Juva Life Inc.

Consolidated Financial Statements

As at and for the year ended December 31, 2020

(Expressed in US Dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Juva Life Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Juva Life Inc. (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) for the years then ended, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles under International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company incurred a net loss of $16,236,756 during the year ended December 31, 2020 and has stated that substantial doubt exists about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

We have served as the Company's auditor since 2019.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Professional Accountants

April 28, 2021

Juva Life Inc.
Consolidated Statements of Financial Position
(Expressed in US dollars)

	Note		December 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash		$	2,158,694	$	1,276,143
Accounts receivable			13,760		4,905
Inventory			230,931		-
Other receivables	7		181,175		181,175
Prepaid expenses			218,544		71,871
Total current assets			2,803,104		1,534,094
Non-current assets					
Deposits	10		69,065		76,315
Intangible assets	9		-		83,541
Right of use assets	14		1,705,205		2,422,029
Property and equipment	8		11,013,582		2,500,151
Total non-current assets			12,787,852		5,082,036
Total assets			15,590,956		6,616,130
LIABILITIES					
Accounts payable and accrued liabilities	10		1,883,222		515,001
Income taxes payable	16		60,000		-
Warrant liability	11		4,771,841		3,951,028
Current portion of lease liabilities	14		791,571		971,954
			7,506,634		5,437,983
Non-current liability					
Lease liabilities	14		1,380,968		1,795,109
			8,887,602		7,233,092
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	6		30,208,234		6,433,175
Share proceeds receivable	6		(770,677)		(770,677)
Share subscriptions received in advance	6		110,648		3,472,174
Reserves	6		5,758,510		2,681,348
Other comprehensive loss			(16,517)		(82,894)
Deficit			(28,586,844)		(12,350,088)
Total shareholders' equity (deficiency)			6,703,354		(616,962)
Total liabilities and shareholders' equity (deficiency)		$	15,590,956	$	6,616,130

Nature of operations (Note 1)
Going concern (Note 2)
Commitments and contingencies (Note 15)
Subsequent events (Note 18)

These consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2021.

Approved by the Board of Directors:

"Doug Chloupek" Director *"Dr. Rakesh Patel"* Director

Juva Life Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US dollars)

	Note	Year ended December 31, 2020	Year Ended December 31, 2019
Sales		$ 967,237	$ -
Cost of goods sold		538,966	-
Gross profit		428,271	-
Expenses			
Consulting fees		-	131,334
Rent	10	101,029	50,765
Professional fees		1,183,005	574,151
Salaries and benefits	10	1,913,272	1,154,771
Marketing and promotion		3,083,711	223,139
Interest expense on lease liabilities	14	381,514	435,103
Depreciation	8,14	775,314	730,103
Permits		114,915	61,617
Share-based payments	6,10	3,318,136	3,159,444
Transfer agent fees		199,498	-
Office and administration		1,004,760	415,719
Operating expenses		(12,075,154)	(6,936,146)
Other Items:			
Change in fair value of warrant liability	11	(4,538,511)	(1,987,836)
Impairment of intangibles	9	(83,541)	-
Abandoned construction		(7,222)	-
Foreign exchange gain		99,401	(56,621)
Loss before taxes		(16,176,756)	(8,980,603)
Income tax expense			
Current income taxes	16	60,000	-
Net loss for the year		$ (16,236,756)	$ (8,980,603)
Other comprehensive gain			
Foreign currency translation adjustment		66,377	57,113
Total comprehensive loss for the year		$ (16,170,379)	$ (9,037,716)
Basic and diluted loss per common share		$ (0.13)	$ (0.11)
Weighted average number of common shares outstanding		129,241,891	84,095,986

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

Juva Life Inc.
Consolidated Statements of Cash Flows
(Expressed in US dollars)

	Year ended December 31, 2020	Year Ended December 31, 2019
OPERATING ACTIVITIES		
Loss for the year	$ (16,236,756)	$ (8,980,603)
Items not involving cash:		
Change in fair value of warrant liability	4,538,511	1,987,836
Depreciation	775,314	730,103
Interest expense on lease liabilities	377,429	435,103
Share-based payments	3,318,136	3,159,444
Impairment	83,541	-
Changes in non-cash working capital items:		
Accounts receivable	(8,854)	(4,905)
Inventory	(230,931)	-
Prepaid expenses	(146,673)	(3,625)
Deposits	7,250	3,155
Accounts payable and accrued liabilities	1,146,471	(26,832)
Taxes payable	60,000	-
Cash used in operating activities	(6,316,562)	(2,700,324)
INVESTING ACTIVITY		
Purchase of property and equipment	(8,279,688)	(1,870,854)
Cash used in investing activities	(8,279,688)	(1,870,854)
FINANCING ACTIVITIES		
Repayment of lease liability	(971,954)	(806,892)
Proceeds from private placement	14,556,734	1,543,563
Proceeds from exercise of warrants	1,999,841	-
Proceeds from exercise of stock options	5,000	-
Share subscriptions received in advance	110,648	3,472,174
Share issuance costs	(287,845)	(673,889)
Cash provided by financing activities	15,412,424	3,534,956
Foreign exchange effect on cash	66,377	(45,721)
Increase (decrease) in cash	882,551	(1,081,943)
Cash, beginning of the year	1,276,143	2,358,086
Cash, end of the year	$ 2,158,694	$ 1,276,143
Supplemental cash flow information:		
Property and equipment included in accounts payable and accrued liabilities	606,679	314,446
Share issue costs included in accounts payable and accrued liabilities	-	70,483

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

Juva Life Inc.

Consolidated Statements of Changes in Shareholders’ Equity (Deficiency)
(Expressed in US dollars)

		Share Capital							
	Note	Number	Amount	Share Proceeds Receivable	Share Subscriptions Received in Advance	Reserves	Other Comprehensive Loss	Deficit	Total Shareholders’ Equity
			$	$	$	$	$	$	$
December 31, 2018		76,103,977	4,490,107	-	-	75,509	(25,781)	(3,369,485)	1,170,350
Private placement - Juva USA	6	1,542,867	400,376	-	-	-	-	-	400,376
Private placement - Juva Canada	6	4,440,535	1,143,187	-	-	-	-	-	1,143,187
Share issuance costs	6	-	(754,888)	-	-	10,516	-	-	(744,372)
Warrant liability	6	-	(180,405)	-	-	-	-	-	(180,405)
Share subscriptions received in advance	6	-	-	-	3,472,174	-	-	-	3,472,174
Option exercise	6	8,400,000	1,368,233	(804,112)	-	(564,121)	-	-	-
Cancellation of shares	6	(600,000)	(33,435)	33,435	-	-	-	-	-
Share-based payments	6	-	-	-	-	3,159,444	-	-	3,159,444
Foreign currency translation adjustment		-	-	-	-	-	(57,113)	-	(57,113)
Loss and comprehensive loss for the year		-	-	-	-	-	-	(8,980,603)	(8,980,603)
December 31, 2019		89,887,379	6,433,175	(770,677)	3,472,174	2,681,348	(82,894)	(12,350,088)	(616,962)
Private placement	6	36,198,782	18,099,391	-	(3,472,174)	-	-	-	14,627,217
Share issuance costs	6	-	(287,845)	-	-	-	-	-	(287,845)
Shares issued on exercise of warrants	6	8,094,913	1,999,841	-	-	-	-	-	1,999,841
Share subscriptions received in advance	6	-	-		110,648	-	-	-	110,648
Reclassification of warrant liability	6	-	3,717,698	-	-	-	-	-	3,717,698
Shares issued on exercise of stock options	6	10,000	9,474	-	-	(4,474)	-	-	5,000
Shares issued on vesting of restricted stock units	6	481,944	236,500	-	-	(236,500)	-	-	-
Share-based payments	6	-	.	-	-	3,318,136	-	-	3,318,136
Foreign currency translation adjustment		-	-	-	-	-	66,377	-	66,377
Loss and comprehensive loss for the year		-	-	-	-	-	-	(16,236,756)	(16,236,756)
December 31, 2020		134,673,018	30,208,234	(770,677)	110,648	5,758,510	(16,517)	(28,586,844)	6,703,354

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

1. NATURE OF OPERATIONS

Juva Life Inc. (the "Company") was incorporated under the laws of British Columbia on April 3, 2019. The principal business of the Company is to acquire, own, and operate various cannabis business in the state of California. The Company's registered office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N7. The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol JUVA.

The Company operates in the medical and recreational cannabis sectors in California, USA. As at December 31, 2020 and December 31, 2019, the Company operates in one reportable segment, being the cannabis operations. All non-current assets of the Company are located in the USA. While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company is engaged in marijuana-related activities in the US, it assumes certain risks due to conflicting state and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company incurred a net loss of $16,236,756 during the year ended December 31, 2020 (2019 - $8,980,603). Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

These consolidated financial statements are presented in US dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company and all of its US subsidiaries is the US dollar. The functional currency of the Canadian subsidiary is the Canadian dollar.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2020.

3.1. Basis of measurement

These consolidated financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, revenue and expense.

3.2. Significant judgments, estimates and assumptions

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

Critical adjustments exercised in applying accounting polices that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 2.

Impairment of long-lived assets

The Company performs impairment testing annually for long-lived assets as well as when circumstances indicate that there may be impairment for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash generating unit ("CGU") for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Depreciation and amortization

The Company's equipment and finite-life intangible assets are depreciated and amortized using a 10% declining-balance method, taking into account the estimated useful lives of the assets and residual values. Leasehold improvements are amortized over the lease term. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income (loss) in future periods.

Income taxes

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

Valuation of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Inventory

The Company reviews the net realizable value of, and demand for, its inventory regularly to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include competitor actions, supplier prices and economic trends.

3.3 Basis of consolidation

In addition to Juva USA, as mentioned previously, these consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries, Precision Apothecary Inc. ("Precision"), VG Enterprises LLC ("VG"), Juva RWC Inc., and Juva Stockton Inc., all of which were incorporated in the state of California and 1177988 B.C. Ltd., a company incorporated in British Columbia, Canada. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For assets that generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit ('CGU') to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

4.3 Income Taxes

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

Current tax assets and liabilities comprise those obligations to, or claims from, 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 consolidated 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 taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

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 and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in deferred tax assets or liabilities are recognized as a component of 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.

4.4 Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

4.5 Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss, with the offsetting credit to contributed surplus. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in reserves are transferred to share capital.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in reserves.

4.6 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.7 Property and Equipment

Equipment and leasehold improvement items are carried at cost less accumulated depreciation and accumulated impairment losses. In the year of acquisition, depreciation is recorded at one-half the normal rate. Depreciation is recognized using the straight-line method at the following annual rates:

Equipment	Straight-Line	10%
Leasehold Improvements	Straight-Line	over lease term

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense.

4.8 Intangible assets

Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. Intangible assets with indefinite useful lives are not amortized. An impairment test on intangible assets is performed annually or whenever there is indication that the intangible asset is impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the year will be dilutive.

4.10 Financial Instruments

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash, accounts receivable, and other receivables are measured at amortized cost.

Impairment
An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the year.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and lease obligations are classified as and measured at amortized cost and carried on the statement of financial position at amortized cost.

Derivative financial instruments

The Company issues warrants exercisable in a currency other than the Company's functional currency and as a result, the warrants are derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

4.11 Share Issuance Costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

4.12 Comprehensive Income (Loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income. Other comprehensive income (loss) includes items such as foreign exchange translation adjustments of foreign operations with a functional currency different from the reporting currency, gains and losses on re-measuring FVOCI financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

4.13 Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and all of its US subsidiaries is the US dollar. The functional currency of its Canadian subsidiary is the Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the date of the transaction. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in a foreign currency are translated at the rate of exchange prevailing at the statement of financial position date, while non-monetary assets and liabilities are translated at the exchange rate prevailing on the transaction date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transaction. Exchange gains and losses arising on translation are included in the consolidated statement of loss and comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of statement of financial position; (ii) income and expense items for each statement of loss and comprehensive loss are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income (loss).

4.14 Leases

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a right-of-use ("ROU") asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are presented separately from property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

5. NEW ACCOUNTING POLICIES

5.1 Revenue recognition

In accordance with IFRS 15, the Company recognizes revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services based on the following five step approach:

Step 1: Identify the contracts with customers;
Step 2: Identify the performance obligations in the contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contract; and
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company typically satisfies its performance obligations upon shipment of the goods, or upon delivery as the services are rendered or upon completion of services depending on whether the performance obligations are satisfied over time or at a point in time.

For performance obligations that the Company satisfies over time, the Company typically uses time-based measures of progress because the Company is providing a series of distinct services that are substantially the same and have the same pattern of transfer.

For performance obligations that the Company satisfies at a point in time, the Company typically uses shipment or delivery of goods and/or services in evaluating when a customer obtains control of promised goods or services.

A significant financing component exists and is accounted for if the timing of payments agreed to by the parties to the contract provides the customer or the Company with a significant benefit of financing the transfer of goods and services to the customer. As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The incremental costs of obtaining contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract are recognized as an asset (hereinafter, “assets arising from contract costs”) if those costs are expected to be recoverable, which are included in other long-term assets in the consolidated statements of financial position. The incremental costs of obtaining contracts are those costs that the Company incurs to obtain a contract with a customer that they would not have incurred if the contract had not been obtained. As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. Assets arising from contract costs are amortized using the straight-line method over their estimated contract periods.

The Company exercises judgments in determining the amount of the costs incurred to obtain or fulfill a contract with a customer, which includes, but is not limited to (a) the likelihood of obtaining the contract, (b) the estimate of the profitability of the contract, and (c) the credit risk of the customer. An impairment loss will be recognized in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less (b) the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

5.2 Inventory

Inventory consists of finished goods and consumables. The Company periodically reviews its consumables for obsolete and potentially impaired items. The Company values finished goods at the lower of average cost, which is net of vendor rebates, and net realizable value. Net realizable value is the estimated selling price of inventory in the ordinary course of business, less any estimated selling costs. Cost of inventory includes expenditures in acquiring the inventories, and other cost incurred in bringing them to their existing location. As at December 31, 2020, inventory comprised solely merchandise and cannabis-derived products for resale.

6. EQUITY

6.1 Authorized Share Capital

Unlimited number of common shares with no par value.

6.2 Shares Issued

Shares issued and outstanding as at December 31, 2020 are 134,673,018 Class A common shares. As at December 31, 2020, 3,997,251 shares are held in escrow.

During the year ended December 31, 2020, the Company:

i) Issued 36,198,782 units at a price of $0.50 per unit for gross proceeds of $18,099,391 in connection with its Regulation A offering. The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at $0.75 for a period of 18 months;
ii) Issued 8,094,913 common shares upon the exercise of 8,094,913 warrants for gross proceeds of $1,999,841. Upon exercise, the Company transferred $3,717,698 from warrant liability to share capital;
iii) Issued 10,000 common shares upon the exercise of 10,000 stock options for gross proceeds of $5,000. Upon exercise, the Company transferred the fair value of $4,474 from share-based payment reserves to share capital; and
iv) Issued 481,944 common shares upon the vesting of 481,944 restricted stock units ("RSUs"). The Company reallocated $236,500 from share-based payment reserve to share capital upon vesting of the RSUs.

During the year ended December 31, 2019, the Company:

i) On April 17, 2019, Juva USA issued 1,542,867 units at a price of CDN $0.35 per unit for gross proceeds of CDN $540,003 (USD $400,376). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN $0.60 for a period of 18 months. In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 68,285 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CDN $0.60 for a period of 18 months after issuance;

ii) On July 11, 2019, the Company issued 4,251,964 units at a price of CDN $0.35 per unit for gross proceeds of CDN $1,488,187 (USD $1,143,187). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN $0.60 for a period of 18 months. In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 90,125 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CDN $0.60 for a period of 18 months after issuance;

iii) The Company issued 188,571 shares as part of the private placement that closed November 16, 2018;

iv) The Company received subscriptions in advance of $3,472,174 as part of its current non-brokered private placement;

v) The Company issued 8,400,000 shares upon the exercise of stock options with exercise prices ranging from CAD 0.02 to CAD 0.35 per share for gross proceeds of $804,112, which are recorded as share proceeds receivable; and

vi) The Company cancelled 600,000 shares with a value of $33,435. These shares were issued upon the exercise of 600,000 stock options.

6.3 Stock Options

The Company adopted a Stock Option Plan (the "Plan") whereby the maximum number of shares reserved for issue under the plan shall not exceed 20% of the issued and outstanding shares. Under the Plan, the Board of Directors may from time to time authorize the grant of options to directors, employees, and consultants of the Company. Under the terms of the Plan, options will be exercisable for periods up to ten years and must have an exercise price not less than the fair market value of a share on the grant date. The term of the options granted to a 10% shareholder shall not exceed ten years. Vesting provision is determined by the Board of Directors at the grant date.

During the year ended December 31, 2020, the Company granted 3,500,000 stock options to employees and consultants of the Company. Each option is exercisable at USD $0.50 for a period of 10 years. The stock options were valued using the Black-Scholes option pricing model. See Note 6.6.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price
		CAD $
Balance, December 31, 2018	6,775,000	0.39
Granted	2,675,000	0.35
Cancelled	(1,050,000)	0.04
Exercised	(8,400,000)	0.13
Balance, December 31, 2019	-	-
Granted*	3,500,000	0.67
Exercised	(10,000)	0.70
Balance, December 31, 2020	3,490,000	0.67

*Exercise price of these stock options is denominated in US dollars.

The following stock options were outstanding as at December 31, 2020:

Outstanding	Exercisable	Exercise Price (US$)	Expiry Date	Weighted average remaining life (in years)
		$		
340,000	-	0.50	August 10, 2021	0.61
450,000	84,375	0.50	March 1, 2030	9.17
1,400,000	504,167	0.50	July 6, 2030	9.52
1,300,000	-	0.50	November 2, 2030	9.84
3,490,000	588,542			

6.4 Share Purchase Warrants

During the year ended December 31, 2020, the Company granted 10,150,000 warrants to consultants of the Company. The warrants are exercisable at $0.50 and expire in 10 years. The warrants were valued using the black-scholes option pricing model. See Note 6.6.

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		CDN $
Balance, December 31, 2018	13,505,719	0.39
Granted	3,055,826	0.60
Balance, December 31, 2019	16,561,545	0.40
Granted*	28,249,391	0.89
Exercised	(8,094,911)	0.35
Balance, December 31, 2020	36,716,025	0.80

* Exercise price of these warrants is denominated in US dollars.

The following share purchase warrants were outstanding as at December 31, 2020:

Outstanding	Exercisable		Exercise Price	Expiry Date
1,557,502	1,557,502	CDN $	0.05	31-May-22
1,226,422	1,226,422	CDN $	0.60	23-Apr-21
3,823,113	3,823,113	CDN $	0.60	16-May-21
428,790	428,790	CDN $	0.60	17-Oct-21
1,430,807	1,430,807	CDN $	0.60	11-Jan-21
2,987,955	2,987,955	US $	0.75	05-Dec-21
15,111,436	15,111,436	US $	0.75	21-Aug-28
10,000,000	1,250,000	US $	0.50	01-Mar-30
150,000	150,000	US $	0.50	30-Jun-21
36,716,025	27,966,025			

6.5 Restricted Share Unit Award Plan

In 2019, the Company adopted an Equity Incentive Plan ("the Plan") whereby the aggregate number of common shares issuable pursuant to the Plan combined with all of the Company's other security based compensation arrangements, including the Company's Stock Option Plan, shall not exceed 20% of the Company's outstanding shares.

(Expressed in US dollars)

On July 20, 2019, the Company granted 10,429,881 restricted stock units ("RSUs") to directors, officers and consultants of the Company. The RSUs have varying vesting terms and expire on July 20, 2029. The RSUs were valued using the fair market value of CDN $0.35 (USD $0.27) at the time of grant. Accordingly, an amount of $117,427 (2019 - $2,670,832) was recorded in share-based payment expense in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2020.

On January 20, 2020, the Company granted 600,000 restricted stock units ("RSUs") to directors and officers of the Company. The RSUs have varying vesting terms and expiry dates between August 30, 2028 and May 13, 2029. The RSUs were valued using the fair market value of CDN $0.68 (USD $0.50) at the time of grant. Accordingly, an amount of $271,567 was recorded in share-based payment expense in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2020.

6.6 Share-based payment expense and reserves

Pursuant to vesting schedules, the share-based payment expense for the stock options that were granted during the year ended December 31, 2020 was $627,695 (2019 - $488,612) and was recorded in the consolidated statements of loss and comprehensive loss.

The fair value of the stock options that were granted during the years ended December 31, 2020 and 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Risk-free interest rate	1.46%	1.45%
Expected stock price volatility	100%	100%
Expected dividend yield	0.0%	0.0%
Expected option life in years	10.0	10.0

The fair value of stock options granted were $0.45 per option (2019 - $0.22).

During the year ended December 31, 2020, the Company granted 10,150,000 (2019 – Nil) warrants to consultants for services. Total share-based payment expense of $2,301,447 was recorded in profit or loss in connection with the warrants.

Pursuant to the financings completed in 2019, the share-based payment for the finders warrants that were granted during the year was $10,516 and was recorded in reserves.

(Expressed in US dollars)

The fair value of the consultants and finders' warrants that were granted during the year ended December 31, 2020 and 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Risk-free interest rate	1.11%	1.51%
Expected stock price volatility	100%	100%
Expected dividend yield	0.0%	0.0%
Expected warrant life in years	10.0	1.5
Weighted average exercise price	$0.50	$0.43
Weighted average share price	$0.50	$0.27

The fair value of warrants granted during the years ended December 31, 2020 and 2019 were between $0.44 and $0.07 per warrant**.**

7. OTHER RECEIVABLES

During the year ended December 31, 2018, the Company entered into a letter of intent (the "LOI") to acquire KindRub Collective ("Kind"). As part of the LOI, the Company paid $150,000 on deposit and loaned Kind $39,090 as part of a separate management agreement. During the year ended December 31, 2019, the LOI was terminated. $7,915 was repaid by Kind during the year ended December 31, 2019. The Company is pursuing collection of the deposit and loaned funds.

8. PROPERTY AND EQUIPMENT

Cost	Automotive	Equipment	Furniture and Office Equipment	Leasehold Improvements	Total
Balance, December 31, 2018	$ -	$ -	$ -	$ 253,693	$ 253,693
Additions	56,273	709,135	5,169	1,489,160	2,259,737
Balance, December 31, 2019	56,273	709,135	5,169	1,742,853	2,513,430
Additions	98,637	1,197,661	91,225	7,184,398	8,571,921
Balance, December 31, 2020	$ 154,910	$ 1,906,796	$ 96,394	$ 8,927,251	$ 11,085,351
Accumulated Amortization					
Balance, December 31, 2018	$ -	$ -	$ -	$ -	$ -
Additions	10,131	2,890	258	-	13,279
Balance, December 31, 2019	10,131	2,890	258	-	13,279
Additions	14,647	5,527	2,447	35,869	58,490
Balance, December 31, 2020	$ 24,778	$ 8,417	$ 2,705	$ 35,869	$ 71,769
Net Book Value					
Balance, December 31, 2019	$ 46,142	$ 706,245	$ 4,911	$ 1,742,853	$ 2,500,151
Balance, December 31, 2020	$ 130,132	$ 1,898,379	$ 93,689	$ 8,891,382	$ 11,013,582

(Expressed in US dollars)

9. INTANGIBLE ASSETS

During the year ended December 31, 2020, the Company recognized an impairment of $83,541 pertaining to lease rights.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships	**Nature of the relationship**
Key management	Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, VP Finance, VP Cultivation, and the directors of the Company.

During the years ended December 31, 2020 and 2019, key management compensation included the following:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	$	$
Management compensation	795,000	752,837
Share-based payments	448,932	2,947,560
Total	1,243,932	3,700,397

During the year ended December 31, 2020, the Company had the following related party transactions:

a) The Company paid $891,044 (2019 - $602,281) in lease payments to Best Leasing Services, Inc., a company 100% owned by the CEO and a shareholder of the Company; and
b) The Company entered into a consulting agreement with TME Consulting, LLC ("TME"), a company minority owned by a director of the Company. Pursuant to the terms of the agreement, TME will receive $10,000 per month and has received 450,000 options with an exercise price of $0.50 per option. Fees totaled $110,000 during the year (2019 - $Nil).

Included in accounts payable and accrued liabilities as at December 31, 2020 is $53,541 (2019 - $31,750) owed to officers and directors of the Company.

Included in deposits as at December 31, 2020 is $24,000 (2019 - $24,000) with Best Leasing Services, Inc.

11. WARRANT LIABILITY

In connection with the private placements completed during the period ended December 31, 2018, the Company issued a total of 13,229,194 warrants exercisable at a price ranging from CDN$0.05 to CDN$0.60 per share. These warrants were assigned a fair value of $747,807 using the Black-Scholes Pricing Model.

In connection with the private placements completed during the year ended December 31, 2019, the Company issued a total of 2,897,416 warrants exercisable at a price of CDN$0.60 per share. These warrants were assigned a fair value of $180,405 using the Black-Scholes Pricing Model.

During the year ended December 31, 2020, 8,094,911 (2019 – Nil) of these warrants were exercised. The warrants were revalued on the date of exercise. Upon exercise, the total value of $3,717,698 pertaining to these warrants was transferred from warrant liability to share capital, using the following weighted average assumptions:

	2020
Risk-free interest rate	0.46%
Expected stock price volatility	100%
Expected dividend yield	0.0%
Expected warrant life in years	0.85
Weighted average exercise price	$0.36 (CDN)
Weighted average share price	$0.96 (CDN)

The fair value allocated to the remaining warrants at December 31, 2020 was $4,771,841 (2019 - $3,951,028) and is recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The change in fair value resulted in a loss of $4,538,511 (2019 - $1,987,836) and is recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020.

The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a Company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

(Expressed in US dollars)

The Company used the following weighted average assumptions to estimate the fair value of the warrant liability as at December 31, 2020 and 2019:

		2020			2019	
Risk-free interest rate		0.25%			2.01%	
Expected stock price volatility		100%			100%	
Dividend payment during life of warrant		Nil			Nil	
Expected forfeiture rate		Nil			Nil	
Expected dividend yield		0.0%			0.0%	
Expected warrant life in years		0.52			1.03	
Weighted average exercise price	$	0.39	(CDN $0.49)	$	0.43	(CDN $0.60)
Weighted average share price	$	0.96	(CDN $0.64)	$	0.33	(CDN $0.46)

12. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as components within its shareholders' equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficit.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

13. RISK MANAGEMENT

13.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a) Capital Risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of items in shareholders' equity.

b) Credit Risk
Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low.

c) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2020, the Company had working capital of $68,311 (excluding the warrant liability) (2019 – $47,139), and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had cash of $2,158,694 (2019 – $1,276,143) and accounts payable and accrued liabilities of $1,883,222 (2019 - $515,001).

d) Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

13.2 Fair Values

The carrying values of cash, receivables, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of warrant liability is based on level 3 inputs of the fair value hierarchy.

(Expressed in US dollars)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Property Leases
Cost:	$
At December 31, 2018	-
Adjustment on initial adoption of IFRS 16	3,138,853
At December 31, 2019	3,138,853
Additions	-
At December 31, 2020	3,138,853
Depreciation:	
At December 31, 2018	-
Additions	716,824
At December 31, 2019	716,824
Charge for the year	716,824
At December 31, 2020	1,433,648
Net Book Value:	
At December 31, 2019	2,422,029
At December 31, 2020	1,705,205

	$
Lease liabilities recognized as of January 1, 2019	3,138,853
Lease payments made	(806,893)
Interest expense on lease liabilities	435,103
	2,767,063
Less: current portion	(971,954)
At December 31, 2019	1,795,109
Lease liabilities at December 31, 2019	2,767,063
Lease payments made	(971,954)
Interest expense on lease liabilities	377,430
	2,172,539
Less: current portion	791,571
At December 31, 2020	1,380,968

Depreciation of right-of-use assets is calculated using the straight-line method of the remaining lease term.

15. COMMITMENTS AND CONTINGENCIES

a) The Company has entered into the following agreements:

The commercial premises from which the Company carries out its operations are leased from multiple groups, all of which are related parties (see note 10). The minimum rent payable under the leases are as follows:

		Total
Within one year	$	1,064,993
Between two and five years		1,557,253
	$	2,622,246

b) The Company is involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company.

16. SEGMENTED INFORMATION

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

During the year ended December 31, 2020, the Company operates in a single reportable segment, being sale of cannabis products and merchandise in the United States within the State of California. All of the Company's revenue were generated through sales in the State of California, and all of the Company's non-current assets are located in California.

(Expressed in US dollars)

Information by segment is as follows:

December 31, 2020	Cannabis	Corporate	Total
	$	$	$
Sales	967,237	-	967,237
Cost of goods sold	(538,966)	-	(538,966)
Gross profit	428,271	-	428,271
Income tax expense	(60,000)	-	(60,000)
Net loss	(6,036,272)	(10,200,484)	(16,236,756)
Non current assets:			
Deposits	69,065	-	69,065
Right of use assets	1,705,205	-	1,705,205
Property and equipment	11,013,582	-	11,013,582

December 31, 2019	Cannabis	Corporate	Total
	$	$	$
Net loss	(3,568,274)	(5,412,329)	(8,980,603)
Non current assets:			
Deposits	76,315	-	76,315
Intangible assets	83,541	-	83,541
Right of use assets	2,422,029	-	2,422,029
Property and equipment	2,500,151	-	2,500,151

17. INCOME TAXES

The Company is subject to U.S. Internal Revenue Code Section 280E. This section disallows deductions and credits attributable to a trade or business of trafficking in controlled substances. Under U.S. tax, marijuana is a schedule I controlled substance. The Company has taken the position that any costs included in the cost of goods sold should not be treated as amounts subject to Section 280E. The measurement of deferred income tax assets requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities.

(Expressed in US dollars)

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2020		2019
Loss for the year	$	(16,176,756)	$	(8,980,603)
Expected income tax recovery	$	(4,368,000)	$	(2,425,000)
Change in statutory, foreign tax, foreign exchange rates and other		686,000		(413,000)
Permanent Difference		1,081,000		1,412,000
Share issue cost		(40,000)		(21,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		26,000		286,000
Change in unrecognized deductible temporary differences		2,675,000		1,161,000
Total income tax expense (recovery)	**$**	**60,000**	**$**	**-**
Current income tax	**$**	**60,000**	**$**	**-**
Deferred tax recovery	**$**	**-**	**$**	**-**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

Deferred Tax Assets (liabilities)		$		$
Property and equipment		93,000		29,000
Share issue costs		48,000		-
Warrant liability		1,328,000		981,000
Allowable capital losses		7,000		-
Non-capital losses available for future period		3,332,000		1,123,000
		4,808,000		2,133,000
Unrecognized deferred tax assets		(4,808,000)		(2,133,000)
Net deferred tax asset (liability)	**$**	**-**	**$**	**-**

(Expressed in US dollars)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences	$		$	
Property and equipment and other	333,000	No expiry date	345,000	No expiry date
Share issue costs	178,000	2038 to 2042	64,000	2038 to 2041
Warrant liability	4,772,000	No expiry date	3,951,000	No expiry date
Allowable capital losses	26,000	No expiry date	-	No expiry date
Non-capital losses available for future periods	11,996,000		3,918,000	
Canada	2,551,000	2038 - 2040	288,000	2038 - 2039
USA	9,445,000	No expiry date	3,630,000	No expiry date

Tax attribute are subject to review, and potential adjustment, by tax authorities.

18. SUBSEQUENT EVENTS

Events subsequent to December 31, 2020 include the following:

- The Company received CDN$5,417,838 on the exercise of 9,043,610 warrants;
- On February 18, 2021, the Company closed a private placement by issuing 9,528,578 Special Warrants at CAD$1.05 per Special Warrant for gross proceeds of CAD$10,005,007. Each Special Warrant is automatically exercisable, for no additional consideration, into one unit of the Company (each, a "Unit") on the date (the "Automatic Exercise Date") that is the earlier of: (i) as soon as reasonably practical, but in any event, no later than the date that is the third business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a (final) prospectus qualifying distribution of the Units (the "Qualifying Prospectus"), and (ii) the date that is four months and one day after the closing of the Offering (the "Qualification Date"). Each Unit shall consist of one common share of the Company (a "Unit Share") and one-half of one common share purchase warrant (each full warrant, a "Warrant"). Each Warrant is exercisable at $1.35 and expires 24 months from the closing date. In connection with the private placement, the Company paid a cash commission of CAD$681,975, issued 666,999 broker warrants, and incurred CAD$133,644 in transaction costs; and
- On March 31, 2021, the Company sold its wholly-owned subsidiary, VG. The sale transaction was effected pursuant to an Agreement for Purchase of LLC Interest dated March 31, 2021, by and between the Company and Baja Investment Partners, LLC, a California limited liability company ("Baja"), as buyer (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Company sold its 100% limited liability company membership interest in VG to Baja for a purchase price of $1,100,000 USD.

  Upon the closing of the Purchase Agreement, Baja delivered cash in the amount of $275,000 and an Equity Secured Promissory Note in the principal amount of $825,000 (the "Promissory Note") to the Company as consideration. The Promissory Note will be due and payable in three equal installments of $275,000 each, with the first installment due within 90 days following the closing date, the second installment due within 180 days following the closing date, and the third installment due within 270 days following the closing statement. The entire balance of principal under the Promissory Note will be due and payable on or before the date that is 270 days following the closing date. Any amount payable under the Promissory Note that is not paid when due will accrue interest until paid in full at the rate of 10% per annum. Baja's obligations under the Promissory Note are secured by a first-priority security interest in VG owned by Baja, as set forth in a separate Security Agreement dated March 31, 2021 between the Company and Baja. Baja may prepay the amount due under the Promissory Note in whole or in part at any time without penalty.

In connection with the sale, the Company entered into a Finder's Fee Agreement dated March 31, 2021 with Drivon Consulting, Inc., pursuant to which the Company agreed to pay to Drivon Consulting, Inc. a one-time finder's fee in an amount equal to three percent (3%) of the consideration received by the Company in connection with the transaction, or $33,000.