

Juva Life Inc.

Condensed Consolidated Interim Financial Statements

As at and for the three months ended March 31, 2022

(Unaudited - Expressed in US Dollars)

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
(Unaudited - Expressed in US dollars)

| | Note | March 31, 2022 | December 31, 2021 |
|---|------|-------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 816,503 | \$ 2,681,269 |
| Accounts receivable | | 192,430 | 127,658 |
| Inventory | 8 | 521,729 | 320,596 |
| Biological assets | 8 | 444,320 | 367,671 |
| Other receivables | 5 | 150,000 | 350,000 |
| Prepaid expenses | | 239,604 | 243,973 |
| Total current assets | | 2,364,586 | 4,091,167 |
| Non-current assets | | | |
| Deposits | 7 | 327,248 | 327,248 |
| Right of use assets | 12 | 3,595,602 | 3,716,626 |
| Property and equipment | 6 | 13,122,698 | 12,551,547 |
| Total non-current assets | | 17,045,548 | 16,595,421 |
| Total assets | | 19,410,134 | 20,686,588 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 7 | 2,459,365 | 1,882,456 |
| Income taxes payable | | 116,500 | 90,500 |
| Warrant liability | 9 | 101,939 | 73,717 |
| Current portion of lease liabilities | 12 | 253,628 | 328,731 |
| | | 2,931,432 | 2,375,404 |
| Non-current liability | | | |
| Lease liabilities | 12 | 3,977,022 | 3,977,032 |
| | | 6,908,454 | 6,352,436 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 4 | 49,567,593 | 49,567,593 |
| Share proceeds receivable | | (770,677) | (770,677) |
| Reserves | 4 | 6,682,323 | 5,501,876 |
| Other comprehensive loss | | 33,085 | (19,506) |
| Deficit | | (43,010,644) | (39,945,134) |
| Total shareholders' equity | | 12,501,680 | 14,334,152 |
| Total liabilities and shareholders' equity | | \$ 19,410,134 | \$ 20,686,588 |

Nature of operations (Note 1)
Going concern (Note 2)
Commitments and contingencies (Note 13)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 23, 2022.

Approved by the Board of Directors:

“*Doug Chloupek*” Director “*Kari Gothie*” Director

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

Juva Life Inc.**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in US dollars)**

| | | <u>Three Months Ended March 31, 2022</u> | <u>Three Months Ended March 31, 2021</u> |
|---|------|--|--|
| Sales | | \$ 1,156,765 | \$ 585,483 |
| Cost of goods sold | | <u>947,874</u> | <u>371,428</u> |
| Gross profit before unrealized items | | 208,891 | 214,055 |
| Unrealized fair value change on biological assets | 8 | <u>76,649</u> | <u>85,722</u> |
| Gross profit | | 285,540 | 299,777 |
| Expenses | | | |
| Depreciation | 6,12 | 155,393 | 476,091 |
| Interest expense on lease liabilities | 12 | 166,289 | 72,791 |
| Marketing and promotion | | 157,639 | 1,596,572 |
| Office and administration | | 398,233 | 370,679 |
| Permits | | 56,901 | 90,675 |
| Professional fees | | 182,662 | 258,277 |
| Rent | 7 | (1,489) | 37,209 |
| Research and development | | 65,639 | - |
| Salaries and benefits | 7 | 889,924 | 673,332 |
| Share-based payments | 4,7 | 1,180,447 | 680,110 |
| Transfer agent fees | | <u>12,158</u> | <u>44,714</u> |
| Operating expenses | | 3,263,796 | 4,300,450 |
| Other Items: | | | |
| Change in fair value of warrant liability | 9 | (33,990) | (1,722,499) |
| Gain in disposition of subsidiary | | - | 695,380 |
| Foreign exchange gain (loss) | | <u>(26,198)</u> | <u>(432,505)</u> |
| Loss before taxes | | <u>(3,038,444)</u> | <u>(5,460,297)</u> |
| Income tax expense | | | |
| Current income tax expense | | <u>27,066</u> | <u>35,000</u> |
| Net loss for the period | | \$ <u>(3,065,510)</u> | \$ <u>(5,495,297)</u> |
| Other comprehensive gain | | | |
| Foreign currency translation adjustment | | <u>52,590</u> | <u>-</u> |
| Total comprehensive loss for the period | | \$ <u>(3,012,920)</u> | \$ <u>(5,495,297)</u> |
| Basic and diluted loss per common share | | \$ <u>(0.02)</u> | \$ <u>(0.04)</u> |
| Weighted average number of common shares outstanding | | <u>164,016,223</u> | <u>139,071,492</u> |

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

Juva Life Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in US dollars)

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|--|--|--|
| OPERATING ACTIVITIES | | |
| Loss | \$ (3,065,510) | \$ (5,495,297) |
| Items not involving cash: | | |
| Change in fair value of warrant liability | 33,990 | 1,722,499 |
| Depreciation | 326,846 | 476,091 |
| Interest expense | 160,538 | 67,418 |
| Share-based payments | 1,180,447 | 680,110 |
| Unrealized fair value change on biological assets | (76,649) | (85,722) |
| Foreign exchange | 46,823 | - |
| Gain in disposition of subsidiary | - | (695,380) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (64,772) | 9,528 |
| Inventory | (201,133) | 38,286 |
| Biological assets | - | (20,160) |
| Other receivables | 200,000 | (1,100,000) |
| Prepaid expenses | 4,369 | (19,957) |
| Deposits | - | - |
| Accounts payable and accrued liabilities | 576,909 | (750,853) |
| Taxes payable | 26,000 | 35,000 |
| Cash used in operating activities | (852,142) | (5,138,437) |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (776,973) | (80,203) |
| Proceeds received on disposal of equipment | - | 990,705 |
| Cash provided by (used in) investing activities | (776,973) | 910,502 |
| FINANCING ACTIVITIES | | |
| Repayment of lease liability | (235,651) | (226,698) |
| Share subscriptions received in advance | - | 7,771,034 |
| Proceeds from exercise of warrants | - | 4,400,640 |
| Share issuance costs | - | (642,525) |
| Cash provided by financing activities | (235,651) | 11,302,451 |
| Increase in cash | (1,864,766) | 7,074,516 |
| Cash, beginning of the period | 2,681,269 | 2,158,694 |
| Cash, end of the period | \$ 816,503 | \$ 9,233,210 |

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 (Deficiency)****(Unaudited - Expressed in US dollars)**

| | Note | Share Capital | | Share Proceeds Receivable | Share Subscriptions Received in Advance | Reserves | Other Comprehensive Loss | Deficit | Total Shareholders' Equity (Deficiency) |
|--|------|---------------|---------------|---------------------------------|--|--------------|--------------------------------|-----------------|--|
| | | Number | Amount | | | | | | |
| December 31, 2020 | | 134,673,018 | \$ 30,208,334 | \$ (770,677) | \$ 110,648 | \$ 5,758,510 | \$ (16,517) | \$ (28,586,844) | \$ 6,703,454 |
| Special warrant financing | | - | - | - | 7,881,682 | - | - | - | 7,881,682 |
| Warrant liability | | - | - | - | - | - | - | - | - |
| Share issuance costs | | - | (1,280,510) | - | - | 637,985 | - | - | (642,525) |
| Shares issued on exercise of warrants | | 8,636,854 | 4,400,640 | - | (110,648) | - | - | - | 4,289,992 |
| Reclassification of warrant liability | | - | 5,717,298 | - | - | - | - | - | 5,717,298 |
| Shares issued on vesting of restricted stock units | | 10,442,381 | 2,802,568 | - | - | (2,802,568) | - | - | - |
| Share-based payments | | - | - | - | - | 680,110 | - | - | 680,110 |
| Loss and comprehensive loss for the period | | - | - | - | - | - | - | (5,495,297) | (5,495,297) |
| Balance, March 31, 2021 | | 153,752,253 | 41,848,330 | (770,677) | 7,881,682 | 4,274,037 | (16,517) | (34,082,141) | 19,134,714 |
| December 31, 2021 | | 164,016,223 | 49,567,593 | (770,677) | - | 5,501,876 | (19,506) | (39,945,134) | 14,334,152 |
| Share-based payments | 4 | - | - | - | - | 1,180,447 | - | - | 1,180,447 |
| Foreign currency translation adjustment | | - | - | - | - | - | 52,591 | - | 52,591 |
| Loss and comprehensive loss for the period | | - | - | - | - | - | - | (3,065,510) | (3,065,510) |
| March 31, 2022 | | 164,016,223 | 49,567,593 | (770,677) | - | 6,682,323 | 33,085 | (43,010,644) | 12,501,680 |

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

Juva Life Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

(Unaudited - Expressed in US dollars)

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, 2022 and December 31, 2021, 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 \$3,065,510 during the three months ended March 31, 2022 (March 31, 2021 - \$5,495,297). 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, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

Juva Life Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

(Unaudited - Expressed in US dollars)

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, 2022.

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 policies that have the most significant effect on the amounts recognized in the condensed consolidated interim 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 condensed consolidated interim 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.

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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 straight line method over 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.

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(Unaudited - Expressed in US dollars)

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. In calculating final inventory values, management compares the inventory costs to estimated realizable value.

3.3 Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries, Juva Life, Inc. (“Juva US”) 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. EQUITY

4.1 Authorized Share Capital

Unlimited number of common shares with no par value.

4.2 Shares Issued

Shares issued and outstanding as at March 31, 2022 are 164,016,223 Class A common shares. As at March 31, 2022, 23,983,505 shares are held in escrow.

There were no share issuances during the three months ended March 31, 2022.

During the year ended December 31, 2021, the Company:

- i) Issued 10,506,017 common shares upon the vesting of 10,506,017 restricted stock units (“RSUs”). The Company reallocated \$2,859,909 from share-based payment reserve to share capital upon vesting of the RSUs;

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(Unaudited - Expressed in US dollars)

- ii) 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 consists 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 CAD\$815,620 in cash share issuance costs, which included CAD\$731,269 of cash commission fees and issued 666,999 broker warrants valued at \$637,984 using the Black-Scholes option pricing model; and
- iii) Issued 9,308,610 common shares upon the exercise of 9,308,610 warrants for gross proceeds of \$4,402,884. Upon exercise, the Company transferred \$5,875,265 from warrant liability to share capital;

4.3 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, 2020 | 3,490,000 | 0.67 |
| Granted | 275,000 | 0.50 |
| Cancelled | (590,000) | 0.67 |
| Balance, December 31, 2021 | 3,175,000 | 0.65 |
| Granted | 17,220,000 | 0.32 |
| Cancelled | (3,175,000) | 0.50 |
| Balance, March 31, 2022 | 17,220,000 | 0.65 |

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(Unaudited - Expressed in US dollars)

The following stock options were outstanding as at March 31, 2022:

| Outstanding | Exercisable | | Exercise Price | Expiry Date | Weighted average remaining life (in years) |
|-------------|-------------|-------|----------------|----------------|--|
| 17,220,000 | 5,204,910 | CAD\$ | \$ 0.32 | March 25, 2032 | 9.99 |

4.4 Share Purchase Warrants

A summary of the changes in warrants is presented below:

| | Number of warrants | Weighted average exercise price |
|----------------------------|--------------------|---------------------------------|
| | | CDN \$ |
| Balance, December 31, 2020 | 36,716,025 | 0.80 |
| Granted | 5,431,288 | 1.31 |
| Exercised | (9,310,610) | 0.60 |
| Expired | (17,175,413) | 0.93 |
| Balance, December 31, 2021 | 15,661,290 | 0.86 |
| Exercised | (10,000,000) | 0.67 |
| Balance, March 31, 2022 | 5,661,290 | 1.01 |

The following share purchase warrants were outstanding as at March 31, 2022:

| Outstanding | Exercisable | | Exercise Price | Expiry Date |
|-------------|-------------|--------|----------------|-------------------|
| 230,002 | 230,002 | CDN \$ | 0.05 | May 31, 2022 |
| 5,431,288 | 5,431,288 | CDN \$ | 1.05 | February 18, 2023 |
| 5,661,290 | 5,661,290 | | | |

4.5 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.

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During the year ended December 31, 2021, the Company granted 200,000 restricted stock units (“RSUs”) to an officer of the Company with a fair value of \$82,000. Of the 200,000, 109,092 remain unvested as at March 31, 2022.

4.6 Share-based payment expense and reserves

Pursuant to vesting schedules, the share-based payment expense for the stock options that were granted during the three months ended March 31, 2022 was \$1,180,447 (March 31, 2021 – \$680,110) and was recorded in the condensed consolidated interim statements of loss and comprehensive loss using the following weighted average assumptions:

| | 2022 | 2021 |
|---------------------------------|-------|-------|
| Risk-free interest rate | 0.30% | 1.46% |
| 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 CAD\$0.28 per option (March 31, 2021 - \$0.45).

5. 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.

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 (received)
- ii) July 5, 2021 - \$6,000 (received)
- iii) August 2, 2021 - \$6,000 (received)
- iv) September 6, 2021 - \$6,000 (received)
- v) October 4, 2021 - \$6,000 (received)
- vi) November 1, 2021 - \$6,000 (received)
- vii) December 6, 2021 - \$6,000 (received)
- viii) January 10, 2022 - \$158,000 (outstanding)

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6. PROPERTY AND EQUIPMENT

| Cost | Automotive | Equipment | Furniture and Office Equipment | Leasehold Improvements | Total |
|---------------------------------|------------|--------------|-----------------------------------|---------------------------|---------------|
| Balance, December 31, 2020 | \$ 154,910 | \$ 1,906,796 | \$ 96,394 | \$ 8,927,251 | \$ 11,085,351 |
| Additions | 47,239 | 1,115,213 | 41,751 | 1,356,090 | 2,560,293 |
| Disposals | (14,576) | - | - | (377,572) | (392,148) |
| Balance, December 31, 2021 | 187,573 | 3,022,009 | 138,145 | 9,905,769 | 13,253,496 |
| Additions | 70,523 | 28,365 | 19,005 | 659,080 | 776,973 |
| Balance, March 31, 2022 | \$ 258,096 | \$ 3,050,374 | \$ 157,150 | \$ 10,564,849 | \$ 14,030,469 |
| Accumulated Amortization | | | | | |
| Balance, December 31, 2020 | \$ 24,778 | \$ 8,417 | \$ 2,705 | \$ 35,869 | \$ 71,769 |
| Additions | 53,744 | 192,701 | 41,320 | 343,630 | 631,395 |
| Disposals | (1,215) | - | - | - | (1,215) |
| Balance, December 31, 2021 | 77,307 | 201,118 | 44,025 | 379,499 | 701,949 |
| Additions | 15,318 | 82,321 | 13,052 | 95,131 | 205,822 |
| Balance, March 31, 2022 | \$ 92,625 | \$ 283,439 | \$ 57,077 | \$ 474,630 | \$ 907,771 |
| Net Book Value | | | | | |
| Balance, December 31, 2021 | \$ 110,266 | \$ 2,820,891 | \$ 94,120 | \$ 9,526,270 | \$ 12,551,547 |
| Balance, March 31, 2022 | \$ 165,471 | \$ 2,766,935 | \$ 100,073 | \$ 10,090,219 | \$ 13,122,698 |

Included in cost of goods sold is depreciation of \$171,453 (2021 - \$Nil). During the period ended March 31, 2022, the Company paid \$Nil relating to advances on equipment purchases (2021 - \$100,183).

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7. 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 three months ended March 31, 2022 and 2021, key management compensation included the following:

| | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
|-------------------------|--------------------------------------|--------------------------------------|
| | \$ | \$ |
| Management compensation | 254,107 | 203,975 |
| Share-based payments | 284,112 | - |
| Total | <u>538,219</u> | <u>203,975</u> |

During the three months ended March 31, 2022, the Company had the following related party transactions:

- a) The Company paid \$210,927 (March 31, 2021 - \$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 \$59,000 (March 31, 2021 - \$20,000) to a company minority owned by a former director of the Company.

Included in accounts payable and accrued liabilities as at March 31, 2022 is \$310,626 (2021 - \$212,769) owed to officers of the Company.

Included in deposits as at March 31, 2022 and December 31, 2021 is \$24,000 with Best Leasing Services, Inc.

8. INVENTORY AND BIOLOGICAL ASSETS

The Company maintains three classes of inventory: merchandise and cannabis-derived products for resale (2022 - \$297,466; 2021 - \$218,365), work in process (“WIP”) (2022 - \$224,263; 2021 - \$102,231) and dried trim/flowers (2022 - \$Nil; 2021 - \$Nil). For the three months ended March 31, 2022, the amount included in cost of goods sold was \$947,874 (March 31, 2021 - \$371,428).

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.

Juva Life Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

(Unaudited - Expressed in US dollars)

| | | |
|--|----|----------------|
| Balance, December 31, 2021 | \$ | 367,761 |
| Fair value change due to biological transformation | | 76,649 |
| Production costs capitalized | | - |
| Transferred to inventory upon harvest | | - |
| | | <hr/> |
| Balance, March 31, 2022 | \$ | <u>444,320</u> |

Biological assets are measured at their fair value less costs to sell in the consolidated 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 vegetative state 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 consolidated 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.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy and are subject to volatility and several uncontrollable factors which could significantly affect the fair value of biological assets in future periods, were used by management as part of this model:

- Growth cycle - the average growing cycle is 120 days from propagation to harvest;
- Stage of growth – represents the weighted average number of days out of the 81.6-day growing cycle that biological assets have reached as at the measurement date;
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant. The average harvest yield of whole flower used is 43 grams per plant
- Survival rate – the estimated survival rate of cannabis plants as they move from one stage of growth to the next (from germination to vegetative to flowering) based on the Company's historical results. As plants mature at each stage, their survival rate increases;
- Wholesale selling price – the average price used is \$2.31 per gram
- Post harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants after harvest, consisting of the cost of direct and indirect materials and labor related to labelling and packaging. The Company expenses such subsequent expenditures directly to cost of goods sold.

The following quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the reported fair value of biological assets:

| | March 31, 2022 | March 31, 2021 | 10% change as at March 31, 2022 | March 31, 2021 |
|------------------------|----------------|----------------|------------------------------------|----------------|
| Stage of growth | 80% | - | 8,224 | - |
| Yield by plant (grams) | 42.59 | - | 36,767 | - |
| Survival rate | 90% | - | 16,545 | - |
| Sale price | \$ 2.31 | - | 36,767 | - |

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

(Unaudited - Expressed in US dollars)

9. 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. As at March 31, 2022, there were 230,002 of these warrants remaining.

In connection with the special warrant financing that was completed during the year ended December 31, 2021, the Company issued a total of 4,764,289 warrants exercisable at a price of CDN\$1.05 per share. These warrants were assigned a fair value of \$410,240 using the Black-Scholes Pricing Model. As at March 31, 2022, there were 4,764,289 of these warrants remaining.

The fair value allocated to the remaining warrants at March 31, 2022 was \$101,939 (2021 - \$73,717) 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 \$33,990 (March 31, 2021 - \$1,722,499) and is recognized in the condensed consolidated interim statements of loss and comprehensive loss for the three months ended March 31, 2022.

The Company used the following weighted average assumptions to estimate the fair value of the warrant liability as at March 31, 2022 and December 31, 2021:

| | 2021 | 2020 |
|---|--------------|--------------|
| Risk-free interest rate | 0.30% | 0.30% |
| 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 | 0.85 | 1.12 |
| Weighted average exercise price | \$1.29 (CDN) | \$1.03 (CDN) |
| Weighted average share price | \$0.31 (CDN) | \$0.23 (CDN) |

Juva Life Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited - Expressed in US dollars)

10. 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 period ended March 31, 2022.

11. RISK MANAGEMENT

11.1 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. The Company is exposed to credit risk with respect to the final payment receivable as part of the Kind settlement (Note 5).

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, 2022, the Company had a working capital deficiency of \$464,907 (excluding the warrant liability) (2021 – surplus of \$1,789,480). 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, 2022, the Company had cash of \$816,503 (2021 – \$2,681,269) and accounts payable and accrued liabilities of \$2,459,365 (2021 - \$1,882,456).

Juva Life Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

(Unaudited - Expressed in US dollars)

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.

11.2 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 2 inputs of the fair value hierarchy.

Juva Life Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(Unaudited - Expressed in US dollars)****12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

| | Property Leases |
|---|------------------------|
| Cost: | \$ |
| At December 31, 2020 | 3,138,853 |
| Additions | 2,705,120 |
| Disposals | (482,464) |
| At December 31, 2021 and March 31, 2022 | 5,361,509 |
| Depreciation: | |
| At December 31, 2020 | 1,433,648 |
| Charge for the year | 448,083 |
| Less: accumulated depreciation | (236,847) |
| At December 31, 2021 | 1,644,884 |
| Charge for the period | 121,023 |
| At March 31, 2022 | 1,765,907 |
| Net Book Value: | |
| At December 31, 2021 | 3,716,625 |
| At March 31, 2022 | 3,595,602 |
| | \$ |
| Lease liabilities at December 31, 2020 | 2,172,538 |
| Additions | 2,705,120 |
| Derecognition of lease liability | (297,345) |
| Lease payments made | (953,360) |
| Interest expense on lease liabilities | 678,810 |
| | 4,305,763 |
| Less: current portion | 328,731 |
| At December 31, 2021 | 3,977,032 |
| Lease liabilities at December 31, 2021 | 4,305,763 |
| Lease payments made | (235,651) |
| Interest expense on lease liabilities | 160,538 |
| | 4,230,650 |
| Less: current portion | 253,628 |
| At March 31, 2022 | 3,977,022 |

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

Juva Life Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2022

(Unaudited - Expressed in US dollars)

13. 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 9). The minimum rent payable under the leases are as follows:

| | | Total |
|----------------------------|----|-----------|
| Within one year | \$ | 953,041 |
| Between two and five years | | 360,927 |
| | \$ | 1,313,968 |

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.

14. 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, 2021, the Company operates in two reportable segments, being cultivation and sale of dried trim/flowers and resale of merchandise and cannabis-derived products 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.

Information by segment is as follows:

| | Resale of merchandise and cannabis-derived products | | Cultivation and sale of trim and flowers | | Total | |
|---|---|---|---|---|---|---|
| | Three months ended March 31, 2022 | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Three months ended March 31, 2021 | Three months ended March 31, 2022 | Three months ended March 31, 2021 |
| Sales | \$ 927,148 | \$ 428,488 | \$ 229,617 | \$ 156,995 | \$ 1,156,765 | \$ 585,483 |
| Cost of goods sold | 508,260 | 236,725 | 439,614 | 134,703 | 947,874 | 371,428 |
| Gross margin before fair value changes on biological assets | 418,888 | 191,763 | (209,997) | 22,292 | 208,891 | 214,055 |
| Net change in fair value less costs to sell due to biological transformation | - | - | (76,649) | (85,722) | (76,649) | (85,722) |
| Gross profit | 418,888 | 191,763 | (133,348) | 108,014 | 285,540 | 299,777 |

Juva Life Inc.**Notes to the Condensed Consolidated Interim Financial Statements****For the three months ended March 31, 2022****(Unaudited - Expressed in US dollars)**

| March 31, 2022 | Cannabis | Corporate | Total |
|------------------------|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Sales | 1,156,765 | - | 1,156,765 |
| Cost of goods sold | (947,874) | - | (947,874) |
| Gross profit | 208,891 | - | 208,891 |
| Net loss | (1,787,590) | (1,277,920) | (3,065,510) |
| Non-current assets: | | | |
| Deposits | 327,248 | - | 327,248 |
| Right of use assets | 3,595,602 | - | 3,595,602 |
| Property and equipment | 13,122,698 | - | 13,122,698 |

| December 31, 2021 | Cannabis | Corporate | Total |
|------------------------|-------------|-------------|--------------|
| | \$ | \$ | \$ |
| Sales | 3,867,610 | - | 3,867,610 |
| Cost of goods sold | (2,616,867) | - | (2,616,867) |
| Gross profit | 1,250,743 | - | 1,250,743 |
| Net loss | (6,544,945) | (4,813,345) | (11,358,290) |
| Non-current assets: | | | |
| Deposits | 327,248 | - | 327,248 |
| Right of use assets | 3,716,626 | - | 3,716,626 |
| Property and equipment | 12,551,547 | - | 12,551,547 |