Convertible Debenture") to a company controlled by a shareholder of the Company for the reimbursement of costs incurred by the shareholder in connection with the CCAA proceedings deemed of benefit and in the interest of the Company. The Convertible Debenture is convertible into 17,520,000 Common shares of the Company at the election of the shareholder, at any time and by the Company's election, during any period where the 20-day weighted average trading price of the Company's common shares is $0.10 or greater.

(Expressed in Canadian Dollars)

Note 16 – Convertible Debenture and Long-Term Liabilities, continued

The Convertible Debenture is presented on the consolidated statement of financial position as follows:

		December 31 2020		December 31 2019
Principal balance	$	**427,339**	$	-
Debt discount balance	$	**22,576**	$	-

The Convertible Debenture has been discounted to its net present value using a coupon rate of 6% and a yield rate of 8%. The debt discount is amortized over the term of the note using the effective interest rate. Accretion expense of $11,915 is included in the consolidated statement of operations for the year ended December 31, 2020 (none at December 31, 2019). The debt discount balance of $22,576 is included in equity on the consolidated statement of financial position.

Note 17 – Share Capital

		December 31 2020		December 31 2019
Authorized:				
Unlimited common and preferred shares with no par value				
Issued:				
390,083,032 Common Shares	$	**72,046,643**	$	70,513,445

At December 31, 2020, there were 390,083,032 issued and fully paid common shares (December 31, 2019 320,151,457).

On March 3, 2020, the Company issued 35,572,372 common shares at a price of $0.025 per share under the Plan of Compromise, Arrangement and Reorganization (Note 5). On May 15, 2020, the Company issued 7,200,000 common shares at a price of $.025 per share to settle professional services debts.

On September 22, 2020, the Company completed a non-brokered Private Placement issuing 27,159,203 common shares at a price of $0.016 per share for gross proceeds of $434,875. All securities issued under the Private Placement are subject to a four month hold period expiring January 22, 2021, in accordance with applicable securities laws. Finder’s fees of $1,340 were paid in connection with the offering.

(Expressed in Canadian Dollars)

Note 18 – Share Purchase Warrants

	Amount		Value per Share
Balance, May 31, 2018	**12,500,000**	$	0.250
Expired	**(12,000,000)**		0.250
Issued	**2,885,130**		0.400
Issued	**33,493,741**		0.500
Issued	**56,581,500**		0.600
Exercised	**(51,796)**		0.400
Exercised	**(2,833,334)**		5.000
Exercised	**(1,796,499)**		0.600
Balance, December 31, 2018	**88,778,742**		0.250
Expired	**(350,000)**		0.600
Balance, December 31, 2019	**88,428,742**	$	0.050
Issued	**12,000,000**		0.025
Balance, December 31, 2020	**100,428,742**	$	0.038

During the year ended December 31, 2019, 350,000 warrants at a deemed exercise price of $0.60 expired. On June 11, 2020, the Company issued a Supplemental Indenture whereby all outstanding warrants were repriced to a reduced exercise price of $0.05 per warrant and an extended expiration date of June 24, 2021. The fair value of the warrants at the date of grant was estimated to be $161,373 based on the following weight average assumptions: stock price volatility – 85%, risk free rate - .25%, dividend yield – 0.00% and expected life of 12 months.

The Company also issued 12,000,000 warrants in connection with a short-term financing that was closed on December 23, 2020 (see Note 15). These warrants were issued at a price of $0.025 and expire on December 23, 2022. The fair value of the warrants at the date of grant was estimated to be $10,999 based on the following weight average assumptions: stock price volatility – 85%, risk free rate - .25%, dividend yield – 0.00% and expected life of 24 months.

The following table summarizes the warrants that remain outstanding as at December 31, 2020:

Exercise Price	Number of Warrants	Expiry Date
$0.05	88,428,742	June 24, 2021
$0.025	12,000,000	December 23, 2022

Note 19 – Share-Based Compensation

During the year ended May 31, 2018, the shareholders of the Company approved a Stock Option Plan to attract and retain directors, employees, officers and consultants for contributions towards the long-term goals of the Company. The directors approved the continuance of this plan in June 2020 by reserving 10% of the issued and outstanding shares for stock options.

In the year ended December 31, 2019, all stock options expired or were cancelled when staff was terminated.

(Expressed in Canadian Dollars)

Note 19 – Share-Based Compensation, continued

At the October 29, 2020 board meeting the Directors of the Company voted to adopt the Amended and Restated Stock Option and Restricted Share Unit Plan (the Amended Plan). The Amended Plan now includes Restricted Share Units (RSUs) as a form of employee compensation. The Directors also approved 15,000,000 RSUs to be granted to executive management and directors, vesting over a two-year period. RSUs vest at current market value per share. No RSUs were issued in 2020. In addition, 4,000,000 stock options were granted to employees vesting over a four-year period at an exercise price of $0.02 per share. Share based compensation expense of $29,583 was recognized in the consolidated statements of operations for the year ended December 31, 2020 (none for the year ended December 31, 2019).

Note 20 – Supplemental Cash Flow Information

During the year ended December 31, 2019, obligation to issue shares in the First Circle Medical Pharmacy and Clinic acquisition was reversed in the amount of $250,000; exercise of warrants related to same acquisition was reversed in the amount of $298,597; and income taxes were paid in the amount of $2,154.

On March 3, 2020 the Company issued 35,572,372 common shares having an inferred value of $889,309 in relation to the final settlement of Affected Creditor claims under CCAA proceedings.

On May 15, 2020, the Company issued 7,200,000 common shares at a price of $.025 per share to settle professional services debts.

On May 28, 2020, the Company issued a three-year unsecured convertible debenture having a principal amount of $438,000 (the "Convertible Debenture") to a company controlled by a shareholder for the reimbursement of costs incurred the shareholder in connection with the CCAA proceedings deemed of benefit and in the interest of the Company. (See Note 16).

Note 21 – Segmented Information

The Company generates revenue in two distinct segments: Hemp products and other. All revenues during the year ended December 31, 2020 and the year ended December 31, 2019 were generated in the hemp products segment and all material assets and liabilities are located in the hemp products segment.

	Hemp Products	Other	Total
For the year ended December 31, 2020			
Revenue	$ 20,080	$ -	$ 20,080
Gross profit (loss)	16,533	-	16,533
Income (loss) from operations	(4,097,597)	-	(4,097,597)
Net income (loss)	(6,438,047)	-	(6,438,047)
For the year ended December 31, 2019			
Revenue	$ 744,040	$ -	$ 744,040
Gross profit (loss)	(1,004,928)	-	(1,004,928)
Income (loss) from operations	(10,974,818)	-	(10,974,818)
Net income (loss)	(10,974,818)	(11,421,567)	(22,396,385)
As at December 31, 2020			
Total assets	$ 11,549,796	$ -	$ 11,549,796
Total liabilties	3,103,989	-	3,103,989
As at December 31, 2019			
Total assets	$ 8,681,593	$ 4,983,804	$ 13,665,397
Total liabilties	30,611	432,751	463,362

(Expressed in Canadian Dollars)

Note 21 – Segmented Information, continued

The Company generates revenue in two geographical locations: Canada and the USA. All revenues during the year ended December 31, 2020 and the year ended December 31, 2019 were generated in Canada and the USA and all material assets and liabilities were located in Canada and the USA.

	Canada	USA	Total
For the year ended December 31, 2020			
Revenue	$ -	$ 20,080	$ 20,080
Gross profit (loss)	-	16,533	16,533
Income (loss) from operations	(2,422,448)	(1,675,149)	(4,097,597)
Net income (loss)	(5,043,135)	(1,394,912)	(6,438,047)
For the year ended December 31, 2019			
Revenue	$ -	$ 744,040	$ 744,040
Gross profit (loss)	-	(1,004,928)	(1,004,928)
Income (loss) from operations	(6,894,790)	(4,080,028)	(10,974,818)
Net income (loss)	(17,628,880)	(4,767,505)	(22,396,385)
As at December 31, 2020			
Total assets	$ 3,805,277	$ 7,744,519	$ 11,549,796
Total liabilties	2,695,351	408,638	3,103,989
As at December 31, 2019			
Total assets	$ 2,910,192	$ 10,755,205	$ 13,665,397
Total liabilties	383,272	80,095	463,367

Note 22 – Related Party Transactions

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

	Year ended December 31 2020	Year ended December 31 2019
Key Employees *(management)*		
Salaries and benefits	$ **328,127**	$ 200,000
Management fees to the prior CFO	**49,833**	200,046
Fees paid to Directors	**115,500**	-

Upon resignation of the former CEO in January 2020, the Company entered into an escrow and settlement agreement whereby $325,000 was placed into escrow to be paid to the former CEO in three installments. The final payment was made on January 1, 2021. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

Note 23 – Income Taxes

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences were as follows:

	December 31 2020	December 31 2019
Property and equipment	$ 40,248	$ 7,036
Losses carried forward	14,930,194	11,865,643
	14,970,442	11,872,679
Unrecognized deferred tax asset	(14,970,442)	(11,872,679)
Deferred tax liability	$ -	$ -

The Company had no provision for income taxes in the years ending December 31, 2020 and 2019, and also had an effective tax rate of 25% in both years for the combined federal and provincial income tax rate. The Company's statutory rate is the combined federal, provincial and state tax rates in the jurisdictions in which the Company operations.

The Company had non-capital loss carryforwards of approximately $54,814,526 at December 31, 2020 ($47,462,573 at December 31, 2019), which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to final determination by taxation authorities, expiring between 2036 and 2040.

The Company had non-capital loss carryforwards of approximately $4,906,250 at December 31, 2020 ($1,687,416 at December 31, 2019), which may be carried forward to apply against future year income tax for US income tax purposes, subject to final determination by taxation authorities, expiring between 2036 and 2040.

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations for the periods ended December 31, 2029 and 2019.

	December 31 2020	December 31 2019
Loss as per the financial statements	$ (6,480,376)	$ (22,386,384)
Effective tax rate	25.00%	25.00%
Expected income tax (recovery)	(1,620,094)	(5,599,096)
Changes in statutory, foreign tax, foreign exchange rates and other		
Terminal loss	-	(1,119,023)
Non-deductible items	86,130	557,777
Foreign tax credits	-	34,672
Accounting gains as per statements	-	740,627
Losses carried forward	1,537,104	5,387,197
Total income tax expense	$ 3,140	$ 2,154

(Expressed in Canadian Dollars)

Note 24 – Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents, which was $9,617,433 at December 31, 2020 and $9,672,376 at December 31, 2019. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek additional debt financing to ensure that it has sufficient working capital to meet its short-term business requirements. There were no changes in the Company's approach to capital management during the years ended December 31, 2020 or 2019.

Note 25 – Financial Instruments

The financial instruments recognized on the consolidated statement of financial position are comprised of cash and cash equivalents, trade and other receivables, investments, right of use leases, trade and other payables, short term debt payable, loans receivable, and loans payable.

Fair value

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

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

Fair value measurements of investments and loan receivable are as follows:

		Fair Value Measurements Using		
	Carrying Amount	Level 1	Level 2	Level 3
December 31, 2020				
Investments	$ 408,204	$ 48,204	$ -	$ 360,000
Loan receivable	727,925	-	727,925	-
Short-term note Payable	2,000,000		2,000,000	
Loans payable	427,339		427,339	
December 31, 2019				
Investments	$ 376,502	$ 16,502	$ -	$ 360,000

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

As at December 31, 2020 and 2019, the Company measured its investment in Sebastiani Ventures Corp. at Level 1 fair value.

Note 25 – Financial Instruments, continued

Level 2 – quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

As at December 31, 2020 and 2019, the Company measured its loan to Enhanced Pet Sciences Corp., its short term loans payable and loans payable at Level 2 fair value as there is no active market for these items.

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The investment in Enhanced Pet Sciences Corp. is measured at fair value, but as the investment is privately held and there is no quoted market price for its common shares, fair value is deemed to be best represented by the initial acquisition price of the investment.

There were no transfers between levels 1, 2 and 3 inputs during the period.

Risk Management
The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

Credit Risk
Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents and trade and other receivables. The risk exposure is limited to their carrying amounts at the balance sheet date. The risk is mitigated by holding cash and cash equivalents with highly rated Canadian financial institutions. The Company does not invest in asset- backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its guaranteed investment certificates. Trade and other receivables primarily consist of trade accounts receivable and Goods and Services Tax recoverable (“GST”).

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of sales are transacted with credit cards.

As at December 31, 2020 and 2019 all of the Company's trade receivables were current.

Interest Rate Risk
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company has obtained primarily fixed rate debt which limits its exposure to interest rate fluctuations.

(Expressed in Canadian Dollars)

Note 25 – Financial Instruments, continued

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

At December 31, 2020 the contractual obligations related to financial liabilities were as follows:

	Less than 1 year	1-5 Years	Total
Accounts payable, payroll and accrued liabilities	$ 460,736	$ -	$ 460,736
Loan payable and convertible debenture	2,449,914	-	2,449,914
Right of use lease	141,758	74,156	215,914

Note 26 - Reclassification of Prior Period Presentation

Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Note 27 – Subsequent Events

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Company's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.