Juva Life Inc.

Condensed Consolidated Interim Financial Statements

As at and for the three months ended March 31, 2021

(Expressed in US Dollars)

(Unaudited – prepared by management)

NOTICE OF NO AUDITOR REVIEW

OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Juva Life Inc.
Condensed Consolidated Interim Statements of Financial Position
Prepared by Management (Unaudited - expressed in US dollars)

	Note		March 31, 2021		December 31, 2020
ASSETS					
Current assets					
Cash		$	9,173,120	$	2,158,694
Accounts receivable			4,232		13,760
Inventory			192,645		230,931
Biological assets	10		105,882		-
Other receivables	5,7		1,281,175		181,175
Prepaid expenses			238,501		218,544
Total current assets			10,995,555		2,803,104
Non-current assets					
Deposits	9		69,065		69,065
Right of use assets	14		1,552,315		1,705,205
Property and equipment	8		10,475,349		11,013,582
Total non-current assets			12,096,729		12,787,852
Total assets			23,092,284		15,590,956
LIABILITIES					
Accounts payable and accrued liabilities	9		1,072,369		1,883,222
Income taxes payable			95,000		60,000
Warrant liability	11		777,042		4,771,841
Current portion of lease liabilities	14		925,712		791,571
			2,870,123		7,506,634
Non-current liability					
Lease liabilities	14		1,087,547		1,380,968
			3,957,670		8,887,602
SHAREHOLDERS' EQUITY					
Share capital	6		41,848,230		30,208,234
Share proceeds receivable	6		(770,677)		(770,677)
Share subscriptions received in advance	6		7,881,682		110,648
Reserves	6		4,274,037		5,758,510
Other comprehensive loss			(16,517)		(16,517)
Deficit			(34,082,141)		(28,586,844)
Total shareholders' equity			19,134,614		6,703,354
Total liabilities and shareholders' equity		$	23,092,284	$	15,590,956

Nature of operations (Note 1)
Going concern (Note 2)
Commitments and contingencies (Note 15)
Subsequent events (Note 17)

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

Approved by the Board of Directors:

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

Juva Life Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
Prepared by Management (Unaudited - expressed in US dollars)

	Note	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Sales		$ 585,483	$ 41,606
Cost of goods sold		371,428	19,901
Gross profit before unrealized items		214,055	21,705
Unrealized fair value gain on biological assets		85,722	-
Gross profit		299,777	21,705
Expenses			
Rent	9	37,209	29,137
Professional fees		258,277	223,834
Salaries and benefits	9	673,332	405,122
Marketing and promotion		1,596,572	37,188
Interest expense on lease liabilities	14	72,791	102,177
Depreciation	8,14	476,091	189,323
Permits		90,675	41,245
Share-based payments	6,9	680,110	506,561
Transfer agent fees		44,714	74,763
Office and administration		370,679	243,823
Operating expenses		(4,300,450)	(1,853,173)
Other Items:			
Change in fair value of warrant liability	11	1,722,499	(110,802)
Impairment of intangibles		-	67,014
Gain in disposition	5	(695,380)	-
Foreign exchange loss (gain)		432,505	(233,340)
Loss before taxes		(5,460,297)	(1,554,340)
Income tax expense			
Current income taxes		35,000	-
Net loss for the period		$ (5,495,297)	$ (1,554,340)
Other comprehensive gain			
Foreign currency translation adjustment		-	(118,698)
Total comprehensive loss for the period		$ (5,495,297)	$ (1,435,642)
Basic and diluted loss per common share		$ (0.04)	$ (0.01)
Weighted average number of common shares outstanding		139,071,492	100,515,202

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

Juva Life Inc.
Condensed Consolidated Interim Statements of Cash Flows
Prepared by Management (Unaudited - expressed in US dollars)

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
OPERATING ACTIVITIES		
Loss for the period	$ (5,495,297)	$ (1,554,340)
Items not involving cash:		
Change in fair value of warrant liability	1,722,499	(110,802)
Depreciation	476,091	189,323
Interest expense on lease liabilities	67,418	102,177
Share-based payments	680,110	506,561
Impairment	-	67,014
Unrealized fair value gain on biological assets	(85,722)	
Gain in disposition	(695,380)	
Changes in non-cash working capital items:		
Accounts receivable	9,528	(77,887)
Inventory	38,286	(36,656)
Biological assets	(20,160)	-
Other accounts receivable	(1,100,000)	-
Prepaid expenses	(19,957)	(21,237)
Deposits	-	(750)
Accounts payable and accrued liabilities	(750,853)	(165,039)
Taxes payable	35,000	-
Cash used in operating activities	(5,138,437)	(1,101,636)
INVESTING ACTIVITIES		
Purchase of property and equipment	(80,203)	(1,037,694)
Proceeds received on disposition	990,705	-
Cash used in investing activities	910,502	(1,037,694)
FINANCING ACTIVITIES		
Repayment of lease liability	(226,698)	(230,542)
Proceeds from private placement	-	1,352,472
Proceeds from exercise of warrants	4,400,640	-
Share subscriptions received in advance	7,771,034	2,000,000
Share issuance costs	(642,525)	(218,398)
Cash provided by financing activities	11,302,451	2,903,532
Foreign exchange effect on cash	-	118,698
Increase in cash	7,074,516	882,900
Cash, beginning of the period	2,158,694	1,276,143
Cash, end of the period	$ 9,233,210	$ 2,159,043

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

Juva Life Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
Prepared by Management (Unaudited - 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, 2019		89,887,379	6,433,175	(770,677)	3,472,174	2,681,348	(82,894)	(12,350,088)	(616,962)
Private placement		30,222,872	15,111,436	-	(3,472,174)	-	-	-	11,639,262
Share issuance costs		-	(218,398)	-	-	-	-	-	(218,398)
Share subscriptions received in advance		-	-	-	2,000,000	-	-	-	2,000,000
Share-based payments		-	-	-	-	506,561	-	-	506,561
Foreign currency translation adjustment		-	-	-	-	-	118,698	-	118,698
Loss and comprehensive loss for the period		-	-	-	-	-	-	(1,554,340)	(1,554,340)
March 31, 2020		120,110,251	21,326,213	(770,677)	2,000,000	3,187,909	35,804	(13,904,428)	11,874,821
December 31, 2020		134,673,018	30,208,234	(770,677)	110,648	5,758,510	(16,517)	(28,586,844)	6,703,354
Special warrant financing	6	-	-	-	7,881,682	-	-	-	7,881,682
Share issuance costs	6	-	(1,280,510)	-	-	637,985	-	-	(642,525)
Shares issued on exercise of warrants	6	8,636,854	4,400,640	-	(110,648)	-	-	-	4,289,992
Reclassification of warrant liability	11	-	5,717,298	-	-	-	-	-	5,717,298
Shares issued on vesting of restricted stock units	6	10,442,381	2,802,568	-	-	(2,802,568)	-	-	-
Share-based payments	6	-	.	-	-	680,110	-	-	680,110
Loss and comprehensive loss for the period		-	-	-	-	-	-	(5,495,297)	(5,495,297)
March 31, 2021		153,752,253	41,848,230	(770,677)	7,881,682	4,274,037	(16,517)	(34,082,141)	19,134,614

The accompanying notes are an integral part of these condensed consolidated interim 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 March 31, 2021 and December 31, 2020, 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 condensed consolidated interim 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 $5,495,297 during the period ended March 31, 2021 (2020 - $16,236,756). 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 condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed consolidated interim 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 condensed consolidated interim financial statements are based on IFRS issued and effective as of March 31, 2021.

3.1. Basis of measurement

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements are as follows:

<u>Determination of functional currency</u>

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.

<u>Going concern</u>

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

<u>Impairment of long-lived assets</u>

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.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make several estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, average or expected selling prices and list prices, expected yields for the cannabis plants, and oil conversion factors. In calculating final inventory values, management compares the inventory costs to estimated realizable value.

3.3 Basis of consolidation

In addition to Juva USA, as mentioned previously, these condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries, Precision Apothecary Inc. ("Precision"), 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 condensed consolidated interim 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. NEW ACCOUNTING POLICY

4.1 Biological assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related grow costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost after harvest. Costs to sell include post-harvest production, shipping, and fulfillment costs. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year on the line "unrealized fair value gain (loss) on biological assets".

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available the Company expects to engage with third party qualified valuers to perform the valuation when the assets are expected to be material. The significant assumptions used in determining the fair value of the biological assets are as follows:

- Stage in the overall growth cycle;
- Estimated harvest yield by plant; and
- Average selling prices.

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield or quality will be reflected in future changes in the gain or loss on biological assets.

5. SALE OF SUBSIDIARY

On March 31, 2021, the Company sold its wholly-owned subsidiary, VG Enterprises LLC ("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, which is included in other receivables. The Company realized a gain on sale of $695,380.

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.

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 March 31, 2021 are 153,752,253 Class A common shares. As at March 31, 2021, 3,997,251 shares are held in escrow.

During the three months ended March 31, 2021, the Company:

i) Issued 8,636,854 common shares upon the exercise of 8,636,854 warrants for gross proceeds of $4,400,640. Upon exercise, the Company transferred $5,717,298 from warrant liability to share capital;

ii) Issued 10,442,381 common shares upon the vesting of 10,442,381 restricted stock units ("RSUs"). The Company reallocated $2,802,568 from share-based payment reserve to share capital upon vesting of the RSUs; and

iii) 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 valued at $637,985 using the black-scholes option pricing model, and incurred CAD$133,644 in transaction costs

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.

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.

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

	Number of options	Weighted average exercise price
		CAD $
Balance, December 31, 2019	-	-
Granted*	3,500,000	0.67
Exercised	(10,000)	0.70
Balance, December 31, 2020 and March 31, 2021	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 period ended March 31, 2021, the Company granted 10,195,577 warrants as part of the Special Warrant Financing. The warrants are exercisable at CAD$1.05 and expire in 2 years.

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		CDN $
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
Granted	10,195,577	1.05
Exercised	(8,583,450)	0.59
Expired	(91,706)	0.60
Balance, March 31, 2021	38,236,446	0.88

* 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
355,002	355,002	CDN $	0.05	31-May-22
374,730	374,730	CDN $	0.60	23-Apr-21
579,938	579,938	CDN $	0.60	16-May-21
226,708	226,708	CDN $	0.60	17-Oct-21
2,613,455	2,613,455	US $	0.75	05-Dec-21
13,741,036	13,741,036	US $	0.75	21-Aug-28
10,000,000	2,500,000	US $	0.50	01-Mar-30
150,000	150,000	US $	0.50	30-Jun-21
10,195,577	10,195,577	CDN $	1.05	18-Feb-23
38,236,446	30,736,446			

Prepared by Management (Unaudited - expressed in US dollars)

6.5 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 $680,110 and was recorded in the condensed consolidated interim statements of loss and comprehensive loss for the three months ended March 31, 2021 using the following weighted average assumptions:

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

The fair value of stock options granted were $0.45 per option (2020 - $0.45).

The share issuance costs for the finders' warrants that were granted during the three months ended March 31, 2021 was $637,985 and was valued using the following weighted average assumptions:

	2020
Risk-free interest rate	0.25%
Expected stock price volatility	100%
Expected dividend yield	0.0%
Expected warrant life in years	2.0
Weighted average exercise price	$1.05 CDN
Weighted average share price	$1.86 CDN

The fair value of warrants granted during the three months ended March 31, 2021 was $1.21 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 (Note 17).

Prepared by Management (Unaudited - expressed in US dollars)

8. PROPERTY AND EQUIPMENT

Cost	Automotive	Equipment	Furniture and Office Equipment	Leasehold Improvements	Total
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
Additions	-	29,148	-	51,055	80,203
Disposals	-	-	-	(295,325)	- 295,325
Balance, March 31, 2021	$ 154,910	$ 1,935,944	$ 96,394	$ 8,682,981	$ 10,870,229
Accumulated Amortization					
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
Additions	3,872	47,670	2,410	269,159	323,111
Balance, March 31, 2021	$ 28,650	$ 56,087	$ 5,115	$ 305,028	$ 394,880
Net Book Value					
Balance, December 31, 2020	$ 130,132	$ 1,898,379	$ 93,689	$ 8,891,382	$ 11,013,582
Balance, March 31, 2021	$ 126,260	$ 1,879,857	$ 91,279	$ 8,377,953	$ 10,475,349

9. 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 period ended March 31, 2021 and 2020, key management compensation included the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
	$	$
Management compensation	203,975	207,361
Share-based payments	-	192,467
Total	203,975	399,828

Prepared by Management (Unaudited - expressed in US dollars)

During the period ended March 31, 2021, the Company had the following related party transactions:

a) The Company paid $241,932 (2020 - $176,305) 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 paid $20,000 (2020 - $Nil) to a company minority owned by a director of the Company.

Included in accounts payable and accrued liabilities as at March 31, 2021 is $38,609 (2020 - $53,541) owed to officers and directors of the Company.

Included in deposits as at March 31, 2021 is $24,000 (2020 - $24,000) with Best Leasing Services, Inc.

10. BIOLOGICAL ASSETS

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach that is similar to the capitalization criteria outlined in IAS 2 Inventories. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies and labor used in the growing process.

Balance, December 31, 2020	$	-
Fair value change due to biological transformation		85,722
Production costs capitalized		20,160
Transferred to inventory upon harvest		-
Balance, March 31, 2021	$	105,882

Biological assets are measured at their fair value less costs to sell in the condensed consolidated interim statement of financial position. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item 'cost of finished cannabis inventory sold' on the condensed consolidated interim statement of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gains/losses on the growth of biological assets are recorded in a separate line in the consolidated statement of loss and comprehensive loss.

There was no transfer to inventory of the harvest in the period ended March 31, 2021. The Company values biological assets at the end of each reporting period at fair value less costs to sell ("FVLCS"). The determination of fair value less costs to sell is based on a valuation model that estimates the expected harvest yield per plant applied to the estimated wholesale price per gram, less estimated selling costs. The model also considers the stage of the biological asset in the aggregate plant life cycle. The table below shows the assumptions used in the biological assets model for the harvest in the period ended March 31, 2021.

Yield - grams		42,280
Yield per plant - grams		28
Selling price per gram	$	4.40
Total costs to complete and sell	$	3.00
FVLCS - $ per gram	$	1.40

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 three months ended March 31, 6,831,693 of these warrants were exercised. The warrants were revalued on the date of exercise. Upon exercise, the total value of $5,717,298 pertaining to these warrants was transferred from warrant liability to share capital, using the following weighted average assumptions:

	2021
Risk-free interest rate	0.46%
Expected stock price volatility	100%
Expected dividend yield	0.0%
Expected warrant life in years	0.70
Weighted average exercise price	$0.44 (CDN)
Weighted average share price	$1.64 (CDN)

The fair value allocated to the remaining warrants at March 31, 2021 was $777,042 (2020 - $4,771,841) 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 $1,749,586 (2020 – gain of $110,802) and is recognized in the condensed consolidated interim statements of loss and comprehensive loss for the three months ended March 31, 2021.

Prepared by Management (Unaudited - expressed in US dollars)

The Company used the following weighted average assumptions to estimate the fair value of the warrant liability as at March 31, 2021 and December 31, 2020:

		2021			2020	
Risk-free interest rate		0.46%			0.25%	
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		0.33			0.52	
Weighted average exercise price	$	0.36	(CDN $0.46)	$	0.39	(CDN $0.49)
Weighted average share price	$	0.50	(CDN $1.14)	$	0.96	(CDN $0.64)

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 March 31, 2021, the Company had working capital of $8,902,474 (excluding the warrant liability) (2020 – $68,311), 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 March 31, 2021, the Company had cash of $9,173,120 (2020 – $2,158,694) and accounts payable and accrued liabilities of $1,072,369 (2020 - $1,883,222).

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.

Prepared by Management (Unaudited - expressed in US dollars)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	Property Leases
Cost:	$
At December 31, 2019	3,138,853
Additions	-
At December 31, 2020	3,138,853
Additions	-
At March 31, 2021	3,138,853
Depreciation:	
At December 31, 2019	716,824
Charge for the year	716,824
At December 31, 2020	1,433,648
Charge for the period	152,890
At March 31, 2021	1,586,538
Net Book Value:	
At December 31, 2020	1,705,205
At March 31, 2021	1,552,315

	$
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
Lease liabilities at December 31, 2020	2,172,539
Lease payments made	(226,698)
Interest expense on lease liabilities	67,418
	2,013,259
Less: current portion	925,712
At March 31, 2021	1,087,547

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	$	925,712
Between two and five years		1,078,317
	$	2,004,029

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 three months ended March 31, 2021, 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.

Prepared by Management (Unaudited - expressed in US dollars)

Information by segment is as follows:

March 31, 2021	Cannabis	Corporate	Total
	$	$	$
Sales	585,483	-	585,483
Cost of goods sold	391,588	-	391,588
Gross profit	977,071	-	977,071
Net loss	(3,154,889)	(2,340,408)	(5,495,297)
Non current assets:			
Deposits	69,065	-	69,065
Right of use assets	1,552,315	-	1,552,315
Property and equipment	10,475,349	-	10,475,349

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

17. SUBSEQUENT EVENTS

Events subsequent to March 31, 2021 include the following:

- The Company received $303,321 on the exercise of 460,160 warrants.
- On May 14, 2021, the Company reached a favorable settlement with Kind whereby Kind is ordered to pay the Company $200,000 as follows:
  i) May 31, 2021 - $6,000
  ii) July 5, 2021 - $6,000
  iii) August 2, 2021 - $6,000
  iv) September 6, 2021 - $6,000
  v) October 4, 2021 - $6,000
  vi) November 1, 2021 - $6,000
  vii) December 6, 2021 - $6,000
  viii) January 10, 2022 - $158,000