AYURCANN HOLDINGS CORP.

(FORMERLY KNOWN AS CANADA COAL INC.)

LISTING STATEMENT FORM 2A

April 1, 2021

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Cautionary Note Regarding Forward-Looking Statements

This Listing Statement contains forward-looking information (collectively, "**forward-looking information**"), which includes disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates", "projects", "budgets", "forecasts" or "does not anticipate", or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Examples of such forward-looking information in this Listing Statement includes disclosure relating to the following:

- the Resulting Issuer's business and operations;
- the Resulting Issuer's anticipated revenues and cash flows from operations and consequent funding requirements;
- the funds available to the Resulting Issuer and the principal purposes of those funds;
- the Resulting Issuer's business objectives and discussion of trends affecting the business of the Resulting Issuer; and
- the Resulting Issuer's anticipated operating expenses.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this Listing Statement. The forward-looking information in this Listing Statement is based on a number of assumptions that may prove to be incorrect, including, but not limited to the following:

- general economic conditions;
- the ability of the Resulting Issuer to accurately assess and anticipate trends in its industry;
- the ability of the Resulting Issuer to realize its business objectives and manage its cash flow;
- the Resulting Issuer's ability to maintain a competitive position;
- the ability of the Resulting Issuer to obtain any necessary financing; and
- the ability of the Resulting Issuer to maintain current operating expenses.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of these risks, include, but are not limited to the following: regulatory risks, regulatory approvals, permits and licences, changes in laws, regulations and guidelines, risks related to the Resulting Issuer's facilities, environmental risk and regulation, the Canadian cannabis market, limited operating history, volatile stock price, energy costs, shelf life inventory, reliance on Management, conflicts of interest, insurance and uninsured risks, business in new industries, dependence on suppliers and skilled labour, difficulty to forecast, additional financing, management of growth, internal controls, liquidity, dilution, litigation, inability to protect intellectual property rights, unfavourable publicity or consumer perception, development of brands, products and services, entry bans into the United States, product liability, product recalls, competition, client acquisition and retention, transportation risks, market unpredictability, fraudulent or illegal activity, reliance on information technology systems and cyberattacks.

The factors identified above are not intended to represent a complete list of the factors that could affect the Resulting Issuer (see Section "17. RISK FACTORS").

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Listing Statement. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this Listing Statement. The Resulting Issuer does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Listing Statement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Market and Industry Data

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. The Resulting Issuer believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Resulting Issuer has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

1. GLOSSARY OF TERMS

The following is a glossary of certain general terms used in this Listing Statement including the summary hereof. Terms and abbreviations used in the financial statements included in or appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**ACMPR**" means the *Access to Cannabis for Medical Purposes Regulations* (Canada) pursuant to the *Controlled Drugs and Substances Act* (Canada).

"**Acquireco**" means 12487772 Canada Inc., a company incorporated under the CBCA on November 11, 2020, which was a wholly-owned subsidiary of the Resulting Issuer incorporated for the purpose of carrying out the Amalgamation and which amalgamated with Ayurcann to form Amalco pursuant to the Amalgamation Agreement.

"**Affiliate**" means a corporation that is affiliated with another corporation as described below. A corporation is an "**Affiliate**" of another corporation if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A corporation is "**controlled**" by a Person if:

(c) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that Person; and

(d) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation.

A Person beneficially owns securities that are beneficially owned by:

(a) a corporation controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

"**Amalco**" means Ayurcann Inc., the entity formed upon completion of the Amalgamation, which is a direct wholly-owned subsidiary of the Resulting Issuer.

"**Amalgamation Agreement**" means the agreement dated March 25, 2021 between the Resulting Issuer, Acquireco, and Ayurcann in respect of the Amalgamation.

"**Amalgamation**" means the amalgamation of Acquireco and Ayurcann, pursuant to the terms of the Amalgamation Agreement.

"**Associate**" when used to indicate a relationship with a Person, means:

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the Person;

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or

(d) in the case of a Person who is an individual:

a. that Person's spouse or child; or

b. any relative of the Person or of his spouse who has the same residence as that Person.

"**Ayurcann**" means Ayurcann Inc., a company incorporated under the CBCA on June 22, 2018, which amalgamated with Acquireco to form Amalco pursuant to the Amalgamation Agreement.

"**Ayurcann Options**" means the options to purchase Ayurcann Shares which were issued and outstanding prior to the Amalgamation and which were exchanged for Options pursuant to the Amalgamation.

"**Ayurcann Shareholder**" the former holders of Ayurcann Shares.

"**Ayurcann Shares**" means Class "A" common shares in the capital of Ayurcann.

"**Ayurcann Warrants**" means the share purchase warrants of Ayurcann, which were issued and outstanding prior to the Amalgamation, and which were exchanged for Warrants pursuant to the Amalgamation.

"**Biomass**" has the meaning ascribed to it under Section "4. NARRATIVE DESCRIPTION OF THE

BUSINESS” under the heading “History of the Business”.

“**Board of Directors**” means the board of directors of the Resulting Issuer.

“**Cannabis Act**” means Bill C-45, an Act respecting cannabis and to amend *the Controlled Drug and Substances Act*, *the Criminal Code* and other acts (Canada).

“**Cannabis Regulations**” means the *Cannabis Regulations (SOR/2018-144)* promulgated under the Cannabis Act.

“**CBCA**” means the *Canada Business Corporations Act*.

“**CBD**” means cannabidiol.

“**CBP**” means Customs and Border Protection.

“**CDSA**” means the *Controlled Drugs and Substances Act* (Canada).

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

“**Collaboration Agreement**” has the meaning ascribed to it under Section “4. NARRATIVE DESCRIPTION OF THE BUSINESS” under the heading “History of the Business”.

“**Com 53**” means Com 53 Ltd., a company incorporated under the OBCA in October 1983.

“**Common Shares**” means common shares in the capital of the Resulting Issuer.

“**Compensation Committee**” has the meaning ascribed to it under the heading “Compensation Governance”.

“**Contractor Agreement**” has the meaning ascribed to it under Section “4. NARRATIVE DESCRIPTION OF THE BUSINESS” under the heading “History of the Business”.

“**COO**” means Chief Operating Officer.

“**CSE Policies**” means the rules and policies of the CSE in effect as of the date hereof.

“**CSE**” means the Canadian Securities Exchange.

“**CUP**” means centrifuge utility platform.

“**COVID-19**” means the coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

“**Effective Date**” means the effective date of the Amalgamation, being March 26, 2021.

“**Escrow Agent**” means Computershare Trust Company of Canada.

“**Escrow Agreement**” means the escrow agreement entered into by the Resulting Issuer, Escrow Agent and certain securityholders of the Resulting Issuer in compliance with the requirements of the CSE.

“**FFE**” means falling film evaporators.

“**Earn-Out Trigger**” has the meaning ascribed to it under Section “3. GENERAL DEVELOPMENT OF THE BUSINESS” under the heading “The Amalgamation”.

“**GMP**” means good manufacturing practices, a system for ensuring that products are consistently produced and controlled according to quality standards.

“**GPP**” means good production practice.

“**HOS**” means Head of Security.

“**Joint Venture Agreement**” has the meaning ascribed to it under Section “3. GENERAL DEVELOPMENT OF THE BUSINESS” under the heading “Financings”.

“**Licensed Producer**” means the holder of license issued by Health Canada authorizing the cultivation, processing or sale of cannabis and cannabis products.

“**Listing Statement**” means this CSE Form – *2A Listing Statement* of the Resulting Issuer, including the schedules hereto, prepared in support of the listing of the Common Shares on the CSE.

“**Management**” means the management team of the Resulting Issuer.

“**MD&A**” means management’s discussion and analysis.

“**Mercury Capital**” means Mercury Capital Limited., a company incorporated under the OBCA on February 23, 2012.

“**Mijem**” means Mijem Inc., a company incorporated under the OBCA on August 19, 2014.

“**Mijem Agreement**” has the meaning ascribed to it under Section “3. GENERAL DEVELOPMENT OF THE BUSINESS”.

“**MMPR**” means Marijuana for Medical Purposes Regulation.

“**NEO**” or “**Named Executive Officer**” means:

(a) each individual who, in respect of the Resulting Issuer, during any part of the most recently completed financial year, served as CEO, including an individual performing functions similar to a CEO;

(b) each individual who, in respect of the Resulting Issuer, during any part of the most recently completed financial year, served as CFO, including an individual performing functions similar to a CFO;

(c) in respect of the Resulting Issuer and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than $150,000 for that financial year; and

(d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was not an executive officer of the Resulting Issuer, and was not acting in a similar capacity, at the end of that financial year.

"**NEX Board**" means the NEX Board of the TSXV.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings*.

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**Option Plan**" means the 10% rolling stock option plan of the Resulting Issuer as more particularly described under Section "9. OPTIONS TO PURCHASE SECURITIES".

"**Options**" means the stock options of the Resulting Issuer, which are outstanding under the Option Plan.

"**Person**" means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

"**Phase 1**" has the meaning ascribed to it under Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business".

"**Phase 2**" has the meaning ascribed to it under Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business".

"**Pickering Facility**" has the meaning ascribed to it under Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "Overview".

"**Processing License**" has the meaning ascribed to it under Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business".

"**Promissory Note**" has the meaning ascribed to it under Section "3. GENERAL DEVELOPMENT OF THE BUSINESS" under the heading "Financings".

"**QC**" means quality control manager.

"**RPIC**" means responsible person in charge.

"**Research License**" has the meaning ascribed to it under Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business".

"**Resulting Issuer**" means Ayurcann Holdings Corp. (formerly, Canada Coal Inc.), a company incorporated under the OBCA on August 26, 2010.

"**scCO2**" means supercritical carbon dioxide.

"**Shareholders**" means shareholders of the Resulting Issuer.

"**SOP**" means standard operating procedures.

"**Sunset Date**" has the meaning ascribed to it under Section "3. GENERAL DEVELOPMENT OF THE

BUSINESS” under the heading “The Amalgamation”.

“**Survey**” has the meaning ascribed to it under Section “4. NARRATIVE DESCRIPTION OF THE BUSINESS” under the heading “Canadian Cannabis Market”.

“**Tetra**” means Tetra Oils Inc., a company incorporated under the OBCA on March 5, 2019.

“**THC**” means delta-9-tetrahydrocannabinol.

“**TSXV**” means the TSX Venture Exchange.

“**U.S.**” means United States of America.

“**Warrants**” means the share purchase warrants of the Resulting Issuer, which are issued and outstanding.

“**Weed Me**” means Weed Me Inc., a company incorporated under the CBCA in April 2016.

2. CORPORATE STRUCTURE

Corporate Name and Head and Registered Office

The head office of the Resulting Issuer is located at 1080 Brock Road, Unit 6, Pickering, Ontario L1W 3H3 and its registered office is located at 1080 Brock Road, Unit 6, Pickering, Ontario L1W 3H3. The Resulting Issuer is currently engaged in business in the Province of Ontario.

Jurisdiction of Incorporation

The Resulting Issuer was incorporated pursuant to the provisions of the OBCA on August 26, 2010 under the name “Pacific Coal Corp.”. On April 12, 2011, it changed its name to “Canada Coal Inc.”. On November 4, 2011, the Resulting Issuer entered into an agreement with Mercury Capital in respect to a proposed business combination to be effected by way of an amalgamation of the parties. Under the terms of the agreement, holders of common shares and other securities such as options and warrants of the Resulting Issuer and Mercury Capital, received common shares and other securities of the resulting issuer on a one for one basis. The amalgamation constituted a qualifying transaction for Mercury Capital as defined in Policy 2.4 of the TSXV's Corporate Finance Manual. The Resulting Issuer was the resulting issuer from the amalgamation, which was effective February 23, 2012.

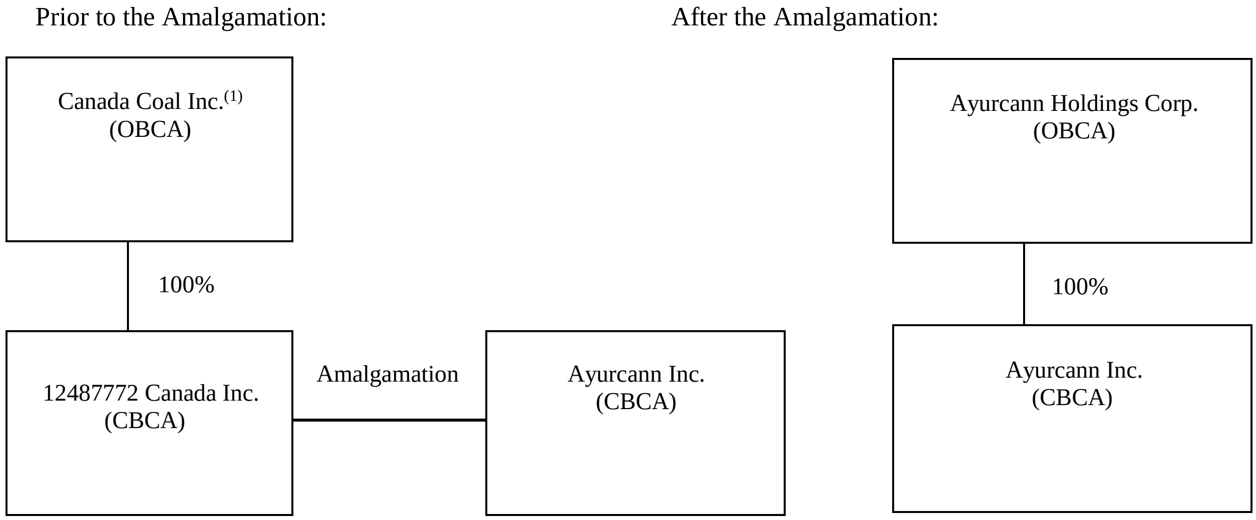
On March 25, 2021, the Resulting Issuer changed its name to “Ayurcann Holdings Corp.” in connection with the Amalgamation.

Ayurcann was incorporated under the CBCA on June 22, 2018 under the name “Ayurcann Inc.”. On March 26, 2021 Ayurcann merged with Acquireco to form Amalco pursuant to the Amalgamation Agreement.

Amalco was company incorporated under the CBCA on November 11, 2020 as “12487772 Canada Inc.”. Amalco is a wholly-owned subsidiary of the Resulting Issuer and was incorporated for the purpose of carrying out the Amalgamation. On March 26, 2021 Amalco changed its name to “Ayurcann Inc.” pursuant to the Amalgamation Agreement.

Inter-corporate Relationships

The Resulting Issuer has one wholly-owned subsidiary, Amalco, which was formed pursuant to the Amalgamation of Acquireco and Ayurcann.The following chart illustrates the intercorporate relationships that exist as of the date of the Listing Statement:



Note:

(1) Name changed to Ayurcann Holdings Corp.

See Section "3. GENERAL DEVELOPMENT OF THE BUSINESS" under the heading "The Amalgamation".

Fundamental Change

This Section is not applicable to the Resulting Issuer.

Non-corporate Issuers and Issuers incorporated outside of Canada

This Section is not applicable to the Resulting Issuer.

3. GENERAL DEVELOPMENT OF THE BUSINESS

The Resulting Issuer began trading on the TSXV under the symbol "CCK" on February 29, 2012. The Resulting Issuer was a junior resource mining company with coal licences located on Ellesmere Island and Axel Heiberg Islands, Nunavut Territory, Canada. Prior to the Effective Date of the Amalgamation, the Resulting Issuer was a junior oil and gas issuer that had been inactive for the past several years.

On November 15, 2019, the Resulting Issuer entered into an arm's-length definitive combination agreement with Mijem to combine the businesses of the two companies (the "**Mijem Agreement**"). The proposed transaction was structured as a three-cornered amalgamation between the Resulting Issuer, Mijem and a newly incorporated subsidiary of the Resulting Issuer. Upon completion of the proposed transaction, the resulting issuer would carry on the business of Mijem. Pursuant to the Mijem Agreement, immediately prior to the amalgamation, the Resulting Issuer would have completed a share consolidation on the basis of two pre-consolidation common shares for each one post-consolidation common share. As a condition for the completion of the Mijem Agreement, a private placement was to be completed prior to January 31, 2020 for aggregate proceeds of between $1,850,000 and $3,000,000. As of February 17, 2020, the efforts to raise the required private placement minimum of $1,850,000 were unsuccessful and the Mijem Agreement was terminated.

On March 25, 2021, immediately prior to the completion of the Amalgamation, the Resulting Issuer completed a consolidation of the Common Shares on the basis of one new Common Share for each two old Common Shares. After effecting the consolidation, the Resulting Issuer cancelled its outstanding Warrants and issued 2,500,000 replacement Warrants to the warrantholders at a price of $0.40 expiring on January 23, 2022.

On March 25, 2021, the Resulting Issuer, Acquireco, and Ayurcann entered into the Amalgamation Agreement in respect of the Amalgamation. The Amalgamation was completed on March 26, 2021, pursuant to which the Resulting Issuer assumed the business of Ayurcann.

The Amalgamation

On March 25, 2021, the Resulting Issuer, Acquireco and Ayurcann entered into the Amalgamation Agreement, pursuant to which the Resulting Issuer acquired all of the issued and outstanding Ayurcann Shares by way of a "three-cornered" amalgamation whereby:

(1) Acquireco and Ayurcann amalgamated, thereby forming Amalco;

(2) Each Ayurcann Shareholder transferred their Ayurcann Shares to the Resulting Issuer in exchange for Common Shares on the basis of 1.4695 Common Shares for each Ayurcann Share, resulting in an aggregate of 84,876,104 Common Shares being issued to the former Ayurcann Shareholders;

(3) the Resulting Issuer received one fully paid and non-assessable common share of Amalco for each common share of Acquireco held by the Resulting Issuer, following which all such common shares of Acquireco were cancelled;

(4) the Resulting Issuer received, for each Common Share issued in the Amalgamation, one common share of Amalco and Amalco became a wholly-owned subsidiary of the Resulting Issuer;

(5) Options and Warrants of the Resulting Issuer were issued to the holders of the Ayurcann Options and Ayurcann Warrants, respectively, in exchange and replacement for, on an equivalent basis, such Ayurcann Options and Ayurcann Warrants, which were then cancelled;

(6) the Resulting Issuer paid $170,000 in cash and issued to a former officer of the Resulting Issuer 116,325 Common Shares at a deemed price of $0.189126 and paid each of the three former directors $7,500 in cash and issued to each former director 39,656 Common Shares at a deemed price of $0.189126 in consideration for past services; and

(7) the Resulting Issuer is required to pay an earn-out to former Ayurcann Shareholders if the Resulting Issuer completes the Phase 2 buildout (the "**Earn-Out Trigger**") within a five (5) year period following the Effective Date (the "**Sunset Date**"). If the Earn-Out Trigger is met prior to the Sunset Date, then the Resulting Issuer will issue to former Ayurcann Shareholders the number of Common Shares equal to $1,000,000 divided by the greater of (i) $0.05 and (ii) the ten day volume weighted average trading price of the Common Shares on the CSE prior to the date of the Earn-Out Trigger.

The Amalgamation resulted in Amalco becoming a wholly-owned subsidiary of the Resulting Issuer. On March 25, 2021, concurrently with the completion of the Amalgamation, the Resulting Issuer changed its name to "Ayurcann Holdings Corp." and Amalco continued under the name "Ayurcann Inc."

The valuation ascribed to Ayurcann in the Amalgamation was determined by arm's length negotiation between the Resulting Issuer and Ayurcann and based in part upon Ayurcann's pre-Amalgamation financings.

The Amalgamation was approved by the written consent of all of the Ayurcann Shareholders and by the Resulting Issuer, in its capacity as sole shareholder of Acquireco. The Amalgamation was approved, pursuant to CSE Policies, by the written consent of greater than 50% of the Resulting Issuer's pre-Amalgamation shareholders.

See Section "8. CONSOLIDATED CAPITALIZATION" for details of the outstanding capital of the Resulting Issuer.

Significant Acquisitions and Dispositions

See Section "3. GENERAL DEVELOPMENT OF THE BUSINESS" under the heading "The Amalgamation".

Financings

<u>Ayurcann</u>

Founders Shares

On September 6, 2018, Ayurcann issued 8,750,000 Ayurcann Shares at a price of $0.008 for gross proceeds of $70,000.

Private Placements

On December 10, 2018, and pursuant to a non-brokered private placement, Ayurcann issued 3,150,000 Ayurcann Shares at a price of $0.10 per Ayurcann Shares for gross proceeds of $315,000.

On May 31, 2019, and pursuant to a non-brokered private placement, Ayurcann issued 5,300,000 Ayurcann Shares at a price of $0.10 per Ayurcann Share for gross proceeds of $530,000.

On March 30, 2020, and pursuant to a non-brokered private placement, Ayurcann issued 1,061,001 Ayurcann Shares at a price of $0.15 per Ayurcann Share for gross proceeds of $159,150.15.

Shares for Services

On November 23, 2018, Ayurcann issued 8,000,000 Ayurcann Shares at a deemed price of $0.025, pursuant to a Joint Venture Agreement with Weed Me. The Joint Venture Agreement was terminated on June 10, 2019 and in connection with the termination, the Ayurcann was required to issue an additional 2,160,000 Ayurcann Shares at a deemed price of $0.05 and 1,000,000 Ayurcann Warrants.

On December 1, 2018, pursuant to a management consulting agreement, Ayurcann issued 10,000,000 Ayurcann Shares at a deemed price of $0.02 to officers of Ayurcann in exchange for management consulting services valued at $200,000.

On January 5, 2019, pursuant to a management consulting agreement, Ayurcann issued 5,000,000 Ayurcann Shares at a deemed price of $0.02 to officers of Ayurcann in exchange for management consulting services valued at $100,000.

On August 6, 2019, pursuant to a consulting agreement, Ayurcann issued 100,000 Ayurcann Shares at a deemed price of $0.10 in exchange for consulting services valued at $10,000.

On August 13, 2019, pursuant to consulting agreements, Ayurcann issued 5,000,000 Ayurcann Shares at a deemed price of $0.10 valued at $500,000 and 4,000,000 Ayurcann Warrants valued at $314,600 in exchange for assistance in structuring the Promissory Note.

On October 15, 2019, pursuant to a consulting agreement, Ayurcann issued 100,000 Ayurcann Shares at a deemed price of $0.10 in exchange for consulting services valued at $10,000.

On January 17, 2020, pursuant to advisory board member agreements, Ayurcann issued 200,000 Ayurcann Shares at a deemed price of $0.10 in exchange for consulting services valued at $20,000.

Promissory Note

On January 10, 2020, Ayurcann issued a $500,000 convertible promissory note (the "**Promissory Note**") to an arm's-length third party. The Promissory Note originally matured on January 10, 2021 and bore an interest rate of 8% per annum, payable quarterly. The Promissory Note carried a conversion feature at the option of the holder, into Ayurcann Shares at a conversion price of $0.10 per Ayurcann Share. The Promissory Note was secured by a general security interest in all present and future assets of Ayurcann. In consideration for the Promissory Note, Ayurcann issued to the arm's-length third party 500,000 Ayurcann Warrants exercisable at a price of $0.20 per Ayurcann Share.

On November 20, 2020, the Promissory Note was assigned, including the 5,000,000 Ayurcann Warrants held by the noteholder, to 2388765 Ontario Inc., a company controlled by a director of Ayurcann. Immediately following the assignment, Ayurcann entered into an amending agreement with 2388765 Ontario Inc. whereby the maturity date of the Promissory Note was changed from January 10, 2021 to December 31, 2021.

On November 23, 2020, the Promissory Note was converted into 5,000,000 Ayurcann Shares.

Ayurcann Warrant Exercises

On January 5, 2019, Ayurcann issued 5,000,000 Ayurcann Shares at a deemed price of $0.05 and 3,750,000 Ayurcann Shares at a deemed price of $0.02 pursuant to Ayurcann Warrant exercises for gross proceeds of $325,000. In connection with this exercise, the proceeds were used to settle management consulting trade debt of $325,000.

On December 8, 2020, Ayurcann issued 187,500 Ayurcann Shares at a deemed price of $0.20 pursuant to Ayurcann Warrant exercises for gross proceeds of $37,500.

Canada Emergency Response Note

On April 17, 2020, Ayurcann received a $40,000 loan through the Canada Emergency Business Account. The loan is non-interest bearing until December 31, 2022, at which time if paid back in full, $10,000 is forgivable, and if not, the loan becomes a three-year interest-bearing term.

On December 15, 2020, Ayurcann received an additional $20,000 loan through Canada Emergency Business Account. The loan is non-interest bearing until December 31, 2022, at which time if paid back in full, $10,000 is forgivable, and if not, the loan becomes a three-year interest-bearing term.

The Resulting Issuer

Amalgamation

On March 26, 2021, the Resulting Issuer issued an aggregate of 84,876,104 Common Shares at a deemed price of $0.189126 to former Ayurcann Shareholders in connection with the Amalgamation. This is a function of 57,758,501 multiplied by the exchange ratio of 1.4695, with fractional shares rounded down pursuant to the terms of the Amalgamation Agreement.

On March 26, 2021, the Resulting Issuer issued an aggregate of 235,293 Common Shares at a deemed price of $0.189126 to a former officer and directors of the Resulting Issuer in connection with the Amalgamation.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

The Resulting Issuer is an integrated Canadian extraction company based in Ontario specializing in the processing of cannabis and hemp to produce oils and various derivative products including vapes (High THC, balanced THC:CBD) and Tinctures (High THC, High CBD, balanced THC:CBD). The Resulting Issuer's products will be sold and distributed all of Canada.

The Resulting Issuer's mission is to be one of the leading provider of customized post-harvest outsourcing solutions to Licenced Producers and other brands looking to enter the cannabis market. The Resulting Issuer offers end-to-end full outsourcing solutions including:

1. Extraction and refinement;
2. Bulk distillate oil sales;
3. Formulation and white label manufacturing; and
4. Fulfillment and distribution.

With the legalization of cannabis in Canada in 2018, consumption is expected to continue to increase. The method of consumption however, is expected to evolve, with more and more people moving away from smoking cannabis and towards consumables. With the expansion of the consumables market, the necessity for methods of extraction that are highly efficient and that have low environmental impact is becoming a prominent driving force in new research in the industry. In order to maximize profits and mitigate waste, while producing a superior product that consumers want, the optimization of the extraction process is essential.

The Resulting Issuer's operations are located at 1080 Brock Road, Unit 6, Pickering, Ontario L1W 3H3 in Pickering, Ontario, where it has a purpose-built processing facility (the "**Pickering Facility**").

History of the Business of Ayurcann

Ayurcann was incorporated on June 22, 2018 under the CBCA.

In November 2018, Ayurcann entered into the first of two leases at the Pickering Facility and began a build out of the facility in accordance with the Cannabis Regulations and to GPP standards in accordance with the Health Canada regulation.

On April 30, 2019, Ayurcann entered into a contractor agreement (the "**Contractor Agreement**") with Weed Me, a Licensed Producer, securing Ayurcann's first client for extraction toll services.

On August 23, 2019, Ayurcann was issued a standard research licence issued by Health Canada (Licence No. LIC-MKG4JLL4OY-2019) (the "**Research Licence**"), which permits Ayurcann to: (a) possess cannabis for the purpose of research; and (b) to produce cannabis for the purpose of research.

On October 10, 2019, Ayurcann entered into a collaboration agreement (the "**Collaboration Agreement**") with Tetra, which is a equipment operator and consultant specializing in the manufacturing of cannabis oils and isolates derived from industrial hemp biomass (which may include hemp leaves, flowers or the whole hemp plants, collectively, "**Biomass**"). The Collaboration Agreement provided that: (i) once Ayurcann receives its Processing License (as defined hereinafter), it will sell cannabis oil and extraction products produced in the Pickering Facility; (ii) Tetra will make available to Ayurcann its Biomass supply chain, designs, drawings manufacturing and material specifications and other technical data and information to enable and assist Ayurcann in its manufacturing processes; (iii) Tetra will provide to Ayurcann certain equipment, personnel, consulting and operating services to assist Ayurcann in manufacturing in accordance with the terms and conditions of the Collaboration Agreement, which may be amended from time to time; and (iv) Tetra may act as a broker for Ayurcann on a profit-sharing basis and structure for the sale of products and services.

On January 31, 2020, Ayurcann was issued a standard processing and sale for medical purposes licence issued by Health Canada (Licence No. LIC-XT9FO3COJ5-2020) (the "**Processing Licence**"), which permits Ayurcann to: (i) possess cannabis; (ii) to produce cannabis, other than obtain it by cultivating, propagating or harvesting it; (iii) to sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations; and (iv) to sell cannabis products in accordance with section 27 and Part 14, Division 1 of the Cannabis Regulations.

Upon receiving the Processing Licence, Ayurcann entered into supply agreements for cannabis and industrial hemp and began producing THC and CBD distillate:

- On August 11, 2020, Ayurcann entered into a processing agreement with Medisun Inc., pursuant to which Medisun Inc., as a licenced cultivator, process and seller of cannabis, supplies Biomass to the Ayurcann.

- On October 14, 2020, Ayurcann entered into a processing agreement with Good & Green Corp., pursuant to which Good & Green Corp., as a licenced cultivator, process and seller of cannabis, supplies Biomass to the Ayurcann.

- On October 23, 2020, Ayurcann entered into a cannabis cultivation and purchase agreement with Greenseal Cannabis Company Ltd., pursuant to which Greenseal Cannabis Company Ltd., as a licenced cultivator, process and seller of cannabis, supplies Biomass to the Ayurcann.

Ayurcann commissioned the ethanol extraction equipment and began to process the hemp and cannabis (see Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS under the heading "General Product Development Process") and on February 23, 2020, the first THC extraction process launched and 328,000 of cannabis plant was extracted into THC distillate oil with 90.7% potency.

On January 13, 2021, the Processing License was amended by Health Canada (Licence No. LIC-XT9FO3COJ5-2020-3) to authorize Ayurcann to sell cannabis extract, cannabis topical and edible cannabis products to provincially and territorially authorized retailers.

Currently, Ayurcann has an extraction capacity of 200 kilograms per day of Biomass, utilizing state of art ethanol extraction equipment and since being granted its Processing Licence, Ayurcann has processed more than 10,000 kilograms of Biomass for the Canadian cannabis market.

In the future Ayurcann may seek to expand its business to other targeted jurisdictions where CBD products are legal and approved for sale to its adult population, although Ayurcann has no immediate plans to do so and does not expect to operate in emerging markets.

Ayurcann has achieved the following milestones:

- Receiving the Research Licence issued by Health Canada on August 23, 2019;

- Receiving the Processing Licence issued by Health Canada on January 31, 2020 and the amended Processing License on January 13, 2021; and

- Commencing Phase 2 build out at the Pickering Facility.

Pickering Facility

The Pickering Facility is located in Pickering, Ontario. The Pickering Facility is held under two leases with Com 53 for four units, 5, 6, 7 and 8, in a facility for a total footprint of approximately 10,845 square feet. Of the 10,845 square feet, to date, approximately 4,500 has been built out for a total cost of $254,310.89 ("**Phase 1**") and is operational and 2,000 is being used for storage, while 4,345 is scheduled for construction in the second quarter of 2021 ("**Phase 2**").

The lease for units 5, 6 and 7 has a five-year term expiring March 31, 2024, with an option for Ayurcann to renew for three further five-year terms. Pursuant to the terms of the lease, Ayurcann pays total rent of $9,998.19 per month for the first two years of the lease, increasing to $10,379.80 for the third and fourth year of the lease and to $10.761.41 for the fifth year of the lease.

The lease for unit 8 has a five-year term expiring October 31, 2025, with an option for Ayurcann to renew for three further five-year terms. Pursuant to the terms of the lease, Ayurcann pays a total rent of $3,870.25 per month for the first year of the lease, increasing to $4,063.76 for the second, third and fourth year of the lease and to $4,192.77 for the fifth year of the lease.

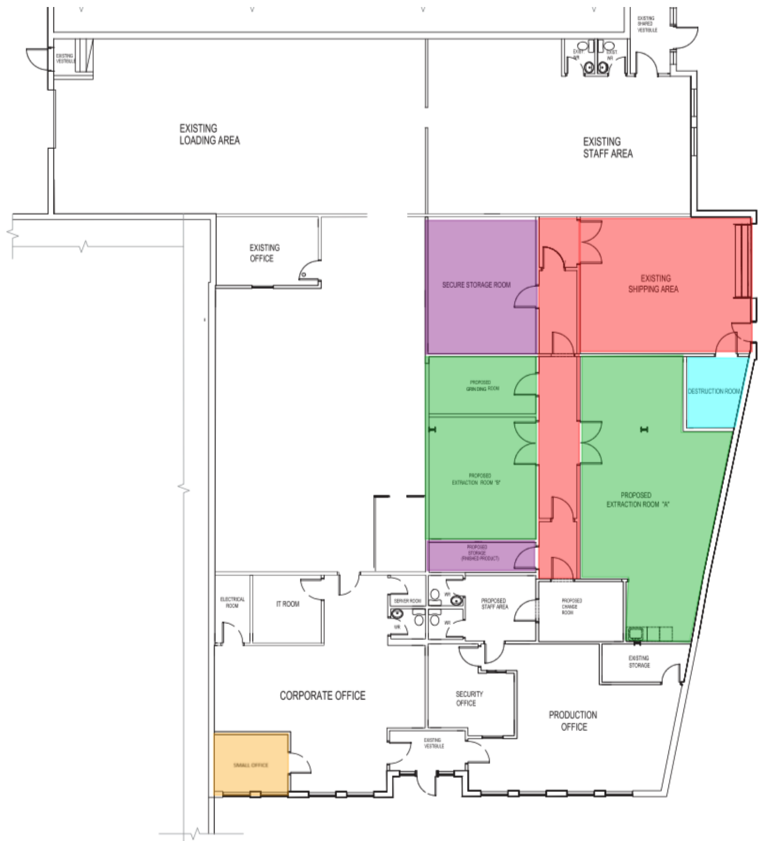
The Pickering Facility was chosen for Ayurcann's business for the following key reasons:

1. a location within the Durham region provides easy access to service Licenced Producers and other cannabis industry operations in Ontario;

2. Ayurcann has a good working relationship with the municipal government; and

3. the Pickering Facility infrastructure provides optimal shipping accessibility for cannabis product transportation.

The Pickering Facility was designed with assistance from a consultant specializing in Health Canada cannabis licensing and a GPP consultant to ensure compliance with the respective regulations. As of the date of this Listing Statement, the current state of the Pickering Facility is set out below:



Products and Services

Canadian cannabis cultivation licences do not allow cultivators (that do not hold a Processing License) to process their own Biomass into extracts. Therefore, Ayurcann provides third-party contractual extraction services to other Health Canada cannabis and hemp cultivation licence holders, as well as universities, laboratories and research facilities. To date, the Resulting Issuer has not entered into any contracts with such parities, but have supplied THC and CBD oils to the University of Windsor for research purposes. Ayurcann assists cultivators through processing Biomass and returning it to the suppliers in the form of high-quality extract at a cost offset (tolling). As extracts command a much higher selling price than Biomass and/or dried flower cannabis, Ayurcann is able to assist its customers in producing extracts to achieve higher revenue and cater to the demand for edibles and extract based products.

To date, Ayurcann has entered into several tolling agreements, white-label agreements and has purchased over 2,000 kilograms of Biomass to secure a steady supply of high-quality Biomass for its branded and white-label products. Ayurcann has delivered products to its customers, which are expected to be distributed to retail channels through the first quarter of 2021.

Ayurcann's business model entails four different revenue streams:

1. Extraction and refinement;

2. Bulk distillate oil sales;

3. Formulation and white label manufacturing for the following categories:

a. Topicals;

b. Vapes; and

c. Tinctures.

4. Fulfillment and distribution.

To date, all of Ayurcann's revenue has come from extraction and refinement services.

<u>Extraction and Refinement</u>

Ayurcann offers customers extraction and refinement services that include bulk extraction, winterization services and fractional distillation, providing customers with the ability to choose from various levels of processing for their harvest. Once extracted, customers can choose to either: (i) have their substances returned for in-house processing, formulation, packaging and distribution or (ii) have Ayurcann provide post-harvest production and co-packing services.

<u>Product Development</u>

Ayurcann offers customers product development services, including the ability to licence Ayurcann's formulas, and assists customers in navigating the cannabis market to determine the best use of their Biomass.

Topicals

Ayurcann offers customers customizable and plug and play formulations and white label solutions.

Ayurcann has developed 12 topical products, ranging from serums and creams to balms, for the health and beauty industry, which are formulated to be infused with CBD, THC or a combination of both, including:

1. XPLOR Pure CBD (1000 mg/unit THC Free);

2. XPLOR Extra Rich CBD (1000 mg/unit with minimal THC);

3. Skin Therapy Lotion and Cream 1000;

4. Medicated Lotion and Cream 1:1;

5. Night Time Lotion and Cream 1000;

6. Daytime Moisturizing Lotion 1000;

7. Moisturizing Lotion Fragrance Free 1:1;

8. Massage Oil 1oz 1000 THC;

9. Serum 1oz CBD;

10. Renewal Lotion 1000;

11. Massage Oil 1oz 1:1; and

12. Vida 40:0 CBD.

Vapes

Ayurcann offers a wide variety of standard and disposable cartridge solutions, ranging from 300 millilitre – 1,000 millilitre. Ayurcann can produce up to 12,000 units per day.

Tinctures

Ayurcann offers combined CBD and THC tinctures, THC free tinctures, CBD free tinctures, and a wide variety of medium chain triglyceride carrier oils for customization for dilution.

Formulation and Packaging

Ayurcann offers advanced refinement and formulation, research and development (cooperating with customers as independent contracts), customized packaging solutions and full inventory management services.

Fulfillment and Distribution

With the ability to fulfill various size orders including business-to-business bulk sales, medicinal and retail store sales processes, Ayurcann offers customized fulfillment services, secured logistic solutions and inventory management.

General Product Development Process

Extraction Method

There are three main classes of extraction, which are dictated by the oil composition based on the concentrations of three cannabinoid subfamilies, including:

1. THC;

2. Delta-8-Tetrahydrocannabinol, found in much lower concentrations THC; and

3. CBD.

If the ratio of THC to CBD is high, generally greater than or equal to 30:1 THC to CBD by concentration, then the oil is referred to as THC rich. If the ratio of CBD to THC is high, generally greater than or equal to 20:1 CBD to THC by concentration, then the oil is referred to as CBD rich. Any oil that falls in between these classes is a balanced oil. To produce these different classes of oil different strains of cannabis are used, but they fall into predominantly two main categories, (i) THC rich or (ii) CDB rich cannabis.

The issue with optimizing this process is that complications can arise from a variety of issues, including different feed materials, and that ideal processing conditions can vary from minute details, including, the average particle size of the input material. To complicate this problem, changing one input requires other inputs to be adjusted accordingly. Therefore, one must understand the extraction process to ensure effective processing. Currently in the market there are numerous methods for extraction, but the two methods that demonstrate the most promise are: (i) super critical carbon dioxide extraction; and (ii) ethanol extraction. Each method is competing to become the most prominent method, as they both offer a green solution and demonstrate a potential of >90% terpene and CBD extraction efficiency.

Ayurcann utilizes ethanol extraction technology to produce cannabis oils, extracts and derivative products for its customers as its main extraction method for its high scale processing.

Ethanol Extraction

Alcohol extraction is the process of using alcohol as the solvent to extract terpenes and CBD from cannabis. The most commonly used alcohol is ethanol. This is because of its low toxicity, which makes the solvent recovery step easier as 0.5% residue in the product is acceptable.

Ethanol extraction can be done either in: (i) warm; (ii) room temperature; or (iii) supercooled conditions. Extraction done in warm conditions is limited to predominantly small-scale batch production and thus are not suitable to large scale production. Extraction done in room temperature and supercooled conditions are the same initially. Both require the input Biomass to be suspended in the solvent and then are mechanically agitated, eventually followed by cycling compression. The reason for the suspension is that full saturation of the Biomass is required for the extraction to take place. The cycling compression is used to maximize recovery of the extract rich solvent from the Biomass. Once extraction begins there will be a difference in the products between the processes running at room temperature and supercooled conditions. Processing at room temperature will have greater efficiency at the cost of selectivity; extracting more triglycerides and waxes than the supercooled process. The supercooled process will result in lower yields, but much greater selectivity, meaning that an inline dewaxer can be utilized to remove the waxes and triglycerides. In contrast, a separate step for the removal of the waxes and triglycerides may be required for room temperature processes. It should be noted that both of these methods have better selectivity than scCO2, but lower efficiency.

The difficulty associated with this method of extraction revolves around three main factors: (i) selectivity; (ii) power consumption; and (iii) yield. The first issue is that the set up for alcohol extraction varies much more drastically than with scCO2, for instance the same alcohol may not be used, or the method of compression is different or is not even present in lower end systems. These variances means that very different operating conditions will be necessary for each and that the yield, despite the compensation of other factors, such as input particle size, will not be uniform, with some systems being superior. Provided a superior system is being used, finding the balance between the previously mentioned three factors is extremely difficult.

The main issue that dictates the balance is the operating temperature. The goal is finding the optimal temperature that gives sufficient yield, while maintaining high enough selectivity to simplify the removal of high melting point lipids, with the added dimension of minimizing the energy consumption. The energy consumption has a complicated relationship with the other two factors. The higher the selectivity, the lower the operating temperature and the higher the energy demand; however, the higher the yield, the more significant the energy consumption for the separation step. This does not even factor in the effect of operating temperature on the amperage required for compression, which is affected by viscosity of the batch and does not account for higher operating volumes associated with lower selectivity.

Through proper consideration it is possible, and necessary, to identify a point between room and supercooled operating temperatures that will maximize production, while maintaining premium quality and at the best price point. To that end, Ayurcann operates two CUPs 30 Series extractors, which deliver the ability to extract and target compounds from a variety of plant materials. The CUP combines closed-loop, alcohol extraction with mechanical centrifugation, ensuring a high-purity, consistent extraction. This extraction technology can target specific plant compounds through programmable sequences, effectively isolating the desired separation. Boasting a 97% alcohol removal from Biomass, the CUP systems streamline production times and maximize extraction yield.

For solvent recovery, Ayurcann operates one of the largest FFE in Canada, the FEE Series. The innovative FFE Series is ideal for botanical oil separation and ethanol alcohol recovery from produced extracted Biomass tincture. The system maintains a high evaporation rate, which significantly increases the throughput of crude oil production, eliminating the need for multiple large rotary evaporator systems with ability to process 240 liters of tinctures per hour.

Testing Methods

All extracted oil and products produced by Ayurcann are batch-tested by an accredited independent third-party laboratory, including A&L Canada Laboratories, Sigma Analytical Services and Eurofins Experchem Laboratories Inc., prior to shipping, according to strict Health Canada guidelines, for heavy metals, aflatoxins, pesticides and potency.

Personnel

As of the date of this Listing Statement, the Resulting Issuer (including Amalco, its sole subsidiary) has ten full time employees, including: management personnel, quality assurance and quality control personnel, an operations manager, extraction team, general production staff and administrative staff.

Its ongoing recruiting efforts will continue to target candidates with the following qualifications:

- experience in the processing and extraction of cannabis or equivalent skills;
- biochemistry and analytic science degrees;
- experience in quality assurance and quality control;
- have no criminal record; and
- experience in restricted-access facilities.

Management positions for the Pickering Facility, as required pursuant the Cannabis Act, include the following:

- *RPIC* – Contact point for Health Canada. Organize and supervise day-to-day operations;
- *COO* – Supervise the safe processing, retail packaging, acquisition, and inventory of new supplies;
- *QC* – Responsible for compliance with Health Canada's regulations under Cannabis Act; and
- HOS – Responsible for security at the Pickering Facility.

Individual job descriptions have been developed for each position in the Resulting Issuer's organization. The purpose is to ensure that all personnel are clear about their role and responsibilities, and understand how their position contributes to the safe, efficient operation of the Pickering Facility. The Resulting Issuer hires locally to the extent possible.

Staff have limited access according to their roles, which include cannabis receiving, grinding and processing. The Resulting Issuer is taking reasonable commercial steps to ensure it complies with all Health

Canada security clearances.

Specialized Skill and Knowledge

The Resulting Issuer's business requires specialized knowledge and technical skill around cannabis processing in Canada, clinical sciences, product formulations, product testing, clinical testing, quality assurance, GPP standards and ingredient sourcing. The required skills and knowledge are available to the Resulting Issuer through its current employees and Management and through our ongoing recruitment of new employees.

Record Keeping and Compliance

Compliance with Health Canada regulations is paramount to the Resulting Issuer. In addition to the requirements established by the Cannabis Act, Licenced Producers are required to comply with all applicable provincial and municipal regulations, including zoning restrictions. The Resulting Issuer is subject to an annual inspection conducted by Health Canada to ensure compliance with the Cannabis Act.

Licenced Holders are also subject to GPP, as stipulated in the Cannabis Act. These requirements create an environment that demands that the highest possible standards are in place to maintain a safe environment and produce safe products. Licence Holders are required to employ a QC that is appropriately experienced and knowledgeable to approve the quality of cannabis and oil prior to sale. Accordingly, the Resulting Issuer employs a QC, who has the training, experience, and technical knowledge required to implement the proper standard operating procedures and other internal protocols. The QC conducts all activities per Division 4 of the Cannabis Act Regulations, including validating results performed to determine the level of chemical and microbial contaminants. Also, it is the responsibility of the QC to ensure that the equipment, premises and sanitation procedures are accurately followed.

Cannabis Market and Customers

<u>Use of Cannabis</u>

Cannabis is a preparation of the leaves and flowering tops of the cannabis sativa or cannabis indica plant, which contains a number of pharmacologically active compounds (cannabinoids), including THC and CBD. The cannabis plant contains over 421 different phytochemical compounds, including over 111 known cannabinoids, over 100 known terpenes, and over 100 known flavonoids. All the cannabinoids, terpenes and flavonoids work synergistically through the body's endocannabinoid system to produce the pharmacological and toxicological properties of cannabis. The cannabis plant's chemical derivatives can be used for either recreational or therapeutic (medicinal) purposes. As a recreational drug, cannabis can come in a variety of forms, including: (i) as a dried plant; (ii) as a resin; (iii) in powder form; and (iv) as an oil.

Smoking cannabis is the most traditional form of ingestion and consists of smoking the dried flowers or leaves of the cannabis plant. Cannabis can be smoked through a pipe, rolled into a joint (or cigarette), or smoked using a water pipe (bong). Vaporizing involves using a vaporizer, which is a device that is able to extract the therapeutic ingredients in the cannabis plant material at a much lower temperature than required for burning. This allows the user to inhale the active ingredients as a vapor instead of smoke. Many medical cannabis patients find that vaporizing offers an improved medical effectiveness compared to smoking.

Topical cannabis encompasses various herbal formulations that are applied directly to the skin or muscles. They include lotions, salves, balms, sprays, oils, and creams. Some patients report they are effective for skin conditions like psoriasis, joint diseases like rheumatoid arthritis, migraines, restless leg syndrome, some spasms, and everyday muscle stress and soreness. However, unlike smoking, vaporizing or eating the medical cannabis, topical products are generally non-psychoactive.

The Resulting Issuer manufactures specific extracted oil products for different user experiences, utilizing strain and delivery methods to achieve the desired recreational effect. Additionally, the Resulting Issuer has developed 12 topical products, ranging from serums and creams to balms, for the health and beauty industry, which are formulated to be infused with CBD, THC or a combination of both.

Generally, cannabis plants fall into one of two categories: (i) indica or (ii) sativa. Each strain has its own range of benefits and effects on the body. Indica strains generally have more of a relaxed effect while sativa strains tend to provide a more energizing, uplifting experience. There are also hybrid strains which fall somewhere in between the spectrum and contain genetics from both types of plants. Ultimately, each individual plant's cannabinoid profile will determine the effects felt by consumers.

The Resulting Issuer has the opportunity to generate revenue from multiple customer bases in the recreational cannabis market. The target market for cannabis in Canada is for individuals aged over 18 or 19 years old, depending upon the consumer's province of domicile. The target market for cannabis is broad, being used across the population and across all socioeconomic and age groups.

Canadian Cannabis Market

The latest National Cannabis Survey conducted by Statistics Canada (the "**Survey**") for the third quarter of 2019 found that approximately 5.2 million or 17% of Canadians aged 15 and older reported using cannabis from mid-June to mid-September 2019, up from 4.9 million people (16%) during the second quarter of 2019 and unchanged from one year earlier (before legalization). Despite this apparent stability in national rates, cannabis use has increased in some age groups, particularly among seniors and persons aged 25 to 44. The increasing popularity of cannabis among older adults has contributed to an increase in the average age of cannabis users, which has risen from 29.4 in 2004 to 38.1 in 2019. It is also noteworthy that males are more likely than females to use and purchase cannabis.

The Survey also showed that approximately 578,000 people reported trying cannabis for the first time during third quarter of 2019. While an estimated 10% of cannabis users aged 25 to 44 were new users in third quarter of 2019, new users comprised an estimated 14.6% of cannabis users aged 45 to 64 and 27% of cannabis users aged 65 and older. In terms of usage (recreational and medical), approximately 6% of Canadians aged 15 and older (1.9 million Canadians) reported using cannabis on a daily or almost daily basis, while approximately 3.5% of survey respondents reported using cannabis on a weekly basis and 2% reporting using cannabis on a monthly basis.

The Survey also noted that more cannabis users obtained cannabis from legal sources. An estimated 53% of cannabis users (2.6 million Canadians) reported obtaining cannabis products from legal sources in second and third quarters of 2019, compared to 42% for first quarter of 2019 and just 23% during the same period in 2018. In addition, 28% of cannabis users (1.4 million Canadians) reported obtaining all of the cannabis they consumed exclusively from legal sources, compared to 10% one year earlier. Cannabis consumers aged 65 and older are the most likely to use only legally acquired cannabis (41%), whereas younger consumers are less likely (23% to 29%, depending on age). Overall, it appears that more and more cannabis users are comfortable with purchasing cannabis from legal sources, such as authorized retailers and online Licenced Producers. The National Cannabis Survey conducted by Statistics Canada for the first quarter of 2019 indicated that the primary considerations when purchasing cannabis were: (i) quality and safety of products (76%); (ii) price (42%); (iii) accessibility (35%); (iv) proximity of products (32%); (v) product selection (31%); ability to purchase online (18%); anonymity or discretion (16%); and sales support (15%).

According to Statistics Canada, from October 2018 – when cannabis was legalized in Canada – to September 2019, retails sales of cannabis totalled approximately $908 million, with online sales of recreational cannabis accounting for approximately $120 million and direct-to-consumer sales of recreational cannabis by wholesalers accounting for approximately $17.5 million. The total number of cannabis retail stores increased from 217 in March 2019 to 407 in July 2019. As of July 2019, an estimated 45% of Canadian lived within 10 km of a retail cannabis store, while an estimated 30% lived within 5 km and 19% within 3 km. For the five and half months from the legalization of cannabis in Canada on October 17, 2018 to the end of March 2019, Statistics Canada reported that Canadian governments earned $186 million from excise taxes, general taxes, and goods and services from the sale of cannabis.

According to the Survey, Canada's cannabis industry is currently dominated by dried flower products (77%), a decrease from 82% in 2018. Other commonly used cannabis products include edible food products (44%); vape pens/ cartridges (26%); hashish/kief (23%); cannabis oil (23%); and concentrates/extracts (17%). According to Health Canada, for the November 2019 reporting period, dried cannabis represented 92% of total sales of cannabis across Canada, while cannabis extracts represented 8%. In the United States, extract products are 50% of the market. In its 2019 report, "Nurturing new growth: Canada gets reach for Cannabis 2.0", Deloitte estimates that the global market for alternative cannabis products is expected to reach $194 billion in 2024. According to Deloitte, the Canadian market for edibles and alternative cannabis products is worth an estimated $2.7 billion annually, with cannabis extract-based products accounting for over 50% of the market share ($1.6 billion). Edibles and other alternative products, such as concentrates, are growing in popularity as they offer consumers a more discreet and accessible way to consume cannabis and enable them to avoid any stigma and health concerns surrounding smoking cannabis.

According to a 2019 report published by BDS Analytics and Arcview Market Research, "Canada Leads the Way on Global Cannabis Legalization", legal cannabis spending in Canada is set to grow at a compounded annual rate of 44.4% from US$569 million in 2018 to US$5.2 billion by 2024. Spending on adult-use cannabis is expected to grow from $112.5 million in the partial year of 2018 to nearly $4.8 billion by 2024, while spending in medical cannabis is expected to decline from $456.6 million in 2018 to $381.4 million in 2024.

According to a 2019 report by published by Fior Markets, the global CBD market is projected to grow from US$1.4 billion in 2018 to US$17.3 billion by 2026, a compounded annual growth rate of 36.3%. Increased consumer spending on cannabis products, wide adoption and use of CBD, and high research and development investment by the pharmaceutical industry have combined to spur the growth of the global CBD market.

Competitive Conditions

As of January 4, 2021, according to Health Canada, there are 556 Licence Holders in Canada, 192 of which are in Ontario.

The cannabis market in Canada is segmented into three distinct categories: (i) medical (ii) recreational; and (iii) black market. After the introduction of the Cannabis Act which legalized recreation use, the black market continues to thrive, due primarily to high cost and limited accessibility of legal cannabis.

Statistics Canada reports as of the second quarter of 2020, the black market represents approximately 49% of all sales. A major market opportunity lies in reducing and ultimately eliminating the black market. Approximately 8.3 million Canadians are Cannabis consumers, 2.6 million of which are daily users.

The Resulting Issuer will face competition from current processors and retailers of cannabis for medicinal purposes, some of which have been operating for several years. Such companies possess established cannabis supply sources, supply chain frameworks, retail outlets and consumer bases.

The Resulting Issuer will also face competition from other licence holders and retailers in the legal recreational cannabis market, some of which can be expected to have greater financial resources, market access and manufacturing and marketing experience than the Resulting Issuer. Increased competition by better financed competitors could materially and adversely affect the business, financial condition and results of the proposed operations of the Resulting Issuer. Because of the preliminary stage of the potential recreational cannabis market in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and operating results of the Resulting Issuer.

Competitive Advantages

Years of Cannabis Experience

Management is experienced in cannabis and corporate finance and possesses the necessary skill sets to implement the Resulting Issuer's business plan. The leadership team's expertise in general management, marketing, product development, supply chain management, the handling of large amounts of Biomass, consumer insights and analytics, sales and customer management differentiates us among our peers. In addition, the Resulting Issuer will be able to leverage Management's experience and connections in the cannabis industry to secure toll-processing agreements with Licenced Producers and purchasers for its white-label products.

Established Product Line

Cannabis consumers increasingly want a variety of products offered at reasonable prices from reputable suppliers. The Resulting Issuer already has product lines in the recreational and medicinal cannabis market and it intends to build out into a portfolio of cannabis branded products. The Resulting Issuer's in-house processing, formulation and manufacturing capabilities will give it the advantage of being able to provide consumers with reliable information regarding the safety and origin of its products.

Standard Operating Procedures

The Resulting Issuer has developed a set of proprietary SOPs related to the extraction and manufacturing processes based on the significant industry experience of its staff. The SOPs contain detailed procedures, provide an excellent tool for training and address a wide variety of topics, including: security, sanitation, production, waste disposal/destruction, packaging, shipping, inventory, compliance and quality assurance.

Superior Technology

The Resulting Issuer uses ethanol extraction equipment, which is optimal for larger scale and industrial Biomass input. Utilizing chilled ethanol causes the cannabis plant material to get completely soaked and saturated. High-proof grain alcohol naturally dissolves the plant's oils and leaves behind the stripped, THC-less plant material. Once the cold ethanol has been separated from the plant material, a piece of high-grade laboratory equipment, FFE, is used to evaporate the alcohol from the mixture. During this process, as the ethanol is evaporated, it's being condensed in a separate collection vessel. The ethanol used in each cold wash extraction process can be reused and recycled into the next extraction run. After the ethanol has been sufficiently removed, the crude cannabis oil is left, which can be used to create a variety of different products.

Highly Technical Expertise

Management possesses the requisite specialized knowledge and technical skills around cannabis processing in Canada, product formulations, product testing quality assurance, GPP standards and ingredient sourcing.

Management has identified and is implementing marketing plans and strategies aimed at promoting the Resulting Issuer and its various divisions: Licensed Producers, house branded products, and toll-processing services. The Resulting Issuer's business model caters to Licensed Producers and will focus on implementing separate digital educational strategies targeting Licensed Producers and, upon receiving a sales license, if granted, to end consumers.

The Resulting Issuer's marketing efforts are robust to attract long-term customers. Management has begun to move forward with a marketing strategy which involves corporate brand development, direct marketing, and social media elements.

The Resulting Issuer also recognizes that industry trade shows and events will be important for marketing its toll processing services. As such, the Resulting Issuer will also focus on gaining exposure at cannabis industry events, once such events are able to resume.

Marketing strategies for promoting the Resulting Issuer's toll-processing services, where permitted by applicable laws, will include:

- using social media, customer relationship management software and search engine optimization to target the intended industry audience;
- staying informed of industry market trends and consumer insights by subscribing to business development analytics;
- advertising through online, print, out-of-home displays and signage with the goal of gaining recognition in the Licensed Producers market; and
- generating exposure by attending industry conventions and trade shows, such as the Marijuana Business Conference & Expo, once such events are able to resume.

Management will also review suitable marketing and business partners in Canada, in order to develop long-term partnerships, which it anticipates will have a positive effect on revenues and net income.

Economic Dependence

The Resulting Issuer's activities and resources are located in its Pickering Facility in Ontario and are expected to continue to be located in the Pickering Facility for the foreseeable future. Adverse changes or developments affecting the Pickering Facility could have a material and adverse effect on the Resulting Issuer's ability to process, package and distribute cannabis extracts and its derivative products, its business, financial condition and prospects. As a result, the Resulting Issuer will be economically dependent on remaining eligible to hold the Processing Licence and on the ongoing regulatory requirements of and ongoing changes to the Canadian cannabis legal regime.

Business Cycle

The cannabis industry is in a preliminary stage in Canada, and predictable business cycles have not yet been established. The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources.

Intellectual Property

The Resulting Issuer has developed 12 unique products and formulation in the health and beauty categories to be provided as an additional service to its clients. See Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "Products and Services – Product Development".

Management consistently evaluates the importance of obtaining intellectual property protection for the Resulting Issuer's brands, products, applications and processes and maintaining trade secrets. When applicable to its business and products, the Resulting Issuer will seek to obtain, licence and enforce patents, protect its proprietary information and maintain trade secret protection without infringing the proprietary rights of third parties. It will also make use of trade secrets, proprietary unpatented information and trademarks to protect its technology and enhance its competitive position.

Environmental Protection

Cannabis post-extraction waste will need to be handled with care and the Resulting Issuer will follow well-established industry standard systems and procedures for the storage, handling and disposal of its waste materials and by-products, as mandated by Health Canada. The Resulting Issuer does not expect that there will be any financial or operational effects as a result of the environmental protection requirements on its capital expenditures, profit or loss, or the competitive position of the Resulting Issuer in the current fiscal year or future years.

Regulatory Framework

The production, distribution and sale of medicinal and adult-use cannabis is tightly controlled by the Canadian federal government. In 2013, Health Canada introduced the commercial cannabis licensed producer program under the MMPR program. In 2015, the Supreme Court of Canada found certain elements of the MMPR unconstitutional which led to the development of the ACMPR, specifically medical cannabis patients having the right to use oils and derivative forms of cannabis. The February 2016 Supreme Court of Canada decision in *Allard v. Canada* found that requiring individuals to get their cannabis only from Licensed Producers violated liberty and security rights protected by the Canadian Charter of Rights and Freedoms, stating that individuals who require cannabis for medical purposes did not have "reasonable access" if only allowed to purchase from Licensed Producers. In August 2016, the MMPR was replaced by the ACMPR. The ACMPR program as it related to commercial production is very similar to the MMPR. However, the major change was the streamlined approach to identifying and being approved for various cannabis-related activities. In April 2017, the federal government introduced legislation to legalize the recreational use of cannabis. This resulted in the Cannabis Act, also known as Bill C-45, which, upon coming into effect on October 17, 2018, legalized recreational use of cannabis in Canada, when combined with Bill C-46, *An Act to Amend the Criminal Code*. The Cannabis Act was passed by the House of Commons of Canada in late November 2017. It was passed in the Senate of Canada on June 7, 2018, and the House accepted certain Senate amendments and sent the bill back to the Senate on June 18, 2018. The Senate then passed the final version of the bill on June 19, 2018 and it received Royal Assent on June 21. 2018. The Cannabis Act became effective on October 17, 2018, with cannabis edibles, extracts and topicals officially becoming legal on October 17, 2019. The Cannabis Act encompasses all constitutional rights protected under the ACMPR, but also allows for the production and sale of cannabis in Canada to any individual over the age of majority. Under this legislation licenses granted by Health Canada are more specific to the activities allowed under those licenses. It also makes a differentiation between "standard" and "micro" licenses. Micro licenses, granted to smaller cultivators and producers, will allow a lower barrier to entry for individuals and smaller companies who do not have the capital expenditure to compete with large or standard licensed cannabis cultivators and producers.

The Resulting Issuer ensures compliance with laws and regulations governing cannabis in Canada by following the Cannabis Act, all related licensing and regulatory rules covering the production and research of cannabis, along with follows industry norms that Licensed Producers follow in regards to the laws and regulations related to cannabis production, storage, transportation and sale in Canada.

The Resulting Issuer is subject to changes in provincial and territorial laws, regulations and guidelines, which could adversely affect the Resulting Issuer's future business, financial condition and results of operations.

Significant Events and Milestones

The table below outlines how the Resulting Issuer will achieve the business objectives enumerated above over the next 12 months. See Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS".

Milestone	Anticipated Cost	Anticipated Timing
Secure distribution channels for our clients and developed products	$Nil	Q2 2021
Complete Phase 2 expansion and build out	$200,000	Q2 2021
Acquire additional equipment to increase capacity of labelling, filling, purification and extraction	$150,000	Q2 2021

Total Funds Available

As at December 31, 2020, the Resulting Issuer and Ayurcann had combined working capital of approximately $866,754. This is based on the proforma financial statements provided in Schedule "A", which also accounts for the proforma adjustments pertaining to the qualifying transaction, such as but not limited to, legal & professional costs and severance payments. Working capital at the time of the actual qualifying transaction may differ materially depending on the financial situation of the Resulting Issuer.

Purpose of Funds

The Resulting Issuer intends to use the working capital available calculated as at December 31, 2020 for the fulfillment of its principal purposes as outlined in the table below and for general corporate purposes. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may also require additional funds in order to fulfill its expenditure requirements to meet existing and any new business objectives and expects to either issue additional securities or incur debt to do so. There can be no assurance that additional funding required by the Resulting Issuer will be available, if required. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives for the 12-month period following the completion of the Amalgamation.

Forecast 12 Month Budget

The Resulting Issuer has used, or intends to use, its available funds as follows:

Complete Phase 2 expansion and build out	$200,000
Acquire additional equipment to increase capacity of labelling, filling, purification and extraction	$150,000
Investor relations	$100,000
Business development and marketing	$125,000
Filing fees and transfer agent	$25,000
General and administrative(1)	$266,754
Total	**$866,754**

Note:

(1) Comprised of: (i) two additional support staff ($120,000); (ii) new financial systems ($10,000); (iii) office equipment and supplies ($50,000); and (iv) contingency for Phase 2 expansion ($86,754) .

Unallocated funds will be deposited in the Resulting Issuer's bank account and added to the working capital of the Resulting Issuer. The CFO of the Resulting Issuer is responsible for the supervision of all financial assets of the Resulting Issuer. Based on the Resulting Issuer's cash flow requirements, Management will determine the appropriate level of liquidity required for operations and will draw down such funds as necessary.

The Resulting Issuer has historically had negative cash flow from operating activities and the Resulting Issuer has no assurances that it will have a cash flow positive status from operating activities in future periods. As a result, the Resulting Issuer continues to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Resulting Issuer may continue to have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Resulting Issuer has negative cash flow from operating activities in future periods, the Resulting Issuer may need to use a portion of proceeds from any offering to fund such negative cash flow or seek additional financing. See Section "17. RISK FACTORS" under the heading "Additional Financing".

Companies with Asset-Backed Securities

The Resulting Issuer does not have any asset-backed securities.

Companies with Mineral Projects

The Resulting Issuer does not have any mineral projects.

Companies with Oil and Gas Operations

The Resulting Issuer does not have any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Resulting Issuer

The following table sets forth selected financial information for the Resulting Issuer for the years ended September 30, 2020 and 2019 and interim three-month period ended December 31, 2020. Such information is derived from the financial statements of the Resulting Issuer and should be read in conjunction with such financial statements. See "SCHEDULE "B" – FINANCIAL STATEMENTS OF THE RESULTING ISSUER".

	Interim Period Ended December 31,	Year Ended September 30, 2020	Year Ended September 30, 2019

	2020 (unaudited) (C$)	(Audited) (C$)	(Audited) (C$)
Operating Data:			
Total revenues	-	-	-
Total expenses	39,580	244,778	239,957
Net income (loss) for the year	(39,580)	(236,942)	(222,817)
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.01)
Balance Sheet Data:			
Total assets	1,075,663	1,128,271	1,365,623
Total liabilities	5,245	18,273	18,683

The following is a summary of the Resulting Issuer's financial results for the last eight quarters ending at the end of the most recently quarter:

	Dec. 31, 2020 Quarter (C$)	Sep. 30, 2020 Quarter (C$)	Jun. 30, 2020 Quarter (C$)	Mar. 31, 2020 Quarter (C$)	Dec. 31, 2019 Quarter (C$)	Sep. 30, 2019 Quarter (C$)	Jun. 30, 2019 Quarter (C$)	Mar. 31, 2019 Quarter (C$)
Revenue	-	-	-	-	-	-	-	-
Net loss – continuing	(39,580)	61,660	45,301	56,247	73,734	57,748	41,791	44,917
Loss per share – continuing	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00

Ayurcann

The following table sets forth selected financial information for Ayurcann for the years ended June 30, 2020 and June 30, 2019, the interim three-month period ended September 30, 2020 and the interim six-month period ended December 31, 2020. Such information is derived from the financial statements of Ayurcann and should be read in conjunction with such financial statements. See "SCHEDULE "C" – FINANCIAL STATEMENTS OF AYURCANN".

	Interim Period Ended December 31, 2020 (unaudited) (C$)	Interim Period Ended September 30, 2020 (unaudited) (C$)	Year Ended June 30, 2020 (Audited) (C$)	Year Ended June 30, 2019 (Audited) (C$)
Operating Data:				
Total revenues	1,560,073	787,980	611,829	4,180
Total expenses	1,775,196	1,002,329	1,216,389	1,061,351
Net income (loss) for the year	(215,123)	(214,349)	(604,560)	(1,057,171)
Basic and diluted income (loss) per share	(0.004)	(0.004)	(0.01)	(0.04)
Balance Sheet Data:				
Total assets	2,869,076	1,700,081	1,526,153	804,151
Total liabilities	1,954,852	1,210,521	861,186	93,437

Pro Forma Financial Information

The following table summarizes selected pro forma consolidated financial information for the Resulting Issuer as at December 31, 2020. The information should be read in conjunction with the pro forma financial statements, which are attached hereto as Schedule "A".

	Ayurcann (unaudited) as at December 31, 2020 (C$)	The Resulting Issuer (unaudited) as at December 31, 2020 (C$)	Pro Forma Adjustments (unaudited) as at December 31, 2020 (C$)	Resulting Issuer Pro Forma (unaudited) as at December 31, 2020 (C$)
Current assets	1,626,742	1,075,663	-	2,702,405
Total assets	2,869,076	1,075,663	-	3,674,739
Current liabilities	1,537,906	5,245	292,500	1,835,651
Total liabilities	1,954,852	5,245	292,500	2,252,597
Shareholders' equity	734,224	1,070,418	292,500	1,512,142

Dividends

The future payment of dividends will be dependent upon the financial requirements of the Resulting Issuer to fund further growth, the financial condition of the Resulting Issuer and other factors which the Board of Directors may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future, if at all.

Foreign GAAP

This Section is not applicable to the Resulting Issuer.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Resulting Issuer's MD&A for the year ended September 30, 2020 and the three-month period ended December 31, 2020 are attached to this Listing Statement as "SCHEDULE "D" – MD&A OF ". Ayurcann's MD&A for the year ended June 30, 2020 and the three-month and six-month periods ended December 31, 2020 are attached hereto as "SCHEDULE "E" – MD&A OF AYURCANN".

7. MARKET FOR SECURITIES

The Common Shares are currently unlisted. Initially the Common Shares were listed on the TSXV; however, as a result of not maintaining the requirements for a TSXV Tier 2 listed issuer, effective at the commencement of trading on December 17, 2018, the listing was transferred to NEX Board of the TSXV under the symbol "CCK.H". Trading of the Common Shares was halted on November 25, 2020 upon the announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on March 23, 2021. It is expected that the Common Shares will be listed for trading on the CSE under the symbol "AYUR".

8. CONSOLIDATED CAPITALIZATION

The outstanding capital of the Resulting Issuer consists of:

(1) 100,973,833 Common Shares;

(2) 16,919,461 Warrants entitling the holders thereof to purchase up to 16,919,461 Common Shares; and

(3) 1,408,733 Options entitling the holders thereof to purchase up to 1,408,733 Common Shares.

9. OPTIONS TO PURCHASE SECURITIES

The Resulting Issuer has adopted a "rolling" stock option plan (the "**Option Plan**") which provides eligible directors, officers, employees and consultants with the opportunity to acquire an ownership interest in the Resulting Issuer and is the basis for the Resulting Issuer's long-term incentive scheme. The key features of the Option Plan are as follows:

- The Option Plan shall not exceed 10% of the aggregate number of Common Shares then issued and outstanding (calculated on a undiluted basis);

- The maximum number of Common Shares which may be reserved for issuance to insiders of the Resulting Issuer, at any given time, shall not exceed 10% of the total number of Common Shares then outstanding, unless disinterested shareholder approval is obtained;

- The maximum number of Common Shares which may be reserved for issuance to any one person or entity, within any one year period shall not exceed 5% of the total number of Common Shares then outstanding, unless disinterested shareholder approval is obtained;

- The maximum number of Common Shares which may be reserved for issuance to any consultant, within any one year period shall not exceed 2% of the total number of Common Shares then outstanding, unless disinterested shareholder approval is obtained;

- The maximum number of Common Shares which may be reserved for issuance to any persons engaged to conduct investor relations within any one year period shall not exceed 2% of the total number of Common Shares then outstanding;

- Any Common Share subject to an Option which has been granted under the Option Plan and which has been cancelled, repurchased, expired or terminated in accordance with the terms of the Option Plan without having been exercised will again be available under the Option Plan. No fractional Common Shares shall be issued, and the Board of Directors may determine the manner in which fractional share value shall be treated;

- The Option price of any Common Shares in respect of which a Option may be granted shall be fixed by the Board of Directors but shall be in accordance with the rules and policies of the CSE;

- Options granted under the Option Plan may be exercisable over a period not exceeding 10 years;

- In the event of a participant ceasing to be a director officer, employee or consultant of the Resulting Issuer or a subsidiary for any reason other than death, including the resignation or retirement of the participant or the termination by the Resulting Issuer or a subsidiary of the employment of the participant, prior to the expiry time of their Option, such option (including an Option held by a participant's personal holding company) may be exercised as to such Common Shares in respect of which the Option has not previously been exercised (and as the participant would have been entitled to exercise) at any time up to and including (but not after) the earlier of: (a) the expiry time; and (b) a date that is 90 days (or such other period as may be determined by the Board of Directors, provided that such period is not more than one year) following the effective date of such resignation or retirement or a date that is 90 days (or such other period as may be determined by the Board of Directors, provided that such period is not more than one year) following the date notice of termination of employment is given by the Resulting Issuer or a subsidiary, whether such termination is with or without reasonable notice, and subject to such shorter period as may be otherwise specified in the stock option agreement, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever;

- In the event of death of an optionee, the legal representative of the optionee may exercise the option at any time until one year following the death of the optionee;

- Options are non-assignable;

- The Option Plan does not provide for any financial assistance upon the exercise of Options; and

- The approval of the Board of Directors and the requisite approval from the CSE and the shareholders shall be required for any of the following amendments to be made to the Option Plan:

    - increase to the fixed maximum percentage of Common Shares issuable under the Option Plan;

    - a reduction in the exercise price or purchase price of a Option (other than for standard anti-dilution purposes) held by or benefiting an insider;

    - an increase in the maximum number of Common Shares that may be issued to insiders within any one year period or that are issuable to Insiders at any time;

    - an extension of the term of a Option held by or benefiting an insider;

    - any change to the definition of "Participants" which would have the potential of broadening or increasing insider participation;the addition of any form of financial assistance;

    - any amendment to a financial assistance provision which is more favourable to Participants;

    - provided the Resulting Issuer is listed on the Toronto Stock Exchange, the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Option Plan reserve;

    - the addition of a deferred or restricted share unit or any other provision which results in participants receiving securities while no cash consideration is received by the Resulting Issuer; and

    - any other amendments that may lead to significant or unreasonable dilution the

Resulting Issuer's outstanding securities or may provide additional benefits to participants, especially insiders, at the expense of the Resulting Issuer and its existing shareholders.

The Board of Directors may, without shareholder approval but subject to receipt of requisite approval as required by the CSE in its sole discretion make all other amendments to the Option Plan that are not of the type contemplated above including, without limitation:

- amendments of a housekeeping nature;
- a change to the vesting provisions of an Option or the Option Plan; and
- a change to the termination provisions of a Option or the Option Plan which does not entail an extension beyond the original expiry date.

As of the date of this Listing Statement, there are 1,408,733 Options issued and outstanding, as follows:

Optionee	Number of Options	Exercise Price	Expiry Date
All executive officers and past executive officers as a group (2 persons)	325,000	$0.20	September 22, 2022
All directors and past directors as a group, excluding executive officers and past executive officers (3 person)	300,000	$0.20	September 22, 2022
All other employees and past employees as a group (3 persons)	183,687	$0.1021	September 5, 2022
	489,834	$0.1021	September 16, 2023
All consultants as a group (1 persons)	110,212	$0.0953	November 24, 2023
Total	**1,408,733**		

10. DESCRIPTION OF THE SECURITIES

The Resulting Issuer

The Resulting Issuer's authorized share capital consists of an unlimited number of Common Shares of which 100,973,833 Common Shares are issued and outstanding as of the date hereof.

Voting Rights

At a meeting of Shareholders, each Common Share entitles the holder thereof to one vote.

Rank

The Common Shares all rank equally with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Resulting Issuer. In the event of the liquidation, dissolution or winding-up of the Resulting Issuer or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Common Shares are entitled to participate equally, share for share, in the remaining property and assets of the Resulting Issuer available for distribution to shareholders, without preference or distinction.

Dividends

Holders of Common Shares are entitled to receive, dividends out of the assets of the Resulting Issuer legally available for the payment of dividends at such times and in such amount and form as the Board of Directors may from time to time determine and the Resulting Issuer will pay dividends thereon on a pari passu basis, if, as and when declared by the Board of Directors.

Debt Securities

The Resulting Issuer is only seeking a listing of the Common Shares and not a listing of any other securities, including but not limited to, debt securities.

Other Securities

The Resulting Issuer is only seeking a listing of the Common Shares and not a listing of any other securities, including but not limited to, other equity securities.

Modification of Terms

Provisions as to the modification of the terms of the Common Shares are contained in the OBCA.

Other Attributes

This Section is not applicable to the Resulting Issuer.

Prior Sales of Common Shares and Ayurcann Shares

The Resulting Issuer

The following table set forth the issuances of Common Shares by the Resulting Issuer within the last 12 months before the date of this Listing Statement.

Date Issued	Number of Common Shares	Issue Price per Common Share	Consideration
March 26, 2021	84,876,104	$0.189126	Amalgamation Agreement(1)
March 26, 2021	235,293	$0.189126	Severance Payment(1)

Note:

(1) See Section "3. GENERAL DEVELOPMENT OF THE BUSINESS" under the heading "The Amalgamation".

Ayurcann

The following table sets forth the issuances of Ayurcann Shares since incorporation of Ayurcann:

Date Issued	Number of Ayurcann Shares	Issue Price per Ayurcann Share	Consideration(1)
September 6, 2018	8,750,000	$0.008	Cash
November 23, 2018	8,000,000	$0.025	Joint Venture Agreement
November 23, 2018	2,160,000	$0.05	Joint Venture Agreement
December 1, 2018	10,000,000	$0.02	Shares for Services
December 10, 2018	3,150,000	$0.10	Cash
January 5, 2019	5,000,000	$0.02	Shares for Services

January 5, 2019	5,000,000	$0.05	Shares for Service
January 5, 2019	3,750,000	$0.02	Warrant Exercise
May 31, 2019	5,300,000	$0.10	Cash
August 6, 2019	100,000	$0.10	Shares for Services
August 13, 2019	5,000,000	$0.10	Shares for Services
October 15, 2019	100,000	$0.10	Shares for Services
January 17, 2020	200,000	$0.20	Shares for Services
March 30, 2020	1,061,001	$0.15	Cash
November 23, 2020	5,000,000	$0.10	Promissory Note Conversion
December 8, 2020	187,500	$0.20	Warrant Exercise
Total	**62,758,501(2)**		

Notes:

(1) For a description of the Promissory Note see Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS".

(2) 5,000,000 Ayurcann Shares were repurchased by Ayurcann. 57,758,501 Ayurcann Shares were issued and outstanding as of December 31, 2020.

Stock Exchange Price

The Resulting Issuer's Common Shares were previously listed on the NEX Board of the TSXV under the trading symbol "CCK.H". Trading was halted on November 25, 2020 upon the announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on March 23, 2021.

The following table sets forth high and low trading prices and volume on the TSXV for the periods indicated.

	Trading Price ($)		**Volume**
	High	**Low**	
March 1-23, 2021	Halted		
February 2021	Halted		
January 2021	Halted		
December 2020	Halted		
November 2020	0.07	0.05	47,340
October 2020	0.065	0.03	38,632.53
September 2020	0.035	0.02	19,615.6
Q3 2020	0.035	0.02	52,829.54
Q2 2020	0.04	0.01	6,919.61
Q1 2020	0.025	0.015	19,193.55
Q4 2019	0.04	0.01	114,181.45
Q3 2019	0.06	0.02	106,814.52
Q2 2019	0.07	0.015	7,158.73
Q1 2019	0.040	0.025	4,250

11. ESCROWED SECURITIES

As required under the CSE Policies, certain holders of Common Shares, Warrants and Options have entered into an escrow agreement on the terms provided in NP 46-201. The securities subject to escrow will be released on scheduled periods specified in NP 46-201 for emerging issuers, that is, 10% will be released upon listing followed by six subsequent releases of 15% each, every six months thereafter.

Name	Designation of Class	Securities to be held in Escrow (and % of the Common Shares)[1]
Igal Sudman	Common Shares	21,435,228[2] (21.23%)
	Warrants	330,636,[3][5] (0.326%)
Roman Buzaker	Common Shares	20,830,162[4] (20.63%)
Maor Shayit	Options	132,255 (0.13%)[5]
Weed Me Inc.	Common Shares	13,437,108 (13.31%)
	Warrants	1,322,550 (1.29%)[5]

Notes:

(1) On a undiluted basis.
(2) 9,257,850 Common Shares are held through 2388765 Ontario Inc., a company directed and controlled by Mr. Sudman and 357,088 are held by children of Mr. Sudman.
(3) Held through Mr. Sudman's children.
(4) 9,257,850 Common Shares are held through IIPAC Inc., a company directed and controlled by Mr. Buzaker.
(5) On a partially-diluted basis.

12. PRINCIPAL SHAREHOLDERS

Other than Igal Sudman, Roman Buzaker and Weed Me, to the knowledge of the directors and officers of the Resulting Issuer, no Person beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Resulting Issuer.

Voting Trusts

To the knowledge of the Resulting Issuer, no voting trust exists within the Resulting Issuer such that more than 10% of any class of voting securities of the Resulting Issuer are held, or are to be held, subject to any voting trust or other similar agreement.

Associates and Affiliates

To the knowledge of the Resulting Issuer none of the principal shareholders is an Associate or Affiliate of any other principal shareholder.

13. DIRECTORS AND OFFICERS

The following table lists the names, municipalities of residence of the directors and officers of the Resulting Issuer, their positions and offices held with the Resulting Issuer, their principal occupations during the past 5 years and the number of Common Shares of the Resulting Issuer that are beneficially owned, directly or indirectly, or over which control or direction is exercised by each.

Name, Age, Municipality of Residence and Position Held	Professional Designation(s)	Education	Principal Occupation for Past Five Years	Director/Officer of the Resulting Issuer Since	Number and Percentage of Common Shares Owned[(5)]
Igal Sudman[(1)(2)] *CEO, Corporate Secretary and Chairman* *Maple, Ontario* *50*	N/A	York University - Bachelor of Arts 1988-1992; RECO licensed in 1995	CEO of Ayurcann Inc. (Jun 2018-Present); Advisor of Amuka Esports (Sept 2019-Present); Founder of Sudman Industries (Jan 1995-Prsent); Chief Compliance Officer at Z Block Chain (Nov 2016-Nov 2017); Principal at Sudman Industries (1987-2020); Co-Founder of Simcoe Canada Lands (Jan 2005-Jan 2010); Co-Founder of Cupps Coffee Houses (Jan 1998-Jul 2004)	CEO, Corporate Secretary and Chairman since the Effective Date	23,816,919[(3)] (23.59%)
Roman Buzaker *President, CFO, COO, RPIC, HOS and Director* *Toronto, Ontario* *37*	N/A	Holtz College - Tel Aviv - Engineer's degree in the field Electrical Engineering Technology – Control Systems: 2000 – 2003; The Open University of Israel - Bachelor of Arts – BA - Economics and Management: 2003 – 2008	President and Chief Compliance Officer of Ayurcann Inc. (Jun 2018-Present); Co-Found of Keftech Group Inc. (Oct 2017-Aug 2018); COO and Director at Z Block Chain (Nov 2016-Nov 2017); Co-Owner and CFO of Metropolitan Movers (Oct 2010-2018); President at Online Partners Ltd. (2009-2017)	President, CFO, COO, RPIC, HOS and Director since the Effective Date	23,144,624[(4)] (22.92%)
Maor Shayit[(1)(2)(6)] *Director* *Vaughan, Ontario* *39*	N/A	Peres Academic Centre – bachelor's degree in Business/Managerial Economics (2007-2010)	Director of Ayurcann Inc. (Jan 2020-Present) COO of Weed Me (Jan 2020-Present); Chief Marketing Officer of Weed Me (Nov 2017-Jan	Director since the Effective Date	Nil (0%)

			2020); Co-Founder of SIMPER (Mar 2017-Jan 2019); Vice President of Sales of Metropolitan Movers (Nov 11-Feb 2018)		
David Hackett(1)(2)(6) *Director* *Toronto, Ontario* *56*	C.A.-C253816 Canadian Institute of Chartered Accountants - ON Canadian Institute of Chartered Accountants Dec 1989; CPA-C253816 Chartered Professional Accountant Canadian Institute of Chartered Accountants Nov 2012	The University of Western Ontario London, Ontario; Master of Business Administration Apr 30 1992; Queen's University Kingston, Ontario B.A. (Hons) Economics Apr 30 1987	Director of Ayurcann Inc. (Jan 2020-Present) CFO of 48North Cannabis Corp. (Apr 2018-Present); CFO of Mavencare Inc. (Sept 2017-Apr 2018); CFO and Corporate Secretary of Coupgon Inc. (Oct 2014-Jan 2017); CFO of Diversinet Corp. (Mar 2002-Jan 2014)	Director since the Effective Date	Nil (0%)
Alison Gordon(6) *Director* *Toronto, Ontario* *48*	N/A	York University - Toronto - Honours BA June 1994; York University – Toronto - Master's degree June 1996	Director of Ayurcann Inc. (Jan 2020-Present) Founder, CEO and Director of 48North Cannabis Corp. (Jan 2017-Mar 2020); Self Employed (Dec 2015-Dec 2016); Chief Marketing Officer of WeedMD (May 2014-Nov 2015) Founder of Rethink Breast Cancer (Sept 2001-Apr 2014)	Director since the Effective Date	Nil (0%)

Notes:

(1) Member of the Audit Committee.
(2) Member of Compensation Committee.
(3) 10,286,500 Common Shares are held through 2388765 Ontario Inc., a company directed and controlled by Mr. Sudman and 396,764 are held by children of Mr. Sudman.
(4) 10,286,500 Common Shares are held through IIPAC Inc., a company directed and controlled by Mr. Buzaker.
(5) On an undiluted basis.
(6) Independent Director.

The terms of the foregoing director appointments shall expire at the next annual shareholders meeting.

Aggregate Ownership of Securities

As of the date of this Listing Statement, the directors, officers, and promoters of the Resulting Issuer, as a group, directly or indirectly beneficially own 46,932,156 Common Shares, representing approximately 46.48% of the issued and outstanding Common Shares on an undiluted basis.

Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies

No proposed director or officer of the Resulting Issuer or a Shareholder holding a sufficient number of Common Shares of the Resulting Issuer to affect materially the control of the Resulting Issuer:

(1) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company, including any personal holding company of such director, chief executive officer or chief financial officer that:

   (i) while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

   (ii) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days issued after that person ceased to be a director or executive officer and which resulted from an event that occurred while the person was acting in such capacity; or

(2) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director or executive officer of any company (including the Resulting Issuer and any personal holding company of such director or executive officer) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Resulting Issuer has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Conflicts of Interest

Conflicts of interest may arise since the directors, officers and promoters of the Resulting Issuer also hold positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Resulting Issuer have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Resulting Issuer will be in direct competition with the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies provided under the OBCA.

Board and Management

Brief descriptions of the biographies for all of the proposed officers and directors of the Resulting Issuer are set out below:

Igal Sudman – CEO, Corporate Secretary and Chairman

Mr. Sudman is a business development specialist who brings over 20 years of experience in a range of industries from real estate development to technology and cannabis. Mr. Sudman understands the objectives and requirements needed to scale companies from seed to exit having founded and developed businesses which have been featured on the Canadian Profit 50. Mr. Sudman is currently the CEO of Ayurcann Inc. (June 2018), an Advisor of Amuka Esports (Sept 2019) and the Founder of Sudman Industries.

Mr, Sudman also served as the Chief Compliance Officer at Z Block Chain (November 2016 – November 2017) and the Principal at Sudman Industries (1987 – 2020). He Co-founded Simcoe Canada Lands (January 2005 – January 2010) and Cupps Coffee Houses (January 1998 – July 2004). Mr. Sudman holds a Bachelor of Arts from York University 1988-1992) and holds a RECO license (1995).

Mr. Sudman is an independent contractor and is not a party to any employment agreement with the Resulting Issuer. Mr. Sudman will devote such time as is necessary and appropriate to the business of the Resulting Issuer to effectively fulfill his duties as Chief Executive Officer, Corporate Secretary and Chairman, which is estimated to be approximately 100% of his time.

Roman Buzaker – President, CFO, COO, RPIC, HOS, and Director

Mr. Buzaker is a corporate strategist with specialty in management and operational engineering. Mr. Buzaker has experience in industries such as logistics, digital marketing, and consulting. Mr. Buzaker managed the expansion and the development of various online and brick and mortar companies from single location operations to multi-locational franchises nationwide.

Mr. Buzaker is currently the President and Chief Compliance Officer of Ayurcann Inc. (2018). He co-founded the Keftech Group Inc. (October 2017 – August 2018). He served as the COO and Director at Z Block Chain (November 2016 – November 2017), CFO of Metropolitan Movers (October 2010 – 2018) as well as President at Online Partners Ltd. (2009-2017).

Mr, Buzaker holds an Engineer's degree in the field of Electrical Engineering Technology Control Systems (2000-2003) from the Holtz College in Tel Aviv, Israel, and a B,A in Economics and Management from the Open University of Israel (2003-2008).

Mr. Buzaker is an independent contractor and is not a party to any employment agreement with the Resulting Issuer. Mr. Buzaker will devote such time as is necessary and appropriate to the business of the Resulting Issuer to effectively fulfill his duties as President, CFO, COO and Director, which is estimated to be approximately 100% of his time.

Maor Shayit – Director

Mr. Shayit is a professional executive who brings over 15 years of experience in a wide-range of industries from communications, and transportations, to beauty, and cannabis. Mr. Shayit has an extensive and successful experience in this emerging cannabis industry. As the COO and Chief Marketing Officer of Weed Me, Mr. Shayit is responsible for developing and executing best practices in accordance to the regulator's guidelines, to assure high quality product, increasing yields, and effective allocation of funds. Mr. Shayit is currently a Director of Ayurcann Inc. (January 2020). Mr. Shayit co-founded SIMPER (March 2017 – January 2019) and served as the Vice President of Sales of Metropolitan Movers (November 2011 – February 2018). Mr. Shayit holds a bachelor degree in Business and Managerial Economics from the Peres Academic Centre (2007-2010).

Mr. Shayit is an independent contractor and is not a party to any employment agreement with the Resulting Issuer. Mr. Shayit will devote such time as is necessary and appropriate to the business of the Resulting Issuer to effectively fulfill his duties as Director, which is estimated to be approximately 15% of his time.

David Hackett – Director

Mr. Hackett brings more than 20 years of financial and management leadership. He has overseen the growth of a number of start-up companies, including dealing with operations, technology, regulatory reporting (in Canada and the U.S.), corporate governance, public financing (in Canada and the U.S.) and mergers and acquisitions activity. Mr. Hackett is currently a Director of Ayurcann Inc. (January 2020) and the CFO of 48North Cannabis Corp. (April 2018). In addition, Mr. Hackett also served as the CFO of Mavencare Inc. (2017 - 2018), Diversinet Corp. (March 2002 – January 2014) and the CFO and Corporate Secretary of Coupgon Inc. (October 2014 – January 2017). Mr. Hackett is a Certified Public Accountant (November 2012) and Charted Accountant (December 1989), holds a Masters of Business Administration from the Richard Ivey School of Business at the Western University (April 1992), and holds a B.A (Hons) in Economics from Queen's University (April, 1987).

Mr. Hackett is an independent contractor and is not a party to any employment agreement with the Resulting Issuer. Mr. Hackett will devote such time as is necessary and appropriate to the business of the Resulting Issuer to effectively fulfill his duties as Director, which is estimated to be approximately 15% of his time.

Alison Gordon – Director

A veteran of the cannabis industry, Ms. Gordon has worked in all verticals of this emerging market. As the Founder of 48North Cannabis Corp., Ms. Gordon was the first female CEO of public cannabis company (January 2017 – March 2020). Ms. Gordon's extensive network and profile in the industry has been a game changer for 48North Cannabis Corp. and the various companies that she advises. Ms. Gordon is currently a director of Ayurcann Inc. since January 2020 and brings a wealth of knowledge from these positions as well as from her previous roles as Chief Marketing Officer of WeedMD (May 2014 – November 2015) and founder of Rethink Breast Cancer (September 2001 – April 2014). Ms. Gordon holds a B.A (Honours) from York University (June 1994) and a Master's degree from University of Toronto (June 1996).

Ms. Gordon is an independent contractor and is not a party to any employment agreement with the Resulting Issuer. Ms. Gordon will devote such time as is necessary and appropriate to the business of the Resulting Issuer to effectively fulfill her duties as Director, which is estimated to be approximately 15% of her time.

Key Employees

Gurbrinder Ghotra – Operations Manager

Mr. Ghotra is an operations manager with a bachelor's degree in Life Sciences from the University of Toronto. He has 10 years of quality control experience in the highly regulated pharmaceutical industry and an in-depth knowledge of GMP, quality guidelines and regulations. Mr. Ghotra possesses extensive knowledge and years of expertise in the cannabis industry with operations such as quality, production, various extraction methods, full compliance testing, research and development and product formulation. Most recently Mr. Ghotra graduated from York University with a master's degree in chemistry.

Mr. Ghotra is party to an employment agreement with the Resulting Issuer which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. Mr. Ghotra is employed on a full-time basis by the Resulting Issuer.

<u>Rajwant Virk – QC and Compliance Manager</u>

Mr. Virk is a quality system expert with over 18 years of experience in the pharmaceutical industry. He has a proven track record of leading multiple projects that have contributed to overall quality, business goals and the growth of several companies. Mr. Virk is highly skilled and experienced in GMP, GPP, quality investigations, deviation reports, technical writing and quality audits. He holds a Master’s Degree in Science along with a Postgraduate Diploma in Pharmaceutical Quality Assurance. Mr. Virk has an important role with Ayurcann, to ensure best operational practices, overall plant performance and compliance.

Mr. Virk is party to an employment agreement with the Resulting Issuer, which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. Mr. Virk is employed on a full-time basis by the Resulting Issuer.

Audit Committee

The Audit Committee is comprised of Igal Sudman, Maor Shayit and David Hackett. Each of Messrs. Shayit and Hackett is “independent” as defined in NI 52-110, while Mr. Sudman is not independent as he is the Resulting Issuer’s Chief Executive Officer Each of the members of the Audit Committee is “financially literate”, as defined in NI 52-110.

Member of Audit Committee	Independent	Financially Literate
Igal Sudman	No	Yes
Maor Shayit	Yes	Yes
David Hackett	Yes	Yes

The Board of Directors will adopt a written charter setting forth the responsibilities, powers and operations of the Audit Committee consistent with NI 52-110. The principal duties and responsibilities of the Audit Committee will be to assist the Board of Directors in discharging the oversight of:

(8) the integrity of the Resulting Issuer’s consolidated financial statements and accounting and financial processes and the audits of our consolidated financial statements;

(9) the Resulting Issuer’s compliance with legal and regulatory requirements;

(10) the Resulting Issuer’s external auditors’ qualifications and independence;

(11) the work and performance of the Resulting Issuer’s financial management and its external auditors; and

(12) the Resulting Issuer’s system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Board of Directors.

It is anticipated that the Audit Committee will have access to all books, records, facilities, and personnel and may request any information about the Issuer as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants, or advisors to advise the Audit Committee. The Audit Committee is also expected to review and approve all related-party transactions and prepare reports for the Board of Directors on such related-party transactions as well as be responsible for the pre-approval of all non-audit services to be provided by our auditors.

Exemption

The Resulting Issuer is a "venture issuer" as defined in NI 52-110 and is relying upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

14. CAPITALIZATION

The following chart is with respect to the Common Shares:

	Number of Securities (undiluted)	Number of Securities (fully-diluted)	% of Issued (undiluted)	% of Issued (fully-diluted)
Public Float				
Total outstanding (A)	**100,973,833**	**119,302,027**	**100%**	**100%**
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)	61,891,663	63,875,487	61.29%	53.54%
Total Public Float (A-B)	**39,082,170**	**55,426,540**	**38.71%**	**46.46%**
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	55,702,498	57,487,939	55.17%	48.19%
Total Tradeable Float (A-C)	**45,271,335**	**61,814,088,**	**44.83%**	**51.81%**

Public Securityholders (Registered)

Common Shares of the Resulting Issuer		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	6	150
100 – 499 securities	1	100
500 – 999 securities	0	0

1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	2	4,668
3,000 – 3,999 securities	1	3,750
4,000 – 4,999 securities	0	0
5,000 or more securities	43	23,078,613
Total	53	23,087,281

Public Securityholders (Beneficial)

Common Shares of the Resulting Issuer		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	2	30
100 – 499 securities	36	6,055
500 – 999 securities	21	12,925
1,000 – 1,999 securities	18	24,025
2,000 – 2,999 securities	4	8,500
3,000 – 3,999 securities	23	74,611
4,000 – 4,999 securities	0	0
5,000 or more securities	116	15,632,367
Total	220	15,758,512

Non-Public Securityholders (Registered)

Common Shares of the Resulting Issuer		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	7	61,891,666
Total	7	61,891,666

Convertible/Exchangeable Securities

The following are details for any securities convertible or exchangeable into Common Shares:

Description of Security (include conversion / exercise terms, including conversion /	**Number of convertible/exchangeable securities**	**Number of listed securities issuable upon conversion/exchange**
Warrants (each exercisable for one Common Share at $0.40 per share until January 23, 2022)	2,500,000	2,500,000
Warrants (each exercisable for one Common Share at $0.1361 per share until June 10, 2022)	1,469,500	1,469,500
Warrants (each exercisable for one Common Share at $0.1361 per share until August 13, 2022)	5,878,000	5,878,000
Warrants (each exercisable for one Common	7,071,961	7,071,961

Share at $0.1361 per share until May 31, 2022)		
Options[1] (each exercisable for one Common Share at $0.20 per share until September 22, 2022)	625,000	625,000
Options[1] (each exercisable for one Common Share at $0.1021 per share until September 5, 2023)	183,687	183,687
Options[1] (each exercisable for one Common Share at $0.1021 per share until September 16, 2023)	489,834	489,834
Options[1] (each exercisable for one Common Share at $0.0953 per share until November 24, 2023)	110,212	110,212

Note:

(1) See Section "9. OPTIONS TO PURCHASE SECURITIES".

Other Listed Securities

The Resulting Issuer does not have any other Common Shares reserved for issuance that are not included in Section 14.

15. EXECUTIVE COMPENSATION

During the financial year ended September 30, 2020, the Resulting Issuer had two NEOs, being Bruce Duncan and Olga Nikitovic. During the financial year ended June 30, 2020, Ayurcann had two NEOs, being Igal Sudman and Roman Buzaker.

Compensation Discussion and Analysis

The general objectives of the Resulting Issuer's compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

Elements of Compensation

Base Salary

Each NEO receives a base salary, which constitutes a significant portion of the NEO's compensation package. Base salary is recognition for discharging day to day duties and responsibilities and reflects the NEO's performance over time, as well as that individual's particular experience and qualifications. A NEO's base salary is reviewed by the Board of Directors on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

Options

The Resulting Issuer's directors, officers, employees and consultants, if any, are eligible under the Option Plan to receive grants of Option. The Option Plan is an important part of the Resulting Issuer's long-term incentive strategy for its officers and directors, permitting them to participate in appreciation of the market value of the Common Shares over a stated period of time. The Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the Option grants to officers and directors is dependent on each officer's and director's level of responsibility, authority and importance to the Resulting Issuer and to the degree to which such officer's or director's long-term contribution to the Resulting Issuer will be key to its long-term success.

The Option Plan is designed to encourage share ownership and entrepreneurship on the part of the senior management and other employees. The Board of Directors believes that the Option Plan aligns the interests of the NEO and the Board of Directors with shareholders by linking a component of executive compensation to the longer-term performance of the Resulting Issuer.

Options are granted by the Board of Directors. In monitoring or adjusting the option allotments, the Board of Directors takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous Option grants and the objectives set for the NEOs. The scale of Options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board of Directors will make these determinations subject to and in accordance with the provisions of the Option Plan. The Option Plan was approved by the Board of Directors on February 7, 2020. As of the date of this Listing Statement, including Options issued in exchange for Ayurcann Options pursuant to the Amalgamation, the Resulting Issuer has granted 1,408,734 Options. See Section "9. OPTIONS TO PURCHASE SECURITIES."

Compensation of Directors

The independent directors of the Board of Directors will recommend how much, if any, cash compensation will be paid to directors for services rendered by directors, in such capacity, to the Resulting Issuer. The Board of Directors may be paid cash compensation commensurate with the prevailing level of compensation for directors in the same industry in which the Resulting Issuer operates.

NEOs who also act as directors of the Resulting Issuer will not receive any additional compensation for services rendered in such capacity, other than as paid by the Resulting Issuer to such NEOs in their capacity as executive officers.

Compensation Governance

In order to assist the Board in fulfilling its oversight responsibilities with respect to compensation matters, the Board has established the Corporate Governance and Compensation Committee (the "**Compensation Committee**") and has approved the charter of the Compensation Committee. The Compensation Committee is composed of Roman Buzaker, Maor Shayit and David Hackett. Messers. Shayit and Hackett are independent as such term is defined in NI 58-101.

The Compensation Committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of Compensation Committee as it relates to compensation matters is to ensure that the compensation provided to the NEOs is determined with regard to the Resulting Issuer's business strategies and objectives, such that the financial interest of the executive officers is aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Compensation Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.

To determine compensation payable, the Compensation Committee reviews compensation paid for directors and CEO of companies of similar size and stage of development in comparable industries and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Resulting Issuer. In setting the compensation, the Compensation Committee annually review the performance of the CEO in light of the Resulting Issuer's objectives and consider other factors that may have impacted the success of the Resulting Issuer in achieving its objectives.

As a whole, the members of the Compensation Committee have direct experience and skills relevant to their responsibilities in executive compensation, including with respect to enabling the Compensation Committee in making informed decisions on the suitability of the Resulting Issuer's compensation policies and practices.

Pension Plan Benefits

The Resulting Issuer does not provide retirement benefits for directors or executive officers.

Termination and Change of Control Benefits

The Resulting Issuer has no contracts, agreements, plans or arrangements that provide for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Resulting Issuer or a change in a NEO's responsibilities.

Summary Compensation Table

The Resulting Issuer

The following table is a summary of compensation incurred to the NEOs and directors for the Resulting Issuer's financial years ended September 30, 2020 and 2019:

Table of Compensation Excluding Compensation Securities							
Name and Position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or Meeting Fee ($)**	**Value of Perquisites ($)**	**Value of All Other Compensation ($)**	**Total Compensation ($)**
R. Bruce Duncan(1)(2) *Former CEO and Executive Chairman*	2020	96,000	Nil	Nil	Nil	Nil	96,000
	2019	96,000	Nil	Nil	Nil	Nil	96,000
Olga Nikitovic(2) *Interim CEO and CFO*	2020	60,000	Nil	Nil	Nil	Nil	60,000
	2019	60,000	Nil	Nil	Nil	Nil	60,000
Tom Fenton(3)(4) *Director*	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Richard Klue(4) *Director*	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil
Ian Smith(4) *Director*	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Fees were paid to West Oak Capital Partners Inc., a company directed and controlled by Mr. Duncan.
(2) On November 16, 2020, Ms. Nikitovic replaced Mr. Duncan as Interim CEO.
(3) Mr. Fenton is a partner of the Toronto-based law firm Aird & Berlis LLP.

(4) No cash compensation was paid to the directors of the Resulting Issuer in their capacity as directors during the financial years ended September 30, 2020 or 2019.

Ayurcann

The following table is a summary of compensation paid to the NEOs and directors of Ayurcann for the years ended June 30, 2020 and 2019:

Table of Compensation Excluding Compensation Securities							
Name and Position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or Meeting Fee ($)**	**Value of Perquisites ($)**	**Value of All Other Compensation ($)**	**Total Compensation ($)**
Igal Sudman *CEO, Corporate Secretary and Chairman*	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	246,500[(1)]	Nil	Nil	Nil	Nil	246,500[(1)]
Roman Buzaker *President, CFO, COO, RPIC, HOS, and Director*	2020	Nil	Nil	Nil	Nil	Nil	Nil
	2019	246,500[(2)]	Nil	Nil	Nil	Nil	246,500[(2)]
Maor Shayit *Director*	2020	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A
David Hackett *Director*	2020	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A
Alison Gordon *Director*	2020	N/A	N/A	N/A	N/A	N/A	N/A
	2019	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Mr. Sudman received management fees as follows: (i) $162,500 in the form of equity personally and (ii) $84,000 of which $75,000 was in the form of equity and $9,000 in the form of cash to 2388765 Ontario Inc., a company directed and controlled by Mr. Sudman.

(2) Mr. Buzaker received management fees as follows: (i) $162,500 in the form of equity personally and (ii) $84,000 of which $75,000 was in the form of equity and $9,000 in the form of cash paid to IIPAC Inc., a company directed and controlled by Mr. Buzaker.

Options and Other Compensation Securities

The Resulting Issuer

No compensation securities were granted or issued to any NEO or director by the Resulting Issuer or one of its subsidiaries in the most recently completed financial year for services provided or to be provided, directly or indirectly, to the Resulting Issuer or any of its subsidiaries.

The following table is a summary of compensation securities outstanding to the NEOs and directors of the Resulting Issuer at the end of the most recently completed financial year:

Name and Position	Type of Compensation Security	Number of Compensat ion Securities,	Date of Issue or Grant	Issue, conversion, or Exercise Price	Closing Price of Security or Underlying	Closing Price of Security or	Expiry Date

		Number of Underlying Securities, and Percentage of Class		($)	Security on Date of Grant ($)	Underlying Security at Year End ($)	
R. Bruce Duncan *Former CEO and Executive Chairman*	Option	175,000 (12.42%)	September 22, 2016	0.20	0.12	0.035	September 22, 2022
Olga Nikitovic *Interim CEO and CFO*	Option	150,000 (10.65%)	September 22, 2016	0.20	0.12	0.035	September 22, 2022
Tom Fenton *Director*	Option	100,000 (7.10%)	September 22, 2016	0.20	0.12	0.035	September 22, 2022
Richard Klue *Director*	Option	100,000 (7.10%)	September 22, 2016	0.20	0.12	0.035	September 22, 2022
Ian Smith *Director*	Option	100,000 (7.10%)	September 22, 2016	0.20	0.12	0.035	September 22, 2022

No incentive plan awards were vested in or earned by the NEO and/or directors of the Resulting Issuer during the most recently completed financial year.

Ayurcann

Except as disclosed below, no compensation securities were granted or issued to any NEO or director by Ayurcann or one of its subsidiaries in the most recently completed financial year for services provided or to be provided, directly or indirectly, to Ayurcann or any of its subsidiaries.

The following table is a summary of compensation securities outstanding to the NEOs and directors of Ayurcann at the end of the most recently completed financial year:

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities, and Percentage of Class	Date of Issue or Grant	Issue, conversion, or Exercise Price ($)	Closing Price of Security or Underlying Security on Date of Grant ($)	Closing Price of Security or Underlying Security at Year End ($)	Expiry Date
Maor Shayit *Director*	Option	146,950 (10.43%)	September 5, 2019	0.0121	N/A	N/A	September 5, 2022

No incentive plan awards were vested in or earned by the NEO and/or directors of Ayurcann during the most recently completed financial year.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the executive officers, directors or employees or any former executive officers, directors or employees of the Resulting Issuer or Amalco or any proposed nominee for election as a director of the Resulting Issuer or Amalco or any of their respective associates is or has been indebted to the Resulting Issuer or Amalco or has been indebted to any other entity where that indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer and Amalco.

17. RISK FACTORS

An investment in our Common Shares should be considered speculative due to the nature of the Resulting Issuer's business and may involve a substantial risk of loss. Investors should carefully consider the following risk factors, together with all of the other information included in this Listing Statement, before deciding to purchase our Common Shares. Any of the matters highlighted in these risk factors could have a material adverse effect on the business of the Resulting Issuer, results of its operations and its financial condition. Such circumstances would cause the trading price of our Common Shares to decline, and you may lose part or all of your investment.

The Resulting Issuer believes the following risks to be the most significant for potential investors. However, these risk factors are not a definitive list of all risk factors associated with an investment in the Resulting Issuer or in connection with the Resulting Issuer's operations. Additional risks and uncertainties not presently known to the Resulting Issuer or that the Resulting Issuer currently believes are not material, may also may have a material adverse effect on its business, financial condition, operating results or prospects.

An investment in securities of the Resulting Issuer should only be made by persons who can afford a significant or total loss of their investment.

Risks Related to the Cannabis Operations of the Resulting Issuer

Regulatory Risks

The business and activities of the Resulting Issuer will be heavily regulated by governmental authorities in all jurisdictions where it will carry on business. Achievement of the Resulting Issuer's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products and/or provision of its services. However, the laws and regulations in the cannabis sphere grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Resulting Issuer, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Resulting Issuer's products and services. The Resulting Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products and services, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer. The legal cannabis industry is a new industry, and the Resulting Issuer anticipates that regulations governing the industry will be subject to change as the Canadian Government monitors producers and distributors of cannabis products.

Regulatory Approvals, Permits and Licenses

Government licenses are currently, and in the future may be, required in connection with the Resulting

Issuer's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Resulting Issuer may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. Obtaining a licence would also significantly impact revenue forecasts and costs associated with compliance.

Any licenses the Resulting Issuer obtains in Canada and/or abroad are expected to be subject to ongoing compliance and reporting requirements. As of date, the Resulting Issuer has obtained a Research Licence and a Processing Licence. Although the Resulting Issuer believes it will meet the requirements for renewals of its current licenses and for any future licenses obtained, there can be no guarantee that government bodies will award or renew any applicable licenses or, if renewed, that such licenses will be renewed on the same or similar terms or that regulatory authorities will not revoke any licenses. Amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies and costly undertakings by the Resulting Issuer. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Resulting Issuer. Should any jurisdiction in which the Resulting Issuer may consider a licence important not be granted, extended or renewed, such licence, or should it renew such licence on different terms, or should it decide to grant more than the anticipated number of licenses to other businesses, the business, financial condition and results of operations of the Resulting Issuer could be materially adversely affected.

Changes in Laws, Regulations and Guidelines

Any changes to the existing regulatory framework or the imposition of new legislation or regulations applicable to the cannabis industry in which the Resulting Issuer operates may adversely affect the financial and operating performance of the Resulting Issuer. Although the operations of the Resulting Issuer are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Resulting Issuer's ability to conduct business in the jurisdictions and industries in which it currently operates or intends to operate, including the cannabis and natural health supplements industries.

The Resulting Issuer's operations will be subject to various laws, regulations, guidelines and licensing requirements both in Canada and potentially abroad. The Resulting Issuer is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Resulting Issuer could have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition. In particular, any amendment to or replacement of the Cannabis Act, may cause adverse effects to the Resulting Issuer's operations.

The ACMPR continues to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Resulting Issuer should be comparable to other companies in the same business as the Resulting Issuer.

Further, the general legislation framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories. Unfavourable regulatory changes, delays or both may therefore materially and adversely affect the future business, financial condition and results of operations of the Resulting Issuer.

In addition, the cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Resulting Issuer's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Resulting Issuer's earnings and could make future capital investments or the Resulting Issuer's operations uneconomic.

The Canadian Cannabis Market

The Resulting Issuer operates its business in a relatively new industry and market. In addition to being subject to general business risks, the Resulting Issuer must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with the expectations and assumptions of the Management. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Resulting Issuer's business, financial conditions, and results of operations.

Risks Related to the Cannabis Industries

Unfavorable Publicity or Consumer Perception

The Resulting Issuer believes the cannabis industry is highly dependent upon market acceptance and consumer perception regarding the safety, efficacy, and quality of the cannabis product. Consumer perception of the Resulting Issuer's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. The Resulting Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Resulting Issuer, the demand for the Resulting Issuer's proposed products, and the business, results of operations, financial condition and cash flows of the Resulting Issuer. The adverse effects of negative publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

The Resulting Issuer may not be able to anticipate and react to trends within the licenced cannabis consumption market in a timely manner or accurately assess the impact that such trends may have on consumer preferences. Failure to respond to changes in consumer preferences or anticipate market trends may adversely affect the Resulting Issuer's future revenues and performance. New methods of consumption may adversely affect demand for edible cannabis products, and therefore adversely impact demand for cannabis oil.

Development of Brands, Products and Services

If the Resulting Issuer cannot successfully develop, manufacture, distribute and provide its brands, products and services, or if the Resulting Issuer experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Resulting Issuer may not be able to develop successful brands, market-ready commercial products at acceptable costs, or provide sufficient services, which would adversely affect the Resulting Issuer's ability to effectively enter the market. A failure by the Resulting Issuer to achieve a low-cost structure through economies of scale or improvements in its manufacturing processes would have a material adverse effect on the Resulting Issuer's commercialization plans and the Resulting Issuer's business, prospects, results of operations and financial condition.

Product Liability

As the Resulting Issuer's products are designed to be directly or indirectly ingested by humans, the Resulting Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Resulting Issuer's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Resulting Issuer's products alone or in combination with other medications or substances could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the Resulting Issuer's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer.

There can be no assurances that the Resulting Issuer will be able to successfully obtain or renew product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could disrupt the Resulting Issuer's business operations and financial performance.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Resulting Issuer's products are recalled due to an alleged product defect or for any other reason, the Resulting Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Resulting Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant attention from Management. Although the Resulting Issuer has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Resulting Issuer's significant brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Resulting Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of the Resulting Issuer's operations by Health Canada or other regulatory agencies, requiring further attention from Management and potential legal fees and other expenses.

Competition

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. There is potential for the Resulting Issuer to face intense competition from other companies, some of which have longer operating histories and more financial resources, industry, manufacturing, and marketing experience than the Resulting Issuer. Additionally, there is a potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger and better-financed competitors with geographic and other structural advantages could have a material adverse effect on the business, prospects, financial condition, results of operations and cash flows of the Resulting Issuer.

To date, the application process to secure a licence under the Cannabis Act has remained rigorous and highly competitive. However, there are a large number of pending applications for licences. Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants, particularly those that may be working on developing new products and technologies that are superior to the extraction, refinement and distillation technology and processes that the Resulting Issuer uses. The development of new, superior products and processes by a competitor could affect the Resulting Issuer's ability to successfully exploit its products and services. The Resulting Issuer may be unable to develop further products to keep pace with developments in its market space and may lose market share to competitors.

If the number of users of medical and/or recreational cannabis products in Canada increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development, marketing, sales, and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

Entry Bans into the United States

Cannabis is illegal under U.S. federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry to the U.S. is granted at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Resulting Issuer), who are not U.S. citizens, face the risk of being barred from entry into the U.S. for life.

If any of the Resulting Issuer's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Resulting Issuer's ability to operate in the U.S. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the U.S. could make it more difficult for the Resulting Issuer to continue to retain and engage qualified directors, officers and employees in the future.

Client Acquisition and Retention

The Resulting Issuer's success will depend to a substantial extent on the willingness of new Licenced Producers and new customers to try or migrate to its service and products. If customers do not perceive the benefits of the Resulting Issuer's products or services, then the market for these products and services may not develop at all, or it may develop more slowly than expected, either of which would significantly adversely affect operating results. In addition, as a new company in this competitive market, the Resulting Issuer has limited insight into trends that may develop and affect its business. The Resulting Issuer may make errors in predicting and reacting to relevant economic and currency-related trends, which could harm its business.

There are many factors which could impact the Resulting Issuer's ability to attract and retain customers, including but not limited to, the Resulting Issuer's ability to provide desirable and effective products and services, the Resulting Issuer's ability to successfully implement a customer-acquisition plan, continued growth in the number of medical and recreational cannabis users and the number of competitors providing similar products and services.

Market Unpredictability

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding whether to invest in the Resulting Issuer and, few, if any, established corporations whose business model the Resulting Issuer can follow or upon whose success the Resulting Issuer can build. Accordingly, investors will have to rely on their own estimates in deciding whether to invest in the Resulting Issuer. There can be no assurance that the Resulting Issuer's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Business in New Industries

The cannabis industry is relatively new, and the sale of cannabis extracts and various derivative products even more so. There can be no assurance that an active and liquid market for the Common Shares of the Resulting Issuer will develop and Shareholders may find it difficult to resell their Common Shares. Accordingly, no assurance can be given that the Resulting Issuer will be successful in the long term.

Fraudulent or Illegal Activity

The Resulting Issuer is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Resulting Issuer that violate government regulations. It is not always possible for the Resulting Issuer to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Resulting Issuer to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Resulting Issuer from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Resulting Issuer, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Resulting Issuer's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Resulting Issuer's operations, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Risks Related to the Operations of the Resulting Issuer Generally

Risks related to the Resulting Issuer's Pickering Facility

Any adverse changes affecting the development of Phase 2 of the Pickering Facility could have a material and adverse effect on the Resulting Issuer's business, financial condition and prospects. There is a risk that these changes could adversely affect the Resulting Issuer's facility by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) plant design errors;

(b) environmental pollution;

(c) non-performance by third party contractors;

(d) increases in materials or labour costs;

(e) construction performance falling below expected levels of output or efficiency;

(f) breakdown, aging or failure of equipment or processes;

(g) contractor or operator errors;

(h) labour disputes, disruptions or declines in productivity;

(i) inability to attract sufficient numbers of qualified workers;

(j) disruption in the supply of energy and utilities;

(k) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms;

(l) contamination of third-party acquired Biomass;

(m) inability to source processing solvents and product ingredients for manufactured products;

(n) unfavourable changes in local by-laws and regulations; or

(o) flooding of the industrial park where the Pickering Facility is located.

Environmental Regulations and Risks

The Resulting Issuer's operations are subject to environmental regulation in the various jurisdictions in which it operates or intends to operate. These regulations govern, among other things, emissions and discharges of water, air and land, the handling of disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Resulting Issuer will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non- compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Resulting Issuer's operations.

Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, as well as penalties, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed. The Resulting Issuer may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Limited Operating History

Ayurcann was incorporated and began carrying on business on June 22, 2018. As a high growth enterprise, the Resulting Issuer does not have a history of profitability. The Resulting Issuer is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources, and lack of revenues. There is no assurance that the Resulting Issuer will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Price Volatility of the Resulting Issuer's Common Shares

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price. Market prices for cannabis companies have at times been volatile and subject to substantial fluctuations. There can be no assurance that continuing fluctuations in price will not occur. The value of the Common Shares will be affected by such volatility as well as drastically affected by governmental and regulatory regimes and community support for the cannabis industry. The market price of the Resulting Issuer's securities could be subject to wide fluctuations, which could have an adverse effect on the market price of the Resulting Issuer.

Future announcements concerning the Resulting Issuer or its competitors, including those pertaining to financing arrangements, government regulations, developments concerning regulatory actions affecting the Resulting Issuer, litigation, additions or departures of key personnel, cash flow, and economic conditions and political factors in the United States may have a significant impact on the market price of the Common Shares.

Reliance on Management and Key Personnel

The Resulting Issuer's success, including its research and development and operational success, will depend on the ability of its directors, officers and other key personnel to develop and execute on the Resulting Issuer's business strategies and manage its ongoing operations, and on the Resulting Issuer's ability to attract and retain key personnel. A risk associated with the production and sale of cannabis extracts is the loss of important staff members. The Resulting Issuer is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

In addition, the Resulting Issuer's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Competition for qualified personnel in the Resulting Issuer's industry is significant and the Resulting Issuer may incur significant costs to attract and retain them. No assurance can be provided that the Resulting Issuer will be able to attract or retain key personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Resulting Issuer.

Dependence on Suppliers and Skilled Labour

The ability of the Resulting Issuer to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to sufficient cannabis Biomass, skilled labour, equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining its required supply of Biomass, skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Resulting Issuer.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Resulting Issuer will be subject in connection with the operations of the Resulting Issuer. In particular, certain of the directors and officers of the Resulting Issuer are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with those of the Resulting Issuer. Conflicts, if any, will be subject to the procedures and remedies available under the OBCA. In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of the directors of the Resulting Issuer and, if the conflict involves a director, the director will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Resulting Issuer will establish a special committee of independent directors to review a matter in which several directors, or Management, may have a conflict. In accordance with the provisions of the OBCA, the directors and officers of the Resulting Issuer are required to act honestly in good faith, with a view to the best interests of the Resulting Issuer. In determining whether or not the Resulting Issuer will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Resulting Issuer, the degree of risk to which the Resulting Issuer may be exposed and its financial position at that time.

Shelf Life Inventory

The Resulting Issuer intends to hold finished goods in inventory and such inventory will have a shelf life. Even though it is the intention of Management to review the amount of inventory on hand in the future, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Resulting Issuer’s proposed business, financial condition, and results of operations.

Insurance and Uninsured Risks

The Resulting Issuer’s business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses, and possible legal liability.

Although the Resulting Issuer maintains combined cannabis and medical malpractice insurance and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Resulting Issuer is not generally available on acceptable terms. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting

Issuer may elect not to insure against because of high premiums costs or other reasons. Losses from these events may cause the Resulting Issuer to incur significant costs that would reduce funds available for the Resulting Issuer's normal business activities and thereby have a material adverse effect upon its financial performance and results of operations.

Difficulty to Forecast

The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Additional Financing

There is no guarantee that the Resulting Issuer will be able to execute on its business strategy. It is expected that the Resulting Issuer will require additional financing in order to make further investments or take advantage of future opportunities. The ability of the Resulting Issuer to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of the Resulting Issuer. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Resulting Issuer ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Resulting Issuer. In addition, from time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Resulting Issuer's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Growth Management

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Resulting Issuer to provide reliable financial reports and to help prevent fraud. Although the Resulting Issuer will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Resulting Issuer under Canadian securities laws, the Resulting Issuer cannot be certain that such measures will ensure that the Resulting Issuer will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and materially adversely affect the trading price of the Common

Shares.

Liquidity

The Resulting Issuer cannot predict at what prices the Resulting Issuer's Common Shares will trade, and there can be no assurance that an active trading market in the Resulting Issuer will develop or be sustained. Final approval of the CSE has not yet been obtained. There is a significant liquidity risk associated with an investment in the Resulting Issuer.

Dilution

The Resulting Issuer may make future acquisitions or enter into financings or other transactions involving the issuance of securities. If the Resulting Issuer was to issue Common Shares, existing holders of such shares may experience dilution in their holdings. Moreover, when the Resulting Issuer's intention to issue additional equity securities becomes publicly known, the market price for Common Shares may be adversely affected.

Litigation

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert Management's attention and resources and cause the Resulting Issuer to incur significant expenses. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer, such a decision could adversely affect the Resulting Issuer's ability to continue operating, the market price for the Common Shares, and could consume significant resources. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant resources of the Resulting Issuer. Litigation may also create a negative perception of the Resulting Issuer's brand.

Intellectual Property Risks

The Resulting Issuer's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Resulting Issuer is able to do so, to protect any proprietary rights of the Resulting Issuer, the Resulting Issuer intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Resulting Issuer's intellectual property:

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;

- the Resulting Issuer's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;

- issued patents, trademarks and registered copyrights may not provide the Resulting Issuer with competitive advantages;

- the Resulting Issuer's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;

- the Resulting Issuer's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Resulting Issuer develops;

- another party may obtain a blocking patent and the Resulting Issuer would need to either obtain a licence or design around the patent in order to continue to offer the contested feature or service in its products; or

- the expiration of patent or other intellectual property protections for any assets owned by the Resulting Issuer could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Resulting Issuer and its financial results will depend, among other things, upon the nature of the market and the position of the Resulting Issuer's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

Information Technology Systems and Cyberattacks

The Resulting Issuer has entered into agreements with third parties for hardware, software, telecommunications and other information technology services in connection with its operations. The Resulting Issuer's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Resulting Issuer's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Resulting Issuer's reputation and results of operations.

The Resulting Issuer has not experienced any material losses to date relating to cyberattacks or other information security breaches, but there can be no assurance that the Resulting Issuer will not incur such losses in the future. The Resulting Issuer's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Resulting Issuer may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Effects of Health Epidemics (including COVID-19)

A local, regional, national or international outbreak of a contagious disease, including the novel coronavirus COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illness, could decrease the willingness of the general population to travel, cause staff shortages, reduced customer traffic, supply shortages, and increased government regulation all of which may negatively impact the business, financial condition and results of operations of the Resulting Issuer.

In December 2019, a novel strain of COVID-19 was reported in China. Since then, COVID-19 has spread globally including across North America. The spread of COVID-19 from China to other countries has resulted in the World Health Organization declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada and the United States, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses.

Specifically, at the time this Listing Statement is prepared, we caution that our business could be materially and adversely affected by the risks, or the public perception of the risks, related to the recent outbreak of COVID-19. The risk of a pandemic, or public perception of the risk, could cause temporary or long-term disruptions to the Resulting Issuer's supply chains and/or its service providers or could result in reduced spending on the Resulting Issuer's products and services. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Resulting Issuer's operations if employees who cannot perform their responsibilities from home are not able to report to work.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Resulting Issuer economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Resulting Issuer's ability to access capital, which could in the future negatively affect liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Resulting Issuer's business and the value of its Common Shares.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Resulting Issuer's business, operations and financial performance will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, changes to the regulatory regimes under which we operate, the effectiveness of actions taken in Canada and other countries to contain and treat the disease and whether the Canada and additional countries are required to move or return to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

18. PROMOTERS

Each of Igal Sudman and Roman Buzaker may be considered to be promoters of the Resulting Issuer as each of them took the initiative in founding and organizing the Resulting Issuer. Mr. Sudman owns and controls 23,816,919 Common Shares on an undiluted basis (23.59% of the total number of shares issued and outstanding on an undiluted basis). Mr. Buzaker owns and controls 23,144,624 Common Shares on an undiluted basis (22.92% of the total number of shares issued and outstanding on an undiluted basis).

19. LEGAL PROCEEDINGS

Legal Proceedings

To the knowledge of Management, there are no actual or contemplated material legal proceedings to which the Resulting Issuer is a party.

Regulatory Actions

The Resulting Issuer is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Resulting Issuer entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Resulting Issuer's securities or would be likely to be considered important to a reasonable investor making an investment decision.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except for Igal Sudman and Roman Buzaker, none of the directors or executive officers of the Resulting Issuer, any person who has direct or indirect beneficial ownership of, or who exercises control or direction over, more than 10% of the Common Shares, or any associate or affiliate of such persons, has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected the Resulting Issuer or Amalco or any of their respective subsidiaries.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditors

McGovern Hurley LLP, who audited the financial statements of the Resulting Issuer for each of the years ended September 30, 2020 and 2019, are independent of the Resulting Issuer in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

Clearhouse LLP, who audited the financial statements of Ayurcann for the years ended June 30, 2020 and June 30, 2019, are independent of Ayurcann and Amalco in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

Transfer Agent and Registrar

The transfer agent and registrar of the Resulting Issuer is Computershare Investor Services Inc. at its office located in Toronto, Ontario.

22. MATERIAL CONTRACTS

During the course of the two years prior to the date of the Listing Statement, the Resulting Issuer and Ayurcann have entered into the following material contracts, other than contracts entered into in the ordinary course of business:

(1) the Amalgamation Agreement (see Section "3. GENERAL DEVELOPMENT OF THE BUSINESS" under the heading "The Amalgamation");

(2) the Research License (see Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business");

(3) the Processing License (see Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business");

(4) the Contractor Agreement (see Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business");

(5) the Collaboration Agreement (see Section "4. NARRATIVE DESCRIPTION OF THE BUSINESS" under the heading "History of the Business"); and

(6) the Escrow Agreement (see Section "11. ESCROWED SECURITIES").

The Resulting Issuer has confirmed that each of the above noted material contracts are posted under the Resulting Issuer's SEDAR profile.

Special Agreements

This Section is not applicable to the Resulting Issuer.

23. INTEREST OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the corporation or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of the corporation or an Associate or Affiliate of the Resulting Issuer.

McGovern Hurley LLP, who audited the financial statements of the Resulting Issuer for each of the years ended September 30, 2020 and 2019, are independent of the Resulting Issuer in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

Clearhouse LLP, who audited the financial statements of Ayurcann for the years ended June 30, 2020 and June 30, 2019, are independent of Ayurcann and Amalco in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Resulting Issuer, or their respective securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer and its respective securities.

25. FINANCIAL STATEMENTS

Schedule "A" contains a pro forma consolidated statement of financial position of the Resulting Issuer as at December 31, 2020 after giving effect to the Amalgamation as if it had been completed on that date.

Schedule "B" contains the audited consolidated financial statements of the Resulting Issuer as of and for the years ended September 30, 2020 and September 30, 2019 and the interim financial statements of the Resulting Issuer as of and for the three-month period ended December 31, 2020 (excluding the notes on pages one and two stating that the Resulting Issuer's auditor has not reviewed).

Schedule "C" contains the consolidated audited financial statements of Ayurcann for the years ended June 30, 2020 and June 30, 2019 and the interim financial statements of Ayurcann as of and for the three-month and six-month period ended December 31, 2020.

CERTIFICATE OF THE RESULTING ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Ayurcann Holdings Corp. hereby applies for the listing of the above-mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Ayurcann Holdings Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 1st day of Aprl, 2021.

"Igal Sudman"	*"Roman Buzaker"*
Igal Sudman Chief Executive Officer	Roman Buzaker Chief Financial Officer
"Maor Shayit"	*"David Hackett"*
Maor Shayit Director	David Hackett Director
"Igal Sudman"	*"Roman Buzaker"*
Igal Sudman Promoter	Roman Buzaker Promoter

SCHEDULE "A" – PRO FORMA FINANCIAL STATEMENTS

Pro forma consolidated statement of financial position of the Resulting Issuer as at December 31, 2020 after giving effect to the Amalgamation as if it had been completed on that date.

Ayurcann Inc. operating as XTRX Solutions Statements of Financial Position

(Expressed in Canadian dollars)

	Ayurcann Inc. December 31, 2020	Canada Coal Inc. December 31, 2020	Proforma Adjustments	Notes	Proforma Consolidated December 31, 2020
	$				$
Assets					
Current assets					
Cash	13,264	1,059,353			1,072,617
Trade and other receivables	956,982	5,905			962,887
Prepaid expenses and deposits	46,436	10,405			56,841
Harmonized sales tax recoverable	70,911				70,911
Inventories	539,149				539,149
	1,626,742	1,075,663	0		2,702,405
Non-current assets					
Property and equipment	643,518				643,518
Right-of-use assets	418,816				418,816
Total assets	2,689,076	1,075,663	0		3,764,739
Liabilities					
Current liabilities					
Trade and other payables	1,124,809	5,245			1,130,054
Legal and Transaction			292,500	2	292,500
Harmonized sales tax payable					
Current portion of lease liability	125,878				125,878
Due to related parties	287,219				287,219
Convertible promissory note	0				0
	1,537,906	5,245	292,500		1,835,651
Non-current liabilities					
Lease liability	376,946				376,946
Long term debt	40,000				40,000
Total liabilities	1,954,852	5,245	292,500		2,252,597
Shareholders' equity					
Common share capital	2,050,135	7,936,101	-7,936,101		
			1,070,418	2	
			1,929,582	2	
			44,500	2	5,094,635
Reserves	0	300,941	-300,941		0
Contributed surplus	851,454				851,454
Deficit	(2,167,365)	(7,166,624)	7,166,624		
			(2,266,582)		-4,433,947
Total shareholders' equity	734,224	1,070,418	-292,500		1,512,142
Total liabilities and shareholders' equity	2,689,076	1,075,663	0		3,764,739

Nature of operations and going concern

Ayurcann Inc. operating as XTRX Solutions Statements of Comprehensive Loss (Expressed in Canadian dollars)

For the three months ended	Notes	Ayurcann Inc.- 6 months ended	Canada Coal Inc. 3 months ended	Proforma Adjustments	Notes	Proforma Consolidated
Revenues						
Trade sales- cannabis distillate		1,669,257				1,669,257
Processing fees		678,796				678,796
		2,348,053	0	0		2,348,053
Cost of goods sold		(1,866,066)				-1,866,066
Gross margin		481,987	0	0		481,987
Expenses						
Recapitalization cost		0	0	1,929,582	2	1,929,582
Salaries and wages		201,265	0	0		201,265
Office and general		151,353	2,491	0		153,844
Professional fees		53,434	0	100,000	2	153,434
Business development		19,289	0	0		19,289
Consulting fees		52,465	0	0		52,465
Management Fees		0	31,000	237,000	2	268,000
Transfer Agent		0	5,507	0		5,507
Marketing		0	995	0		995
Travel		7,924	0	0		7,924
Depreciation of property and equipment		5,914	0	0		5,914
Share based payments		44,683	0	0		44,683
		536,327	39,993	2,266,582		2,842,902
Operating loss		(54,340)	(39,993)	(2,266,582)		(2,360,915)
Finance costs		338,450	0			338,450
Other Income/Loss						
Investment/Interest		-48,944	-413			-49,357
Comprehensive loss		(343,846)	(39,580)	(2,266,582)		(2,650,008)
Weighted average number of common shares outstanding		53,714,785	31,724,875		3	85,439,660
Shares Outstanding - (Proforma Calculted)		57,758,501	31,724,875		3	89,483,376
Post Consolidation/Split Ratio		1.4695x Split	0.5x Rollback		2a	
Post Consolidated Share Count - Weighted Avg		78,933,877	15,862,438		3	94,796,314
Post Consolidated Share Count - Proforma		84,876,117	15,862,437.50	235293	3	100,973,848
Post Consolidated Share Count - Proforma (w/ rounding down)		84,876,104	15,862,436.00	235293	3	100,973,833
Comprehensive loss per share - I/O (Not consolidated)		-0.006	-0.001			0.000
Comprehensive loss per share - Consolidated w/ Weighted Avg.		-0.004	-0.002			-0.028
Comprehensive loss per share - Proforma Consolidated w/ I/O		-0.004	-0.002			-0.026

1. BASIS OF PREPARATION

The accompanying unaudited pro forma consolidated financial statements of Canada Coal Inc. ("Canada Coal" or the "Company") have been prepared to illustrate the impact of the acquisition of Ayurcann Inc. ("Ayurcann") by Canada Coal.

It is management's opinion that these unaudited consolidated pro forma financial statements include all adjustments necessary for the fair presentation of the transactions described herein and are in accordance with International Financial Reporting Standards ("IFRS") applied on a basis consistent with the Company's accounting policies. These pro forma consolidated financial statements are not intended to reflect the financial position of the Company that would have actually resulted had the transactions been affected on the dates indicated above. Actual amounts recorded upon consummation of the transactions will differ from those recorded in these unaudited pro forma consolidated financial statements and the differences may be material.

Accounting policies used in the preparation of the unaudited consolidated pro forma financial statements are consistent with those used in the audited financial statements of Ayurcann for the year ended June 30, 2020. The unaudited pro forma consolidated financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2020 and the six months ended December 31, 2020 and the notes included therein, of Ayurcann.

These unaudited pro forma consolidated financial statements have been compiled from and including an unaudited pro forma consolidated statements of financial position as at December 31, 2020 combining the unaudited statement of financial position of Canada Coal as of December 31, 2020 and the unaudited statement of financial position of Ayurcann as of December 31, 2020, respectively.

2. PRO FORMA TRANSACTIONS AND ADJUSTMENTS

The following are the pro forma assumptions and adjustments relating to the Transaction.

a) On November 24, 2020, the Company entered into an Amalgamation Agreement with Ayurcann. Under the terms of the Combination Agreement, the Proposed Transaction will be completed by way of a "three-cornered amalgamation" under the provisions of the Canada Business Corporations Act ("**CBCA**"), whereby 12487772 Canada Inc., a wholly-owned subsidiary of Canada Coal, will amalgamate with Ayurcann and continue as one amalgamated corporation ("**Amalco**") as a wholly-owned subsidiary of Canada Coal.

   Pursuant to the Proposed Transaction, Canada Coal will consolidate all of its common shares ("**CCK Shares**") on the basis of two (2) CCK Shares for each one (1) CCK post-consolidation share ("**CCK Post-Consolidation Share**"). Holders of outstanding Class "A" Common Shares in the capital of Ayurcann ("**Ayurcann Shares**") shall receive a number of CCK Post-Consolidation Shares for each one (1) Ayurcann Share held in accordance with the Exchange Ratio (as defined below) and the Ayurcann Shares will be cancelled. If Ayurcann has received a sale for medical purposes licence from Health Canada ("**First Earn-Out Trigger**") prior to closing, then the Exchange Ratio will be equal to 1.4695 CCK Post-Consolidation Shares for each one (1) Ayurcann Share, and if the First Earn-Out Trigger has not been met, then the Exchange Ratio will be 1.2858CCK Post-Consolidation Shares for each one (1) Ayurcann Share (the "**Exchange Ratio**").

   In addition to the CCK Post-Consolidation Shares that the holders of Ayurcann Shares are eligible to receive on closing of the Proposed Transaction, CCK will also be required to pay an earn-out to the holders of Ayurcann Shares if certain events occur within a five year period following the closing date (the "**Sunset Date**"). If the First-Earn Out Trigger occurs afer the closing date but before the Sunset Date, then the Resulting Issuer will issue a number of CCK Post-Consolidation Shares equal to $2,000,000 divided by the greater of (i) $0.05 and (ii) the ten (10) day volume weighted average trading price of the CCK Post-Consolidation Shares on the CSE prior to the date of the First Earn-Out Trigger. If Ayurcann makes certain upgrades to its licensed facility ("**Second Earn-Out Trigger**") prior to the Sunset Date, then the Resulting Issuer will issue a number of CCK Post-Consolidation Shares equal to $1,000,000 divided by the greater of (i) $0.05 and (ii) the ten (10) day volume weighted average trading price of the CCK Post-Consolidation Shares on the CSE prior to the date of the Second Earn-Out Trigger.

(Expressed in Canadian Dollars – Unaudited)

As a result of the share exchange between Canada Coal and Ayurcann described above, the former shareholders of Ayurcann will acquire control of the Company. Management has evaluated that Canada Coal does not meet the definition of a business as defined by IFRS 3. Consequently, the Transaction will be accounted as an acquisition of Canada Coal's net assets and reporting issuer status. The Canada Coal share capital and retained earnings will be eliminated in the proforma consolidation. The cost of the transaction in excess of the net assets of Canada Coal will be reflected as listing expenses.

The assets and liabilities of Canada Coal assumed on the recapitalization are as follows:

Assets acquired	
Cash	1,059,353
Trade Receivables & Prepaids	16,310
Liabilities assumed	
Accounts payable and accrued liabilities	(5,245)
Net assets	$ 1,070,418

2. PRO FORMA TRANSACTIONS AND ADJUSTMENTS - CONTINUED

The net assets of Canada Coal of $1,070,418 assumed on the recapitalization are added to share capital. The Company also recorded listing fees of $1,929,582 as recapitalization costs to share capital.

Consideration of shares	$	3,000,000
Legal and transaction costs		337,000
Total consideration and costs		3,337,000
Less net assets acquired		1,070,418
Listing expenses	$	1,929,582

The fair value of the post consolidated share count of 15,862,436 issued common shares of the Company was estimated using $0.189126 per share. Consideration of shares for Canada Coal and Net Asset Value of Ayurcann do not include the value of warrants post consolidation. Warrants will be valued using a black scholes model.

Legal and transaction costs include an estimated $100,000 for legal fees, $192,500 in cash payments to executives & directors of both Canada Coal and Ayurcann, and $44,500 worth of shares issued to executives & directors of both Canada Coal and Ayurcann.

Listing expenses are the considered the difference between the value attributed to the consideration of shares and the net assets acquired (i.e. Goodwill on the transaction).

(Expressed in Canadian Dollars – Unaudited)

3. SHARE CAPITAL

Authorized – unlimited common shares without par value.

Share capital in the unaudited consolidated pro forma financial statements is comprised of the following:

	Number of Shares*	Share Capital	Reserves	Note
		$	$	
Canada Coal's balance as at December 31, 2020	15,862,436	7,936,101	300,941	
Ayurcann's balance as at December 31, 2020**	84,876,104	2,050,135	0	
Reversal of Canada Coal's balance as of closing of transaction	0	(7,936,101)	-300,941	
the Transaction	0	3,000,000	0	**2**
Shares Issued to Executives & Directors***	235,293	44500	0	
	100,973,833	5,094,635	0	**2**

*Shares are calculated on a post consolidation basis

**Ayurcann Shares are calculated by assuming a consolidation of the split rate @ 1.4695 with pre-consolidated shares outstanding of 57,758,501 as at December 23, 2020. During the most recent quarter, 5,187,500 pre-consolidated shares were issued since September 30, 2020.

***235,293 matches the $44,500 for shares issued to executives and directors, using the post-consolidated price of $0.189126/Share.

SCHEDULE "B" – FINANCIAL STATEMENTS OF THE RESULTING ISSUER

Audited consolidated financial statements of the Resulting Issuer as of and for the years ended September 30, 2020 and September 30, 2019 and the interim financial statements of the Resulting Issuer as of and for the three-month period ended December 31, 2020.

CANADA COAL INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)

CANADA COAL INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

		December 31, 2020		September 30, 2020
ASSETS				
Current				
Cash and cash equivalents (Note 7)	$	1,059,353	$	1,121,064
Receivables (Note 8)		5,905		3,957
Prepaid expenses (Note 9)		10,405		3,250
Total Assets	$	1,075,663	$	1,128,271
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note10)	$	5,245	$	18,273
Total Liabilities		5,245		18,273
Shareholders' equity				
Capital stock (Note 11)		7,936,101		7,936,101
Reserves (Note 11)		300,941		300,941
Deficit		(7,166,624)		(7,127,044)
Total Shareholders' Equity		1,070,418		1,109,998
Total Liabilities and Shareholders' Equity	$	1,075,663	$	1,128,271

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 13)
Subsequent events (Note 14)

On behalf of the Board:

"Richard Klue", Director   "T. A. Fenton", Director

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE MONTHS ENDED DECEMBER 31

	2020	2019
EXPENSES		
Management fees (Note 10)	$ 31,000	$ 39,000
Office, rent, and miscellaneous	2,491	4,018
Professional fees (Notes 10)	-	-
Shareholder communications and promotion	995	2,090
Transfer agent and filing fees	5,507	4,602
Opportunity investigation costs (Note 10)	-	27,990
Loss before other items	39,993	77,700
OTHER ITEMS		
Investment income	(413)	(3,966)
Net loss and comprehensive loss for the period	$ 39,580	$ 73,734
Basic and diluted net loss per common share	$ 0.00	$ 0.00
Weighted average number of common shares outstanding – basic and diluted	31,724,875	31,724,875

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE THREE MONTHS ENDED DECEMBER 31

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (39,580)	$ (73,734)
Change in non-cash working capital items:		
(Increase) in receivables	(1,948)	(4,320)
(Increase) decrease in prepaid expenses	(7,155)	2,375
(Decrease) in accounts payable and accrued liabilities	(13,028)	(2,658)
Net cash flows (used by) operating activities	(61,711)	(78,337)
(Decrease) in cash and cash equivalents	$ (61,711)	$ (78,337)
Cash and cash equivalents, beginning of period	1,121,064	1,357,011
Cash and cash equivalents, end of period	$ 1,059,353	$ 1,278,674

Cash and cash equivalents, comprised of:

Cash	$ 21,512	$ 170,117
Short term money market investments	1,037,841	1,108,557
	$ 1,059,353	$ 1,278,674

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

			Reserves			
	Number of Shares	Capital Stock	Equity Settled Share-Based Payments Reserve	Warrant Reserve	Deficit	Total
Balance, September 30, 2019	31,724,875	$ 7,936,101	$ 113,549	$ 187,392	$ (6,890,102)	$ 1,346,940
Net loss and comprehensive loss for three months	-	-	-	-	(73,734)	(73,734)
Balance, December 31, 2019	31,724,875	$ 7,936,101	$ 113,549	$ 187,392	$ (6,963,836)	$ 1,273,206
Net loss and comprehensive loss for nine months	-	-	-	-	(163,208)	(163,208)
Balance, September 30, 2020	31,724,875	$ 7,936,101	$ 113,549	$ 187,392	$ (7,127,044)	$ 1,109,998
Net loss and comprehensive loss for three months	-	-	-	-	(39,580)	(39,580)
Balance, December 31, 2020	31,724,875	$ 7,936,101	$ 113,549	$ 187,392	$ (7,166,624)	$ 1,070,418

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Canada Coal Inc. (hereafter the "Company" or "Canada Coal") was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc. The Company's principal business has been the acquisition and exploration of coal properties in Nunavut, Canada however it is currently exploring other business opportunties. The Company has not generated significant revenues from its operations.

The Company's head office is located at 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 25, 2021.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

These condensed consolidated interim financial statements have been prepared with the assumption 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 at December 31, 2020, the Company had working capital of $1,070,418 and an accumulated deficit of $7,166,624 compared with working capital of $1,109,998 and an accumulated deficit of $7,127,044 as at September 30, 2020. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations. These condensed consolidated interim financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes.

3. BASIS OF PRESENTATION

These condensed consolidated interim 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.

4. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2020 and were prepared using the same accounting policies, method of computation and presentation as were applied in the annual financial statements for the year ended September 30, 2020.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company’s capital structure to primarily consist of the components of shareholder’s equity.

The Company is dependent on external financing to fund its activities. In order to carry out future activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the three months ended December 31, 2020.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

6. FINANCIAL RISK FACTORS

There have been no changes in the risks, objectives, policies and procedures from the previous period. The Company's risk exposures and the impact on the Company's condensed consolidated interim financial instruments are summarized below:

Credit risk
The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to meet its current short and mid-term funding requirements.

Market risk
(a) Interest rate risk
The Company has cash balances therefore, interest rate risk is minimal.

(b) Foreign currency risk
The majority of the Company’s administrative expenditures are transacted in Canadian dollars. The Company funds certain expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at December 31, 2020 would not have a significant impact on the Company’s consolidated financial statements.

(c) Price risk
The Company is exposed to price risk with respect to equity prices as there is a potential adverse effect on the Company due to movements in individual equity prices or the stock market in general.

(EXPRESSED IN CANADIAN DOLLARS)

6. FINANCIAL RISK FACTORS (Continued)

(d) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect material movements in the underlying market risk variables over the next three month period.

7. CASH AND CASH EQUIVALENTS

The Company's short term money market instruments accrue interest at 0.25% (2019: 1.6% per annum) and are redeemable at any time without penalty.

8. RECEIVABLES

The receivables balance is comprised of the following item:

	December 31, 2020	September 30, 2020
Sales tax due from Federal Government	$ 5,905	$ 3,957
Total	$ 5,905	$ 3,957

9. PREPAID EXPENSES

The prepaid expense balance is comprised of the following item:

	December 31, 2020	September 30, 2020
Insurance	$ 1,750	$ 3,250
Deferred transaction costs	8,655	-
Total	$ 10,405	$ 3,250

In November 2020, the Company entered into a definitive business combination agreement with Ayurcann Inc. ("Ayurcann") which, subject to certain conditions and applicable shareholder and regulatory approvals, will result in a reverse takeover of Canada Coal ("Proposed Transaction").

Ayurcann's is a leading provider of customized post-harvest outsourcing solutions to licensed cannabis producers. Ayurcann concentrates on the post-harvest requirements of licensed cannabis producers and other brands looking to enter the cannabis market. Ayurcann offers end-to-end full outsourcing solutions including extraction, refinement, formulation, packaging, fulfillment and distribution.

It is currently anticipated that the Proposed Transaction will be affected by way of a three-cornered amalgamation. The resulting issuer that will exist upon completion of the Proposed Transaction intends to apply to the Canadian Securities Exchange ("CSE") for approval for listing its common shares on the CSE. The Proposed Transaction is an arm's length transaction.

In connection with the Proposed Transaction, Canada Coal will reconstitute its board of directors and change its name to "Ayurcann Inc." or such other similar name as determined by Ayurcann and acceptable to the relevant regulatory authorities and the Resulting Issuer will carry on the business of Ayurcann under the new name.

Pursuant to the Proposed Transaction, Canada Coal will consolidate all of its common shares on the basis of two (2) CCK Shares for each one (1) CCK post-consolidation share ("CCK Post-Consolidation Share"). Holders of outstanding Class "A" Common Shares in the capital of Ayurcann shall receive a number of CCK Post-Consolidation Shares for each one (1) Ayurcann Share held in accordance with the Exchange Ratio (as defined below). If Ayurcann has received a sale for medical purposes licence from Health Canada prior to closing, then

(EXPRESSED IN CANADIAN DOLLARS)

9. PREPAID EXPENSES (Continued)

the Exchange Ratio will be equal to 1.4695 CCK Post-Consolidation Shares for each one (1) Ayurcann Share (the "**Exchange Ratio**"). Ayurcann received their sale for medical purposes licence in January 2021.

In addition to the CCK Post-Consolidation Shares that the holders of Ayurcann Shares are eligible to receive on closing of the Proposed Transaction, CCK will also be required to pay an earn-out to the holders of Ayurcann Shares. If Ayurcann makes certain upgrades to its licensed facility prior to a Sunset Date, then the Resulting Issuer will issue a number of CCK Post-Consolidation Shares equal to $1,000,000 divided by the greater of (i) $0.05 and (ii) the ten (10) day volume weighted average trading price of the CCK Post-Consolidation Shares on the CSE prior to the date of the Earn-Out Trigger.

The Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals, conditional approval for delisting Canada Coal's shares from the TSX Venture Exchange and approval for listing on the CSE, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transaction, and other closing conditions customary to transactions of the nature of the Proposed Transaction.

Costs incurred to December 31, 2020 related to the Proposed Transaction have been included in deferred transaction costs.

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them or any companies where they are also a director or officer.

Trading Transactions
The Company entered into the following transactions with related parties for the three months ended December 31, 2020:

	Nature of transactions	Notes	2020	2019
West Oak Capital	Management fees	a	$ 16,000	$ 24,000
Olga Nikitovic	Management fees	b	$ 15,000	$ 15,000
Aird & Berlis	Legal fees	c	$ 8,655	$ 27,203

a) West Oak Capital Partners Inc. ("West Oak") is owned by R. B. Duncan, the Company's Executive Chairman of the Board and CEO. The fees paid to West Oak are included in management fees. Mr. Duncan passed away on November 12, 2020.

b) Olga Nikitovic is CFO of the Company. The fees paid relate to financial management and accounting services and are classified as management fees. Ms. Nikitovic assumed the role of Interim CEO in November, 2020.

c) Tom Fenton, Director and Corporate Secretary for the Company is a partner with Aird & Berlis LLP. Fees of $8,655 (2019: $Nil) are included as deferred transaction costs and fees of $Nil (2019: $27,203) are included in opportunity investigation costs. Legal fees included in accounts payable at December 31, 2020 are $Nil (2019: $10,701). This balance payable is unsecured, non-interest bearing and due on demand.

(EXPRESSED IN CANADIAN DOLLARS)

10. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

	Notes	Three months ended December 31, 2020	Three months ended December 31, 2019
Salaries	a	$ 31,000	$ 39,000
Total		$ 31,000	$ 39,000

a) The Company does not pay any directors' fees nor does the Company pay any health or post employment benefits. The salaries include the fees for the Executive Chairman, CEO and CFO.

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

The Company has authorized an unlimited number of common shares without par value. As at December 31, 2020, the Company had 31,724,875 common shares outstanding (September 30, 2020 : 31,724,875).

There were no capital transactions during the three months ended December 31, 2020.

Share purchase warrants

As at December 31, 2020, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price $	Number of Warrants Outstanding	Weighted average remaining contractual life (years)	Number of Warrants Exercisable
January 23, 2021	0.20	5,000,000	0.06	5,000,000
		5,000,000	0.06	5,000,000

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share purchase warrants (Continued)

The following is a summary of the share purchase warrant transactions for the three months ended December 31, 2020 and the year ended September, 2020.

	Three months ended December 31, 2020		Year ended September 30, 2020	
	Number Of Warrants	Weighted Average Exercise Price $	Number Of Warrants	Weighted Average Exercise Price $
Balance, beginning of the period	5,000,000	0.20	5,000,000	0.20
Warrants issued	-	-	-	-
Warrants exercised	-	-	-	-
Warrants expired	-	-	-	-
Balance, end of period	5,000,000	0.20	5,000,000	0.20

Stock options

The Company may grant stock options pursuant to a stock option plan (the "Plan") which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants or advisors. The options can be granted for a maximum of 10 years.

As at December 31, 2020, the following incentive stock options were outstanding:

		Options Outstanding and Exercisable	
Expiry Date	Exercise Price $	Number of Options Outstanding and Exercisable	Weighted average remaining contractual life (years)
September 22, 2021	0.10	1,250,000	0.73
		1,250,000	0.73

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock Options (Continued)

The following is a summary of the stock option transactions for the three months ended December 31, 2020 and the year ended September 30, 2020.

	Three months ended December 31, 2020		Year ended September 30, 2020	
	Number Of Options	Weighted Average Exercise Price $	Number Of Options	Weighted Average Exercise Price $
Balance, beginning of the period	1,250,000	0.10	1,250,000	0.10
Options granted	-	-	-	-
Options expired	-	-	-	-
Balance, end of period	1,250,000	0.10	1,250,000	0.10

Stock-based compensation

There were no options granted during the three months ended December 31, 2020 and 2019.

12. SEGMENTED INFORMATION

The Company previously operated in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. The Company currently has no project. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

13. COMMITMENTS AND CONTINGENCIES

The Company entered into certain management contracts which contain clauses requiring additional payments of up to $192,000 to be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these condensed consolidated interim financial statements.

14. SUBSEQUENT EVENTS

On January 23, 2021, 5,000,000 warrants exercisable at $0.20 per share expired.

CANADA COAL INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor’s Report

To the Shareholders of Canada Coal Inc.

Opinion

We have audited the consolidated financial statements of Canada Coal Inc. and its subsidiary (the “Company”), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

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

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

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

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auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
November 13, 2020

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

	September 30, 2020	September 30, 2019
ASSETS		
Current		
Cash and cash equivalents (Note 7)	$ 1,121,064	$ 1,357,011
Receivables (Note 8)	3,957	3,466
Prepaid expenses (Note 9)	3,250	5,146
Total Assets	$ 1,128,271	$ 1,365,623
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note10)	$ 18,273	$ 18,683
Total Liabilities	18,273	18,683
Shareholders' equity		
Capital stock (Note 11)	7,936,101	7,936,101
Reserves (Note 11)	300,941	300,941
Deficit	(7,127,044)	(6,890,102)
Total Shareholders' Equity	1,109,998	1,346,940
Total Liabilities and Shareholders' Equity	$ 1,128,271	$ 1,365,623

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 14)

On behalf of the Board:

"R. Klue", Director   "T. A. Fenton", Director

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30

	2020	2019
EXPENSES		
Management fees (Note 10)	$ 156,000	$ 156,000
Office, rent, and miscellaneous	14,158	14,929
Professional fees (Notes 10)	18,087	14,906
Shareholder communications and promotion	3,089	-
Transfer agent and filing fees	20,237	10,514
Opportunity investigation costs (Note 10)	33,207	43,608
Loss before other items	244,778	239,957
OTHER ITEMS		
Investment income	(7,836)	(17,140)
Net loss and comprehensive loss for the year	$ 236,942	$ 222,817
Basic and diluted net loss per common share	$ 0.01	$ 0.01
Weighted average number of common shares outstanding – basic and diluted	31,724,875	31,724,875

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (236,942)	$ (222,817)
Change in non-cash working capital items:		
(Increase) decrease in receivables	(491)	2,626
Decrease in prepaid expenses	1,896	-
(Decrease) in accounts payable and accrued liabilities	(410)	(18,926)
Net cash flows (used by) operating activities	(235,947)	(239,117)
(Decrease) in cash and cash equivalents	$ (235,947)	$ (239,117)
Cash and cash equivalents, beginning of year	1,357,011	1,596,128
Cash and cash equivalents, end of year	$ 1,121,064	$ 1,357,011

Cash and cash equivalents, comprised of:

Cash	$ 8,637	$ 252,419
Short term money market investments	1,112,427	1,104,592
	$ 1,121,064	$ 1,357,011

See accompanying notes to the consolidated financial statements.

CANADA COAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019

			Reserves			
	Number of Shares	Capital Stock	Equity Settled Share-Based Payments Reserve	Warrant Reserve	Deficit	Total
Balance, September 30, 2018	31,724,875	$ 7,936,101	$ 115,039	$ 187,392	$ (6,668,775)	$ 1,569,757
Expiry of options	-	-	(1,490)	-	1,490	-
Net loss and comprehensive loss for the year	-	-	-	-	(222,817)	(222,817)
Balance, September 30, 2019	31,724,875	$ 7,936,101	$ 113,549	$ 187,392	$ (6,890,102)	$ 1,346,940
Net loss and comprehensive loss for the year	-	-	-	-	(236,942)	(236,942)
Balance, September 30, 2020	31,724,875	$ 7,936,101	$ 113,549	$ 187,392	$ (7,127,044)	$ 1,109,998

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Canada Coal Inc. (hereafter the "Company" or "Canada Coal") was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc. The Company's principal business has been the acquisition and exploration of coal properties in Nunavut, Canada however it is currently exploring other business opportunties. The Company has not generated significant revenues from its operations.

The Company's head office is located at 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9.

These consolidated financial statements were approved by the Board of Directors on November 13, 2020.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

These consolidated financial statements have been prepared with the assumption 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 at September 30, 2020, the Company had working capital of $1,109,998 and an accumulated deficit of $7,127,044 compared with working capital of $1,346,940 and an accumulated deficit of $6,890,102 as at September 30, 2019. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and its interpretations.

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.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 5200 Nunavut Ltd., a company incorporated under the laws of Nunavut. The subsidiary previously held title to coal licences however it currently has no assets or liabilities as all coal licenses have expired. The subsidiary is inactive. Significant inter-company balances and transactions have been eliminated upon consolidation. All references to the Company should be treated as references to Canada Coal Inc. and its subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of consolidation(continued)
Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Cash and cash equivalents
Cash and cash equivalents include balances with banks and short-term money market investments with original maturities of 90 days or less which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and are available on demand by the Company.

Financial assets
Financial assets are classified as either financial assets at Fair Value Through Profit or Loss (“FVTPL”), amortized cost, or Fair Value Through Other Comprehensive Income (“FVTOCI”). The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company’s cash equivalents have been classified as FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest." The Company’s cash and receivables are classified as financial assets and measured at amortized cost.

- Financial Assets recorded at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Company’s accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

- Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs
Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement
Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

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

Expected Credit Loss Impairment Model
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due. The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At September 30, 2020 and 2019, the Company's financial instruments that were carried at fair value, consisted of cash equivalents which have been classified as Level 2 within the fair value hierarchy.

Foreign currency translation
The Canadian dollar is the functional and reporting currency of the Company and its subsidiary. All monetary assets and liabilities are translated at the rate of exchange at the financial reporting date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the statement of financial position date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in the consolidated statement of loss.

Provisions
Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contacts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at September 30, 2020 and 2019.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions
In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Unexercised expired stock options are transferred to deficit.

Warrants
Warrants are recognized at fair value on the date of grant and are measured using the Black-Scholes option pricing model. Incremental costs directly attributable to the issue of new warrants are shown in equity as a deduction, net of tax, from the proceeds. Unexercised expired warrants are transferred to deficit.

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

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and to the extent that the Company does not consider it probable that a future tax asset will be recovered, it is not recognized.

Loss per share
The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the period. During the years ended September 30, 2020 and 2019, all the outstanding stock options and warrants were anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive loss
Other comprehensive loss represents the change in net equity for the period that arises from unrealized gains and losses on FVTOCI financial instruments. Amounts included in other comprehensive loss are shown net of tax. Cumulative changes in other comprehensive loss are presented separately in the consolidated statement of changes in equity. The Company has no financial assets classified as FVTOCI, and accordingly, net loss is equivalent to comprehensive loss.

Use of estimates
The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. The impact of these estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates made by the Company include inputs used for share-based payment transactions, inputs used for valuation of warrants and valuation of deferred tax assets and liabilities. Actual results could differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Changes in accounting policies

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. IFRS 16 became effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. The adoption of IFRS 16 did not have any impact on the Company's consolidated financial statements as the Company does not have any leases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies (Continued)

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The adoption of these amendments did not have a material impact on the consolidated financial statements of the Company.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company’s capital structure to primarily consist of the components of shareholder’s equity.

The Company is dependent on external financing to fund its activities. In order to carry out future activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company continues to seek and assess new opportunities to acquire an interest in additional properties or projects if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended September 30, 2020 and 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“TSXV”) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

6. FINANCIAL RISK FACTORS

There have been no changes in the risks, objectives, policies and procedures from the previous period. The Company's risk exposures and the impact on the Company's consolidated financial instruments are summarized below:

Credit risk
The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to meet its current short and mid-term funding requirements.

6. FINANCIAL RISK FACTORS (Continued)

Market risk
(a) Interest rate risk
The Company has cash balances therefore, interest rate risk is minimal.

(b) Foreign currency risk
The majority of the Company's administrative expenditures are transacted in Canadian dollars. The Company funds certain expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at September 30, 2020 would not have a significant impact on the Company's consolidated financial statements.

(c) Price risk
The Company is exposed to price risk with respect to equity prices as there is a potential adverse effect on the Company due to movements in individual equity prices or the stock market in general.

(d) Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company does not expect material movements in the underlying market risk variables over the next twelve month period.

7. CASH AND CASH EQUIVALENTS

The Company's short term money market instruments accrue interest at 0.20% -1.60% per annum (2019: 1.6% per annum) and are redeemable at any time without penalty.

8. RECEIVABLES

The receivables balance is comprised of the following item:

	September 30, 2020	September 30, 2019
Sales tax due from Federal Government	$ 3,957	$ 3,466
Total	$ 3,957	$ 3,466

9. PREPAID EXPENSES

The prepaid expense balance is comprised of the following item:

	September 30, 2020	September 30, 2019
Insurance	$ 3,250	$ 5,146
Total	$ 3,250	$ 5,146

(EXPRESSED IN CANADIAN DOLLARS)

10. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them or any companies where they are also a director or officer.

Trading Transactions
The Company entered into the following transactions with related parties for the years ended September 30:

	Nature of transactions	Notes	2020	2019
West Oak Capital	Management fees	a	$ 96,000	$ 96,000
Olga Nikitovic	Management fees	b	$ 60,000	$ 60,000
Aird & Berlis	Legal fees	c	$ 32,014	$ 37,062

a) West Oak Capital Partners Inc. ("West Oak") is owned by R. B. Duncan, the Company's Executive Chairman of the Board and CEO. The fees paid to West Oak are included in management fees.

b) Olga Nikitovic is the CFO of the Company. The fees paid relate to financial management and accounting services and are classified as management fees.

c) Tom Fenton, Director and Corporate Secretary for the Company is a partner with Aird & Berlis LLP. Fees of $2,307 (2019: $2,626) are included in professional fees and fees of $29,707 (2019: $34,436) are included in opportunity investigation costs. Legal fees included in accounts payable at September 30, 2020 are $Nil (2019: $447). This balance payable is unsecured, non-interest bearing and due on demand.

Compensation of key management personnel

	Notes	Year ended September 30, 2020	Year ended September 30, 2019
Salaries	a	$ 156,000	$ 156,000
Total		$ 156,000	$ 156,000

a) The Company does not pay any directors' fees nor does the Company pay any health or post employment benefits. The salaries include the fees for the Executive Chairman, CEO and CFO.

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

The Company has authorized an unlimited number of common shares without par value. As at September 30, 2020, the Company had 31,724,875 common shares outstanding (September 30, 2019 : 31,724,875).

There were no capital transactions during the year ended September 30, 2020 and 2019.

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share purchase warrants

As at September 30, 2020, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price $	Number of Warrants Outstanding	Weighted average remaining contractual life (years)	Number of Warrants Exercisable
January 23, 2021	0.20	5,000,000	0.31	5,000,000
		5,000,000	0.31	5,000,000

The following is a summary of the share purchase warrant transactions for the years ended September, 2020 and 2019.

	Year ended September 30, 2020		Year ended September 30, 2019	
	Number Of Warrants	Weighted Average Exercise Price $	Number Of Warrants	Weighted Average Exercise Price $
Balance, beginning of the year	5,000,000	0.20	5,000,000	0.20
Warrants issued	-	-	-	-
Warrants exercised	-	-	-	-
Warrants expired	-	-	-	-
Balance, end of year	5,000,000	0.20	5,000,000	0.20

Stock options

The Company may grant stock options pursuant to a stock option plan (the "Plan") which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants or advisors. The options can be granted for a maximum of 10 years.

(EXPRESSED IN CANADIAN DOLLARS)

11. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

As at September 30, 2020, the following incentive stock options were outstanding:

		Options Outstanding and Exercisable	
Expiry Date	Exercise Price $	Number of Options Outstanding and Exercisable	Weighted average remaining contractual life (years)
September 22, 2021	0.10	1,250,000	0.98
		1,250,000	0.98

The following is a summary of the stock option transactions for the years ended September 30, 2020 and 2019.

	Year ended September 30, 2020		Year ended September 30, 2019	
	Number Of Options	Weighted Average Exercise Price $	Number Of Options	Weighted Average Exercise Price $
Balance, beginning of the year	1,250,000	0.10	1,350,000	0.12
Options granted	-	-	-	-
Options expired	-	-	(100,000)	0.40
Balance, end of year	1,250,000	0.10	1,250,000	0.10

Stock-based compensation

There were no options granted during the years ended September 30, 2020 and 2019.

12. SEGMENTED INFORMATION

The Company previously operated in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. The Company currently has no project. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

(EXPRESSED IN CANADIAN DOLLARS)

13. INCOME TAXES

a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 27% (2019 – 27%) were as follows:

	2020 $	2019 $
Net loss before income taxes	(236,942)	(222,817)
Expected income tax (recovery) based on statutory rate	(64,000)	(60,000)
Adjustment to income tax benefit:		
Change in benefit of tax assets not recognized	64,000	60,000
Deferred income tax (recovery)	-	-

b) Deferred income tax

	2020 $	2019 $
Unrecognized deductible temporary differences		
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Mineral properties and exploration expenditures	2,850,000	2,850,000
Non capital loss carryforwards	1,730,000	1,490,000
Other temporary differences	55,000	60,000
Total	4,635,000	4,400,000

The non-capital tax losses expire from 2030 to 2040. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

14. COMMITMENTS AND CONTINGENCIES

The Company entered into certain management contracts which contain clauses requiring additional payments of up to $409,000 to be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

SCHEDULE "C" – FINANCIAL STATEMENTS OF AYURCANN

Consolidated audited financial statements of Ayurcann for the years ended June 30, 2020 and June 30, 2019, the interim financial statements of Ayurcann as of and for the three and six-month periods ended December 30, 2020.

Ayurcann Inc. operating as XTRX Solutions

Audited Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian Dollars)

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Ayurcann Inc. (operating as XTRX Solutions)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ayurcann Inc. (operating as XTRX Solutions) (the Company), which comprise the statements of financial position as at June 30, 2020 and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred comprehensive loss of $604,560 during the year ended June 30, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 5, 2021

Ayurcann Inc. operating as XTRX Solutions
Statements of Financial Position
(Expressed in Canadian dollars)

As at June 30,	Notes	2020	2019 (Restated)
		$	$
Assets			
Current assets			
Cash		22,444	495,736
Trade and other receivables	5	350,365	4,723
Prepaid expenses and deposits		11,323	11,623
Harmonized sales tax recoverable		-	37,757
Inventories	6	281,949	-
		666,081	549,839
Non-current assets			
Property and equipment	7	553,978	254,312
Right-of-use assets	8	306,094	-
Total assets		1,526,153	804,151
Liabilities			
Current liabilities			
Trade and other payables	9	134,786	54,122
Harmonized sales tax payable		2,329	-
Current portion of deferred lease inducement		-	39,315
Current portion of lease liability	10	90,545	-
Due to related parties	14	149,219	-
Convertible promissory note	11	161,357	-
		538,236	93,437
Non-current liabilities			
Lease liability	10	282,950	-
Long term debt	12	40,000	-
Total liabilities		861,186	93,437
Shareholders' equity			
Common share capital	15b	1,544,635	1,345,485
Contributed surplus	15c, 15d	821,771	492,600
Equity component of convertible promissory note	11	36,454	-
Deficit		(1,737,893)	(1,127,371)
Total shareholders' equity		664,967	710,714
Total liabilities and shareholders' equity		1,526,153	804,151
Nature of operations and going concern	1		
Subsequent events	20		

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:

___________________________________ Director

___________________________________ Director

Ayurcann Inc. operating as XTRX Solutions
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

For the year ended June 30,	Notes	2020	2019
		$	$
Revenues			
Trade sales - cannabis distillate		63,054	-
Processing fees		548,775	4,180
		611,829	4,180
Cost of goods sold	17	(240,429)	-
Gross margin		371,400	4,180
Expenses			
Office and general		121,553	8,146
Salaries and wages		88,977	5,955
Consulting fees	15b, 15c	73,357	26,379
Professional fees		46,569	20,022
Business development		35,613	32,277
Research costs		30,888	-
Share based payments	15d	14,571	-
Travel		10,311	3,425
Depreciation of property and equipment	7	7,782	28,257
Executive fees	13, 14	-	493,000
Joint venture costs	15b	-	377,900
Occupancy		-	73,424
Insurance		-	6,477
Utilities		-	3,679
Debt forgiveness		-	(17,590)
		429,621	1,061,351
Operating loss		(58,221)	(1,057,171)
Finance costs	15b, 15c	546,339	-
Comprehensive loss		(604,560)	(1,057,171)
Comprehensive loss per share - basic and diluted		(0.01)	(0.04)
Weighted average number of common shares outstanding		53,676,700	28,450,000

The accompanying notes are an integral part of the financial statements.

Ayurcann Inc. operating as XTRX Solutions
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Notes	Common share capital		Contributed surplus	Equity component of convertible promissory note	Deficit	Total equity (Restated)
		#	$	$	$	$	$
Balance June 30, 2018		**-**	**-**	**70,200**	**-**	**(70,200)**	-
Common shares issued for cash proceeds	15b	17,200,000	915,000	-	-	-	915,000
Common shares issued for services	15b	25,160,000	445,985	-	-	-	445,985
Warrant issuance	15c	-	-	81,900	-	-	81,900
Warrant exercise	15c	8,750,000	325,000	-	-	-	325,000
Value transfer on warrant exercise	15c	-	70,200	(70,200)	-	-	-
Net loss for the year		-	-	-	-	(1,057,171)	(1,057,171)
Balance June 30, 2019 as previously reported	19	**51,110,000**	**1,756,185**	**81,900**	**-**	**(1,127,371)**	**710,714**
Warrant issuance	15c	-	(410,700)	410,700	-	-	-
Adoption of IFRS 16		-	-	-	-	(5,962)	(5,962)
Balance, June 30, 2019 as restated		**51,110,000**	**1,345,485**	**492,600**	**-**	**(1,133,333)**	**704,752**
Common shares issued for services	15b	5,400,000	540,000	-	-	-	540,000
Common shares repurchased	15b	(5,000,000)	(500,000)	-	-	-	(500,000)
Common shares issued for cash proceeds	15b	1,061,001	159,150	-	-	-	159,150
Warrants issued for services	15c	-	-	314,600	-	-	314,600
Stock option issuance	15d	-	-	14,571	-	-	14,571
Equity component of convertible promissory note	11	-	-	-	36,454	-	36,454
Net loss for the year		-	-	-	-	(604,560)	(604,560)
Balance June 30, 2020		**52,571,001**	**1,544,635**	**821,771**	**36,454**	**(1,737,893)**	**664,967**

The accompanying notes are an integral part of the financial statements.

Ayurcann Inc. operating as XTRX Solutions
Statement of Cash Flows
(Expressed in Canadian dollars)

For the year ended June 30,	Notes	2020	2019
		$	$
Operating activities			
Net loss		**(604,560)**	(1,057,171)
Items not affecting cash:			
Depreciation of property and equipment		**101,488**	28,257
Amortization of right-of-use assets		**81,626**	-
Shares and warrants issued for services		**40,000**	475,000
Shares and warrants issued for joint venture		**-**	377,900
Accretion of finance costs		**520,424**	-
Interest on right-of-use assets		**43,890**	-
Amortization of deferred lease inducement		**(8,277)**	39,315
Share based payment expense		**14,571**	-
		189,162	(136,699)
Changes in non-cash working capital balances			
Trade and other receivables		**(345,642)**	(4,723)
Prepaid expenses and deposits		**300**	(11,623)
Harmonized sales tax recoverable		**40,086**	(37,757)
Inventories		**(281,949)**	-
Trade and other payables		**80,666**	54,122
		(506,539)	19
Net cash used in operating activities		**(317,377)**	(136,680)
Investing activities			
Property and equipment additions		**(401,154)**	(282,584)
Net cash used in investing activities		**(401,154)**	(282,584)
Financing activities			
Cash proceeds on issuance of common shares		**159,150**	915,000
Finance lease payments		**(97,911)**	-
Transaction costs on related party loans		**(32,050)**	-
Advances from related parties		**176,050**	-
Proceeds from long term debt		**40,000**	-
Net cash provided by financing activities		**245,239**	915,000
(Decrease) increase in cash flow		**(473,292)**	495,736
Cash, beginning of year		**495,736**	-
Cash, end of year		**22,444**	495,736

The accompanying notes are an integral part of the financial statements.

1. Nature of Operations and Going Concern

Ayurcann Inc. operating as XTRX Solutions ("Ayurcann" or the "Company") is incorporated federally under the Canada Business Corporations Act. The Company's principal business activity consists of providing post-harvest outsourcing solutions to licensed cannabis producers.

The Company's registered head office is 1080 Brock Road, Unit 6, Pickering, L1W 3X4.

The Company's website is https://xtrx.ca/.

These financial statements have been prepared based 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.

The Company incurred a comprehensive loss of $604,560 during the year ended June 30, 2020, and as at June 30, 2020, the Company's accumulated deficit was $1,737,893. These conditions indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and creditors, and on achieving profitable commercial operations. If additional financing is arranged through the issuance of shares, control of the Company may change, and shareholders may suffer significant dilution.

The financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to continue as a going concern and achieve profitable commercial operations and/or obtain adequate financing and support from its shareholders and trade creditors.

If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the carrying values of assets and liabilities, net and comprehensive loss, and statements of financial position classifications used. Such adjustments could be material.

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

2. Basis of Preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRS issued and outstanding as of April 5, 2021 being the date the Board of Directors approved the financial statements.

Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

Functional and presentation currency

The financial statements are presented in Canadian dollars, the Company's functional currency.

3. Significant Accounting Policies

Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make significant judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and related footnote disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future can differ from these estimates, which may be material to future financial statements.

Significant estimates and underlying assumptions are reviewed on a periodic basis. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined below:

- Recovery of accounts receivable - the Company estimates the collectability and timing of collection of its receivables, classifying them as current assets or long-term assets, and applies provisions for collectability when necessary;
- Valuation of inventory – the provision for obsolescence and the estimated net realizable value;
- Convertible promissory note is separated into its liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue is calculated as the discounted cash flows for the convertible debenture using the effective interest rate which was the estimated rate for a promissory note without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible promissory note and the fair value of the liability component. Changes in the input assumptions can materially affect the fair value estimates and the Company's classification between debt and equity components;
- Property and equipment and right-of-use assets - management is required to estimate the useful lives and residual value of property and equipment and right-of-use assets which are included in the statements of financial position and the related depreciation included in the statements of loss;
- Share-based payments – management is required to make a number of estimates when determining the compensation expense resulting from share-based transactions, including the forfeiture rate and expected life of the instruments;

3. Significant Accounting Policies (Continued)

- Recoverability of deferred income tax assets – assessing whether the realization of tax losses against future taxable income for income tax purposes if probable;
- Impairment of property, plant and equipment and right-of-use assets - assessing whether indicators of impairment exist at reporting period ends and, if required, determining recoverable amounts including assumptions and inputs thereto; and
- Going concern assumption – Going concern presentation of the financial statements 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.

Revenue recognition
The Company earns revenue from the extraction and processing of cannabis oil-based products - both through processing its own biomass cannabis and providing same services to its customers.

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement.

The Company accounts for revenue from a contract with a customer only when the following criteria are met:

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

Revenue from product sales and the related cost of goods sold are recognized on delivery of goods to the customer. Processing fee revenue is recognized on completion of services.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less or cashable without penalty which are readily convertible into a known amount of cash.

Property and equipment
Property and equipment are recorded at cost, net of accumulated depreciation, and impairment charges, if any. Depreciation is provided for over the assets' useful lives at the following annual rates and methods:

Furniture and fixtures	Declining balance method	20%
Leasehold improvements	Straight-line method	Lease term
Machinery and equipment	Declining balance method	20%
Computer	Declining balance method	55%
Signs	Declining balance method	20%

3. Significant Accounting Policies (Continued)

Impairment of non-current assets

Property and equipment are assessed for indications of impairment at the end of each reporting period. If such indications exist, then the recoverable amount of the asset is estimated.

An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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 risks specific to the asset. Impairment losses are recognized in operations for the year in which they are identified.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Current income tax

Current income tax expense represents the sum of income tax currently payable. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax losses, to the extent that it is probable that taxable Income will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income and comprehensive (loss) income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3. Significant Accounting Policies (Continued)

Foreign currency transactions
Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the closing exchange rate being the rate prevailing on the statement of financial position date. Non-monetary assets and liabilities are translated at historical rates of exchange at the time of the acquisition of assets or obligations incurred. Revenues and expenses are translated at the rate of exchange in effect at the date of the transactions. Foreign exchange translation gains and losses are recorded in operations in the period in which they occur.

Financial instruments

Recognition
The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled, or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement
The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition). After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
- FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

3. Significant Accounting Policies (Continued)

Fair value of financial instruments

The determination of the fair value of financial assets and liabilities, for which there is no observable market price, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective as such it requires varying degrees of judgment. The use of judgment in valuing financial instruments includes assessing qualitative factors such on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the particular instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs derived either directly or indirectly from market prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As of June 30, 2020, except for cash, none of the Company's financial instruments are recorded at fair value in the statements of financial position. Cash is classified as Level 1.

Compound Instruments

The components of compound instruments (convertible promissory note) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash of another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debenture are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures using the effective interest method.

3. Significant Accounting Policies (Continued)

Impairment of financial assets
The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Inventories
Inventories consist of finished goods, work-in-process and raw materials and is valued at the lower of cost and net realizable value. Cost is determined using the standard cost method, which is updated regularly to reflect current conditions and approximate cost based on the weighted average formula. Cost of inventories includes cost of purchase (purchase price, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for obsolete, slow moving and defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extend there is a subsequent increase in the net realizable value of the inventory.

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. Related parties, which may be individuals or corporate entities, are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Provisions
Provisions 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. 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 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 interest expense.

Comprehensive loss per share
The basic comprehensive income (loss) per share is computed by dividing comprehensive income (loss) by the weighted average number of common shares outstanding during the year. The diluted comprehensive income (loss) per share reflect the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

3. Significant Accounting Policies (Continued)

Equity-based payments
Equity-based share-based payment transactions with parties other than employees are measured at the fair value of goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The fair value of warrants granted is measured using the black-scholes option-pricing model, considering the terms and conditions upon which the warrants were granted.

Repurchase of Shares
Repurchase of shares is recorded using the constructive retirement method which is used under the assumption that the repurchased shares will not be reissued in the future. Under this approach, the amount by which the repurchased amount was less that the stated capital of the shares, if any, is credited to contributed surplus. The stated capital of the repurchased shares is determined based on the original cost of the particular shares at the time of the repurchase.

Adoption of new accounting standards

Leases ("IFRS 16")
IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. Based on the Company's assessment,

The Company has adopted IFRS 16 using the modified retrospective method, under which the cumulative effect of the initial application is recognized in retained earnings at July 1, 2019. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether a lease existed. The Company also elected to not recognize right of use assets and lease liabilities that have a leases term of 12 months or less and leases of low-value assets. The 2019 information presented has not been restated for this standard.

IFRIC Interpretation 23 – Uncertainty over income tax treatments
Issued by the IASB on June 7, 2017. IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual period beginning on or after January 1, 2019. Earlier application is permitted. The Company adopted the Interpretation in its financial statements for the annual period beginning on July 1, 2019. Based on the Company's assessment, the Company has determined that this standard had no significant impact on its financial statements.

(Expressed in Canadian Dollars)

3. Significant Accounting Policies (Continued)

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently assessing the impact on its financial statements.

4. Capital Management

The Company defines capital as total shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the growth and development of its operations and bring new products to market and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company will continue to assess new opportunities and seek to acquire an interest in growth situations if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year June 30, 2020.

The Company is not subject to externally imposed capital requirements.

5. Trade and Other Receivables

Trade and other receivables are collectible from customer sales. The following is an aging analysis of the Company's trade and other receivables:

	Total Receivable	Aging in Days			
		Current	31 to 60	61 to 90	91+
June 30, 2019	$ 4,723	$ 4,723	$ -	$ -	$ -
June 30, 2020	**$ 350,365**	**$ 189,363**	**$ 161,002**	**$ -**	**$ -**

As at June 30, 2020 and June 30, 2019, no impairment was recorded for any portion of the accounts receivable. The Company held no collateral for any receivable amounts outstanding as at June 30, 2020 and June 30, 2019.

(Expressed in Canadian Dollars)

6. Inventories

As at	**June 30, 2020**	June, 30 2019
	$	$
Work-in-progress	**88,718**	-
Finished goods	**193,231**	-
	281,949	-

Write-downs to net realizable value for obsolete and slow-moving inventories of $nil (2019 - $nil) were included in cost of goods sold for the year. Inventories recognized as an expense in the years ended June 30, 2020 and 2019 is equal to cost of goods sold presented in the statements of comprehensive loss.

7. Property and Equipment

	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Computer	Signs	Total
Cost	$	$	$	$	$	$
22-Jun-18	-	-	-	-	-	-
Additions	2,014	280,554	-	-	-	282,568
30-Jun-19	**2,014**	**280,554**	**-**	**-**	**-**	**282,568**
Accumulated Depreciation	$	$	$	$	$	$
22-Jun-18	-	-	-	-	-	-
Depreciation	201	28,055	-	-	-	28,256
30-Jun-19	**201**	**28,055**	**-**	**-**	**-**	**28,256**
Carrying Value	$	$	$	$	$	$
30-Jun-19	**1,813**	**252,499**	**-**	**-**	**-**	**254,312**
Cost	$	$	$	$	$	$
30-Jun-19	2,014	280,554	-	-	-	282,568
Additions	5,129	305,644	61,561	27,997	825	401,156
30-Jun-20	**7,143**	**586,198**	**61,561**	**27,997**	**825**	**683,724**
Accumulated Depreciation	$	$	$	$	$	$
30-Jun-19	201	28,055	-	-	-	28,256
Depreciation	876	86,676	6,156	7,699	83	101,490
30-Jun-20	**1,077**	**114,731**	**6,156**	**7,699**	**83**	**129,746**
Carrying Value	$	$	$	$	$	$
30-Jun-20	**6,066**	**471,467**	**55,405**	**20,298**	**742**	**553,978**

(Expressed in Canadian Dollars)

8. Right-of-Use-Assets

	Production facility
	$
Cost	
Balance, June 30, 2019	-
Additions – IFRS 16	387,720
Balance, June 30, 2020	**387,720**
Accumulated amortization	
Balance, June 30, 2019	**-**
Amortization for the year	81,626
Balance, June 30, 2020	**81,625**
Carrying value	
Balance, June 30, 2019	**-**
Balance, June 30, 2020	**306,094**

Right-of-use assets comprise of production facility lease and are amortized over 60 months.

9. Trade and Other Payables

Trade and other payables are principally comprised of amounts outstanding for trade purchases on operating activities. The following comprises trade and other payables:

As at,	**June 30, 2020**	**June 30, 2019**
	$	**$**
Trade payables	**111,210**	44,122
Accrued liabilities	**23,576**	10,000
	134,786	54,122

The standard maturity terms of the Company’s trade and other payables are 30 to 60 days.

(Expressed in Canadian Dollars)

10. Lease Liability

	Production facility
	$
Balance, June 30, 2019	-
Additions – IFRS 16	393,682
Lease inducement	31,039
Interest expense	43,890
Lease payments	(95,116)
Balance, June 30, 2020	**373,495**

Allocated as:	$
Current	90,545
Long term	282,950
Balance, June 30, 2020	**373,495**

The lease payments are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate. The lease has an initial expiry date of March 24, 2024 with the Company holding two five-year renewal options.

11. Convertible Promissory Note

On January 10, 2020, the Company issued a $500,000 convertible promissory note (the "Note") to ExpoWorld Ltd. The Note matures on January 10, 2021 and bears interest at the rate of 8% per annum, payable quarterly. The Note carries a conversion feature at the option of the holder, into common shares of the Company at a conversion price of $0.10 per share. The Note is secured by a general security interest in all present and future assets of the Company.

The Note is a compound instrument comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 14.74%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in equity reserves on the statement of financial position. The financial liability portion, net of the equity component, are accreted using the effective interest method over the term of the Note such that the carrying amount of the financial liability will equal the principal balance at maturity.

Pursuant to consulting agreements, the Company issued 5,000,000 common shares valued at $500,000 and 4,000,000 warrants valued at $314,600 (see note 15) to financial consultants who assisted in structuring the convertible promissory note. The shares and warrants are accounted as financing costs and amortized over the term of the convertible promissory note.

The Note was converted to common shares subsequent to yearend, see note 20.

(Expressed in Canadian Dollars)

11. Convertible Promissory Note (Continued)

Balance, June 30, 2019	**-**
Principal issuance during the year	500,000
Equity allocation	(36,455)
Finance costs	(814,600)
Accretion of equity allocation	14,599
Accretion of financing costs	497,813
Balance, June 30, 2020	**161,357**

12. Long-Term Debt

On April 17, 2020, the Company received a $40,000 loan through the Canada Emergency Response Account (“CEBA”). The loan is non-interest bearing until December 31, 2022, at which time if paid back in full, $10,000 is forgivable, and if not, the loan becomes a 3-year interest bearing term loan.

13. Key Management Compensation

The Company defines key management personnel as its President, Chief Executive Officer and Directors. Key management compensation for year ended June 30, 2020 comprises executive fees of $nil (2019 - $325,000) and share based payments of $nil (2019 - $nil).

14. Related Party Transactions and Balances

In addition to the transactions disclosed in note 13, the following comprises related party transactions during the periods:

During the year ended June 30, 2020 the Company incurred executive fees of $nil (2019 - $84,000) which were paid to a corporation controlled by its President and COO.

During the year ended June 30, 2020 the Company incurred executive fees of $nil (2019 - $84,000) which were paid to a corporation controlled by its CEO.

As at June 30, 2020, there are related party loan balances payable to the President, CEO and a corporation controlled by the CEO of $57,300, $57,500 and $58,456 respectively. The loans bear interest at 10% per annum, are secured by a security interest in the equipment held by the Company and are repayable in February and March 2021. In connection with the arranging and sourcing of these loans, the Company incurred transaction costs of $32,050.

For the year ended June 30, 2020, interest incurred on related party loans was $5,042 (2019 - $nil).

15. Share Capital

(a) Authorized Shares

An unlimited number of Class A common shares and 25,393 superior voting, redeemable, retractable Class A special shares.

(b) Issued Shares

During the year ended June 30, 2020 and 2019, the Company issued common shares as follows:

Founders Shares

On September 6, 2018, the Company issued 8,750,000 common shares for gross proceeds of $70,000.

Private Placements

On December 10, 2018, and pursuant to a non-brokered private placement, the Company issued 3,150,000 common shares at a price of $0.10/common share for gross proceeds of $315,000.

On May 31, 2019, and pursuant to a non-brokered private placement, the Company issued 5,300,000 common shares at a price of $0.10/common share for gross proceeds of $530,000.

On March 30, 2020, and pursuant to a non-brokered private placement, the Company issued 1,061,001 common shares at a price of $0.15/common share for gross proceeds of $159,150.

Shares for Services

On November 23, 2018, the Company issued 8,000,000 common shares, pursuant to a Joint Venture Agreement with Weed Me Inc. The Joint Venture was terminated on June 10, 2019 and in connection with the termination, the Company was required to issue an additional 2,160,000 common shares and 1,000,000 common share purchase warrants (see warrants note 15(c)).

On December 1, 2018, pursuant to a management consulting agreement, the Company issued 10,000,000 common shares to officers of the Company in exchange for management consulting services valued at $100,000 (see related party note 14).

On January 5, 2019, pursuant to a management consulting agreement, the Company issued 5,000,000 common shares to officers of the Company in exchange for management consulting services valued at $50,000 (see related party note 14).

On August 6, 2019, pursuant to a consulting agreement, the Company issued 100,000 common shares in exchange for consulting services valued at $10,000.

On August 13, 2019, pursuant to consulting agreements, the Company issued 5,000,000 common shares valued at $500,000 and 4,000,000 warrants valued at $314,600 in exchange for assistance in structuring the convertible promissory note (see note 11).

On October 15, 2019, pursuant to a consulting agreement, the Company issued 100,000 common shares in exchange for consulting services valued at $10,000.

On January 17, 2020, pursuant to advisory board member agreements, the Company issued 200,000 common shares in exchange for consulting services valued at $20,000.

(Expressed in Canadian Dollars)

15. Share Capital (Continued)

Share Repurchase
On January 10, 2020, pursuant to a share purchase agreement with ExpoWorld Ltd., the Company bought back 5,000,000 shares in exchange for a convertible promissory note of $500,000 (see note 11).

The price per repurchased share was equal to the price per share as initially subscribed by ExpoWorld Ltd. Therefore, the share repurchase was reflected as a $500,000 reduction of common share capital.

Warrant Exercises
On January 5, 2019, the Company issued 8,750,000 common shares pursuant to warrant exercises for gross proceeds of $325,000. In connection with this exercise, the proceeds were used to settle management consulting trade debt of $325,000 (see key management compensation note 13).

(c) Warrants

A summary of the Company's warrant activities for the years ended June 30, 2020 and 2019 is presented below:

	Warrants	**Weighted average exercise price**
	#	$
Outstanding, June 30, 2018	**8,750,000**	**0.04**
Granted (i) (ii)	6,000,000	0.20
Exercised (iii)	(8,750,000)	0.04
Outstanding, June 30, 2019	**6,000,000**	**0.20**
Granted (iv)	4,000,000	0.20
Outstanding, June 30, 2020	**10,000,000**	**0.20**

As at June 30, 2020, the following warrants were outstanding and exercisable:

Date of grant	**Number of warrants**	**Exercise price per share**	**Expiry date**
May 31, 2019 (i)	5,000,000	0.20	May 31, 2022
June 10, 2019 (ii)	1,000,000	0.20	June 10, 2022
August 13, 2019 (iv)	4,000,000	0.20	August 13, 2022

(i) On May 31, 2019 the Company issued 5,000,000 warrants to ExpoWorld Ltd., in connection with a private placement (see prior year adjustment note 19). Each warrant is exercisable into one common share at a price of $0.20 per share and expires on May 31, 2022. The fair value of $410,700 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 1.39%; dividend yield - 0%; expected stock volatility – 174.3% and an expected life of 3 years.

(Expressed in Canadian Dollars)

15. Share Capital (Continued)

(ii) On June 10, 2019, the Company issued 1,000,000 warrants. These warrants were assigned a value of $81,900 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate of 2.29%; expected life of 3 years; expected volatility of 173%; and a share price of $0.10.

(iii) On January 5, 2019, the Company issued 8,750,000 common shares pursuant to warrant exercises for gross proceeds of $325,000. In connection with the exercise, the proceeds were used to settle management consulting trade debt of $325,000 (see key management compensation note 13).

(iv) On August 13, 2019, the Company issued 4,000,000 warrants to consultants of the Company. Each warrant is exercisable into one common share at a price of $0.20 per share and expires on August 13, 2022. The fair value of $314,600 was assigned to the warrants and has been estimated using the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 1.31%; dividend yield - 0%; expected stock volatility – 163.5% and an expected life of 3 years(see convertible promissory note 11).

(d) Stock options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

The Company records a charge to the statement of loss and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a stock option grant. The valuation is dependent on a number of estimates, including the risk-free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price of comparable listed companies. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

	Exercise price	**Options**
	$	#
Balance, June 30, 2019	**-**	**-**
Granted (i)	0.15	325,000
Cancelled	0.15	(200,000)
Balance, June 30, 2020	**0.15**	**125,000**

(Expressed in Canadian Dollars)

15. **Share Capital** (Continued)

(i) On September 5, 2019, the Company granted 325,000 stock options to employees and consultants of the Company exercisable at $0.15 per common share until September 5, 2022. From the total, 125,000 options vest immediately and 200,000 options vests in thirds on each of the first, second and third anniversary dates. The grant date fair value of $26,228 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.10, expected dividend yield of 0%, expected volatility of 161.5%, risk-free rate of return of 1.38% and an expected maturity of 3 years. For the year ended June 30, 2020, $14,571 (2019 - $nil) was expensed to as share based payment expense in operations.

The following table reflects the actual stock options issued and outstanding as of June 30, 2020:

Expiry date	**Exercise price**	**Options**	**Weighted average contractual life (years)**	**Number of options vested (exercisable)**
	$	#		
September 5, 2022	0.15	125,000	2.18	125,000

16. **Income Taxes**

Current income taxes

The Canadian statutory income tax rate of 26.5% comprises the federal income tax rate at approximately 15% and the provincial income tax rate of approximately 11.5%. As a Canadian controlled private corporation, the Company is eligible for the Canadian small business deduction rate, which reduces its tax rate to 12.5% (2019 - 13.3%) on the first $500,000 of taxable income.

A reconciliation of the expected income tax expense computed at the Canadian statutory income tax rate and the Company's actual income tax expense is shown in the following table:

Year ended	**June 30, 2020**	June 30, 2019
Loss before income taxes	**(604,560)**	(1,057,171)
Combined statutory tax rate	**12.5%**	13.0%
Income tax recovery at statutory rate	**(75,570)**	(137,432)
Non-deductible share-based payments	**25,853**	-
Permanent differences and other	**(6,550)**	15,861
Difference in current and deferred tax rate	**(63,016)**	(126,246)
Change in deferred income tax asset not recognized	**119,283**	247,817
Income Tax Expense (Recovery)	**-**	-

(Expressed in Canadian Dollars)

16. **Income Taxes** (Continued)

Deferred income taxes

The primary differences that give rise to deferred income tax balances are as follows:

	June 30, 2020	June 30, 2019
	$	$
Non-capital losses	**334,897**	247,817
Financial liabilities and other	**(80,594)**	-
Deferred transaction costs	**112,795**	
	367,098	247,817
Less: valuation allowance	**(367,098)**	(247,817)
Total unrecognized deferred tax assets	**-**	-

At June 30, 2020, the Company had recorded a 100% valuation allowance against its deferred income tax balances due to uncertainty surrounding their realization.

Tax loss carry forwards

The Company has non-capital losses, available to offset future taxable income for income tax purposes, of $1,263,763 which expire between 2039 and 2040.

17. Cost of sales

	June 30, 2020
	$
Purchases	**249,365**
Direct labour	**41,850**
Depreciation of production equipment	**93,706**
Insurance	**10,259**
Utilities	**9,960**
Amortization of production facility right-of-use asset	**73,348**
Interest on production facility right-of-use asset	**43,890**
Closing inventory	**(281,949)**
	240,429

18. Financial Instrument Risk Exposures and Management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company has made the following classifications for its financial instruments:

Cash	FVTPL
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Convertible promissory note	Amortized cost
Long term loan	Amortized cost
Due to related parties	Amortized cost

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. Unless otherwise disclosed their carrying values approximate their fair values due to the short-term nature of these instruments.

The carrying amounts of financial instruments carried at amortized cost approximates their fair value due to their short-term, demand nature or imminent maturity.

Cash is recorded using level one fair value inputs.

Trade and other receivables are classified as amortized cost as they are non-derivative financial assets that have fixed or determinable payment terms and are not quoted in an active market.

Trade and other payables are classified as amortized cost as they were not acquired for the purpose of selling or repurchasing in the near term.

The Company's major financial risk factors and their impact on the financial statements are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's cash and trade and other receivables are exposed to credit risk. The Company's cash is held with major Canadian-based financial institutions as such management believes that the associated credit risk is remote.

18. Financial Instrument Risk Exposures and Management (Continued)

Trade and other receivables represent revenue earned from product sales and processing services. The Company has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. All of the Company's customers are located in Canada. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The allowance for doubtful accounts was $nil at June 30, 2020 and June 30, 2019.

The Company's accounts receivables are concentrated among customers in the cannabis industry, which may be affected by adverse economic factors impacting that industry. As at June 30, 2020, one customer accounted for 46% of the Company's trade receivable balance.

As at June 30, 2020, the Company's maximum exposure to credit risk was the carrying value of cash and accounts receivable.

Liquidity risk
Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. The Company is expanding and in order to meet its short and longer-term working capital requirements, the Company will attempt, if necessary, to secure further financing to ensure that those obligations are properly discharged. Operationally, the Company manages its liquidity by continuously monitoring forecasted and actual gross profit, expenses, and cash flows from operations.

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

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. The Company is exposed to interest rate risk arising from fluctuations in market interest rates as impacting long-term debt, due to related parties and convertible promissory note. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities such as entering fixed interest rate contracts.

19. Prior Period Adjustment

Subsequent to issuing the June 30, 2019 financial statements, it was determining 5,000,000 warrants issued on May 31, 2019 were not recognized. As a result, the June 30, 2019 financial statements have been restated. The impact was share capital decreasing by $410,700 and contributed surplus increasing by $410,700. The misstatement had no impact on the previously reported deficit or comprehensive loss.

20. Subsequent events

On September 16, 2020, the Company granted 333,334 stock options to employees and consultants of the Company exercisable at $0.15 per common share until September 16, 2023.

On November 20, 2020, the secured convertible promissory noteholder (see note 10) assigned its rights and obligations under the loan agreement, including the 5,000,000 warrants held, to 2388765 Ontario Inc., a company controlled by a director of the Company. Immediately following, the Company entered into an amending agreement with 2388765 Ontario Inc. whereby the maturity date of the secured promissory note was changed from January 10, 2021 to December 31, 2021.

On November 23, 2020, the secured convertible promissory note was converted into 5,000,000 common shares.

On November 24, 2020 the Company executed a definitive business combination agreement with Canada Coal Inc. (TSXV:CCK.H) whereby the Company, subject to certain conditions and applicable shareholder and regulatory approvals, will affect a reverse takeover of Canada Coal Inc. by way of a three-cornered amalgamation with the Company and a wholly-owned subsidiary or Canada Coal Inc. (“Subco”).

On December 8, 2020, 187,500 warrants were exercised for cash proceeds of $37,500.

On January 14, 2021, there was an amendment to the Company’s standard processing license.

On March 18, 2021, the Company received conditional approval from CSE for its listing application.

The Amalgamation between Subco and the Company was completed on March 26, 2021.

Ayurcann Inc. operating as XTRX Solutions

Condensed Interim Financial Statements

For the Three & Six Months
Ended December 31, 2020

(Expressed in Canadian Dollars)

(Unaudited)

REVIEW REPORT ON CONDENSED INTERIM FINANCIAL INFORMATION

To the Audit Committee of the Board of Directors of
Ayurcann Inc.

In accordance with our engagement letter dated March 3, 2021, we have performed an interim review of the statement of financial position of Ayurcann Inc. (the “Company”) as at December 31, 2020, and the statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the three and six months then ended. These financial statements are the responsibility of the Company’s management.

We performed our interim review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor.

An interim review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our interim review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with International Financing Reporting Standards.

This report is solely for the use of the Audit Committee of Ayurcann Inc. to assist it in discharging its regulatory obligation to review these financial statements and should not be used for any other purpose.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 5, 2021

Ayurcann Inc. operating as XTRX Solutions
Statements of Financial Position
(Expressed in Canadian dollars)

As at	Notes	December 31, 2020	June 30, 2020
		$	$
Assets			
Current assets			
Cash		**13,264**	22,444
Trade and other receivables	4	**956,982**	350,365
Prepaid expenses and deposits		**46,436**	11,323
Harmonized sales tax recoverable		**70,911**	-
Inventories	5	**539,149**	281,949
		1,626,741	666,081
Non-current assets			
Property and equipment	6	**643,518**	553,978
Right-of-use assets	7	**418,816**	306,094
Total assets		**2,689,076**	1,526,153
Liabilities			
Current liabilities			
Trade and other payables	8	**1,124,809**	134,786
Harmonized sales tax payable		**-**	2,329
Current portion of lease liability	9	**125,878**	90,545
Due to related parties	13	**287,219**	149,219
Convertible promissory note	10, 16	**-**	161,357
		1,537,906	538,236
Non-current liabilities			
Lease liability	9	**376,946**	282,950
Long term debt	11	**40,000**	40,000
Total liabilities		**1,954,852**	861,186
Shareholders' equity			
Common share capital	14b	**2,050,135**	1,544,635
Contributed surplus	14c, 14d	**851,454**	821,771
Equity component of convertible promissory note	10, 16	**-**	36,454
Deficit		**(2,167,365)**	(1,737,893)
Total shareholders' equity		**734,224**	664,967
Total liabilities and shareholders' equity		**2,689,076**	1,526,153

Nature of operations and going concern	**1**
Other events	**16**

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board of Directors:

______________________________ Director

______________________________ Director

Ayurcann Inc. operating as XTRX Solutions
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Three months ended December 31		Six months ended December 31	
		2020	2019	2020	2019
		$	$	$	$
Revenues					
Trade sales - cannabis distillate		**1,282,907**	-	1,669,257	-
Processing fees		**277,166**	-	678,796	-
		1,560,073	-	2,348,053	-
Cost of goods sold	**15**	**(1,257,941)**	-	(1,877,395)	(2,220)
Gross margin		**302,132**	-	470,658	(2,220)
Expenses					
Salaries and wages		**132,143**	2,428	222,562	17,701
Office and general		**106,395**	1,748	151,353	11,395
Share based payments		**5,741**	-	44,683	14,571
Professional fees		**38,798**	4,724	53,434	9,705
Business development		**7,173**	17,511	19,289	44,972
Consulting fees	**14b, 14c**	**42,600**	12,061	52,465	38,020
Travel		**4,497**	3,617	7,924	5,070
Depreciation of property and equipment	**6**	**3,016**	-	5,914	25,697
Right-of-use assets amortization		**-**	-	-	20,406
		340,363	42,099	557,624	187,536
Operating loss		**(38,231)**	(42,099)	(86,966)	(189,756)
Other income		**(48,944)**	-	(48,944)	-
Settlement to former debenture holder		**100,000**	-	100,000	-
Finance costs	**14b, 14c**	**125,836**	-	291,450	102,175
Comprehensive loss		**(215,123)**	(42,099)	(429,472)	(291,931)
Comprehensive loss per share - basic and diluted		**(0.004)**	**(0.001)**	**(0.008)**	**(0.005)**
Weighted average number of common shares outstanding		**54,871,138**	**56,294,615**	**53,714,785**	**55,036,547**

The accompanying notes are an integral part of the financial statements.

Ayurcann Inc. operating as XTRX Solutions
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Notes	Common share capital		Contributed surplus	Equity component of convertible promissory note	Deficit	Total equity
		#	$	$	$	$	$
Balance June 30, 2019		**51,110,000**	**1,345,485**	**492,600**	**-**	**(1,127,371)**	**710,714**
Adoption of IFRS 16		-	-	-	-	(5,962)	(5,962)
Balance June 30, 2019, as restated		**51,110,000**	**1,345,485**	**492,600**	**-**	**(1,133,333)**	**704,752**
Common shares issued for services		5,100,000	510,000	-	-	-	510,000
Stock option issuance		-	-	14,571	-	-	14,571
Warrants issued for services		-	-	314,600	-	-	314,600
Net loss for the period		-	-	-	-	(291,931)	(291,931)
Balance December 31, 2019		**56,210,000**	**1,855,485**	**821,771**	**-**	**(1,425,264)**	**1,251,992**
Balance June 30, 2020		**52,571,001**	**1,544,635**	**821,771**	**36,454**	**(1,737,893)**	**664,967**
Convertible debt exchanged for shares		5,000,000	453,000	-	(36,454)	-	416,546
Exercise of warrants		187,500	52,500	(15,000)	-	-	37,500
Stock option issuance		-	-	44,683	-	-	44,683
Net loss for the period		-	-	-	-	(429,472)	(429,472)
Balance December 31, 2020		**57,758,501**	**2,050,135**	**851,454**	**-**	**(2,167,365)**	**734,224**

The accompanying notes are an integral part of the financial statements.

Ayurcann Inc. operating as XTRX Solutions
Statement of Cash Flows
(Expressed in Canadian dollars)

For the six months ended December 31,	Notes	2020	2019
		$	$
Operating activities			
Net loss		**(428,893)**	(291,931)
Items not affecting cash:			
Depreciation of property and equipment		**79,012**	25,697
Amortization of right-of-use assets		**46,106**	20,406
Shares and warrants issued for services		**-**	10,000
Accrued interest on related party advances		**-**	-
Accretion of finance costs		**264,778**	90,512
Interest on right-of-use assets		**22,200**	11,663
amortization of deferred lease inducement		**-**	(2,070)
Share based payments		**44,683**	14,571
		27,886	(121,152)
Changes in non-cash working capital balances			
Trade and other receivables		**(606,617)**	4,423
Prepaids		**(35,113)**	-
Harmonized sales tax recoverable		**(73,239)**	(46,579)
Inventories		**(257,200)**	-
Trade and other payables		**990,023**	108,720
		17,854	66,564
Net cash used in operating activities		**45,740**	(54,588)
Investing activities			
Property and equipment additions		**(168,552)**	(240,302)
Net cash used in investing activities		**(168,552)**	(240,302)
Financing activities			
Finance lease payments		**(59,937)**	(39,686)
Advances from related parties		**136,069**	-
Proceeds from warrant exercise		**37,500**	-
Net cash provided by financing activities		**113,632**	(39,686)
(Decrease) increase in cash flow		**(9,180)**	(334,576)
Cash, beginning of period		**22,444**	495,736
Cash, end of period		**13,264**	161,160

The accompanying notes are an integral part of the financial statements.

1. Nature of Operations and Going Concern

Ayurcann Inc. operating as XTRX Solutions ("Ayurcann" or the "Company") is incorporated federally under the Canada Business Corporations Act. The Company's principal business activity consists of providing post-harvest outsourcing solutions to licensed cannabis producers.

The Company's registered head office is 1080 Brock Road, Unit 6, Pickering, L1W 3X4.

The Company's website is https://xtrx.ca/.

These unaudited condensed interim financial statements have been prepared based 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.

The Company incurred a comprehensive loss of $429,472 during the six months ended December 31, 2020, and as at December 31, 2020, the Company's accumulated deficit was $2,167,365. These conditions indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon raising additional capital to meet its present and future commitments, the continued support of certain shareholders and creditors, and on achieving profitable commercial operations. If additional financing is arranged through the issuance of shares, control of the Company may change, and shareholders may suffer significant dilution.

The unaudited condensed interim financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to continue as a going concern and achieve profitable commercial operations and/or obtain adequate financing and support from its shareholders and trade creditors.

If the going concern assumption was not appropriate for these unaudited condensed interim financial statements, adjustments would be necessary to the carrying values of assets and liabilities, net and comprehensive loss, and statements of financial position classifications used. Such adjustments could be material.

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

2. Basis of Preparation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited interim financial statements are based on IFRSs issued and outstanding as of April 5, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2020. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending June 30, 2021 could result in restatement of these unaudited condensed interim financial statements.

Basis of measurement

These unaudited condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

Functional and presentation currency

The unaudited interim financial statements financial statements are presented in Canadian dollars, the Company's functional currency.

3. New Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. There was no impact on the Company's interim financial statements.

Business Combinations ("IFRS 3") - In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company adopted the amendments to IFRS 3 effective July 1, 2020 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy. There was no impact on the Company's interim financial statements.

(Expressed in Canadian Dollars)

4. Trade and Other Receivables

Trade and other receivables are collectible from customer sales. The following is an aging analysis of the Company's trade and other receivables:

		Aging in Days			
	Total Receivable	**Current**	**31 to 60**	**61 to 90**	**91+**
June 30, 2020	$ 350,365	$ 189,363	$ 161,002	$ -	$ -
December 31, 2020	**$ 956,982**	**$ 888,775**	**$ 15**	**$ -**	**$ 68,192**

As at December 31, 2020 and June 30, 2020, no impairment was recorded for any portion of the accounts receivable. The company held no collateral for any receivable amounts outstanding as at December 31, 2020 and June 30, 2020.

5. Inventories

As at,	**December 31, 2020**	June, 30 2020
	$	$
Work-in-progress	**-**	88,718
Finished goods	**539,149**	193,231
	539,139	281,949

Write-downs to net realizable value for obsolete and slow-moving inventories for the six months ended December 31, 2020, of $nil (six months ended December 31, 2019, - $nil) were included in cost of goods sold for the period. Inventories recognized as an expense in the six months periods ended December 31, 2020 and 2019 is equal to cost of goods sold presented in the statements of comprehensive loss.

(Expressed in Canadian Dollars)

6. Property and Equipment

	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Computer	Signs	Total
Cost	$	$	$	$	$	$
30-Jun-19	2,014	280,554	-	-	-	282,568
Additions	5,129	305,644	61,561	27,997	825	401,156
30-Jun-20	**7,143**	**586,198**	**61,561**	**27,997**	**825**	**683,724**
Accumulated Depreciation	$	$	$	$	$	$
30-Jun-19	201	28,055	-	-	-	28,256
Depreciation	876	86,676	6,156	7,699	83	101,490
30-Jun-20	**1,077**	**114,731**	**6,156**	**7,699**	**83**	**129,746**
Carrying Value	$	$	$	$	$	$
30-Jun-20	**6,066**	**471,467**	**55,405**	**20,298**	**742**	**553,978**

	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Computer	Signs	Total
Cost	$	$	$	$	$	$
30-Jun-20	7,143	586,198	61,561	27,997	825	683,724
Additions	8,856	33,616	124,207	1,874	-	168,553
30-Dec-20	**15,999**	**619,814**	**185,768**	**29,871**	**825**	**852,277**
Accumulated Depreciation	$	$	$	$	$	$
30-Jun-20	1,077	114,731	6,156	7,699	83	129,746
Depreciation	1,049	60,299	11,751	5,840	74	79,013
30-Dec-20	**2,126**	**175,030**	**17,907**	**13,539**	**157**	**208,759**
Carrying Value	$	$	$	$	$	$
30-Dec-20	**13,873**	**444,784**	**167,861**	**16,332**	**668**	**643,518**

(Expressed in Canadian Dollars)

7. Right-of-Use-Assets

	Production facility
	$
Cost	
Balance, June 30, 2019	-
Additions – IFRS 16	387,720
Balance, June 30, 2020	**387,720**
Additions – IFRS 16	158,829
Balance, December 31, 2020	**546,549**
Accumulated amortization	
Balance, June 30, 2019	**-**
Amortization for the year	81,626
Balance, June 30, 2020	81,626
Amortization for the period	46,107
Balance, December 31, 2020	**127,733**
Carrying value	
Balance, June 30, 2020	306,094
Balance, December 31, 2020	**418,816**

Right-of-use assets comprise of production facility lease and are amortized over 60 months.

8. Trade and Other Payables

Trade and other payables are principally comprised of amounts outstanding for trade purchases on operating activities. The following comprises trade and other payables:

As at,	**December 31, 2020**	June 30, 2020
	$	$
Trade payables	**980,899**	111,210
Accrued & other current liabilities	**143,910**	23,576
	1,124,809	134,786

The standard maturity terms of the Company's trade and other payables are 30 to 60 days.

(Expressed in Canadian Dollars)

9. Lease Liability

	Production facility
	$
Balance, June 30, 2019	-
Additions – IFRS 16	393,682
Lease inducement	31,039
Interest expense	43,890
Lease payments	(95,116)
Balance, June 30, 2020	**373,495**
Interest expense	22,200
Additions – IFRS 16	158,829
Lease Inducement	10,275
Lease payments	(67,980)
Amortization of rent inducement	5,914
Balance, December 31, 2020	**502,823**

Allocated as:	$
Current	125,878
Non-current	376,946
Balance, December 31, 2020	**502,823**

The lease payments are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate. The first lease has an initial expiry date of March 24, 2024 with the Company holding two five-year renewal options. The Company entered into a new lease agreement with a neighboring unit at 1080 Brock Road, Pickering Ontario. The new lease began November 1, 2020 and has an expiry date of October 31, 2025.

10. Convertible Promissory Note

On January 10, 2020, the Company issued a $500,000 convertible promissory note (the “Note”) to ExpoWorld Ltd. The Note matures on January 10, 2021 and bears interest at the rate of 8% per annum, payable quarterly. The Note carries a conversion feature at the option of the holder, into common shares of the Company at a conversion price of $0.10 per share. The Note is secured by a general security interest in all present and future assets of the Company.

The Note is a compound instrument comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 14.74%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in equity reserves on the statement of financial position. The financial liability portion, net of the equity component, are accreted using the effective interest method over the term of the Note such that the carrying amount of the financial liability will equal the principal balance at maturity.

Pursuant to consulting agreements, the Company issued 5,000,000 common shares valued at $500,000 and 4,000,000 warrants valued at $314,600 (see note 14) to financial consultants who assisted in structuring the convertible promissory note. The shares and warrants are accounted as financing costs and amortized over the term of the convertible promissory note.

(Expressed in Canadian Dollars)

10. Convertible Promissory Note (Continued)

Balance, June 30, 2019	**-**
Principal issuance during the year	500,000
Equity allocation	(36,455)
Finance costs	(814,600)
Accretion of equity allocation	14,599
Accretion of financing costs	497,813
Balance, June 30, 2020	**161,357**
Accretion of equity allocation	7,710
Accretion of financing costs	283,933
Converted to shares	(453,000)
Balance, December 31, 2020	**-**

The Note was converted to common shares on November 23, 2020, see note 16.

11. Long-Term Debt

On April 17, 2020, the Company received a $40,000 loan through the Canada Emergency Response Account ("CEBA"). In December 2020, the Company received an additional $20,000 through the CEBA program. The loan is non-interest bearing until December 31, 2022, at which time if paid back infull, $20,000 is forgivable, and if not, the loan becomes a three-year interest-bearing term loan.

12. Key Management Compensation

The Company defines key management personnel as its President, Chief Executive Officer and Directors. Key management compensation for the six month ended December 31, 2020 comprised salary and short-term benefits of $115,385 (six months ended December 31, 2019 - $nil) and share based payments of $nil (six months ended December 31, 2019 - $nil). Key management compensation for the three months ended December 31, 2020 comprised salary and short-term benefits of $60,000 (three months ended December 31, 2019 - $nil) and share based payments of $nil (three months ended December 31, 2019 - $nil).

13. Related Party Transactions and Balances

As at December 31, 2020 and June 30, 2020, there are related party loan balances payable to the President, Chief Executive Officer and a corporation controlled by the CEO of $87,310, $107,510 and $61,050 respectively. The loans bear interest at 10% per annum, are secured by a security interest in the equipment held by the Company and are repayable in February and March 2021.

In connection with the arranging and sourcing of these loans, the Company incurred transaction costs of $32,050.

For the three month period ended December 31, 2020, interest incurred on related party loans was 4,128 (three month period ended December 31, 2019 - $nil). For the six months ended December 31, 2020, interest incurred on the related party loans was $8,249 (six months ended December 31, 2019 - $nil).

(Expressed in Canadian Dollars)

14. Share Capital

a. Authorized Shares

An unlimited number of Class A common shares and 25,393 superior voting, redeemable, retractable Class A special shares.

b. Issued Shares

During the six-month periods ended December 31, 2020 and 2019, the Company issued common shares as follows:

Shares for Services

On August 6, 2019, pursuant to a consulting agreement, the Company issued 100,000 common shares in exchange for consulting services valued at $10,000.

On August 13, 2019, pursuant to consulting agreements, the Company issued 5,000,000 common shares valued at $500,000 and 4,000,000 warrants valued at $314,600 in exchange for assistance in structuring the convertible promissory note (see note 10).

Convertible Debt

On November 23, 2020, 5,000,000 shares were issued at a deemed price of $0.10 per share in satisfaction of a $500,000 convertible loan debt.

Warrants

On December 8, 2020, 187,500 warrants were exercised for shares at a price of $0.20 per share.

c. Warrants

A summary of the Company's warrant activities for the six months period ended December 31, 2020 and year ended June 30, 2020 is presented below:

	Warrants	**Weighted average exercise price**
	#	$
Outstanding, June 30, 2019	**6,000,000**	**0.20**
Granted (i)	4,000,000	0.20
Outstanding, June 30, 2020	**10,000,000**	**0.20**
Exercised	(187,500)	0.20
Outstanding, December 31, 2020	**9,812,500**	**0.20**

(Expressed in Canadian Dollars)

14. Share Capital (Continued)

As at December 31, 2020 the following warrants were outstanding and exercisable:

Date of grant	Number of warrants	Exercise price per share	Expiry date
May 31, 2019	5,000,000	0.20	May 31, 2022
June 10, 2019	812,500	0.20	June 10, 2022
August 13, 2019 (i)	4,000,000	0.20	August 13, 2022

i. On August 13, 2019, the Company issued 4,000,000 warrants to consultants of the Company. Each warrant is exercisable into one common share at a price of $0.20 per share and expires onAugust 13, 2022. The fair value of $314,600 was assigned to the warrants and has been estimatedusing the Black-Scholes model for pricing warrants under the following assumptions: risk free interest rate - 1.31%; dividend yield - 0%; expected stock volatility – 163.5% and an expected lifeof 3 years (see convertible promissory note 10).

d. Stock options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

	Exercise price $	Options #
Balance, June 30, 2019	**-**	**-**
Granted (i)	0.15	325,000
Cancelled	0.15	(200,000)
Balance, June 30, 2020	**0.15**	**125,000**
Granted (ii)	0.15	408,334
Balance, December 31, 2020	**0.14-0.15**	**533,334**

(i) On September 5, 2019, the Company granted 325,000 stock options to employees and consultants of the Company exercisable at $0.15 per common share until September 5, 2022. From the total, 125,000 options vest immediately and 200,000 options vests in thirds on each of the first, second and third anniversary dates. The grant date fair value of $26,228 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.10, expected dividend yield of 0%, expected volatility of 161.5%, risk-free rate of return of 1.38% and an expected maturity of 3 years. For the six months periodended December 31, 2020, $nil (six months period ended December 31, 2019 - $14,571) wasexpensed as share based payments in operations.

(Expressed in Canadian Dollars)

14. Share Capital (Continued)

(ii) On September 16, 2020, the Company granted 333,334 stock options to a consultant of the Company exercisable at $0.15 per common share until September 16, 2023. The options vest immediately. The grant date fair value of $38,942 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.10, expected dividend yield of 0%, expected volatility of 141%, risk-free rate of return of 0.27% and an expected maturity of 3 years. For the six months period ended December 31, 2020, $38,942 (six months period ended December 31, 2019 - $nil) was expensed as share based payment expense in operations.

(iii) On November 16, 2020, the Company granted 75,000 stock options to a consultant for advisory services. The options are exercisable at $0.14 per common share until November 16, 2023. The options vest immediately. The grant date fair value of $5,741 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.14, expected dividend yield of 0%, expected volatility of 93.57%, risk-free rate of return of 0.2% and an expected maturity of 2 years. For the six months period ended December 31, 2020, $5,741 (six months period ended December 31, 2019 - $nil) was expensed as share based payment expense in operations.

The following table reflects the stock options issued and outstanding as of December 31, 2020:

Expiry date	**Exercise price**	**Options**	**Weighted average contractual life (years)**	**Number of options vested (exercisable)**
	$	#		
September 5, 2022	0.15	125,000	1.67	125,000
September 16, 2023	0.15	333,334	2.71	333,334
November 16, 2023	0.14	75,000	2.87	75,000
	0.15	**533,334**	**2.49**	**533,334**

(Expressed in Canadian Dollars)

15. Cost of Sales

For the three & six months ended December 31,	**6 months ended December 31, 2020**	**3 months ended December 31, 2020**
	$	**$**
Purchases	**1,925,904**	1,243,127
Direct labour	**94,241**	43,428
Quality control	**47,497**	10,477
Utilities	**12,554**	12,554
Rental facility & equipment costs	**124,398**	91,089
Change in inventory	**(327,199)**	(142,736)
	1,877,395	1,257,939

16. Other events

On November 24, 2020 the Company executed a definitive business combination agreement with Canada Coal Inc. (TSXV:CCK.H) whereby the Company, subject to certain conditions and applicable shareholder and regulatory approvals, will affect a reverse takeover of Canada Coal Inc. by way of a three-cornered amalgamation with the Company and a wholly-owned subsidiary or Canada Coal Inc. (“Subco”).

17. Subsequent events

On January 14, 2021, there was an amendment to the Company’s standard processing license.

On March 18, 2021, the Company received conditional approval from CSE for its listing application.

The Amalgamation between Subco and the Company was completed on March 26, 2021.

SCHEDULE "D" – MD&A OF THE RESULTING ISSUER

MD&A of the Resulting Issuer for the year ended September 30, 2020 and the three-month period ended December 31, 2020.

February 25, 2021

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended December 31, 2020 and 2019 and the audited consolidated financial statements for the years ended September 30, 2020 and 2019 and related notes included therein. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, “forecast”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Overview

Canada Coal Inc. ("Canada Coal" or the “Company”) was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc.

On November 4, 2011, the Company entered into an agreement with Mercury Capital Limited ("Mercury Capital") in respect to a proposed business combination to be effected by way of an amalgamation of the parties. Under the terms of the agreement, holders of common shares and other securities such as options and warrants of Canada Coal and Mercury Capital, received common shares and other securities of the resulting issuer on a one for one basis. The amalgamation constituted a qualifying transaction for Mercury Capital as defined in Policy 2.4 of the Exchange's Corporate Finance Manual.

The transaction was accounted for as a capital transaction with the original Canada Coal being identified as the acquirer. The resulting financial statements are presented as a continuance of the original Canada Coal.

Canada Coal Inc. was the resulting issuer from the amalgamation and upon completion of the transaction, was considered a Tier I mining issuer. The amalgamation was effective February 23, 2012 and the Company began trading on the TSX Venture Exchange on February 29, 2012.

The Company currently has no producing properties, and consequently no operating income. The Company is dependent on the equity markets to finance all of its activities and it is anticipated that it will continue to rely on this source of funding to meet its ongoing capital requirements.

As a result of the Company’s inability to meet Tier 2 continued listing requirements of the Exchange, the Company applied to move to the Exchange’s subsidiary trading board, NEX, and was granted the change effective December 12, 2018. Effective December 17, 2018 the Company began trading on the NEX board of the TSX Venture Exchange under the symbol CCK.H.

Overall Performance

The Company incurred a net loss of $39,580 for three months ended December 31, 2020 compared with net loss of $73,734 for the same period in the prior year.

In November 2020, the Company entered into a definitive business combination agreement with Ayurcann Inc. ("Ayurcann") which, subject to certain conditions and applicable shareholder and regulatory approvals, will result in a reverse takeover of Canada Coal ("Proposed Transaction").

Ayurcann's is a leading provider of customized post-harvest outsourcing solutions to licensed cannabis producers. Ayurcann concentrates on the post-harvest requirements of licensed cannabis producers and other brands looking to enter the cannabis market. Ayurcann offers end-to-end full outsourcing solutions including extraction, refinement, formulation, packaging, fulfillment and distribution.

It is currently anticipated that the Proposed Transaction will be affected by way of a three-cornered amalgamation. The resulting issuer that will exist upon completion of the Proposed Transaction intends to apply to the Canadian Securities Exchange ("CSE") for approval for listing its common shares on the CSE. The Proposed Transaction is an arm's length transaction.

In connection with the Proposed Transaction, Canada Coal will reconstitute its board of directors and change its name to "Ayurcann Inc." or such other similar name as determined by Ayurcann and acceptable to the relevant regulatory authorities and the Resulting Issuer will carry on the business of Ayurcann under the new name.

Pursuant to the Proposed Transaction, Canada Coal will consolidate all of its common shares on the basis of two (2) CCK Shares for each one (1) CCK post-consolidation share ("CCK Post-Consolidation Share"). Holders of outstanding Class "A" Common Shares in the capital of Ayurcann shall receive a number of CCK Post-Consolidation Shares for each one (1) Ayurcann Share held in accordance with the Exchange Ratio (as defined below). If Ayurcann has received a sale for medical purposes licence from Health Canada prior to closing, then the Exchange Ratio will be equal to 1.4695 CCK Post-Consolidation Shares for each one (1) Ayurcann Share (the "Exchange Ratio"). Ayurcann received their sale for medical purposes licence in January 2021.

In addition to the CCK Post-Consolidation Shares that the holders of Ayurcann Shares are eligible to receive on closing of the Proposed Transaction, CCK will also be required to pay an earn-out to the holders of Ayurcann Shares. If Ayurcann makes certain upgrades to its licensed facility prior to a Sunset Date, then the Resulting Issuer will issue a number of CCK Post-Consolidation Shares equal to $1,000,000 divided by the greater of (i) $0.05 and (ii) the ten (10) day volume weighted average trading price of the CCK Post-Consolidation Shares on the CSE prior to the date of the Earn-Out Trigger.

The Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals, conditional approval for delisting Canada Coal's shares from the TSX Venture Exchange and approval for listing on the CSE, approvals of all regulatory bodies having jurisdiction in connection with the Proposed Transaction, and other closing conditions customary to transactions of the nature of the Proposed Transaction.

Operating Activities

The Company's activities during the three months ended December 31, 2020 have been focussed on carrying out due-diligence on the Proposed Transaction and participating in the review and completion of documents required for the CSE listing application.

Results of Operations

The results of operations reflect the overhead costs incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, operation and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity. As at December 31, 2020, the Company had not recorded any significant revenues.

The Company incurred a net loss of $39,580 for the three months ended December 31, 2020 compared with net loss of $73,734 for the prior year. The most significant changes were in management fees and opportunity investigation costs. Management fees decreased as the former CEO passed away and his role was assumed by Olga Nikitovic in addition to her existing role as CFO. Opportunity investigation costs decreased as the Company signed a Definitive Agreement with Ayurcann. Costs related to the Definitive Agreement have been capitalized as deferred transaction costs until the transaction is complete.

Summary of Quarterly Results

The following table sets out selected quarterly information for the time periods available. Net loss and comprehensive loss are the same for all quarters shown.

Three Months Ended	**December 30, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
	$	$	$	$
Revenue - investment income	413	416	428	3,026
Net Loss	39,580	61,660	45,301	56,247
Net Loss per common share	0.00	0.01	0.00	0.00
Three Months Ended	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
	$	$	$	$
Revenue - investment income	3,966	4,285	4,423	4,262
Net Loss	73,734	57,748	41,791	44,917
Net Loss per common share	0.00	0.01	0.00	0.00

Capital Resources

The Company's cash position at December 31, 2020 was $1,059,353 compared with a cash balance of $1,121,064 at September 30, 2020.

At December 31, 2020 the Company had working capital of $1,070,418 compared to a working capital balance of $1,109,998 at September 30, 2020. For the three months ended December 31, 2020, the Company utilized $61,711 for operating activities.

The Company's cash balance at December 31, 2020 is more than sufficient to fund its general and administrative expenses for the next twelve month period. Annual general and administrative expenses are estimated to be less than $250,000.

There were no material credit facilities in place as at December 31, 2020 and there were no commitments to pay cash or issue shares.

Related Party Transactions

For the three months ended December 31, 2020, the Company entered into the following related party transactions:

a) Incurred management fees of $16,000 (2019: $24,000) to West Oak Capital Partners Inc., a company controlled by R. B. Duncan, Executive Chairman of the Board and CEO. Mr. Duncan passed away on November 12, 2020.

b) Incurred management fees of $15,000 (2019: $15,000) to Olga Nikitovic (CFO). Ms. Nikitovic assumed the role of interim CEO in November 2020.

c) Incurred legal fees of $8,655 (2019: $27,203) from Aird & Berlis LLP. Fees of $8,655 (2019: $Nil) are included in deferred transaction costs and fees of $Nil (2019: $27,203) are included in opportunity investigation costs. Legal fees included in accounts payable and accrued liabilities at December 31, 2020 are $Nil (2019: $10,701). Tom Fenton (Director and Corporate Secretary) is a partner with Aird & Berlis LLP.

The compensation for key management personnel is identified above in (a) and (b). The Company does not pay any health or post-employment benefits.

Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

Critical Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based Payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Changes in Accounting Policies

Adoption of new and amended IFRS pronouncements

The Company did not adopt any new standards in the three months ended December 31, 2020.

Financial Instruments

The Company is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the date of the statement of financial position, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash, receivables and accounts payable and accrued liabilities on the condensed consolidated interim statement of financial position approximate fair market value because of the limited term of these instruments. The Company's cash and cash equivalents classified as FVTPL are carried at fair value. The fair value is determined by reference to observable inputs other than quoted prices in active markets for identical assets.

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

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations when they come due. The Company generates cash flow through its private placements in the equity markets. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to meet its general and administrative expenses for the next twelve months.

Market risk
(a) Interest rate risk
The Company has cash balances therefore, interest rate risk is minimal.

(b) Foreign currency risk
The Company's functional and reporting currency is the Canadian dollar and major expenditures are transacted in Canadian dollars. The Company's exposure to foreign currency is minimal. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at December 31, 2020 would not have a significant impact on the Company’s condensed consolidated interim financial statements.

(c) Equity price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is the potential adverse effect on the Company due to movements in individual equity prices or the stock market in general. The Company closely monitors individual equity movements and the stock market volatility to determine the appropriate course of action to be taken by the Company.

(d) Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company does not expect material movements in the underlying market risk variables over the next three-month period.

Proposed Transactions

The Company signed a Definitive Agreement with Ayurcann which would result in a Reverse Takeover Transaction. The transaction is subject to regulatory and shareholder approval.

Contingencies

The Company does not have any contingencies or commitments other than those disclosed in the notes to the condensed consolidated interim financial statements.

Subsequent Events

There are no material subsequent events other than those described in the subsequent event note to the condensed consolidated interim financial statements.

Management's Responsibility for Financial Statements

The information provided in this report, including the condensed consolidated interim financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the condensed consolidated interim financial statements.

Risks and Uncertainties

The Company's financial condition, results of operation and business are subject to risks. The following are identified as the main risk factors:

Financing
The Company is reliant upon equity financing in order to continue its operations. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional funding in the future, it will be unable to carry out its operations.

Disclosure Controls and Procedures

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of Disclosure controls and procedures ("DC&P") and Internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information.

Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Other MD&A Requirements

As at the date of this MD&A, the Company had 31,724,875 common shares issued and outstanding. Stock options of the Company outstanding at the date of this MD&A were as follows:

Options	Exercise Price $	Expiry Date
1,250,000	0.10	September 22, 2021

CANADA COAL INC.

CORPORATE DATA

February 25, 2021

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Olga Nikitovic	CEO & CFO
Richard Klue	Director
Tom Fenton	Director/Corporate Secretary
Ian Smith	Director

INVESTOR CONTACTS

Olga Nikitovic
(905) 813-8952

CAPITALIZATION

Authorized:	Unlimited
Issued:	31,724,875

November 13, 2020

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements for the years ended September 30, 2020 and 2019 and related notes included therein. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this document constitute “forward-looking statements”. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “propose”, “anticipate”, “believe”, “forecast”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Overview

Canada Coal Inc. ("Canada Coal" or the “Company”) was incorporated on August 26, 2010 under the Business Corporation Act (Ontario) under the name Pacific Coal Corp. On April 12, 2011, the Company changed its name to Canada Coal Inc.

On November 4, 2011, the Company entered into an agreement with Mercury Capital Limited ("Mercury Capital") in respect to a proposed business combination to be effected by way of an amalgamation of the parties. Under the terms of the agreement, holders of common shares and other securities such as options and warrants of Canada Coal and Mercury Capital, received common shares and other securities of the resulting issuer on a one for one basis. The amalgamation constituted a qualifying transaction for Mercury Capital as defined in Policy 2.4 of the Exchange's Corporate Finance Manual.

The transaction was accounted for as a capital transaction with the original Canada Coal being identified as the acquirer. The resulting financial statements are presented as a continuance of the original Canada Coal.

Canada Coal Inc. was the resulting issuer from the amalgamation and upon completion of the transaction, was considered a Tier I mining issuer. The amalgamation was effective February 23, 2012 and the Company began trading on the TSX Venture Exchange on February 29, 2012.

The Company currently has no producing properties, and consequently no operating income. The Company is dependent on the equity markets to finance all of its activities and it is anticipated that it will continue to rely on this source of funding to meet its ongoing capital requirements.

As a result of the Company’s inability to meet Tier 2 continued listing requirements of the Exchange, the Company applied to move to the Exchange’s subsidiary trading board, NEX, and was granted the change effective December 12, 2018. Effective December 17, 2018 the Company began trading on the NEX board of the TSX Venture Exchange under the symbol CCK.H.

Overall Performance

The Company incurred a net loss of $236,942 for year ended September 30, 2020 compared with net loss of $222,817 for the prior year.

On November 15, 2019, the Company entered into an arms-length definitive combination agreement (the "Agreement") with Mijem Inc. ("Mijem") to combine the businesses of the two companies. The Proposed Transaction was structured as a three-cornered amalgamation (“Amalgamation”) between the Company, Mijem and a newly incorporated subsidiary of the Company (“Newco”). Upon completion of the Proposed Transaction, the resulting issuer (the "Resulting Issuer") would carry on the business of Mijem.

Pursuant to the Agreement, immediately prior to the Amalgamation, the Company would have completed a share consolidation on the basis of two (2) pre-consolidation common shares for every one (1) post-consolidation common share (“Share Consolidation”). As a condition for the completion of the Combination, a private placement was to be completed prior to January 31, 2020 for aggregate proceeds of between $1,850,000 and $3,000,000.

Pursuant to the terms of the Agreement, the Company would have sought delisting from the NEX board of the TSX Venture Exchange and applied for listing of the Resulting Issuer's common shares on the Canadian Securities Exchange (the "CSE"), with such listing to be effective concurrent with the completion of the Proposed Transaction. The Proposed Transaction was subject to customary conditions for a transaction of this nature, which included the receipt of shareholder approval of both the Company and Mijem, the TSXV and CSE and any other regulatory approvals.

As of February 17, 2020, the efforts to raise the required private placement minimum of $1,850,000 were unsuccessful and the Proposed Transaction was terminated.

The Company is continuing to search for opportunities which will enhance shareholder value.

Operating Activities

As discussed above, the Company’s activities during the year ended September 30, 2020 were focussed on the Proposed Transaction with Mijem until mid-February 2020 and then subsequently the search for new opportunities.

Selected Annual Information

Financial Information

	2020	2019	2018
	$	$	$
Revenue (interest income)	7,836	17,140	11,976
Loss before other items for the year	244,778	239,957	284,749
Loss before other items per common share, basic and diluted	0.01	0.01	0.01
Net loss for the year	236,942	222,817	272,773
Net loss per common share, basic and diluted	0.01	0.01	0.01
Weighted average number of common shares outstanding, basic and diluted	31,724,875	31,724,875	28,574,190
Statement of financial position			
Working capital	1,109,998	1,346,940	1,569,757
Total assets	1,128,271	1,365,623	1,607,366
Long-term debt	Nil	Nil	Nil

Results of Operations

The results of operations reflect the overhead costs incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, operation and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity. As at September 30, 2020, the Company had not recorded any significant revenues.

The Company incurred a net loss of $236,942 for the year ended September 30, 2020 compared with net loss of $222,817 for the prior year. The significant changes relate to transfer agent and filing fees, opportunity investigation costs and investment income. Transfer agent and filing fees increased by $9,723 primarily as a result of the AGM meeting and the associated printing and distribution costs of the Information Circular. There was no AGM in 2019. Opportunity investigation costs, which include Proposed Transaction costs, decreased by $10,401 as payments to external parties related to proposed transactions or review of new business opportunities decreased. This cost category includes legal fees. Investment income decreased by $9,304 as interest earned on short term money market investments decreased.

Summary of Quarterly Results

The following table sets out selected quarterly information for the time periods available. Net loss and comprehensive loss are the same for all quarters shown.

Three Months Ended	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**
	$	$	$	$
Revenue - investment income	416	428	3,026	3,966
Net Loss	61,660	45,301	56,247	73,734
Net Loss per common share	0.01	0.00	0.00	0.00
Three Months Ended	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**
	$	$	$	$
Revenue - investment income	4,285	4,423	4,262	4,170
Net Loss	57,748	41,791	44,917	78,361
Net Loss per common share	0.01	0.00	0.00	0.00

The Company incurred a net loss for the three months ended September 30, 2020 of $61,660 compared with a loss of $57,748 in the same period in the prior year. The variance is predominantly explained by the decrease in interest income by $3,869.

Capital Resources

The Company's cash position at September 30, 2020 was $1,121,064 compared with a cash balance of $1,357,011 at September 30, 2019.

At September 30, 2020 the Company had working capital of $1,109,998 compared to a working capital balance of $1,346,940 at September 30, 2019. For the year ended September 30, 2020, the Company utilized $235,947 for operating activities.

The Company's cash balance at September 30, 2020 is more than sufficient to fund its general and administrative expenses for the next twelve month period. Annual general and administrative expenses are estimated to be less than $250,000.

There were no material credit facilities in place as at September 30, 2020 and there were no commitments to pay cash or issue shares.

Related Party Transactions

For the year ended September 30, 2020, the Company entered into the following related party transactions:

a) Incurred management fees of $96,000 (2019: $96,000) to West Oak Capital Partners Inc., a company controlled by R. B. Duncan, Executive Chairman of the Board and CEO.

b) Incurred management fees of $60,000 (2019: $60,000) to Olga Nikitovic (CFO).

c) Incurred legal fees of $32,014 (2019: $37,062) from Aird & Berlis LLP. Fees of $2,307 (2019: $2,626) are included in professional fees and fees of $29,707 (2019: $34,436) are included in opportunity investigation costs. Legal fees included in accounts payable and accrued liabilities at Septmeber 30, 2020 are $Nil (2019: $447). Tom Fenton (Director and Corporate Secretary) is a partner with Aird & Berlis LLP.

The compensation for key management personnel is identified above in (a) and (b). The Company does not pay any health or post-employment benefits.

Off Balance Sheet Arrangements

The Company is not a party to any off balance sheet arrangements or transactions.

Critical Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based Payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Changes in Accounting Policies

Adoption of new and amended IFRS pronouncements

The Company has adopted the following new standards, along with any consequential amendments, effective October 1, 2019. These changes were made in accordance with the applicable transitional provisions. The adoption of these standards did not have a material impact on the Company's financial statements.

IFRS 16, Leases: In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Financial Instruments

The Company is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the date of the statement of financial position, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash, receivables and accounts payable and accrued liabilities on the consolidated statement of financial position approximate fair market value because of the limited term of these instruments. The Company's cash and cash equivalents classified as FVTPL are carried at fair value. The fair value is determined by reference to observable inputs other than quoted prices in active markets for identical assets.

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

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to receivables. The receivables primarily relate to sales tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations when they come due. The Company generates cash flow through its private placements in the equity markets. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to meet its general and administrative expenses for the next twelve months.

Financial Instruments (Continued)

Market risk
(a) Interest rate risk
The Company has cash balances therefore, interest rate risk is minimal.

(b) Foreign currency risk
The Company's functional and reporting currency is the Canadian dollar and major expenditures are transacted in Canadian dollars. The Company's exposure to foreign currency is minimal. Management does not hedge its foreign exchange risk. A 1% change in foreign exchange rates between the Canadian and US dollar at September 30, 2020 would not have a significant impact on the Company's consolidated financial statements.

(c) Equity price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is the potential adverse effect on the Company due to movements in individual equity prices or the stock market in general. The Company closely monitors individual equity movements and the stock market volatility to determine the appropriate course of action to be taken by the Company.

(d) Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company does not expect material movements in the underlying market risk variables over the next twelve-month period.

Proposed Transactions

The Company continues to review and assess possible transactions.

Contingencies

The Company does not have any contingencies or commitments other than those disclosed in the notes to the consolidated financial statements.

Subsequent Events

There are no material subsequent events other than those described in the subsequent event note to the consolidated financial statements.

Management's Responsibility for Financial Statements

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the consolidated financial statements.

Risks and Uncertainties

The Company's financial condition, results of operation and business are subject to risks. The following are identified as the main risk factors:

Financing
The Company is reliant upon equity financing in order to continue its operations. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional funding in the future, it will be unable to carry out its operations.

Disclosure Controls and Procedures

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of Disclosure controls and procedures (“DC&P”) and Internal controls over financial reporting (“ICFR”), as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS. The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information.

Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Other MD&A Requirements

As at the date of this MD&A, the Company had 31,724,875 common shares issued and outstanding.
Stock options of the Company outstanding at the date of this MD&A were as follows:

Options	Exercise Price $	Expiry Date
1,250,000	0.10	September 22, 2021
1,250,000		

Warrants of the Company outstanding at the date of this MD&A were as follows:

Warrants	Exercise Price $	Expiry Date
5,000,000	0.20	January 23, 2021

CANADA COAL INC.

CORPORATE DATA

November 13, 2020

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Fax: (416) 496-0125

DIRECTORS AND OFFICERS

Olga Nikitovic	Interim CEO & CFO
Richard Klue	Director
Tom Fenton	Director/Corporate Secretary
Ian Smith	Director

INVESTOR CONTACTS

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(905) 813-8952

CAPITALIZATION

Authorized:	Unlimited
Issued:	31,724,875

SCHEDULE "E" – MD&A OF AYURCANN

MD&A of Ayurcann for the year ended June 30, 2020 and the three and six-month periods ended December 30, 2020.

Ayurcann Inc. operating as XTRX Solutions

Management's Discussion and Analysis

For the six months ended December 31, 2020 and 2019

GENERAL

This management's discussion and analysis (this "MD&A") is dated March 12, 2021. The following is a discussion of the financial condition and operations of Ayurcann Inc. operating as XTRX Solutions (the "Company") for the six months ended December 31, 2020 and of the Company`s financial condition, cash flows and results of operations.

This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Company's annual management's discussion and analysis, audited annual financial statements for the years ended June 30, 2020 and 2019, together with the notes thereto, and unaudited condensed interim financial statements for the six months ended December 31, 2020, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited interim condensed financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of March 12, 2021, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Management is responsible for the preparation and integrity of the condensed interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Board follows recommended corporate governance guidelines to ensure transparency and accountability to shareholders.

Additional information relating to the Company can be found on its website at www.xtrx.ca.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking information" as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budgeted", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A

or as of the date specified in such statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect. Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements.

The Company intends to pursue a public listing on a Canadian Securities Exchange ("CSE") to have greater access to public capital, which will assist in the expansion of the business. This course of action may require additional capital. There is no guarantee that the Company will be successful in finding a corporate transaction, or if such transaction is found, that the transaction can be successfully completed. There is no guarantee that, should additional funds be required, such funds would be available to the Company or that if such funds were available the terms would not be onerous.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary note. Accordingly, readers should not place undue reliance on forward looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

DESCRIPTION OF BUSINESS

The Company concentrates on the post-harvest requirements of licensed cannabis producers and other brands looking to enter the cannabis market. The Company offers end-to-end full outsourcing solutions including extraction and refinement, bulk distillate oil sales, formulation and white label manufacturing and fulfillment and distribution. The Company offers the experience, expertise and network to assist clients within Canada.

The Company is strategically collaborating with leading brands and companies in a variety of industries: cosmetics, vapes, tinctures etc., to enable exponential growth and exposure with a wide array of cannabis-infused product categories, as legislation permits. The Company offers:

- experienced hands-on experts in post-harvest cannabis production;
- flexible production processes to address unique needs;
- a research lab for developing and testing proprietary formulations;
- access to an extensive library of terpenes;
- a 10,300 square foot dedicated processing facility located in Pickering, Ontario; and
- the capacity to process up to 200,000 kilograms of dry cannabis annually.

Current licensed producers have focused and become experts at the cultivation of cannabis. The Company's strategy of specializing in outsourcing extraction technology post-harvest bridges the gap between cultivation and retail, freeing its partners' resources to focus on genetics, cultivation and harvesting operations.

The Company was incorporated under the *Canada Business Corporations Act* ("CBCA") on June 22, 2018. The Company's head office and registered office is 1080 Brock Road, Pickering, Ontario L1W 3H3.

The founders of the Company have the multi-disciplinary experience developed in a number of sectors to develop and scale the business.

SUMMARY OF KEY EVENTS AND FUTURE PLANS

In November 2018, the Company entered into the first of two leases at the Pickering Facility and began a build out of the facility in accordance with applicable cannabis regulations and to good production practice standards in accordance with the Health Canada regulation.

On April 30, 2019, the Company entered into a contractor agreement with Weed Me Inc., a company incorporated under the CBCA and located in Pickering, Ontario, securing the Company's first client for extraction toll.

On August 12, 2019, the Company announced that its initial, 4500 sq. foot build out had been completed, that the evidence package had been submitted to Health Canada, that its initial customer had signed a letter of intent to do business with the Company and that key employees hires were made.

On August 23, 2019, the Company was issued a cannabis research and development license by Health Canada. This license allowed the Company to conduct extensive investigatory work in both THC and CBD delivery, using proprietary, optimized formulations and techniques.

In January 2020, the Company received its standard processing license. Under Health Canada's new *Cannabis Act* regulations, the standard processing license is required for any facility that is processing more than the equivalent of 600 kilograms of dried flowers per year. This license meant that, in addition to the Company's research & development license, it was now able to extract, manufacture, synthesize and test next-generation cannabis products.

The Company intends to complete a transaction, which will allow the Company to continue to expand its operations. See "*Proposed Transaction*" below. The Company also has the following projects, which it is currently developing and which will require additional funds to complete. The Company has started generating revenues from the following initiatives:

Extraction and Refinement

The Company offers customers extraction and refinement services that include bulk extraction, winterization services and fractional distillation, providing customers with the ability to choose from various levels of processing for their harvest. Once extracted, customers can choose to either: (i) have their substances returned for in-house processing, formulation, packaging and distribution or (ii) have the Company provide post-harvest production and co-packing services.

Production Development

The Company offers customers product development services, including the ability to licence the Company's formulas, and assists customers in navigating the cannabis market to determine the best use of their biomass.

<u>Topicals</u>

The Company offers customers customizable and plug and play formulations and white label solutions.
The Company has developed 12 topical products, ranging from serums and creams to balms, for the health and beauty industry, which are formulated to be infused with CBD, THC or a combination of both.

<u>Vapes</u>

The Company offers a wide variety of standard and disposable cartridge solutions, ranging from 300 millilitre – 1,000 millilitre. The Company can produce up to 12,000 units per day.

<u>Tinctures</u>

The Company offers combined CBD and THC tinctures, THC fee tinctures, CBD free tinctures, and a wide variety of medium chain triglycerid carrier oils for customization for dilution.

Formulation and Packaging

The Company offers advanced refinement and formulation, research and development (cooperating with customers as independent contracts), customized packaging solutions and full inventory management services.

Fulfillment and Distribution

With the ability to fulfill various size orders including business-to-business bulk sales, medicinal and retail store sales processes, the Company offers customized fulfillment services, secured logistic solutions and inventory management.

(Expressed in Canadian dollars)

SELECTED ANNUAL INFORMATION

Year ended June 30	2020	2019
Revenue	$ 611,829	$ 4,180
Cost of goods sold	240,429	-
Gross margin	371,400	4,180
Operating expenses	429,621	1,061,351
Finance costs	546,339	-
Net income (loss)	(604,560)	(1,057,171)
Loss per common share, basic and fully diluted	(0.01)	(0.04)
Weighted average shares outstanding	53,676,700	28,450,000
As at June 30		
Cash	22,444	495,736
Working capital	127,845	456,402
Total assets	1,526,153	804,151
Current liabilities	538,236	93,437
Total long-term liabilities	322,950	-
Shareholders' equity (deficiency)	$ 664,967	$ 710,714

The Company presently does not pay and does not anticipate paying any dividends on its common shares, as all available funds will be used to develop the Company's business for the foreseeable future. See "*Discussion of Operations*" below for a discussion of factors, which have contributed to period-to-period variations.

DISCUSSION OF OPERATIONS

Three months ended December 31, 2020 compared to three months ended December 31, 2019

The Company reported a loss of $215,123 ($0.004 per common share) for the three months ended December 31, 2020, slightly greater than the $42,099 ($0.001 per common share) loss reported in the three months ended December 31, 2019. While sales and the gross margin improved in the December 2020 quarter, the Company reported increased operating expense as its business ramped up.

Revenues

	Three months ended December 31		Variance from 2020 to 2019
	2020	2019	
Trade sales	$ 1,282,907	$ -	$ 1,282,907
Processing fees	277,166	-	277,166
Total	$ 1,560,073	$ -	$ 1,560,073

Revenues for the three-month period ended December 31, 2020 increased by $1,560,073 compared to the three-month period ended December 31, 2019. The increase in revenues can be attributed primarily to new customers acquired since the facility opened in August 2019.

(Expressed in Canadian dollars)

Revenues and cost of sales

	Three months ended December 31		Variance from 2020 to 2019
	2020	2019	
Revenues	$ 1,560,073	$ -	$ 1,560,073
Cost of sales	1,257,941	-	(1,257,941)
Gross margin	$ 302,132	$	$ 304,332

The Company's revenues increased as discussed above. The cost of sales increase and the gross margin increase both resulted from the increased sales volume in the 2020 quarter.

Non-cash and one-time expenses

	Three months ended December 31		Variance from 2020 to 2019
	2020	2019	
ROU Amortization	$ -	$ -	$ -
Amortization	3,016	-	3,016
Share-based payments	5,741	-	5,741
Other income	-	-	-
Total	$8,757	$ -	$ 8,757

ROU amortization is a portion of cost of sales representing $20,406 in the 2020 quarter and amortization expense in the 2020 quarter was $3,016 respectively compared to $nil and $nil in 2019. The majority of these costs were classified as cost of goods sold in 2020. Share-based payment expense was increased against 2019 as there were stock option grants in November 2020 to a consultant for advisory services.

Operating, General and Administrative ("G&A") Expenses

	Three months ended December 31		Variance from 2020 to 2019
	2020	2019	
Salaries and wages	$ 132,143	$ 2,428	$ (129,705)
Office and general	106,395	1,748	(104,647)
Professional fees	38,798	4,724	(34,074)
Business development	7,173	17,511	10,338
Consulting fees	42,600	12,061	(30,539)
Travel	4,497	3,617	(880)
Total	$ 331,606	$ 42,099	$ (289,507)

During the three months ended December 31, 2020, G&A expenses increased by $289,507 to $310,309 from $42,099 during the December 2019 period. The increase in G&A expenses is primarily due to the ramp up in operations.

(Expressed in Canadian dollars)

Finance Costs

	Three months ended December 31 2020	2019	Variance from 2020 to 2019
Finance costs	$ 125,836	$ -	$ (125,836)
Legal Settlement	100,000		(100,000)
Other income	(48,944)	-	48,944
Total	$ 176,892	$ -	$ (176,892)

Interest and financing costs for the three-month period ended December 31, 2020 increased by $176,892 from the three months ended December 31, 2019. The increase is due to a settlement agreement in which the company incurred legal costs, as well as the financing costs for a $500,000 convertible promissory note issued on January 10, 2020. The promissory note was converted to equity in November 2020, which will result in reduced interest expense going forward. Other income in 2020 resulted from the settlement of the convertible debt and an adjustment for the subsidy related to the Canada Emergency Commercial Rent Assistance (CECRA) program in the form of rent forgiveness.

Six months ended December 31, 2020 compared to six months ended December 31, 2019

The Company reported a loss of $429,472 ($0.008 per common share) for the six months ended December 31, 2020, slightly greater than the $291,931 ($0.005 per common share) loss reported in the six months ended December 31, 2019. While sales and the gross margin improved in the December 2020 period, the Company reported increased operating expense as its business ramped up.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the previous eight quarters.

Three Months Ended	Assets ($)	Liabilities ($)	Net Loss and Comprehensive Loss ($)	Net Loss and Comprehensive Loss Per Share ($)	Weighted Average Shares Outstanding
December 31, 2020	2,632,123	1,897,899	(218,123)	(0.004)	54,871,138
September 30, 2020	1,700,081	1,210,521	(214,349)	(0.004)	52,571,001
June 30, 2020	1,526,153	861,186	(94,632)	(0.002)	53,676,001
March 31, 2020	660,981	800,598	(217,997)	(0.004)	52,033,747
December 31, 2019	686,980	108,600	(42,099)	(0.000)	56,294,615
September 30, 2019	676,230	199,898	(249,832)	(0.005)	53,778,478
June 30, 2019	804,151	93,437	(991,136)	(0.021)	47,557,253
March 31, 2019	269,360	70,411	(22,045)	(0.000)	45,480,330

The Company's losses are generally consistent on a quarterly basis with the exception of the fourth quarter of 2019 (June 2019), which is significantly greater due to joint venture costs and executive fees.

LIQUIDITY

As at December 31, 2020, the Company had working capital of $88,835. The working capital decreased from $127,845 as at June 30, 2020.

In November 2020, the convertible promissory note was converted to common shares, improving the working capital by $304,834.

The Company can experience significant fluctuations in liquidity due to the timing of sales, operating expenses, and fluctuations of inventory throughout the fiscal year. The Company has long term liabilities related to leases and a government loan. The Company holds $539,149 in inventory as at December 31, 2020, which puts constraints on its working capital other than regular operating expenses.

CAPITAL RESOURCES

The Company expects to acquire capital resources to expand operations through the completion of the Proposed Transactions as described below. Additional sources of financing and share issues are as follows:

On September 6, 2018, the Company issued 8,750,000 common shares for gross proceeds of $70,000.

On December 10, 2018, and pursuant to a non-brokered private placement, the Company issued 3,150,000 common shares at a price of $0.10 per common share for gross proceeds of $315,000.

On May 31, 2019, and pursuant to a non-brokered private placement, the Company issued 5,300,000 common shares at a price of $0.10 per common share for gross proceeds of $530,000.

On January 10, 2020, the Company issued a $500,000 convertible promissory note (the "Note") to ExpoWorld Ltd. The Note matures on January 10, 2021 and bears interest at the rate of 8% per annum, payable quarterly. The Note carries a conversion feature at the option of the holder, into common shares of the Company at a conversion price of $0.10 per common share. The Note is secured by a general security interest in all present and future assets of the Company.

On March 30, 2020, and pursuant to a non-brokered private placement, the Company issued 1,061,001 common shares at a price of $0.15 per common share for gross proceeds of $159,150.

On November 23, 2020, the Note was converted to 5,000,000 shares.

On December 8, 2020, 187,500 warrants were exercised for cash proceeds of $37,500.

OFF-BALANCE SHEET AND OTHER ARRANGEMENTS

At December 31, 2020, there were no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with International Accounting Standards 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company defines key management personnel as its President, Chief Executive Officer and Directors. Key management compensation for six-month period ended December 31, 2020 comprises salary and short-term benefits of $115,385 (six months ended December 31, 2019 - $nil) and share based payments of $nil (three months ended December 31, 2019 - $nil).

As at December 31, 2020 and June 30, 2020, there are related party loan balances payable to the President, Chief Executive Officer and a corporation controlled by the CEO of $87,310, $107,510 and $61,050 respectively. The loans bear interest at 10% per annum, are secured by a security interest in the equipment held by the Company and are repayable in February and March 2021.

In connection with the arranging and sourcing of these loans, the Company incurred transaction costs of $32,050.

For the six months ended December 31, 2020, interest incurred on related party loans was $8,249 (six months ended December 31, 2019 - $nil).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties. The amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

PROPOSED TRANSACTION

On November 24, 2020, Canada Coal Inc. ("Canada Coal") entered into a business combination agreement with the Company (the "Combination Agreement"). Under the terms of the Combination Agreement, a "three-cornered amalgamation" is to be completed under the provisions of the CBCA, whereby 12487772 Canada Inc., a wholly-owned subsidiary of Canada Coal, will amalgamate with the Company and continue as one amalgamated corporation ("Amalco"), as a wholly-owned subsidiary of Canada Coal (the "Transaction").

Pursuant to the Transaction, Canada Coal will consolidate all of its common shares (the "CCK Shares") on the basis of two (2) CCK Shares for each one (1) Canada Coal post-consolidation share ("CCK Post-Consolidation Share"). Holders of outstanding common shares in the capital of the Company shall receive a number of CCK Post-Consolidation Shares for each one (1) common share held in accordance with the Exchange Ratio (as defined below) and the Company's common shares will be cancelled. If the Company receives a sale for medical purposes licence from Health Canada (the "First Earn-Out Trigger") prior to closing, then the Exchange Ratio will be equal to 1.4695 CCK Post-Consolidation Shares for each one (1) common share, and if the First Earn-Out Trigger has not been met, then the Exchange Ratio will be 1.2858 CCK Post-Consolidation Shares for each one (1) common share (the "Exchange Ratio"). As the sale for medical purposes licence has been received, the exchange ratio will be equal to 1.4695 CCK Post-Consolidation Shares for each one (1) common share.

In addition to the CCK Post-Consolidation Shares that the holders of common shares are eligible to receive on closing of the Transaction, Canada Coal will also be required to pay an earn-out to the holders of the Company's common shares if certain events occur within a five year period following the closing date (the "Sunset Date"). If the First-Earn Out Trigger occurs after the closing date but before the Sunset Date, then the resulting issuer will issue a number of CCK Post-Consolidation Shares equal to $2,000,000 divided by the greater of (i) $0.05 and (ii) the ten (10) day volume weighted average trading price of the CCK Post-Consolidation Shares on the CSE prior to the date of the First Earn-Out Trigger. If the Company makes certain upgrades to its licensed facility (the "Second Earn-Out Trigger") prior to the Sunset Date, then the resulting issuer will issue a number of CCK Post-Consolidation Shares equal to $1,000,000 divided by the greater of (i) $0.05 and (ii) the ten (10) day volume weighted average trading price of the CCK Post-Consolidation Shares on the CSE prior to the date of the Second Earn-Out Trigger.

As a result of the share exchange between Canada Coal and the Company described above, the former shareholders of the Company will acquire control of Canada Coal. Accordingly, the acquisition is accounted for as a reverse takeover of Canada Coal, Canada Coal does not constitute a business as defined under IFRS 3 Business Combination. The business combination is accounted for under IFRS 2 Share-Based Compensation. As the Company is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the financial statements at their historical carrying value.

The Company intends to leverage the qualifying transaction in order to attract more capital, which will in turn be used to increase the Company's working capital in the short-to-medium term.

FINANCIAL INSTRUMENT RISKS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, convertible debt, due to related parties and long-term debt. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company considers credit risk on its cash to be minimal.

The Company's accounts receivable consists of Goods and Services Tax due from the Federal

Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at December 31, 2020 is $900,030 (June 30, 2020 - $350,365), representing trade and other receivables.

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required.

When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at December 31, 2020, the Company did not have any material overdue accounts.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accounts payable and accrued liabilities are due within the current operating period. The Company's accounts payable and accrued liabilities and convertible debt as due within the next operating period, except that convertible debt may be converted to common shares at the option of the holders prior to the maturity date. The Company manages its liquidity risk through its operating budgets and financing activities.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans and convertible debentures. The Company's interest rates on these loans are fixed and the sensitivity of the Company's loss before tax to a reasonably possible change in market interest rates is considered minimal.

Other Market Risk

Other market risk that the Company is exposed to includes currency risk. Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company is not exposed to significant currency risk as the parent entity and subsidiaries primarily transact in their functional currencies.

BUSINESS RISK FACTORS

The Company is exposed to a number of "Risk Factors", which are summarized below:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- uncertainty about the Company's ability to continue as a going concern;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- there are factors, which may prevent the Company from the realization of growth targets;
- the Company is currently in the expansion from early development stage;

(Expressed in Canadian dollars)

- the Company may face significant competition from other market participants;
- the Company may be subject to additional regulatory burden resulting from its public listing on the CSE;
- there is no assurance that the Company will turn a profit;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may fail to successfully market and develop its brand.
- failure to Innovate;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- intellectual Property Infringement;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively as a business-to-business cannabis post-harvest processing centre and distributor of products;
- there is no assurance that the Company will secure strategic partnerships jurisdictions in which the Company considers important;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- no guarantee on the use of available funds by the Company;
- risks Related to the Company's securities;
- the Company does not anticipate paying dividends to common shareholders in the foreseeable future; and
- future sales of common shares by existing shareholders could reduce the market price of the common shares.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this MDA, December 31, 2020, and June 30, 2020, the Company's issued and outstanding common shares, warrants and options were:

	March 12, 2021	December 31, 2020	June 30, 2020
Common shares	57,758,501	57,758,501	52,571,001
Warrants	9,812,500	9,812,500	10,000,000
Convertible debt - $500,000 convertible to common shares at $0.10 per common share	-	-	5,000,000
Stock options	533,334	533,334	125,000
Fully diluted	68,104,335	68,104,335	67,696,001

In November 2020, the Company issued 75,000 stock options at a strike price of $0.14 per option and a term of two years to a consultant for advisory work.

SUBSEQUENT EVENTS

On January 14, 2021, there was an amendment to the Company's standard processing license.

On March 18, 2021, the Company received conditional approval from CSE for its listing application.

The Amalgamation between Subco and the Company was completed on March 26, 2021.

Ayurcann Inc. operating as XTRX Solutions

Management's Discussion and Analysis

For the year ended June 30, 2020 and 2019

GENERAL

This management's discussion and analysis (this "MD&A") is dated February 4, 2021. The following is a discussion of the financial condition and operations of Ayurcann Inc. operating as XTRX Solutions (the "Company") for the year ended June 30, 2020 and of the Company`s financial condition, cash flows and results of operations.

This MD&A was written to comply with National Instrument 51-102 – *Continuous Disclosure Obligations*. Results are reported in Canadian Dollars, unless otherwise noted. The results presented for the year ended June 30, 2020, are not necessarily indicative of the results that may be expected for any future period.

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended June 30, 2020. Information about the Company is available at www.xtrx.ca.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Management is responsible for the preparation and integrity of the condensed financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Board follows recommended corporate governance guidelines to ensure transparency and accountability to shareholders.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking information" as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budgeted", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statements.

Forward-looking statements are based upon certain assumptions and other important factors regarding present and future business strategies and the environment in which the Company will operate in the future, which could prove to be significantly incorrect. Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the

Company to be materially different from those expressed or implied by such forward-looking statements.

The Company intends to pursue a public listing on a Canadian Securities Exchange ("CSE") to have greater access to public capital, which will assist in the expansion of the business. This course of action may require additional capital. There is no guarantee that the Company will be successful in finding a corporate transaction, or if such transaction is found, that the transaction can be successfully completed. There is no guarantee that, should additional funds be required, such funds would be available to the Company or that if such funds were available the terms would not be onerous.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary note. Accordingly, readers should not place undue reliance on forward looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

DESCRIPTION OF BUSINESS

The Company concentrates on the post-harvest requirements of licensed cannabis producers and other brands looking to enter the cannabis market. The Company offers end-to-end full outsourcing solutions including extraction and refinement, bulk distillate oil sales, formulation and white label manufacturing and fulfillment and distribution. The Company offers the experience, expertise and network to assist clients within Canada.

The Company is strategically collaborating with leading brands and companies in a variety of industries: cosmetics, vapes, tinctures etc., to enable exponential growth and exposure with a wide array of cannabis-infused product categories, as legislation permits. The Company offers:

- experienced hands-on experts in post-harvest cannabis production;
- flexible production processes to address unique needs;
- a research lab for developing and testing proprietary formulations;
- access to an extensive library of terpenes;
- a 10,300 square foot dedicated processing facility located in Pickering, Ontario; and
- the capacity to process up to 200,000 kilograms of dry cannabis annually.

Current licensed producers have focused and become experts at the cultivation of cannabis. The Company's strategy of specializing in outsourcing extraction technology post-harvest bridges the gap between cultivation and retail, freeing its partners' resources to focus on genetics, cultivation and harvesting operations.

The Company was incorporated under the *Canada Business Corporations Act* ("CBCA") on

June 22, 2018. The Company's head office and registered office is 1080 Brock Road, Pickering, Ontario L1W 3H3.

The founders of the Company have the multi-disciplinary experience developed in a number of sectors to develop and scale the business.

SUMMARY OF KEY EVENTS AND FUTURE PLANS

In November 2018, the Company entered into the first of two leases at its facility located in Pickering, Ontario and began a build out of the facility in accordance with applicable cannabis regulations and to good production practice standards in accordance with the Health Canada regulation.

On April 30, 2019, the Company entered into a contractor agreement with Weed Me Inc., a company incorporated under the CBCA and located in Pickering, Ontario, securing the Company's first client for extraction toll.

On August 12, 2019, the Company announced that its initial, 4500 sq. foot build out had been completed, that the evidence package had been submitted to Health Canada, that its initial customer had signed a letter of intent to do business with the Company and that key employees hires were made.

On August 23, 2019, the Company was issued a cannabis research and development license by Health Canada. This license allowed the Company to conduct extensive investigatory work in both THC and CBD delivery, using proprietary, optimized formulations and techniques.

In January 2020, the Company received its standard processing license. Under Health Canada's new *Cannabis Act* regulations, the standard processing license is required for any facility that is processing more than the equivalent of 600 kilograms of dried flowers per year. This license meant that, in addition to the Company's research & development license, it was now able to extract, manufacture, synthesize and test next-generation cannabis products.

The Company intends to complete a transaction, which will allow the Company to continue to expand its operations. See "*Proposed Transaction*" below. The Company also has the following projects, which it is currently developing and which will require additional funds to complete. The Company has started generating revenues from the following initiatives:

Extraction and Refinement

The Company offers customers extraction and refinement services that include bulk extraction, winterization services and fractional distillation, providing customers with the ability to choose from various levels of processing for their harvest. Once extracted, customers can choose to either: (i) have their substances returned for in-house processing, formulation, packaging and distribution or (ii) have the Company provide post-harvest production and co-packing services.

Production Development

The Company offers customers product development services, including the ability to licence the Company's formulas, and assists customers in navigating the cannabis market to determine the best use of their biomass.

<u>Topicals</u>

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DISCUSSION OF OPERATIONS

The year ended June 30, 2020 compared to the year ended June 30, 2019

The Company reported a loss of $604,560 ($0.01 per common share) for the year ended June 30, 2020, lower than the $1,057,171 ($0.04 per common share) loss reported in the year ended June 30, 2019. The 2019 year was the first full year of operation and results are more indicative of a startup than of ongoing operations. Sales had not commenced in 2019 ($4,180 for the full year). Also, the Company had significant first-year, one-time costs in 2019 for executive fees ($493,000), joint ventures ($377,000), and occupancy $73,424). In the 2020 year, the Company reported gross margin from increased sales, while salaries, office and consulting fees increased to ongoing levels, as its business ramped up.

Revenues

	Year ended June 30		Variance from
	2020	2019	2020 to 2019
Trade sales – cannabis distillate	$ 63,054	$ -	$ 63,054
Processing fees	548,775	4,180	544,595
Total	$ 611,829	$ 4,180	$ 607,649

(Expressed in Canadian dollars)

Revenues for the year ended June 30, 2020 increased by $607,649 compared to the year ended June 30, 2019. The increase in revenues can be attributed primarily to new customers acquired. Since the facility opened in August 2019, the 2020 sales are expected to increase in 2021 with a full year of facility availability and increased utilization.

Revenues and cost of sales

	Year ended June 30		Variance from 2020 to 2019
	2020	2019	
Revenues	$ 611,829	$ 4,180	$ 607,649
Cost of sales	240,429	-	(240,429)
Gross margin	$ 371,400	$ 4,180	$ 367,220

The Company's revenues increased as discussed above. The cost of sales increase and the gross margin increase both resulted from the increased sales volume in the 2020 quarter.

Non-cash and one-time expenses

	Year ended June 30		Variance from 2020 to 2019
	2020	2019	
Amortization	$ 7,782	$ 28,257	$ (20,475)
Share-based payments	14,571	-	14,571
Total	$22,353	$ 28,257	$ (5,904)

Amortization expense in the 2020 year was reduced to $7,782 compared to $28,257 in 2019. The majority of these costs were classified as cost of goods sold in 2020 ($93,706) as sales and production ramped up. Share based payment expense was increased against 2019 as there were stock option grants in September 2019.

Operating, General and Administrative ("G&A") Expenses

	Three months ended September 30		Variance from 2020 to 2019
	2020	2019	
Office and general	$ 121,553	$ 8,146	$ 113,407
Salaries and wages	88,977	5,955	83,022
Consulting fees	73,357	26,379	46,978
Professional fees	46,569	20,022	26,547
Business development	35,613	32,277	3,336
Research cost	30,888	-	30,888
Travel	10,311	3,425	6,886
Executive fees	-	493,000	(493,000)
Joint venture costs	-	377,900	(377,900)
Occupancy	-	73,424	(73,424)
Insurance	-	6,477	(6,477)
Utilities	-	3,679	(3,679)
Debt forgiveness	-	(17,590)	17,590

(Expressed in Canadian dollars)

Total	$ 407,268	$ 1,033,094	$(625,826)

During the year ended June 30, 2020, G&A expenses decreased by $625,826 to $407,268 from $1,033,094 during the year ended June 30, 2019. The decrease in G&A expenses is primarily due to some first-year expenses, partly offset by increased ongoing expenses like office, salaries, and consulting, as operations ramped up in the second year of operations. A significant amount of the 2019 expense for services like executive fees and joint venture expenses were satisfied via the issuance of warrants and the expense was base on the Black Scholes value of consideration issued.

Finance Costs

	Three months ended September 30		Variance from 2020 to 2019
	2020	2019	
Total	$ 546,399	$ -	$ (546,339)

The Company did not have interest and financing costs for the year ended June 30, 2019. In the year ended June 30, 2020, $520,000 of the financing costs was non-cash accretion of the financing costs for a $500,000 convertible promissory note issued on January 10, 2020 and warrants issued as payment for placement costs.

SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the previous eight quarters.

Three Months Ended	Assets ($)	Liabilities ($)	Net Loss and Comprehensive Loss ($)	Net Loss and Comprehensive Loss Per Share ($)	Weighted Average Shares Outstanding
September 30, 2020	1,700,081	1,210,521	(214,349)	(0.004)	52,571,001
June 30, 2020	1,526,153	861,186	(94,632)	(0.002)	53,676,001
March 31, 2020	660,981	800,598	(217,997)	(0.004)	52,033,747
December 31, 2019	686,980	108,600	(42,099)	(0.000)	56,294,615
September 30, 2019	676,230	199,898	(249,832)	(0.005)	53,778,478
June 30, 2019	804,151	93,437	(991,136)	(0.021)	47,557,253
March 31, 2019	269,360	70,411	(22,045)	(0.000)	45,480,330
December 31, 2018	292,228	71,234	(12,348)	(0.000)	25,766,264

The Company's losses are generally consistent on a quarterly basis with the exception of the June 30, 2019 quarter, which is significantly greater due to joint venture costs and executive fees. These costs were mostly non-cash in nature.

CASH FLOW

As at June 30, 2020, the Company held cash of $22,444 as compared to $495,736 at June 30, 2019.

Net cash of $245,239 was provided from a combination of private placements, advances from related parties, lease activity and debt in the year ended June 30, 2020. The Company invested $401,154 in leasehold improvements and equipment additions in the 2020 year. Operations used $317,377 of cash in the 2020 year as assets like inventory and receivables were established on the balance sheet and operating costs were paid. As the Company is in the startup stage, it is not yet cash flow positive.

LIQUIDITY

As at June 30, 2020, the Company had working capital deficit of $127,845. The working capital decreased from $456,402 as at June 30, 2019.

Subsequent to June 30, 2020, the convertible promissory note was converted to common shares, improving the working capital by $304,834.

The Company can experience significant fluctuations in liquidity due to the timing of sales, operating expenses, and fluctuations of inventory throughout the fiscal year.

The Company has long term liabilities related to leases and a government loan, and at June 30, 2020, to convertible debt. The Company holds $281,949 in inventory as at June 30, 2020, which puts constraints on its working capital other than regular operating expenses.

CAPITAL RESOURCES

The Company expects to acquire capital resources to expand operations through the completion of the Proposed Transactions as described below. Additional sources of financing and share issues are as follows:

On September 6, 2018, the Company issued 8,750,000 common shares for gross proceeds of $70,000.

On December 10, 2018, and pursuant to a non-brokered private placement, the Company issued 3,150,000 common shares at a price of $0.10 per common share for gross proceeds of $315,000.

On May 31, 2019, and pursuant to a non-brokered private placement, the Company issued 5,300,000 common shares at a price of $0.10 per common share for gross proceeds of $530,000.

On March 30, 2020, and pursuant to a non-brokered private placement, the Company issued 1,061,001 common shares at a price of $0.15 per common share for gross proceeds of $159,150.

On January 10, 2020, the Company issued a $500,000 convertible promissory note (the "Note") to ExpoWorld Ltd. The Note matures on January 10, 2021 and bears interest at the rate of 8% per annum, payable quarterly. The Note carries a conversion feature at the option of the holder, into common shares of the Company at a conversion price of $0.10 per common share. The Note is secured by a general security interest in all present and future assets of the Company.

CAPITAL MANAGEMENT

The Company considers its capital to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support identifying suitable assets or businesses to acquire or merge with, with a view to maximizing shareholder value. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently is dependent on external financing to fund its activities. In order to carry out future activities and pay on-going administrative costs, the Company will raise additional amounts as needed. The Company will continue to assess new business opportunities if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management in the year ended June 30, 2020.

OFF-BALANCE SHEET AND OTHER ARRANGEMENTS

At June 30 30, 2020, there were no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with International Accounting Standards 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company defines key management personnel as its President, Chief Executive Officer and Directors. Key management compensation for year ended June 30, 2020 comprises executive fees of $nil (2019 - $325,000) and share based payments of $nil (2019 - $nil).

During the year ended June 30, 2020 the Company incurred executive fees of $nil (2019 - $84,000) which were paid to a corporation controlled by its President and COO.

During the year ended June 30, 2020 the Company incurred executive fees of $nil (2019 - $84,000) which were paid to a corporation controlled by its CEO.

As at June 30, 2020, there are related party loan balances payable to the President, CEO and a corporation controlled by the CEO of $57,300, $57,500 and $58,456 respectively. The loans bear interest at 10% per annum, are secured by a security interest in the equipment held by the Company and are repayable in February and March 2021. In connection with the arranging and sourcing of these loans, the Company incurred transaction costs of $32,050.

For the year ended June 30, 2020, interest incurred on related party loans was $5,042 (2019 - $nil).
These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties. The amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

PROPOSED TRANSACTION

On November 24, 2020, Canada Coal Inc. ("Canada Coal") entered into a business combination agreement with the Company (the "Combination Agreement"). Under the terms of the Combination Agreement, a "three-cornered amalgamation" is to be completed under the provisions of the CBCA, whereby 12487772 Canada Inc., a wholly-owned subsidiary of Canada Coal, will amalgamate with the Company and continue as one amalgamated corporation ("Amalco"), as a wholly-owned subsidiary of Canada Coal (the "Transaction").

Pursuant to the Transaction, Canada Coal will consolidate all of its common shares (the "CCK Shares") on the basis of two (2) CCK Shares for each one (1) Canada Coal post-consolidation share ("CCK Post-Consolidation Share"). Holders of outstanding common shares in the capital of the Company shall receive 1.4695 CCK Post-Consolidation Shares for each (1) common share held and the Company's common shares will be cancelled.

In addition to the CCK Post-Consolidation Shares that the holders of common shares are eligible to receive on closing of the Transaction, Canada Coal will also be required to pay an earn-out to the holders of the Company's common shares if the Company makes certain upgrades to its licensed facility (the "Earn-Out Trigger") within a five year period following the closing date (the "Sunset Date").If the Earn-Out Trigger occurs prior to the Sunset Date, then the resulting issuer will issue a number of CCK Post-Consolidation Shares equal to $1,000,000 divided by the greater of (i) $0.05 and (ii) the ten (10) day volume weighted average trading price of the CCK Post-Consolidation Shares on the CSE prior to the date of the Earn-Out Trigger.

As a result of the share exchange between Canada Coal and the Company described above, the former shareholders of the Company will acquire control of Canada Coal. Accordingly, the acquisition is accounted for as a reverse takeover of Canada Coal, Canada Coal does not constitute a business as defined under IFRS 3 Business Combination. The business combination is accounted for under IFRS 2 Share-Based Compensation. As the Company is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the financial statements at their historical carrying value.

The Company intends to leverage the qualifying transaction in order to attract more capital, which will in turn be used to increase the Company's working capital in the short-to-medium term.

FINANCIAL INSTRUMENT RISKS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, convertible debt, due to related parties and long-term debt. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company considers credit risk on its cash to be minimal.

The Company's accounts receivable consists of Goods and Services Tax due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at June 30, 2020 is $350,365 (June 30, 2019 - $4,723), representing trade and other receivables.

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required.

When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at June 30, 2020, the Company's $350,365 of trade accounts receivable included $189,363 which were current and $161,002 which were 31 to 60 days overdue. This aging is within expectations for collections and no impairment was recorded against any portion of the accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Accounts payable and accrued liabilities are due within the current operating period. The Company's accounts payable and accrued liabilities and convertible debt as due within the next operating period, except that convertible debt may be converted to common shares at the option of the holders prior to the maturity date. The Company manages its liquidity risk through its operating budgets and financing activities.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans and convertible debentures. The Company's interest rates on these loans are fixed and the sensitivity of the Company's loss before tax to a reasonably possible change in market interest rates is considered minimal.

Other Market Risk

Other market risk that the Company is exposed to includes currency risk. Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company is not exposed to significant currency risk as the parent entity and subsidiaries primarily transact in their functional currencies.

BUSINESS RISK FACTORS

The Company is exposed to a number of "Risk Factors", which are summarized below:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- uncertainty about the Company's ability to continue as a going concern;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- there are factors, which may prevent the Company from the realization of growth targets;
- the Company is currently in the expansion from early development stage;
- the Company may face significant competition from other market participants;
- the Company may be subject to additional regulatory burden resulting from its public listing on the CSE;
- there is no assurance that the Company will turn a profit;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may fail to successfully market and develop its brand.
- failure to Innovate;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- intellectual Property Infringement;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively as a business-to-business cannabis post-harvest processing centre and distributor of products;
- there is no assurance that the Company will secure strategic partnerships jurisdictions in which the Company considers important;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- no guarantee on the use of available funds by the Company;
- risks Related to the Company's securities;
- the Company does not anticipate paying dividends to common shareholders in the foreseeable future; and
- future sales of common shares by existing shareholders could reduce the market price of the common shares.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this MDA, June 30, 2020, and June 30, 2019, the Company's issued and outstanding common shares, warrants and options were:

(Expressed in Canadian dollars)

	January xx, 2021	June 30, 2020	June 30, 2019
Common shares	57,758,501	52,571,001	51,110,000
Warrants	9,812,500	10,000,000	6,000,000
Convertible debt - $500,000 convertible to common shares at $0.10 per common share	-	5,000,000	-
Stock options	458,334	458,334	-
Fully diluted	68,029,335	68,029,335	57,110,000

Subsequent to June 30, 2020, the Company issued 5,000,000 common shares on conversion of the convertible debenture and 187,500 common shares on the exercise of warrants.

SUBSEQUENT EVENTS

On January 14, 2021, there was an amendment to the Company's standard processing license.

On March 18, 2021, the Company received conditional approval from CSE for its listing application.

The Amalgamation between Subco and the Company was completed on March 26, 2021.